

COMMONWEALTH OF PENNSYLVANIA



DARRYL A. LAWRENCE
Consumer Advocate

OFFICE OF CONSUMER ADVOCATE
555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
(800) 684-6560

 @pa_oca
 /pennoca
FAX (717) 783-7152
consumer@paoca.org
www.oca.pa.gov

October 21, 2025

Via Electronic Filing

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission
v.
Columbia Gas of Pennsylvania, Inc.
Docket No. R-2025-3053499

Dear Secretary Homsher:

Attached for electronic filing please find the Office of Consumer Advocate's Reply Exceptions in the above-referenced proceeding.

Copies have been served on the parties as indicated on the enclosed Certificate of Service.

Respectively,

/s/ Jacob D. Guthrie
Jacob D. Guthrie
Assistant Consumer Advocate
PA Attorney I.D. # 334367
jguthrie@paoca.org

Enclosures

cc: The Honorable Jeffrey A. Watson (Email Only: jeffwatson@pa.gov)
The Honorable Chad Allensworth (Email Only: callenswor@pa.gov)
Office of Special Assistants (Via Email: ra-OSA@pa.gov)
Certificate of Service

CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2025-3053499
 :
 Columbia Gas of Pennsylvania, Inc. :

I hereby certify that I have this day filed electronically on the Commission’s electronic filing system and served a true copy of the following document, the Office of Consumer Advocate’s Reply Exceptions, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below.

Dated this 21st day of October 2025.

(*) Can receive CONFIDENTIAL information

SERVICE BY E-MAIL ONLY

Steven C. Gray, Esq. *
Rebecca Lyttle, Esq. *
Office of Small Business Advocate
555 Walnut Street
1st Floor, Forum Place
Harrisburg, PA 17101-1923
sgray@pa.gov
relyttle@pa.gov
Counsel for OSBA

Scott B. Granger, Esq. *
Adam J. Williams, Esq. *
Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
400 North Street, 2nd Floor
Harrisburg, PA 17120
sgranger@pa.gov
adawilliam@pa.gov
Counsel for I&E

Michael W. Hassell, Esq. *
Megan E. Rulli, Esq. *
Anthony D. Kanagy, Esq. *
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101
mhassell@postschell.com
mrulli@postschell.com
akanagy@postschell.com
Counsel for Columbia

Elizabeth R. Marx, Esq.
John W. Sweet, Esq. *
Ria M. Pereira, Esq. *
Lauren N. Berman, Esq. *
118 Locust Street
Harrisburg, PA 17101
pulp@pautilitylawporject.org
Counsel for CAUSE-PA

Whitney E. Snyder, Esq. *
Thomas J. Sniscak, Esq.
Erich W. Struble, Esq. *
501 Corporate Circle, Suite 302
Harrisburg, PA 17110
wesnyder@hmslegal.com
tjsniscak@hmslegal.com
ewstruble@hmslegal.com
Counsel for PSU

James L. Crist *
Lumen Group, Inc.
4226 Yarmouth Drive, Suite 101
Allison Park, PA 15101
JLCrist@aol.com
Consultant for PSU

Emily Farah, Esq. *
NiSource Corporate Services Co.
121 Champion Way, Suite 100
Canonsburg, PA 15317
efarah@nisource.com
Counsel for Columbia

Candis A. Tunilo, Esq. *
NiSource Corporate Services Co.
800 N. Third St., Suite 204
Harrisburg, PA 17102
ctunilo@nisource.com
Counsel for Columbia

Joseph L. Vullo, Esq.*
1460 Wyoming Avenue
Forty Fort, PA 18704
jlvullo@bvrrlaw.com
*Counsel for Pennsylvania Weatherization
Providers Task Force*

Mark Ewen
Industrial Economics, Incorporated
2067 Massachusetts Avenue
Cambridge, MA 02140
mewen@indecon.com
Witness for OSBA

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: 717-783-5048
Fax: 717-783-7152

Dated: October 21, 2025

Counsel for:
Darryl A. Lawrence
Consumer Advocate

/s/ Jacob D. Guthrie

Jacob D. Guthrie
Assistant Consumer Advocate
PA Attorney I.D. # 334367
jguthrie@paoca.org

Christy M. Appleby
Senior Assistant Consumer Advocate
PA Attorney I.D. # 85824
CAppleby@paoca.org

Harrison W. Breitman
Assistant Consumer Advocate
PA Attorney I.D. # 320580
HBreitman@paoca.org

OCAColumbiaGas2025@paoca.org

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
v. : Docket No. R-2025-3053499
Columbia Gas of Pennsylvania, Inc. :

REPLY EXCEPTIONS
OF THE
OFFICE OF CONSUMER ADVOCATE

Christy M. Appleby
Senior Assistant Consumer Advocate
PA Attorney I.D. # 85824
CAppleby@paoca.org

Harrison W. Breitman
Assistant Consumer Advocate
PA Attorney I.D. # 320580
HBreitman@paoca.org

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: 717-783-5048
Fax: 717-783-7152

Jacob Guthrie
Assistant Consumer Advocate
PA Attorney I.D. # 334367
JGuthrie@paoca.org

Counsel for:
Darryl A. Lawrence
Consumer Advocate

Dated: October 21, 2025

TABLE OF CONTENTS

I.	INTRODUCTION AND OVERVIEW	1
II.	REVENUE REQUIREMENT	1
	Reply to Columbia Exception No. 1: The ALJs’ determination that Columbia failed to meet its burden of proof for its general rate increase request is supported by substantial evidence and an appropriate exercise of discretion. RD at 112-18; Columbia Exc. at 3-8; OCA M.B. at 36-43; OCA R.B. at 12-13.....	1
	Reply to Columbia Exception No. 5: Columbia’s assertion that the RD recommended a \$74.2 million increase is misleading. RD at 209-210; Columbia Exc. at 12; OCA M.B. at 105-106; OCA R.B. at 71-75.	7
	Reply to Columbia Exception No. 6: The RD properly denies Columbia’s proposal to charge ratepayers Columbia’s Chamber of Commerce membership expenses. RD at 226-227; Columbia Exc. at 12-14; OCA M.B. at 105-106; OCA R.B. at 64-67.	8
	Reply to Columbia Exception No. 9: A 10.51% ROE is excessive for Columbia. Columbia Exc. at 15-17; RD at 350-351; OCA M.B. at 123-171; OCA R.B. at 85-108.....	9
III.	CUSTOMER SERVICE.....	11
	Reply to Columbia Exception No. 14: There is no error in the RD in requiring messaging to shopping customers without supplier notice. RD at 622-626; Columbia Exc. at 26-28; OCA M.B. at 283-285; OCA R.B. at 151-155.....	11
	Reply to Columbia Exception No. 16: The RD does not err by requiring Columbia to conduct a comprehensive analysis of payment arrangement policies. Columbia Exc. at 29-31; RD at 608-610; OCA M.B. at 278-272; OCA R.B. at 147-151.....	13
	Reply to Columbia Exception No. 17: The RD does not err by requiring that Columbia conduct a comprehensive analysis of payment arrangement policies. RD at 647-648; Columbia Exc. at 29-31; OCA M.B. at 337-342; OCA R.B. at 175-179.....	15
IV.	REVENUE ALLOCATION AND RATE DESIGN.....	16
	Reply to PSU Exception No. 1: The ALJs’ approval of the Company’s Peak & Average allocated cost of service study is consistent with the evidence presented and recent Commission precedent. RD at 393-94, 401-02; PSU Exc. at 3-11; OCA M.B. at 174-79; OCA R.B. at 108-10.....	16
	Reply to PSU Exception No. 2 and Columbia Exception No. 10: If a rate increase is approved, Columbia’s proposed revenue allocation should be modified in accordance with the OCA’s recommendation. RD 394-96, 401-02; PSU Exc. at 11-12; Columbia Exc. at 17-18; OCA Exc. at 33-37; OCA M.B. at 179-89; OCA R.B. at 111-13.	17

Reply to Columbia Exception No. 11: The ALJs’ denial of Columbia’s proposed residential customer charge increase is supported by evidence and in accordance with Commission precedent. RD at 397-401, 402; Columbia Exc. at 18-22; OCA M.B. at 189-204; OCA R.B. at 113-19.....	18
Reply to Columbia Exception No. 13: The ALJs’ denial of the Company’s proposed Rate EDDS is consistent with the evidence presented. RD 646-47; Columbia Exc. at 16; OCA M.B. at 336-37; OCA R.B. at 174-75.	20
V. ALTERNATIVE RATEMAKING	20
Reply to Columbia Exception No. 12: The ALJs’ denial of the Company’s proposed permanent Weather Normalization Adjustment (WNA) is consistent with the evidence presented and recent Commission precedent. RD at 489-97; Columbia Exc. at 22-26; OCA M.B. at 205-42; OCA R.B. at 119-33.....	20
VI. LOW-INCOME PROGRAMS	22
Reply to Columbia Exception No. 7: The OCA does not challenge the recovery of EAT costs in base rates, only through the Rider USP. RD at 232-234; Columbia Exc. at 14-15; OCA M.B. at 317-321; OCA R.B. at 163-166.....	22
Reply to Columbia Exception No. 15: The ALJs’ approval of the OCA’s recommendation to improve the identification of low-income customers should be affirmed. RD at 549-550; Columbia Exc. at 28-29; OCA M.B. at 305-315; OCA R.B. at 159-161.	23
Reply to Columbia Exception No. 20: The RD’s Proposed Ordering Paragraphs Should Not Be Modified. Ordering Paragraphs 11, 34-38, 41; Columbia Exc. at 39-40...	24
VII. ENERGY EFFICIENCY AND CONSERVATION PROGRAM.....	25
Reply to Columbia Exception No. 19: If the Commission approves the proposed Energy Efficiency and Conservation Plan, the OCA’s proposed modifications should be approved. RD at 608-610; Columbia Exc. at 34-39; OCA M.B. at 322-335; OCA R.B. at 166-174.....	25
VIII. CONCLUSION.....	25

TABLE OF AUTHORITIES

	Page(s)
Cases	
<i>Bluefield Water Works and Improvement Co. v. Public Serv. Comm'n of W.Va.</i> , 262 U.S. 679 (1923)	3, 11
<i>Federal Power Comm'n v. Hope Natural Gas Co.</i> , 320 U.S. 591 (1944)	3, 11
<i>HIKO Energy, LLC v. Pa. PUC</i> , 209 A.3d 246 (Pa. 2019)	2
<i>Lloyd v. Pa. PUC</i> , 904 A.2d 1010 (Pa. Cmwlth. 2006)	19
<i>Pa. Elec. Co. v. Pa. PUC</i> , 502 A.2d 130 (Pa. 1985)	21
<i>Pittsburgh v. Pa. PUC</i> , 126 A.2d 777 (Pa. Super. 1956)	3
<i>Popowsky v. Pa. PUC</i> , 665 A.2d 808 (Pa. 1995)	2
<i>Popowsky v. Pa. PUC</i> , 683 A.2d 958 (Pa. Cmwlth. 1996)	2
<i>Wintermyer v. Pa. Workers' Comp. Appeal Bd.</i> , 812 A.2d 478 (Pa. 2002)	18
Administrative Decisions	
<i>Guidelines for Eligible Customer Lists</i> , Docket No. M-2010-2183412 (Order entered March 13, 2025)	16
<i>Pa. PUC et. al v. Twin Lakes Utilities, Inc.</i> , Docket No. R-2019-3010958 (Order entered March 26, 2020)	3
<i>Pa. PUC v. Aqua Pa., Inc.</i> , Docket No. R-00038805, 2004 Pa. PUC LEXIS 39 (Order entered July 23, 2004)	18

<i>Pa. PUC v. Columbia Gas of Pa.,</i> Docket No. R-2020-3018835 (Order entered Feb. 19, 2021).....	2, 17, 19
<i>Pa. PUC v. Columbia Gas of Pa.,</i> Docket No. R-2022-3032167, 2023 PA. PUC LEXIS 173 (Order entered June 15, 2023)	9
<i>Pa. PUC v. Nat’l Fuel Gas Dist. Corp.,</i> 84 PaPUC 134 (1995)	9
<i>Pa. PUC v. PPL Electric Utilities Corp.,</i> Docket No. R-2012-2290597 (Order entered Dec. 28, 2012)	5, 6, 18
<i>Pa. PUC v. Pa.-American Water Co.,</i> 79 PaPUC 25 (1993)	9
<i>Pa. PUC v. Pa.-American Water Co.,</i> Docket No. R-00038304, 2003 Pa. PUC LEXIS 498 (Order entered Nov. 26, 2003)	9
<i>Pa. PUC v. PECO Energy Company – Gas Division,</i> Docket No. R-2024-3046932 (Order entered Dec. 12, 2024)	22
<i>Pa. PUC v. Philadelphia Gas Works,</i> 2007 Pa. PUC Lexis 45 (2007)	7
<i>Pa. PUC v. Roaring Creek Water Co.,</i> 1994 Pa. PUC Lexis 41 (1994)	7
<i>Pa. PUC v. Roaring Creek Water Co.,</i> 73 Pa. PUC 373 (1990)	4
<i>Pa. PUC v. UGI Utilities, Inc. - Electric Division,</i> 82 Pa. P.U.C. 488 (1994)	7
Statutes	
71 P.S. § 309-5	11
66 Pa. C.S. § 315(a).....	3, 18
66 Pa. C.S. § 1301	3, 18
Regulations	
52 Pa. Code § 66.3902(a)	21

52 Pa. Code § 62.78(a) 16

I. INTRODUCTION AND OVERVIEW

On October 3, 2025, Administrative Law Judges Jeffrey A. Watson and Chad Allensworth (ALJs) issued their Recommended Decision (RD). The Office of Consumer Advocate (OCA), Columbia Gas of Pennsylvania, Inc. (Columbia or Company) and the Pennsylvania State University (Penn State) filed Exceptions on October 14, 2025. The OCA files these Reply Exceptions, requesting that the Commission deny the Exceptions of Columbia and Penn State for the reasons set forth below.

II. REVENUE REQUIREMENT

Reply to Columbia Exception No. 1: The ALJs' determination that Columbia failed to meet its burden of proof for its general rate increase request is supported by substantial evidence and an appropriate exercise of discretion. RD at 112-18; Columbia Exc. at 3-8; OCA M.B. at 36-43; OCA R.B. at 12-13.

The RD provides:

This proceeding is unique among typical base rate proceedings because several parties advocated that the Commission should deny the increase request on its face, or even decrease the Company's current rate revenue, asserting [Columbia's] failure to consider and appreciate the financial constraints faced by a large number of its customers, such that an increase would result in unjust and unreasonable rates. While ratepayers of [Columbia] struggle to pay for basic life necessities, [Columbia] insists it cannot continue to provide safe and reliable service without a \$110.5 million rate increase obtained from ratepayers, many of whom are facing significant financial struggles and the inability to pay their basic bills.¹

Columbia's first exception to this well-reasoned recommendation of the ALJs² should be denied because the ALJs' determination that Columbia failed to meet its burden of proof to support a general rate increase is supported by substantial evidence and is an

¹ RD at 116.

² Columbia Exc. at 3-8.

appropriate exercise of ratemaking discretion.

Importantly, in *Columbia 2021*, the Commission expressly dismissed the Company's argument that divergence from the "ratemaking formula" is unconstitutional³:

As an initial matter, we must reject the notion articulated by Columbia that there is a prescribed "ratemaking formula" that the Commission must adhere to when determining just and reasonable rates. Rather, the Commission "has broad discretion in determining whether rates are reasonable" and "is vested with discretion to decide what factors it will consider in setting or evaluating a utility's rates."⁴

As the Commission properly concluded, there is no binding ratemaking formula; rather the Commission has broad ratemaking discretion and can make rate determinations that are consistent with applicable law and supported by substantial evidence.⁵ Moreover, contrary to Columbia's assertion⁶, this case is distinguishable from *Columbia 2021*⁷ because here the substantial record evidence demonstrates that a rate *decrease* would permit the Company to recover its expenses and an opportunity to earn a reasonable rate of return.⁸

The ALJs' determination was not *sua sponte*. First, the substantial record evidence

³ While Columbia asserts that the ALJs' primary recommendation somehow affects its constitutional rights, the Company does not meet the pleading standards for a constitutional question by failing to specify which constitutional rights are affected, how they are affected, or cite to applicable caselaw to support its assertions. *Compare* Columbia Exc. at 4-8 with *HIKO Energy, LLC v. Pa. PUC*, 209 A.3d 246, 262 (Pa. 2019).

⁴ *Pa. PUC v. Columbia Gas of Pa.*, Docket No. R-2020-3018835 (Order entered Feb. 19, 2021) (*Columbia 2021*) at 44 (quoting *Popowsky v. Pa. PUC*, 683 A.2d 958, 961 (Pa. Cmwlth. 1996) (*Popowsky 1996*)).

⁵ *Popowsky 1996*, 683 A.2d at 961; *Popowsky v. Pa. PUC*, 665 A.2d 808, 812 (Pa. 1995) (*Popowsky 1995*).

⁶ Columbia Exc. at 4-5.

⁷ No party except Columbia attempted to compare the instant proceeding to *Columbia 2021* with respect to the financial implications of the COVID-19 pandemic. *See* Columbia Exc. at 5. This comparison is not relevant to the instant proceeding and should not be considered.

⁸ *Columbia 2021* at 47-48.

supports a rate decrease and Columbia had, and exercised, its opportunity to present evidence on this issue.⁹ Second, Columbia, by statute, bears the burden of proof to show that a rate increase would result in just and reasonable rates.¹⁰ Whether or not a utility satisfies its burden of proof is not *sua sponte* in a general rate increase request.

The substantial record evidence supports a finding that the resulting return on equity (ROE) for Columbia without a rate increase would provide an opportunity to earn a reasonable return on investment. Columbia avers that the ROE for its operations would be 8.22%, assuming that the Company's claimed capital structure and the ALJs' alternative recommendations for expense adjustments are accepted.¹¹ While the OCA disagrees with both of these assumptions, 8.22% is within the range of credible expert opinions on what constitutes a reasonable ROE in this proceeding.¹² Notably, the Commission's determination of an allowable ROE which satisfies the constitutional standards of *Bluefield* and *Hope* is not bound solely to an expert's cost of capital analysis and can also consider other ratemaking considerations like quality of service and affordability.¹³

⁹ Compare Columbia Exc. at 6-7 (arguing that the ALJs' recommendation to deny the rate increase request was raised *sua sponte*) with Columbia Exc. at 7 (quoting the testimony of its witness as to why a market-based cost of equity determination would be detrimental to the Company).

¹⁰ 66 Pa. C.S. §§ 315(a), 1301; see OCA M.B. at 5-7 (describing the burden of proof in a Section 1308(d) rate increase request proceeding); see also Columbia M.B. at 4 (quoting *Lower Frederick Twp. v. Pa. PUC*, 409 A.2d 505, 507 (Pa. Cmwlth. 1980)).

¹¹ Columbia Exc. at 7. If these assumptions are not accepted, the ROE would be higher.

¹² See OCA St. 2 Exh. DJG-12 (recommending an 8.9% ROE, with a range of results from 7.3% to 8.9% and average indicated cost of equity of 8.1%).

¹³ *Pittsburgh v. Pa. PUC*, 126 A.2d 777, 784-85 (Pa. Super. 1956) (*Pittsburgh 1956*); see *Bluefield Water Works and Improvement Co. v. Public Serv. Comm'n of W.Va.*, 262 U.S. 679, 692-93 (1923) (*Bluefield*); *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944) (*Hope*); see also *Pa. PUC et. al v. Twin Lakes Utilities, Inc.*, Docket

While a rate *decrease* is justified by the substantial record evidence in this case, the ALJs' primary recommendation to not grant an increase would provide ratepayers with a reprieve from the Company's near-annual rate increase requests and the highest natural gas rates in the Commonwealth.¹⁴ Instead of engaging with the Company's unfounded and fallacious argument regarding investor concern¹⁵, the Commission has the opportunity to alleviate ratepayer concerns about affordability and undisciplined spending and rate requests.¹⁶ For these reasons, Columbia Exception No. 1 should be denied and the primary recommendation of ALJs Watson and Allensworth should be adopted.

Columbia argues that the RD improperly disallows 70% of Columbia's cash-based incentive compensation as recommended by the OCA.¹⁷ The financial metrics related to Columbia's incentive compensation are predominantly geared towards achieving Columbia's net operating earnings per share with a 70% weighting, with the remaining 30% geared towards Occupational Health and Safety, Customer Care, Customer Satisfaction and Customer Safety.¹⁸ Regarding Columbia's proposed cash-based incentive compensation, the RD provides as follows:

Although Columbia asserted the entire incentive compensation plan is required to retain and attract employees, OCA established that Company witness Hunter provided no explanation as to why the 70% of the incentive

No. R-2019-3010958 (Order entered March 26, 2020) at 48, 80 (the ALJ did not err in considering evidence relating to the various quality of service and rate affordability issues in the proceeding and factoring in such evidence as part of the ALJ's overall determination on which expert witnesses' cost of equity to adopt for setting just and reasonable rates).

¹⁴ OCA M.B at 36-37 289-304; OCA Exh. MWD-7; OCA St. 5 at 8-46, 112.

¹⁵ Columbia Exc. at 7-8.

¹⁶ *Pa. PUC v. Roaring Creek Water Co.*, 73 Pa. PUC 373, 400 (1990).

¹⁷ Columbia Exc. at 9-10.

¹⁸ OCA M.B. at 94-99, 110-114; OCA R.B. at 52-57, 71-75

compensation expense OCA witness Mugrace recommends disallowing is necessary to provide adequate service to ratepayers.¹⁹

Regarding Columbia's short-term incentive compensation (STI) in particular, the RD provides:

Columbia's allocated share of NSCS expenses included a requested allowance of \$5,029,637 for short-term incentive compensation. Based on Mr. Mugrace's review of the STI compensation plan as discussed above, and to be consistent with the portion of STI compensation directly incurred by Columbia, OCA witness Mugrace recommended that 70% of the allocated portion of NSCS STI expense be disallowed. Mr. Mugrace's recommended adjustment is \$(3,520,746) for a recommended allowance of \$1,508,891.978. Based upon the record evidence in this proceeding, OCA argues and we agree that only 30% of the Company's STI expenses which pertain directly to providing safe, adequate, and reliable services should be permitted.²⁰

Columbia cites to *PPL Electric 2012* as support for its argument that "the Commission has established a bright line test for incentive compensation expense."²¹ Columbia argues that this "bright line test" is as follows: "[i]f the incentive compensation programs of the utility are reasonable, prudently incurred, not excessive in amount, and provide a benefit to ratepayers, then they may be recovered in their entirety."²² However, importantly, in *PPL Electric 2012* the Commission provided in pertinent part:

PPL correctly notes that many of the cases the OCA and I&E rely on are distinguishable from this case because, **in those cases there was not adequate evidence that the incentive compensation expense was reasonable or that there was a benefit to ratepayers.**²³

¹⁹ RD at 204.

²⁰ RD at 205.

²¹ Columbia Exc. at 10 citing *Pa. PUC v. PPL Electric Utilities Corp.*, Docket No. R-2012-2290597, Order at 26 (Dec. 28, 2012) (*PPL Electric 2012*).

²² Columbia Exc. at 10.

²³ *PPL Electric 2012* at 26 (emphasis added) (citations omitted).

In *PPL Electric 2012* the ALJ and Commission determined that substantial record evidence showed that incentive compensation expense benefited ratepayers.²⁴ Here, in contrast, the RD correctly determined that there was not substantial evidence showing that the incentive compensation expense was a benefit to ratepayers or reasonable in rates.²⁵ Columbia failed to provide adequate evidence that its proposed incentive compensation expense was a benefit to ratepayers.²⁶ Columbia did not present substantial evidence proving otherwise. Associating 30% of the Company's incentive compensation with indirect and direct ratepayer benefits does not necessitate the award of 100% of the claimed expense when, as stated by OCA witness Mugrace, "it is clearly the responsibility of the Company to share in the burden of absorbing these costs."²⁷

Columbia additionally argues that the RD improperly disallows 70% of Columbia's stock-based incentive compensation.²⁸ For support, Columbia cites to *Aqua 2022*, which determined as follows:

We find that Aqua has provided evidence linking the stock-based incentive compensation program with benefits to customers and improved operational efficiency. Aqua's witness Mr. Packer explained that with the implementation of the Incentive Compensation Plan in 1990, a portion of an employee's total cash compensation was placed "at risk" pending the achievement of key performance objectives. The employee's progress toward these performance objectives was used to determine the employee's resulting percentage of a target bonus.²⁹

²⁴ *Id.*

²⁵ RD at 202-210.

²⁶ OCA M.B. at 94-99, 110-114; OCA R.B. at 52-57, 71-75.

²⁷ OCA M.B. at 97.

²⁸ Columbia Exc. at 10-12.

²⁹ Columbia Exc. at 11-12 citing at 98-101 (internal citations omitted).

Simply put, Columbia did not meet its burden of proof that the entirety of its stock-based incentive compensation program provides benefits to customers and improved operational efficiency. Unlike *Aqua 2022*, there is no evidence that Columbia’s stock-based incentive compensation plan involves a portion of an employee’s total cash compensation being placed “at risk” pending the achievement of key performance objectives or that the employee’s progress towards those performance objectives was used to determine the employee’s resulting percentage of a target bonus and Columbia makes no averment to the contrary.³⁰

There is ample case law to require shareholders to fund a portion of Columbia’s incentive compensation plan.³¹ The Commission is not required to accept the entirety of Columbia’s incentive compensation plan, and Columbia failed to provide substantial evidence proving otherwise. The RD’s adoption of the OCA’s recommendations regarding incentive compensation is reasonable, supported by substantial evidence, and should be adopted by the Commission.

Reply to Columbia Exception No. 5: Columbia’s assertion that the RD recommended a \$74.2 million increase is misleading. RD at 209-210; Columbia Exc. at 12; OCA M.B. at 105-106; OCA R.B. at 71-75.

In its Exception regarding a duplication of NCSC costs, Columbia states “[w]hen corrected, the RD recommended increase is approximately \$74.2 million.”³² However, this

³⁰ See Columbia Exc. at 10-12.

³¹ *Pa. PUC v. Philadelphia Gas Works*, 2007 Pa. PUC Lexis 45; *Pa. PUC v. UGI Utilities, Inc. - Electric Division*, 82 Pa. P.U.C. 488, 508 (1994); *Pa. PUC v. Roaring Creek Water Co.*, 1994 Pa. PUC Lexis 41 (1994).

³² Columbia Exc. 12.

is a misrepresentation of the RD, in which the ALJs recommended no increase for Columbia as a primary recommendation.³³

Reply to Columbia Exception No. 6: The RD properly denies Columbia’s proposal to charge ratepayers Columbia’s Chamber of Commerce membership expenses. RD at 226-227; Columbia Exc. at 12-14; OCA M.B. at 105-106; OCA R.B. at 64-67.

The RD accurately summarizes the OCA’s position regarding Columbia’s Chamber of Commerce membership fees as follows:

OCA submits, the Code does not permitted recovery of costs of “membership fees, dues or charges to fraternal, social or sports clubs or organizations.” OCA further argues Columbia’s customers see no benefit from the Company’s participation in these organizations, as they are related to civic causes or lobbying, and the Company should not be able to recover the costs of memberships, which reflect its corporate citizenship and should be incurred below-the-line.³⁴

The RD appropriately concludes as follows:

Absent credible evidence that there is any direct benefit to ratepayers, we agree with OCA and conclude Columbia’s claim is substantially outweighed by the arguments presented by OCA witness Mr. Mugrace. We further recommend that Columbia not be permitted the costs of Chamber of Commerce membership, and that the Company’s membership expenses be adjusted by \$(258,217).³⁴

In Exceptions, Columbia repeats its arguments regarding Chamber of Commerce membership expenses.³⁵ Columbia’s statements about potential benefits that might, at some time in the future, be achieved are not adequate evidence to support recovery of membership costs in this proceeding.³⁶ Accordingly, the same rationale the Commission

³³ See RD at 185-186.

³⁴ RD at 227.

³⁵ See OCA R.B. at 64-67; Columbia Exc. at 12-14.

³⁶ See OCA R.B. at 64-67.

has applied to disallow the recovery of lobbying expenses and employee gifts in utility rates should be applied to disallow the cost for Chamber of Commerce memberships.³⁷ The expense is not a necessary and reasonable cost related to the provision of utility service.³⁸ .³⁹ The RD correctly concludes that Columbia’s customers see no benefit from the Company’s participation in these organizations, as they are related to civic causes or lobbying.⁴⁰ As a result, the Company should not be able to recover the costs of memberships which reflect its corporate citizenship and should be incurred below-the-line.⁴¹

Reply to Columbia Exception No. 9: A 10.51% ROE is excessive for Columbia.
Columbia Exc. at 15-17; RD at 350-351; OCA M.B. at 123-171; OCA R.B. at 85-108.

Columbia argues that I&E’s 10.51% ROE should be the minimum ROE adopted by the Commission.⁴² In its Exceptions, Columbia withdrew its request for a management

³⁷ OCA R.B. at 66.

³⁸ *See Pa. PUC v. Nat’l Fuel Gas Dist. Corp.*, 84 PaPUC 134, 196 (1995) (disallowing lobbying expenses because they do not provide direct benefit to ratepayers); *see also Pa. PUC v. Pa.-American Water Co.*, 79 PaPUC 25, 63 (1993) (expenses for employee entertainment and gifts cannot be included in utility’s rates because they are not directly related to the provision of utility service).

³⁹ OCA St. 2SR at 17; OCA R.B. at 66.

⁴⁰ RD at 226-227.

⁴¹ RD at 227; *Cf. Pa. PUC v. Columbia Gas of Pa.*, Docket No. R-2022-3032167, 2023 PA. PUC LEXIS 173 at *27 (Order entered June 15, 2023) (tariff charge determined by the Commission to not be necessary for the provision of service should have been included “below the line,” despite providing service which is desirable for some consumers, and could not be included in rates); *cf. Pa. PUC v. Pa.-American Water Co.*, Docket No. R-00038304, 2003 Pa. PUC LEXIS 498 (Order entered Nov. 26, 2003) at *145 (charitable contributions which the Commission lacks authority to order a public utility to make are properly considered “below the line” for ratemaking purposes, even if such contributions may provide benefits to some ratepayers).

⁴² Columbia Exc. at 15-17.

performance adder, did not except to I&E's barometer group, stated that it does not oppose I&E's dividend yield and Discounted Cash Flow (DCF) growth rate.⁴³ There is no further support in Columbia's Exceptions regarding Columbia's recommended 11.35% ROE.⁴⁴

The RD adopted a 5.72% ROE as follows:

Consideration was given to the proposals of Columbia and OCA as well as the arguments advanced by CAUSE-PA and the Parties in this proceeding. However, based upon the record evidence in this proceeding, the undersigned ALJs agree with the recommendation and rationale advanced by I&E and recommends that the Company should be afforded the opportunity to earn an overall rate of return of 8.10%, comprised of a weighted average of a 2.26% rate of return on long-term debt, a 0.12% rate of return on short-term debt, and a 5.72% rate of return on common equity.⁴⁵

OCA witness Garrett used the long-term growth rate provided by Value Line (analyst expectations model) and a 3.7% growth rate based on the U.S. Gross Domestic Product (GDP) (sustainable growth model) as provided by the U.S. Congressional Budget Office.⁴⁶ The highest DCF result that OCA witness Garrett was able to obtain was 7.5%.⁴⁷

Columbia, by contrast, requested an ROE of 11.35%, including a 0.03% flotation cost adjustment, 0.25% management performance adjustment, and adjustments for leverage and Columbia's alleged small size to its DCF and CAPM model results, respectively.⁴⁸ While Columbia withdrew its management performance adjustment, Columbia does not mention its flotation cost adjustment, and adjustments for leverage and

⁴³ Columbia Exc. at 16-17.

⁴⁴ See Columbia Exc. at 15-17.

⁴⁵ RD at 350-351

⁴⁶ OCA M.B. at 133; OCA St. 3 at 27.

⁴⁷ OCA M.B. at 132.

⁴⁸ OCA R.B. at 91.

allegedly small size to its DCF and CAPM models.⁴⁹

A 10.51% ROE is excessive and should not be adopted by the Commission. The OCA's proposed rate of return is sufficient to ensure Columbia's ability to attract capital and continue investment to provide safe and reliable service while guarding the interests of consumers.⁵⁰ The Commission's obligation in this proceeding is not to attract investment at any cost, especially with an excessive ROE, but instead to reach a rate determination that is consistent with *Bluefield* and *Hope* and "with due consideration to the interests of consumers."⁵¹

III. CUSTOMER SERVICE

Reply to Columbia Exception No. 14: There is no error in the RD in requiring messaging to shopping customers without supplier notice. RD at 622-626; Columbia Exc. at 26-28; OCA M.B. at 283-285; OCA R.B. at 151-155.

The OCA recommended that Columbia (1) take action due to the impact on customer bills who are paying higher prices compared to default service and who will be at risk for potential collection and termination of service from Columbia for inability to pay higher prices; and (2) at a minimum, target educational messages to choice customers to emphasize how to compare Natural Gas Supplier (NGS) charges per therm to the Price to Compare (PTC) and to urge them to compare prices and rates on a monthly basis.⁵² RD

The RD correctly provides as follows:

Columbia's response, fails to address the substance of the issue or propose a solution to alleviate the concern that may have a real detrimental impact on

⁴⁹ Columbia Exc. at 15-17.

⁵⁰ OCA M.B. at 123-171; OCA R.B. at 85-108.

⁵¹ 71 P.S. § 309-5.

⁵² OCA M.B. at 285; OCA R.B. at 154-155.

its customers. Instead, Columbia, in part, responded by indicating it was not required to do more to address the issue raised by OCA and CAUSE-PA. While Columbia may take the position provided in the testimony of Columbia witness Kempic, the standard in addressing such consumer related issues is not whether the Company is doing that which is required by law to address customer issues, where a problem clearly exists and the Company's approach has not resolved the issue. Further, there was no credible evidence presented that the issue raised by OCA and CAUSE-PA did not exist or that their proposed resolution would be unduly costly or burdensome to Columbia or that the proposed remedy would run afoul of any Code provision or Commission Regulation. Furthermore, the argument advanced by the Company that "targeting" only low-income customers that are paying supply rates that are higher than the PTC is unnecessarily discriminatory to those customers, is unsupported by the record.

It is well established that a base rate case is the proper venue for hearing the customer service issues raised in the proceeding. In addition, it is not required that a specific law, order or policy be in effect that specifically requires the relief requested by OCA and CAUSE-PA to be implemented by the Company. Section 1501 of the Code requires the utility to provide safe, adequate and reasonably continuous service.

For all of the reasons set forth above, we recommend that the proposals of OCA and CAUSE-PA be implemented by the Company, consistent with the Ordering paragraphs herein.⁵³

The RD, Ordering Paragraph No. 39 provides as follows:

39. That Columbia shall develop a targeted letter for low-income shopping customers that are enrolled with a supplier at a rate which exceeds the applicable default service price. The letter shall inform these customers of the availability of CAP and other universal service programs, including the benefits of each program and how to enroll. Columbia shall send this letter at least once every six (6) months.⁵⁴

In Exceptions, Columbia argues that the RD erred by requiring Columbia to send educational messages to low income choice customers^{Error! Bookmark not defined.} and argues that

⁵³ RD at 625-626.

⁵⁴ RD at 685.

the RD fails to clearly state how Columbia should implement this recommendation, asserting that there exists a perceived inconsistency between the ALJs' determination and Ordering Paragraph No. 39, which according to Columbia, "creates an unacceptable level of ambiguity for compliance purposes, as it is entirely unclear which customer should be sent communications or the messages' content or submission frequency."⁵⁵

To the contrary, the ALJs' RD did not err or create inconsistency. The OCA's recommendations were clear and supported by its testimony in this proceeding,⁵⁶ and the RD clearly adopted the same follows:

Accordingly, we recommend that the Commission require Columbia to evaluate and report on its payment plans, its policies in this area and identify potential reforms and changes that are likely to ensure a greater success with payment plans. At a minimum, the Commission should require Columbia to target educational messages to the choice customers to emphasize how to compare NGS charges. The Company should be required to initiate this process within six months of a final order in this base rate proceeding.⁵⁷

The RD's adoption of the OCA's recommendations is consistent with applicable law and supported by substantial evidence. Further, no ambiguity exists, and the OCA supports the language in Ordering Paragraph No. 39 that requires Columbia to send this letter once every six months to low-income shopping customers.⁵⁸

Reply to Columbia Exception No. 16: The RD does not err by requiring Columbia to conduct a comprehensive analysis of payment arrangement policies. Columbia Exc. at 29-31; RD at 608-610; OCA M.B. at 278-272; OCA R.B. at 147-151.

At present, Columbia does not evaluate the success or failure of its payment

⁵⁵ Columbia Exc. at 28.

⁵⁶ OCA M.B. at 285; OCA R.B. at 154-155.

⁵⁷ RD at 685.

⁵⁸ RD at 513.

arrangements.⁵⁹ As such, the RD determined as follows:

We agree with OCA's position. While Columbia's current billing and payment policy does not violate the Code, Commission regulation or a Commission order, we cannot ignore even a small uptick in justified payment arrangement requests as this may be a signal of larger problems in the future. The fact that Columbia does not currently undertake any evaluation of the success or failure of its payment arrangements leaves little chance of improvement in this area.

Accordingly, we recommend that the Commission require Columbia to evaluate and report on its payment plans, its policies in this area and identify potential reforms and changes that are likely to ensure a greater success with payment plans. At a minimum, the Commission should require Columbia to target educational messages to the choice customers to emphasize how to compare NGS charges. The Company should be required to initiate this process within six months of a final order in this base rate proceeding.⁶⁰

In Exceptions, Columbia argues that the record evidence does not support this recommendation due to what Columbia perceives as a slight increase in justified payment arrangement requests reported by the Bureau of Consumer Services.⁶¹ While Columbia is correct that it experienced a 0.30% uptick in the percentage of justified payment arrangement requests between 2021 and 2023, the point of the recommended examination is instead whether the payment arrangements and training materials are resulting in success, meaning customers on payment arrangements are able to consistently and timely pay their bills and keep their service connected.⁶²

As such, the RD's adoption of the OCA's recommendation requiring Columbia to

⁵⁹ OCA R.B. at 148.

⁶⁰ RD at 513.

⁶¹ Columbia Exc. at 30.

⁶² OCA R.B. at 149.

evaluate its policies to identify potential reforms and changes that are likely to ensure a greater success with payment plans is reasonable, in the public interest, and should be adopted by the Commission.⁶³

Reply to Columbia Exception No. 17: The RD does not err by requiring that Columbia conduct a comprehensive analysis of payment arrangement policies. RD at 647-648; Columbia Exc. at 29-31; OCA M.B. at 337-342; OCA R.B. at 175-179.

The RD accurately summarizes and adopted the OCA's recommendation regarding Columbia's Eligible Customer List (ECL) as follows:

OCA and CAUSE-PA oppose the tariff on the basis that it uses broad language that allows Columbia to provide ECL data and information to any third party without restraint. The language could be interpreted to allow Columbia to share customer information with parties other than NGS suppliers. The guidelines for Eligible Customer Lists only permit NGDCs to disclose the private customer data and information included on the ECL to licensed Natural Gas Suppliers (NGSs) operating in the NGDC's service territory. As such, CAUSE-PA and OCA ask the Commission to strike reference to third parties and limit ECL access to licensed suppliers in Columbia's service territory. We agree with OCA and CAUSE-PA.

Columbia's current tariff does not limit third party disclosure to NGS operating in Columbia's service territory. This leaves the potential for Columbia to share customer information.⁶⁴

Columbia argues that the RD errs in restricting Columbia's authorized disclosure of Columbia's ECL to licensed suppliers.⁶⁵ The OCA objected to the inclusion of the phrase "third parties" in Section 4.5.4 of the Company's tariff.⁶⁶ The tariff provision provides:

Privacy of Customer Information. The Company may release private Customer information to third parties, such as NGSs participating in the Company's Choice program, only after informing each Customer via bill

⁶³ OCA M.B. at 278-272; OCA R.B. at 147-151.

⁶⁴ RD at 647-648 (internal citations omitted) (emphasis in original).

⁶⁵ Columbia Exc. at 31-33.

⁶⁶ OCA M.B. at 337-342; OCA R.B. at 175-179.

insert or email of its intent to release such information. The Company will notify customers of the option to limit or restrict their private information...⁶⁷

The underlined language is the proposed change.⁶⁸ The existing tariff language referring to “third parties” is beyond the scope of the *ECL Order* and Section 62.78(a) of the Commission’s regulations.⁶⁹ The tariff language would specifically be in conflict with the Commission’s noted concerns relating to maintaining customer privacy of the *ECL Order*.⁷⁰ The ECL was expressly developed in order to facilitate the customer choice program, and not for the provision of customer information to unknown third parties.⁷⁰ The Commission should not allow information from the ECL to be disclosed to unknown third parties.⁷¹ There was no error of law or fact in the RD on this important customer privacy issue and the RD’s adoption of the OCA’s recommendation is reasonable, in the public interest, and should be adopted by the Commission.

IV. REVENUE ALLOCATION AND RATE DESIGN

Reply to PSU Exception No. 1: The ALJs’ approval of the Company’s Peak & Average allocated cost of service study is consistent with the evidence presented and recent Commission precedent. RD at 393-94, 401-02; PSU Exc. at 3-11; OCA M.B. at 174-79; OCA R.B. at 108-10.

PSU excepts to the ALJs’ determination that the Peak & Average (P&A) allocated cost of service (ACOS) study is the appropriate cost of service study methodology to use

⁶⁷ Columbia St. 12-R at Suppl. No. 392 to Tariff Gas- Pa. PUC No. 9, Second Revised Page No. 227a.

⁶⁸ OCA R.B. at 176.

⁶⁹ OCA M.B. at 341; OCA R.B. at 176-178; *Guidelines for Eligible Customer Lists*, Docket No. M-2010-2183412, Order (March 13, 2025) (*ECL Order*).

⁷⁰ OCA R.B. at 178; *ECL Order* at 2.

⁷¹ OCA M.B. at 337-342.

when allocating the cost of mains.⁷² PSU's first exception should be denied because the Commission recently found that annual throughput and peak demand were the two factors which most directly influence how Columbia, incurs cost to serve its customers.⁷³ Further, PSU's assertion that its testimony is unrebutted in this regard simply ignores the OCA's evidence.⁷⁴ Columbia's mains extension policy is based on the addition of revenue (i.e., throughput) to connect customers, not the mere connection of an additional customer, and PSU's estimates of the number of miles of mains assigned to the LDS/LGSS class does not consider the cost of mains, making the estimate unreliable.⁷⁵ In sum, the ALJs correctly determined that PSU's evidence "does not indicate a sufficient basis to move away from the Commission's precedent supporting the P&A methodology in similar circumstances as presented here."⁷⁶ PSU's Exception No. 1 should be denied.

Reply to PSU Exception No. 2 and Columbia Exception No. 10: If a rate increase is approved, Columbia's proposed revenue allocation should be modified in accordance with the OCA's recommendation. RD 394-96, 401-02; PSU Exc. at 11-12; Columbia Exc. at 17-18; OCA Exc. at 33-37; OCA M.B. at 179-89; OCA R.B. at 111-13.

PSU and Columbia, in their respective Exceptions 2 and 10, request that, if the Commission authorizes a rate increase and the Company's P&A ACOS study is adopted, then the rate increase should be allocated consistent with the Company's

⁷² PSU Exc. at 3-11.

⁷³ *Columbia 2021* at 217-18; OCA M.B. at 175-76; OCA St. 4 at 5-7.

⁷⁴ PSU Exc. at 11.

⁷⁵ OCA St. 4R at 8; OCA M.B. at 177; OCA R.B. at 109.

⁷⁶ RD at 393-94.

recommendation.⁷⁷ The OCA's proposed revenue allocation should be adopted, instead.⁷⁸ Therefore, the OCA respectfully requests that its Exception No. 9 be granted and PSU Exception No. 2 and Columbia Exception No. 10 be denied.

Reply to Columbia Exception No. 11: The ALJs' denial of Columbia's proposed residential customer charge increase is supported by evidence and in accordance with Commission precedent. RD at 397-401, 402; Columbia Exc. at 18-22; OCA M.B. at 189-204; OCA R.B. at 113-19.

The Company excepts to the ALJs' determination that the Company failed to meet its burden of proof that increasing the residential customer charge would be just and reasonable.⁷⁹ Costs included in a customer charge are subject to scrutiny case-by-case and includable only if supported by substantial evidence.⁸⁰ Columbia relies on its customer charge study to support its proposed increase from \$17.25 to \$31.97, or 85%.⁸¹ However, Columbia's customer charge study does not meet its burden of proof to support the substantial increase.^{82,83} The ALJs supported their recommendation by appropriately considering gradualism, affordability, and the effect of a customer charge increase on

⁷⁷ PSU Exc. at 11-12; Columbia Exc. at 17-18.

⁷⁸ OCA Exc. at 33-37; OCA M.B. at 179-89; OCA R.B. at 111-13; OCA St. 4 at 8-12; OCA St. 4R at 4; OCA St. 4SR at 7-8.

⁷⁹ Columbia Exc. at 18-22; RD at 397-401, 402; 66 Pa. C.S. §§ 315(a), 1301.

⁸⁰ OCA M.B. at 191-95; OCA R.B. at 114-15; *Pa. PUC v. Aqua Pa., Inc.*, Docket No. R-00038805, 2004 Pa. PUC LEXIS 39 at *98 (Order entered July 23, 2004) (*Aqua 2004*); *Pa. PUC v. PPL Electric Utilities Corporation*, Docket No. R-2012-2290597 (Order entered Dec. 5 2012) (*PPL Electric 2012*) at 131.

⁸¹ Columbia Exc. at 18-22.

⁸² *Wintermyer v. Pa. Workers' Comp. Appeal Bd.*, 812 A.2d 478, 488 (Pa. 2002) (the presentation of uncontradicted, competent evidence is not necessarily sufficient to meet a burden of proof where other conflicts exist in the evidence).

⁸³ RD at 398 ("As stated by the Commission in *Aqua 2004*, customer-related costs beyond meters and service lines may be considered for inclusion in the customer charge on a case-by-case basis, subject to scrutiny.").

conservation, consistent with recent Commission decisions.⁸⁴ Columbia argues that considering gradualism for the customer charge is inconsistent with Commission precedent. However, Columbia’s assertion that “total bill impact” may only be considered for the purposes of gradualism is inconsistent with the unbundled nature of natural gas distribution and supply service in Pennsylvania.⁸⁵ Rate shock can result from such a significant increase to the residential customer charge, as explained by the ALJs:

Drastically changing the portion of a customer’s bill occupied by the residential customer charge, negatively affects customers’ ability to respond to the proposed rate increase by adjusting their usage or budgeting, especially during the summer months when customers have low to no usage.⁸⁶

Columbia’s argument that an increased customer charge provides rate stability benefits for customers is inapposite.⁸⁷ As stated by the ALJs, “we agree with CAUSE-PA that a bill that is stable but unaffordable is meaningless for low-income customers.”⁸⁸ The proposed customer charge increase represents an additional \$177 *yearly* that Columbia’s low-income customers already struggling to afford their bills will be forced to pay without the opportunity to avoid the rate increase, regardless of bill stability.⁸⁹ Further, Columbia did not address the public input hearing testimony in this case which demonstrates that its customers find price signals from increased customer charges to reduce incentives to

⁸⁴ RD at 399-401; *Columbia 2021* at 46-47 (citing 66 Pa. C.S. §§ 523, 526(a)) (citing also *Lloyd v. Pa. PUC*, 904 A.2d 1010, 1020 (Pa. Cmwlth. 2006) and *Pa. PUC v. Twin Lakes Util., Inc.*, Docket No. R-2019-3010958 (Order Mar. 26, 2020) at 48, 80).

⁸⁵ *Lloyd*, 904 A. 2d at 1021.

⁸⁶ RD at 399.

⁸⁷ Columbia M.B. at 20-21.

⁸⁸ RD at 400 (citing CAUSE-PA St. 2 at 41).

⁸⁹ OCA M.B. at 199; OCA St. 5 at 87.

conserve due to the significant portion of customers' bills occupied by distribution charges as compared to commodity costs.⁹⁰

For these reasons, Columbia's Exception No. 11 should be denied.

Reply to Columbia Exception No. 13: The ALJs' denial of the Company's proposed Rate EDDS is consistent with the evidence presented. RD 646-47; Columbia Exc. at 16; OCA M.B. at 336-37; OCA R.B. at 174-75.

Columbia excepts to the ALJs' determination because it would prefer to implement a large load tariff immediately without awaiting the Commission's guidance regarding large load tariffs.⁹¹ Columbia's Exception No. 13 does not introduce a new or persuasive basis as to why it should be permitted to adopt a large load tariff in this proceeding. Until the Company and Commission have better information regarding the nature of a potential large load interconnection, it is appropriate to wait to approve a large load tariff which is informed by the usage and risk characteristics of a large load customer.

V. ALTERNATIVE RATEMAKING

Reply to Columbia Exception No. 12: The ALJs' denial of the Company's proposed permanent Weather Normalization Adjustment (WNA) is consistent with the evidence presented and recent Commission precedent. RD at 489-97; Columbia Exc. at 22-26; OCA M.B. at 205-42; OCA R.B. at 119-33.

As the ALJs stated, it is not in the public interest "for Columbia to reconcile the day-to-day temperature variations that are part and parcel with normal business" through a

⁹⁰ OCA M.B. at 22-24; Tr. 66, 169, 180, 182, 187, 216, 226; Evans Exh. 1. Columbia's argument that its energy efficiency programming balances its interests in revenue stability with ratepayer concerns regarding the effect of fixed charge increases on conservation should not be considered because a limited energy efficiency program is not a substitute for equitable rate design affecting all residential customers.

⁹¹ Columbia Exc. at 26.

WNA.⁹² The proposed WNA is a continuation of the WNA Pilot which has extracted over \$74 million in rates since its inception, which did not operate symmetrically.⁹³ Columbia excepts to the ALJs' conclusion; however, this conclusion is supported by record evidence and applicable legal standards.⁹⁴

Columbia's argument that the WNA recovers only authorized revenues is misleading⁹⁵ because it is premised on an *entitlement to recovery* that does not exist under law; rather, the Company is permitted *the opportunity to recover* its authorized revenue.⁹⁶ Any revenue collected by the WNA is in excess of the revenue collected by the base rates established using the Company's billing determinants and which are calculated to produce the authorized revenue requirement.⁹⁷ Further, the ALJs' correctly concluded that the deadband "did not afford any substantial protection to consumers at all,"⁹⁸ because, despite the existence of the deadband, Columbia collect \$74 million in additional revenues.⁹⁹

⁹² RD at 491.

⁹³ OCA M.B. at 205-42; OCA R.B. at 119-33; *see also* Columbia Exh. JDT-1R (demonstrating that charges occurred more frequently than credits under the WNA Pilot and charges were of more significant size than credits).

⁹⁴ Columbia Exc. at 22-25; OCA M.B. at 209-23 (evidencing how the proposed WNA does not satisfy the Commission's policy concerns codified at 52 Pa. Code Section 66.3902(a)).

⁹⁵ Columbia Exc. at 22-23.

⁹⁶ OCA R.B. at 124-28; *compare Pa. Elec. Co. v. Pa. PUC*, 502 A.2d 130, 133-35 (Pa. 1985) *with* Columbia Exc. at 23.

⁹⁷ RD at 114 ("the billing determinants used by Columbia, which were not challenged by any party in this proceeding, establish that the current customer and volumetric charge structure are sufficient to meet the Company's revenue requirement."). Columbia did not except to the R.D.'s conclusion that the billing determinants established in this proceeding are sufficient to earn the authorized revenue requirement.

⁹⁸ RD at 493.

⁹⁹ OCA Exh. MWD-11; RD at 493.

The proposed WNA does not conform to cost of service principles.¹⁰⁰ The Company confuses cost recovery with cost causation in its Exceptions, as “fixed” is not a category of cost causation in the Company’s cost of service study, and the WNA fabricates consumption which does not reflect the demand and throughput of Columbia’s customers.¹⁰¹ The ALJs’ determination that the WNA “does not properly align revenues with cost causation principles as to both fixed and variable costs” is consistent with the evidence presented in this proceeding.¹⁰²

Columbia’s proposed WNA is not similar to other WNAs currently in effect in Pennsylvania and, even if it were, the same would not substitute for evidence of just and reasonable rates.¹⁰³

Based on the evidence presented in this proceeding, the implementation of the permanent WNA proposed by Columbia would not result in just and reasonable rates. Rather, it would operate as a one-sided surcharge, extracting additional revenue without providing benefit to Columbia’s customers, which is not needed by Columbia for the Company to have a reasonable opportunity to earn a return on its investment. For these reasons, Columbia’s Exception No. 12 should be denied.

VI. LOW-INCOME PROGRAMS

Reply to Columbia Exception No. 7: The OCA does not challenge the recovery of EAT costs in base rates, only through the Rider USP. RD at 232-234; Columbia Exc.

¹⁰⁰ OCA M.B. at 226-29.

¹⁰¹ Compare Columbia Exc. at 23 with OCA M.B. at 227.

¹⁰² RD at 492.

¹⁰³ Compare Columbia Exc. at 24-25 with OCA R.B. at 120-23; *Pa. PUC v. PECO Energy Company – Gas Division*, Docket No. R-2024-3046932 (Order entered Dec. 12, 2024) at 94-101.

at 14-15; OCA M.B. at 317-321; OCA R.B. at 163-166.

In its Exceptions, Columbia argues that the RD errs by removing \$220,000 in Energy Assistance Team (EAT) costs from base rates.¹⁰⁴ Columbia argues that the OCA's challenge to recovery of the expense was limited to recovery through Rider USP.¹⁰⁵ While the OCA opposes recovery of the EAT costs through the Rider USP, the OCA does not oppose recovery of the \$220,000 expense if the costs remain in base rates.

Reply to Columbia Exception No. 15: The ALJs' approval of the OCA's recommendation to improve the identification of low-income customers should be affirmed. RD at 549-550; Columbia Exc. at 28-29; OCA M.B. at 305-315; OCA R.B. at 159-161.

In its Exceptions, Columbia argues that the RD erred in accepting the OCA's recommendation that Columbia improve its screening for low-income customers.¹⁰⁶ Columbia argues that under the proposals, the Company would be required to screen all applicants for their income level at the time they establish or transfer service.¹⁰⁷ The Company also argues that it would increase call time, require the hiring of additional employees, and potentially be perceived as invasive questions.¹⁰⁸ Columbia asserts that it plans to conduct a thorough review of its workflow and scripting.¹⁰⁹

The ALJs correctly determined that:

Improved screening and referrals could help ensure households are receiving the most advantageous available rate and is a statutory requirement. Furthermore, proactive CAP enrollment strategies, such as routine screening,

¹⁰⁴ Columbia Exc. at 14-15.

¹⁰⁵ Columbia Exc. at 15 (citing OCA St. 5SR at 25-26).

¹⁰⁶ Columbia Exc. at 28

¹⁰⁷ Columbia Exc. at 28.

¹⁰⁸ Columbia Exc. at 28-29.

¹⁰⁹ Columbia Exc. at 29.

also serve as a critical collection and cost containment tool that helps reduce the accrual of unmanageable debts, reduce uncollectible expenses and other collections costs, and reduce the cost of the CAP arrearage management program. We believe that the Company would save money on CAP outreach in the long term.¹¹⁰

While the OCA supports the Company's review of workflow and scripting, such action is not sufficient to assess whether a customer would be eligible for an exemption for a security deposit or eligible for assistance. The OCA's recommendations should be actions that the Company is already taking under the existing requirements.¹¹¹ The ALJs correctly understood the importance of screening calls for low-income customers and the benefits that would be provided. The ALJs' determination should be adopted.

Reply to Columbia Exception No. 20: The RD's Proposed Ordering Paragraphs Should Not Be Modified. Ordering Paragraphs 11, 34-38, 41; Columbia Exc. at 39-40.

In its Exceptions, Columbia argues that several of the recommendations of OCA and CAUSE-PA were unsupported in the R.D.'s findings. Columbia proposes modification of Ordering Paragraph 11 regarding the OCA's recommendation to screen applicants.¹¹² However, as discussed in the OCA's reply to Exception 15 above, the OCA's proposed screening of low-income customers is consistent with the OCA's recommendation in this case.¹¹³ The ALJs' recommendation to adopt the low-income screening is clear,¹¹⁴ supported by substantial evidence in the record, and should be approved.

¹¹⁰ RD at 549-550.

¹¹¹ OCA M.B. at 305; OCA R.B. at 160.

¹¹² Columbia Exc. at 39.

¹¹³ OCA M.B. at 305; OCA R.B. at 160.

¹¹⁴ RD at 549-550.

VII. ENERGY EFFICIENCY AND CONSERVATION PROGRAM

Reply to Columbia Exception No. 19: If the Commission approves the proposed Energy Efficiency and Conservation Plan, the OCA's proposed modifications should be approved. RD at 608-610; Columbia Exc. at 34-39; OCA M.B. at 322-335; OCA R.B. at 166-174.

In the ALJs' RD, the ALJ denied the continuation of Columbia's proposed Phase II Three-Year Energy Efficiency and Conservation Plan because the Plan did not propose low-income programming.¹¹⁵ In its Exceptions, Columbia argues that the ALJs overlooked the cost-effectiveness of the program, that benefits are provided to low-income customers, and opposes the alternative recommendations of the RD.¹¹⁶ The OCA supported the proposed EE&C Plan in the case below with proposed modifications. To the extent that program is approved, the OCA recommends that its proposed modifications to the market data; the Residential Prescriptive Program and the requirement for an independent evaluation be adopted.¹¹⁷

VIII. CONCLUSION

Based on the foregoing and for the reasons articulated in the OCA's Main and Reply Briefs, as well as the OCA's Exceptions, the OCA respectfully requests that the Commission deny the Exceptions of Columbia and Penn State University and grant the OCA's Exceptions in this matter.

¹¹⁵ RD at 608-610.

¹¹⁶ Columbia Exc. at 34-39.

¹¹⁷ OCA R.B. at 167-171.

Respectfully submitted,

/s/ Christy M. Appleby

Christy M. Appleby
Senior Assistant Consumer Advocate
PA Attorney I.D. # 85824
CAappleby@paoca.org

Harrison W. Breitman
Assistant Consumer Advocate
PA Attorney I.D. # 320580
HBreitman@paoca.org

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

Dated: October 21, 2025

Jacob Guthrie
Assistant Consumer Advocate
PA Attorney I.D. # 334367
jguthrie@paoca.org

Counsel for:
Darryl A. Lawrence
Consumer Advocate