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File #: 203798

October 21, 2025

VIA ELECTRONIC FILING

Matthew Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: **Pennsylvania Public Utility Commission, et al. v. Columbia Gas of Pennsylvania, Inc.**
Docket Nos. R-2025-3053499, et al.

Dear Secretary Homsher:

Attached for filing, please find the Replies to Exceptions on behalf of Columbia Gas of Pennsylvania, Inc., in the above-referenced proceeding.

Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,



Michael W. Hassell

MWH/dmc
Attachment

cc: The Honorable Chad Allensworth (*via email; w/attachment*)
The Honorable Jeffrey A. Watson (*via email; w/attachment*)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served upon the following persons, in the manner indicated, in accordance with the requirements of § 1.54 (relating to service by a participant).

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Dated: October 21, 2025



Michael W. Hassell

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2025-3053499
Office of Small Business Advocate	:	C-2025-3054550
Office of Consumer Advocate	:	C-2025-3054484
The Pennsylvania State University	:	C-2025-3054780
Terri Walker	:	C-2025-3054662
Linda Slick	:	C-2025-3054552
Linda Allison	:	C-2025-3054434
Alexandra Garlitz	:	C-2025-3055233
Daniel and Stacy Chronister	:	C-2025-3056194
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc	:	

**REPLIES OF COLUMBIA GAS OF PENNSYLVANIA, INC.
TO THE EXCEPTIONS OF OTHER PARTIES**

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Date: October 21, 2025

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TABLE OF CONTENTS

I. INTRODUCTION.....1

II. REPLIES TO EXCEPTIONS.....2

A. THE RECORD DEMONSTRATES THAT COLUMBIA’S CONTINUED USE OF THE EQUAL LIFE GROUP METHOD FOR DEPRECIATION IS THE MOST ACCURATE AND EQUITABLE APPROACH AND RESULTS IN THE LOWEST COST TO CUSTOMERS OVER TIME (OCA EXCEPTION NO. 1).2

B. THE RD PROPERLY REJECTED OCA’S PLANT ADJUSTMENT AND INFLATION/DEFLATION ADJUSTMENTS (OCA EXCEPTION NO. 2)6

1. PLANT IN SERVICE.....6

2. O&M EXPENSES.....8

C. THE ALJS PROPERLY REJECTED OCA’S PROPOSED OUTSIDE SERVICES EXPENSE ADJUSTMENT (OCA EXCEPTION NO. 3).9

D. THE ALJS PROPERLY REJECTED OCA’S THREE-YEAR AVERAGE TO ADJUST MATERIALS AND SUPPLIES EXPENSE (OCA EXCEPTION NO. 4).10

E. OCA’S COROLLARY ADJUSTMENTS TO UNCOLLECTIBLE EXPENSE, TAXES OTHER THAN INCOME TAXES, AND INCOME TAXES ARE A STANDARD COMPONENT OF THE RATEMAKING FORMULA (OCA EXCEPTION NO. 5).10

F. THE COMMISSION SHOULD REJECT OCA’S ALTERNATIVE 8.9% COST OF COMMON EQUITY AND CAPITAL STRUCTURE RECOMMENDATIONS (OCA EXCEPTION NO. 6).11

G. THE RD PROPERLY ADOPTED COLUMBIA’S PEAK & AVERAGE COST OF SERVICE STUDY (PENN STATE EXCEPTION NO. 1)15

H. THE COMMISSION SHOULD ADOPT THE COMPANY’S REVENUE ALLOCATION PROPOSAL (OCA EXCEPTION NO. 9)15

I. THE COMMISSION SHOULD REJECT OCA’S PROPOSAL TO CONDITION A RATE INCREASE ON CALL CENTER PERFORMANCE LEVELS (OCA EXCEPTION NO. 7).16

J. THE RD PROPERLY REJECTED OCA’S UNNECESSARY FIELD TERMINATION TRAINING PROPOSAL (OCA EXCEPTION NO. 8)18

III. CONCLUSION22

TABLE OF AUTHORITIES

Page(s)

Pennsylvania Cases

Hess v. Pa. PUC,
107 A.3d 246 (Pa. Cmwlth. 2014)21

Pennsylvania Administrative Cases

Mid-Atlantic Power Supply Ass’n v. PECO Energy Co.,
Docket Nos. P-00981615, *et al.*, 1999 Pa. PUC LEXIS 30, at *54-55 (Order
entered May 19, 1999)15, 21

Pa. P.U.C. v. Western Pennsylvania Water Co.,
Docket No. R-842621 (Order dated Jan. 28, 1985)3

Pa. PUC v. Aqua Pennsylvania, Inc.,
Docket No. R-2021-3027385 Docket No. R-2021-3027385 (Order entered
May 16, 2022).....13

Pa. PUC v. Columbia Gas of Pa., et. al.
Docket Nos. R-2020-3018835 (Order entered Feb. 19, 2021)15, 16, 17, 18

Pa. PUC v. UGI Utilities, Inc. – Electric Division,
Docket No. R-2017-2640058 (Order entered Oct. 25, 2018)6

Statutes and Regulations

66 Pa. C.S. § 1503(b)20

52 Pa. Code § 56.94(1)19, 20, 22

I. INTRODUCTION

Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”) hereby files these Replies to the Exceptions of the Office of Consumer Advocate (“OCA”) and The Pennsylvania State University (“Penn State”) to the Recommended Decision (“RD”) issued by Administrative Law Judges Jeffrey A. Watson and Chad Allensworth (the “ALJs”).¹

In the Introduction to its Exceptions, OCA refers to Columbia’s revenues per unit compared to those of other Pennsylvania gas utilities. As explained in Columbia’s Exceptions, Columbia’s rates reflect its aggressive efforts, with the Commission’s encouragement, to replace over 7.8 million feet of at-risk aged infrastructure, in order to continue to provide safe and reliable service. These replacement efforts, along with focused attention on leaks, have resulted in a 70% reduction to Grade 2 leaks on its system in 16 years. Columbia projects further investment of over \$650 million in the Future Test Year (“FTY”) and Fully Projected Future Test Year (“FPFTY”) in this proceeding toward accelerated replacement of plant as set forth in its Commission-approved Long Term Infrastructure Improvement Plan (“LTIIIP”).² Columbia cannot continue that level of investment and improvements to safety without appropriate rate relief.

For reasons explained below, and in Columbia’s Briefs and Exceptions, the Commission should reject the Exceptions of OCA and Penn State and grant Columbia’s Exceptions.

¹ OCA and Penn State were the only other parties besides Columbia to file Exceptions to the RD.

² Columbia Exceptions, pp. 1-2, 6.

II. REPLIES TO EXCEPTIONS

A. **THE RECORD DEMONSTRATES THAT COLUMBIA’S CONTINUED USE OF THE EQUAL LIFE GROUP METHOD FOR DEPRECIATION IS THE MOST ACCURATE AND EQUITABLE APPROACH AND RESULTS IN THE LOWEST COST TO CUSTOMERS OVER TIME (OCA EXCEPTION NO. 1).**

OCA proposed a \$45,802,423 adjustment to depreciation expense,³ based upon its proposal to change from the long-established Equal Life Group (“ELG”) procedure to the Average Service Life (“ASL”) procedure. The RD properly rejected the change from the more accurate ELG procedure to the ultimately more costly ASL procedure.

The most striking aspect about OCA’s Exceptions in favor of changing to the ASL procedure is the failure to even acknowledge, let alone address, the harms that will result from the change. OCA’s fixation on obtaining a large one-time reduction⁴ to the rate increase proposed in this case leads it to ignore the critical harms that will manifest in future years. First, the change will result in higher, and continually increasing, rate base in the future and will result in higher rates to future customers in about 10 years compared to the continued use of the ELG procedure.⁵ This adverse impact was never disputed by OCA. Second, OCA’s proposal will reduce internally generated funds currently used by Columbia to help finance the \$350 million to \$400 million it spends annually on aged infrastructure replacement pursuant to its Commission-approved LTIP.⁶

³ OCA asserts that its proposed change to the ASL procedure would reduce rates by \$63.615 million. OCA improperly grosses up its expense adjustment by the 1.387 gross up factor, without recognizing the increase to income taxes at current rates from its adjustment.

⁴ As explained by Columbia’s depreciation expert, Mr. Spanos, OCA’s proposed change from ELG to ASL produces a temporary large reduction in depreciation expense because current customers would benefit from both initially lower ASL depreciation rates and from the lower rate base that exists due to the longstanding use of ELG. Columbia St. No. 5-R, p. 17.

⁵ The chart on page 38 of Columbia’s MB graphically depicts this impact.

⁶ Columbia St. No. 7-R, p. 5. Columbia has not paid dividends to its parent over the past ten years. Columbia St. No. 1-R, p. 18.

As this Commission observed when it began to approve the conversion of Pennsylvania utilities to straight line, remaining life, ELG depreciation:

. . . it is our opinion, and we so find, that in order for [Western Pennsylvania Water Company] and other water utilities in Pennsylvania to meet the challenges of providing safe and reliable water service currently and in the foreseeable future, a depreciation method must be employed that provides timely capital recovery and improves the water industry's level of internally-generated funds.⁷

The challenges of providing safe and reliable utility service are no less now. A \$45 million reduction to internally generated funds will force Columbia either to seek additional funds from the investment community to maintain its current pace of mains replacement or extend its mains replacement pace to match funds that Columbia can obtain from investors at a reasonable rate.⁸

OCA asserts that continued use of ELG “unreasonably accelerates recovery of depreciation expense and results in intergenerational inequity.”⁹ The evidence conclusively demonstrates that OCA’s position is wrong. The ELG procedure appropriately matches cost recovery to service consumption of the asset, thereby better ensuring that current customers are paying for the assets they use. A simple example from Columbia’s rebuttal testimony demonstrates why the ELG procedure does not unreasonably accelerate recovery or create intergenerational inequity.¹⁰ Assume there are two assets within a group, each costing \$1,000. Further assume that Unit A will be in service for five years and Unit B will be in service for 15 years.¹¹ Under the ELG procedure, this means there are two equal life groups. The annual depreciation rate for Unit A is 20% (1/5), producing an annual accrual of \$200, and the annual depreciation rate for Unit B is 6.67% (1/15),

⁷ *Pa. P.U.C. v. Western Pennsylvania Water Co.*, (“WPWC”) Docket No. R-842621 (Order dated Jan. 28, 1985), p. 64.

⁸ An extension of the mains replacement pace could require a modification to the Company’s LTIP.

⁹ OCA Exceptions, p. 3.

¹⁰ Columbia St. No. 5-R, pp. 6-8.

¹¹To simplify the example, there is no salvage or cost of removal considered. In Pennsylvania, net salvage/cost of removal is amortized over a five-year period after an asset is retired. Columbia St. No. 5, p. 13.

producing an annual accrual of \$66.67. Thus the annual accruals for the first five years would be \$266.67. At the end of year five, Unit A is retired. Under asset accounting procedures, when Unit A is retired, its original cost of \$1,000 is removed from plant in service, and the accumulated depreciation reserve is likewise reduced by \$1,000. Beginning in Year six, the original cost of Unit B of \$1,000 continues in plant in service, and there remains an amount of \$333.33 in the depreciation reserve ($\$66.67 \times 5$). Thus, with five years of Unit B's 15-year life consumed, accumulated depreciation is exactly one-third of the original cost. Annual depreciation expense for Unit B will continue at \$66.67. Further, net rate base beginning in Year six will be \$666.67, and will decline each year thereafter.

In contrast, using the same assumptions and employing the ASL procedure, the average service life of the units is 10 years ($([5+15]/2)$). For the first five years, the annual depreciation amount is \$200 ($\$2,000 \times 10\%$), or \$1,000 after five years. When Unit A is retired after Year five, \$1,000 is removed from both plant in service and the accumulated depreciation reserve. At the start of Year six, Unit B remains in service with an accumulated depreciation reserve balance of \$0. Therefore, for the next 10 years, \$100 ($\$1,000 \times 10\%$) of annual depreciation expense must be recovered under the ASL procedure, even though Unit B is 1/3 of the way through its service life. Moreover, net rate base as of the beginning of Year six (\$1,000) will be above the net rate base under the ELG procedure (\$666.67). Thus, future ratepayers are being asked to pay both depreciation and return associated with plant that was, in part, used by past customers. This demonstrates the intergenerational inequity of adopting ASL.

In a similar argument, OCA claims that the use of ELG violates the "matching" principle.¹² OCA is wrong. ELG better reflects the use of plant by generations of customers, is computed for

¹² OCA Exceptions, pp. 12-13.

the same plant in service as claimed in rate base, and consistently matches the depreciation accrual and the depreciation reserve. In contrast, ASL mismatches service value of assets, as demonstrated in the example above.¹³

OCA further asserts that depreciation expense under the ELG procedure is accelerated relative to accrued depreciation.¹⁴ This contention is unsupported and untrue. The book reserve, which is used for ratemaking purposes, reflects the accumulation of annual accruals, computed under the straight line, remaining life, ELG procedure. The annual expense thus cannot be accelerated relative to the accrued reserve. In fact, as explained in Columbia's MB, pp. 37-38, it is this relationship of the reserve to annual accruals that is the reason customer rates, over time, are lower with the use of ELG versus ASL.

OCA's Exceptions take a substantial portion of space asserting that no law or regulation prevents the adoption of ASL.¹⁵ OCA is presenting a strawman argument. Columbia has never disputed that the Commission has the authority to adopt properly supported changes to procedures used to determine depreciation expense and accrued depreciation. However, the record is clear that a change in procedures is not appropriate. Regardless of contentions regarding "burden of proof," Columbia's evidence clearly demonstrates that ELG continues to be the most accurate, and over time, the least expensive depreciation approach.

Finally, OCA asserts that ASL is the more appropriate procedure because it is used in many other jurisdictions.¹⁶ However, the relevant standard should not be whether other jurisdictions use different depreciation methods. Ratemaking differences among jurisdictions are not unusual, and

¹³ See also Columbia RB, p. 16.

¹⁴ OCA Exceptions, p. 13.

¹⁵ OCA Exceptions, pp. 5-8.

¹⁶ OCA Exceptions, pp. 4, 6.

this Commission has never determined that it is bound by approaches used in other jurisdictions.¹⁷ What is relevant is that ELG is the predominant method used in Pennsylvania for gas, electric, and water utilities, and has been used consistently for over 40 years.¹⁸ Further, other jurisdictions have other differences in depreciation methods from Pennsylvania, which makes it impossible to compare results.¹⁹ Some of these important differences include the use of whole life vs. remaining life depreciation, and recovery of net salvage prospectively over the life of the property rather than the Pennsylvania procedure that defers net salvage recovery until after retirement.²⁰ These differences can have a meaningful impact upon the actual composite depreciation rates charged. For example, when asked to compare the depreciation methods used by Columbia and other natural gas utilities, Mr. Spanos explained that even with the use of ELG, Columbia has a composite depreciation rate of 2.56%, which is at the low end of an industry range of 2.5% to 3.2%.²¹

For the reasons explained above and in Columbia's MB, pp. 29-41 and RB, pp. 11-20, OCA's Exception No. 1 should be denied.

B. THE RD PROPERLY REJECTED OCA'S PLANT ADJUSTMENT AND INFLATION/DEFLATION ADJUSTMENTS (OCA EXCEPTION NO. 2)

OCA excepts to what it asserts are unsupported inflation adjustments to a small number of components to Columbia's claim. The RD properly rejected these adjustments.

1. Plant In Service

Columbia's FTY and FPFTY plant additions are derived from the Company's forecasted capital budget.²² Detailed plant additions and retirements, by month, are provided in Columbia

¹⁷ See *Pa. PUC v. UGI Utilities, Inc. – Electric Division*, (“UGI Electric”) Docket No. R-2017-2640058 (Order entered Oct. 25, 2018), p. 25.

¹⁸ Columbia St. No. 5-R, p. 13.

¹⁹ Tr. 330-39.

²⁰ Columbia St. No. 5, p.13; Tr. 338.

²¹ Tr. 346.

²² Columbia St. No. 7, p. 4.

Ex. 108, Sch. 1. The Company's Age and Condition Budget Class reflects Columbia's projected expenditures for mains, services, and meter replacements.²³ Columbia's budget projects Age and Condition FTY plant additions of \$312,583,000 and FPFTY plant additions of \$343,538,800.²⁴ These budget amounts are comparable to the HTY Age and Condition spend of \$364.6 million.

In developing its Age and Condition budgets, Columbia evaluated the ongoing upward pressure on costs for replacement projects. The average cost of main replacements when Columbia began its accelerated main replacement project in 2007 was \$81.25 per foot, whereas the cost was \$335 per foot in 2024.²⁵ Columbia appropriately factored in expected increases in contractor costs to develop FTY and FPFTY plant replacement costs. OCA proposed a \$14.5 million adjustment to projected plant to remove expected increases in unit costs for contractors. OCA's adjustment was properly rejected by the ALJs because it failed to recognize the reasonableness and conservatism of Columbia's budget.

A realistic budget is necessary if Columbia is going to complete accelerated pipeline replacements in a timely manner, consistent with its LTIP. Columbia has a proven track record of meeting and exceeding its capital budgets and plant replacement projections. As shown below,²⁶ Columbia has spent, on average, nearly \$20 million more per year over the past three years than it has budgeted:

²³ *Id.*, p. 5.

²⁴ *Id.*, p. 4.

²⁵ Columbia St. No. 7, p. 17.

²⁶ Columbia St. No. 7-R, p. 5.

Table No. 1
Age & Condition, Replacement & Betterment
Budget vs. Actual (\$M)

	<u>2022</u>	<u>2023</u>	<u>2024</u>
Budget	\$313,102	\$356,317	\$350,813
Actual	\$324,387	\$370,956	\$384,655
Variance	\$11,285	\$14,639	\$33,843

During that three-year period, Columbia installed more replacement pipe than in any three-year period of its infrastructure replacement program.²⁷ Columbia is able to meet, and exceed, its budgets for infrastructure replacement because the Company maintains planning flexibility to add projects if project costs come in under budget (including if per unit cost increases are less than anticipated).²⁸

For the reasons explained above and in greater detail in Columbia’s MB, pp. 15-18, and RB, pp. 6-7, the ALJs properly rejected OCA’s proposed adjustment to projected plant.

2. O&M Expenses

Columbia’s pro forma FPFTY expenses reflect inflationary/deflationary adjustments to seven cost elements identified by OCA, as follows:

- Outside Services – (\$7,354)
- Corporate Insurance - \$131,774
- Injuries and Damages - \$51,257
- Employee Expenses – (\$11,362)
- Company Memberships – (\$6,788)
- Utilities and Company Use Gas – (\$28,758)

²⁷ Columbia Ex. RB-2R, p. 3.

²⁸ *Id.*

- Advertising – (\$11,366)²⁹

Columbia's very limited use of inflation factors to adjust a select group of expenses is reasonable, as the ALJs concluded. In contrast to the cases cited by OCA in its Exceptions, Columbia did not apply an inflation factor to a broad group of expenses. Most of the adjustments were negative, designed to increase pro forma adjustments made by Columbia. For example, Columbia identified and removed from Outside Services (\$121,175) in lobbying costs incurred in the HTY. Columbia increased the amount removed to (\$128,529) or by (\$7,354), for the FPFTY.³⁰

Applying inflation/deflation adjustments, similar to the application of merit or contractual wage increases to Company labor, to derive pro forma FPFTY amounts is consistent with future cost expectations. OCA's Exception No. 2 should be denied.

C. THE ALJS PROPERLY REJECTED OCA'S PROPOSED OUTSIDE SERVICES EXPENSE ADJUSTMENT (OCA EXCEPTION NO. 3).

OCA proposed a \$1.4 million reduction to Columbia's FPFTY Outside Services expense. OCA derived its adjustment by computing an average percentage reduction in Outside Services expense for the periods 2021 through 2024 and applying that percentage (8.57%) to the Company's HTY Outside Services expense.³¹

The fundamental flaw in OCA's adjustment is that it uses a three-year average of percentage changes to expense, and not a three-year average of expense, to derive its adjustment. If OCA had used a three-year average of expense, it would have derived a pro forma expense of \$22.1 million, an amount above Columbia's FPFTY claim.³² Percentage changes distort results, and in this case produce the absurd result that Columbia's pro forma FPFTY Outside Services

²⁹ Columbia Ex. 104, Sch. 2, pp. 4, 7, 8, 9, 10, 11, 15, Columbia St. No. 4-R, p. 11.

³⁰ Columbia Ex. 104, Sch. 2, p. 4.

³¹ OCA St. No. 2, pp. 25-26.

³² Columbia Ex. GAS-RR-052, Attachment A [(\$23,244,372+\$25,608,015+\$17,480.881) / 3].

expense will be below its pro forma HTY expense. Columbia undertook rigorous cost containment efforts in prior years to produce savings by identifying process efficiencies, better aligning resources, and reassessing vendor contracts.³³ It is unreasonable to take those efforts and through averaging of percentage changes conclude that further cost reductions can be obtained in the future.

For the reasons explained above and in Columbia's MB on pp. 55-57, OCA's Exception No. 3 should be rejected.

D. THE ALJS PROPERLY REJECTED OCA'S THREE-YEAR AVERAGE TO ADJUST MATERIALS AND SUPPLIES EXPENSE (OCA EXCEPTION NO. 4).

OCA proposes a \$558,615 adjustment to a subaccount of Columbia's material and supplies expense, using a three-year average of historic expenses.³⁴

As the RD recognized, the subaccount amount for the HTY included a shift of accounting, where an expense previously recorded to Outside Services was recorded to Materials and Supplies Expense. This geography mapping change is not a basis to disallow the expense. Whether the expense was recorded to Outside Services or to Materials and Supplies expense, no party challenged the expense as unreasonable. The RD properly concluded that a change in accounting does not support a disallowance. The Commission should deny OCA's Exception No. 4.

E. OCA'S COROLLARY ADJUSTMENTS TO UNCOLLECTIBLE EXPENSE, TAXES OTHER THAN INCOME TAXES, AND INCOME TAXES ARE A STANDARD COMPONENT OF THE RATEMAKING FORMULA (OCA EXCEPTION NO. 5).

OCA's fifth Exception argues that if OCA's adjustments are adopted, then adjustments should be made to uncollectible accounts expense, income taxes, and taxes other than income

³³ Columbia MB, p. 56.

³⁴ Columbia observes that when an expense trend is downward, like for Outside Services, OCA proposes an average percentage change to expense. However, where an expense trends upward, like subaccount Facilities Maintenance and Repair Materials, OCA proposes an average of expenses.

taxes. The traditional ratemaking formula used by the Commission, including the revenue gross-up method, accounts for these items.

Columbia observes that OCA continues to display a misunderstanding of the adjustment process for taxes other than income and income taxes. Few expenses result in adjustments to taxes other than income taxes. Further, expense adjustments do not produce net revenue adjustments for income taxes purposes, as expenses are deductible for income tax purposes, which is recognized in the traditional ratemaking formula. As such, OCA's Exception No. 5 must be rejected.

F. THE COMMISSION SHOULD REJECT OCA'S ALTERNATIVE 8.9% COST OF COMMON EQUITY AND CAPITAL STRUCTURE RECOMMENDATIONS (OCA EXCEPTION NO. 6).

Columbia has explained in its Exceptions that the Commission should adopt a return on common equity ("ROE") no less than the ALJs' recommended 10.51% ROE, which is the return on common equity that I&E proposed. Columbia Exc. No. 9.³⁵ The alternative recommendation also adopts Columbia's actual projected capital structure. RD Table I(A). OCA excepts to the alternative recommended 10.51% and contends that the Commission should not approve an ROE allowance greater than OCA's 8.9% recommendation. For reasons explained next, and in Columbia's MB, pp. 74-131, and RB, pp. 44-70, OCA's totally inadequate recommendation should not be adopted.

1. OCA Confuses Return on Common Equity with the Weighted Cost of Capital.

OCA claims there is uncertainty about the ALJs' return on common equity recommendation. OCA asserts that it is not clear whether the RD adopts I&E's 10.51% return on

³⁵ I&E's recommendation is based upon its exclusive use of the Discounted Cash Flow ("DCF") method. Columbia notes that, in this case, I&E's Capital Asset Pricing Model ("CAPM") result also is 10.51%. I&E St. No. 2, p. 44.

common equity or adopts a 5.72% return on common equity. OCA Exceptions, pp. 27-28. OCA confuses return on common equity and weighted return on common equity. The RD could not be clearer as to its recommendation. The RD recommends adoption of I&E's 10.51% return on common equity. The RD then explains the overall rate of return allowance based upon this recommendation:

[T]he 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.³⁶

As demonstrated in Table I(A) to the RD, Columbia's common equity capital structure of 54.40%, multiplied by a return on common equity of 10.51%, produces a weighted cost of equity of 5.72%. OCA's claim of uncertainty regarding the ALJs' recommendation is without merit.

2. Capital Structure

It is uncertain whether OCA is taking Exception to the ALJs' recommended acceptance of Columbia's actual projected capital structure ratios. As explained in Columbia's MB, pp. 82-85, OCA's proposal to adopt a hypothetical capital structure is contrary to long-standing Commission precedent that the choice of capital structure is within the discretion of utility management and is not to be changed absent proof that the capital structure is atypical or outside a range of reasonableness. Columbia's capital structure ratio falls squarely within the range of capital structure ratios of all parties' barometer groups and is not atypical.

3. OCA's Recommended Cost of Common Equity is Flawed and Should Not be Adopted.

OCA asserts, in the alternative, that the Commission should adopt its proposed cost rate for common equity of 8.9%. OCA offers no argument in its Exceptions in support of this

³⁶ RD, pp. 350-51 (emphasis added).

recommendation, other than to reference its briefs. OCA's recommended return on common equity is unreasonable and was properly rejected by the ALJs.

OCA presented two separate DCF calculations – one using a “maximum sustainable growth rate” and the other using selective analyst dividend per share growth rates, which produce results of 7.3% and 7.5%, respectively. These results barely exceed the current average bond yields for “Baa” rated long-term utility bonds of 6.29%.³⁷ This, in and of itself, demonstrates the absolute unreasonableness of OCA's DCF approach. An equity premium of just over 100 basis points above current long-term debt costs would not compensate investors for the significantly higher risk associated with investment in common stock relative to debt.³⁸

OCA's “sustainable growth rate” method is improper. As explained in Columbia's MB, pp. 117-19, there are many flaws in using the U.S. nominal Gross Domestic Product growth rate as the growth rate for DCF purposes. OCA offered no evidence that the growth in monetary value of finished goods and services significantly influences equity investors. A single growth rate assumption disregards the entire concept of using a proxy group to determine company-specific growth rates. By ignoring company-specific growth expectations, OCA's approach breaks the link between growth expectations and individual proxy group companies' stock prices. Further, OCA's “sustainable growth rate” fails to recognize that rate base growth is closely correlated with a utility's earnings growth. The planned average rate base growth for the Gas LDC Group for the next five years is 8.95%, which is well above OCA's “sustainable growth rate” of 3.7%. These flaws were recognized by the Commission in its rejection of OCA Witness Garrett's “sustainable growth” DCF method in *Pa. PUC v. Aqua Pennsylvania, Inc.* (“Aqua 2022”).³⁹

³⁷ Columbia St. No. 8-R, p. 33.

³⁸ *Id.*, pp. 33-34.

³⁹ Docket No. R-2021-3027385 (Order entered May 16, 2022), p. 154.

OCA's alternative DCF calculation that relies upon dividend per share ("DPS") growth rates from selected analysts is equally flawed. This approach, which produced a result of 7.5%, improperly relies upon DPS growth rates rather than the Earnings Per Share ("EPS") growth rates used by Columbia's and I&E's experts, and traditionally accepted by the Commission. DPS growth rates are subject to the control of the company and thus are not a reliable indicator of growth over the term of projections.⁴⁰ As a result, investors do not rely upon DPS forecasts, but instead use analysts' EPS forecasts.⁴¹

OCA also presented a CAPM analysis, which produced a return on common equity of 8.9%. As explained in Columbia's MB, pp. 121-22, and RB, pp. 61-63, the primary weakness in Mr. Garrett's analysis is his total reliance on surveys, publications, and implied Equity Risk Premiums ("ERPs"). Each of the sources used by OCA is unreliable as a projection of the risk premium to be used in a proper CAPM. The flaws include:

- Survey questions lacking in details;
- Lack of standard definitions for "risk premium";
- Survey bias and recency bias;
- Use of geometric means rather than arithmetic means;
- Assumptions that long-term growth will decline to yields on Treasury Securities;
and
- Sole reliance on historic data in developing implied ERP.

For all these reasons, and as explained in greater detail in Columbia's Briefs, OCA's alternative return on common equity rate of 8.9% was properly rejected by the ALJs.

⁴⁰ For example, Columbia has not paid dividends to its parent for 10 years, as it has reinvested its earnings in infrastructure replacement. This does not mean an appropriate growth rate for DCF purposes would be 0%.

⁴¹ Columbia MB, pp. 120-21.

G. THE RD PROPERLY ADOPTED COLUMBIA’S PEAK & AVERAGE COST OF SERVICE STUDY (PENN STATE EXCEPTION NO. 1)

Penn State argues that the RD erred in adopting the Company’s Peak & Average (“P&A”) Cost of Service Study (“COSS”).⁴² Penn State argues that the evidence in this proceeding supports use of the Customer-Demand study.⁴³

The RD should be upheld as to adopting Columbia’s P&A COSS. Columbia addressed COSS issues on pages 133-139 of its MB and pages 70-71 of its RB. As noted in the Company’s MB, it provided three COSSs for the Commission’s and parties’ review. These three studies are the P&A, Customer-Demand and Average, which is the average of the results of the P&A and Customer-Demand studies. Columbia has historically allocated costs based upon the Average study, but in recent cases has been allocating costs based upon the P&A study based upon the Commission’s decision in the Company’s 2020 base rate proceeding.⁴⁴ For the reasons explained in the Company’s Briefs, the Company supports the P&A COSS in this proceeding.

H. THE COMMISSION SHOULD ADOPT THE COMPANY’S REVENUE ALLOCATION PROPOSAL (OCA EXCEPTION NO. 9)

As noted in the Company’s Exceptions, the RD did not recommend a specific revenue allocation proposal.⁴⁵ In Exceptions, OCA recommends that its revenue allocation proposal be adopted. OCA’s revenue allocation proposal is based off the Company’s P&A COSS, however, OCA proposed a 2.0 times system average increase for customer classes that are currently below cost of service, as opposed to a 1.5 times system average increase proposed by the Company. The

⁴² Penn State Exceptions, pp. 3-11.

⁴³ Penn State Exceptions, p. 7.

⁴⁴ *Pa. PUC v. Columbia Gas of Pa.*, Docket Nos. R-2020-3018835 *et. al.* (Order entered Feb. 19, 2021) (“*Columbia 2020 Order*”), p. 218. Columbia MB, p. 136.

⁴⁵ Columbia Exceptions, p. 17; *see also* OCA Exceptions, p. 34; Penn State Exceptions, p. 11.

Company's revenue allocation proposal is supported by I&E, and also supported by Penn State if the P&A COSS is adopted.⁴⁶

The Commission should deny OCA's Exception and adopt the Company's revenue allocation proposal. The Company's proposed 1.5 times system average increase is consistent with the *Columbia 2020 Order*.⁴⁷ As noted above, both I&E and Penn State support this revenue allocation proposal. In Exceptions, OCA proposes to increase the system average increase for classes that are under cost of service to 2.0 times in order to reduce the allocation to the residential class, because according to OCA, the current subsidy to the LDS/LGSS class is significant.⁴⁸ In making this argument, OCA fails to recognize that the different cost of service studies produce significantly different results as to the subsidies paid for or received by each class. While supporting the P&A COSS in this case, the Company recognizes that other COSSs are also reasonable. The Company's revenue allocation proposal attempts to strike a balance for all parties in this proceeding and should, therefore, be adopted.

I. THE COMMISSION SHOULD REJECT OCA'S PROPOSAL TO CONDITION A RATE INCREASE ON CALL CENTER PERFORMANCE LEVELS (OCA EXCEPTION NO. 7)

OCA argues in its seventh Exception that the RD erred in failing to require Columbia to maintain its 2024 call performance levels throughout the FPFTY as a condition of any rate increase in this proceeding.⁴⁹ However, as explained in the Company's MB, OCA provided little support for this proposal, singling out Columbia's historic performance from 2021 to 2023 in just two areas: the call abandonment rate and the percentage of calls answered in 30 seconds.⁵⁰ In addition,

⁴⁶ Columbia MB, p. 143; Penn State Exceptions, p. 12.

⁴⁷ Columbia RB, p. 72.

⁴⁸ OCA Exceptions, p. 36.

⁴⁹ OCA Exceptions, pp. 29-30.

⁵⁰ Columbia MB, pp. 179-80.

OCA continues to incorrectly assert that Columbia does not have an internal goal for its call abandonment rate.⁵¹ As explained in the Company’s Rebuttal Testimony and MB, Columbia’s internal performance standard for the call abandonment rate is 2.5%.⁵² OCA’s continued assertions to the contrary should be rejected.

The record clearly demonstrates that Columbia achieved marked improvements in 2024 for the two metrics singled out by OCA, with the Company answering 83% of calls within 30 seconds and achieving a 2.25% call abandonment rate.⁵³ In addition, the Company was meeting the 80% target for calls answered within 30 seconds as of June 2025 and the 2.5% target abandonment rate as of the first quarter of 2025.⁵⁴ OCA does not dispute that Columbia’s 2024 call center performance demonstrated marked improvements in these areas, acknowledges this improvement by recommending that the Company maintain its current service levels, and agrees that Columbia has maintained those performance levels in 2025 to date.⁵⁵

The Commission should reject OCA’s speculation that the Company’s performance may “deteriorate” absent conditioning a rate increase on meeting 2024 performance levels.⁵⁶ As the RD correctly recognizes, Columbia achieved its 2024 and 2025 year to date performance levels through the thoughtful implementation of lasting measures to enhance customer satisfaction, improve call center performance, and foster employee engagement.⁵⁷ These measures began in 2023 and included: (1) a new mentorship program for new customer service representatives (“CSRs”); (2) a New Hire Engagement and Recognition program to improve retention of CSRs; (3) new CSR empathy training to improve customer satisfaction; and (4) new Real-Time Analyst

⁵¹ OCA Exceptions, p. 30.

⁵² See Columbia St. No. 9-R, pp. 18-19; Columbia MB, p. 180.

⁵³ See Columbia MB, p. 180.

⁵⁴ *Id.*

⁵⁵ See OCA Exceptions pp. 29-30; OCA St. 6SR, p. 7.

⁵⁶ OCA Exceptions, p. 30.

⁵⁷ See RD, p. 504; Columbia MB, pp. 180-81.

positions to monitor call center performance in real time.⁵⁸ These long-lasting measures have already led to improved call center performance metrics, as demonstrated by the Company's performance in 2024 and 2025 to date.⁵⁹ OCA has presented no evidence to suggest that these changes will not be effective moving forward or that the Company is at risk of reverting back to pre-2024 performance levels.

As such, the RD correctly determines that “[b]ased upon the record evidence we agree with Columbia that there is no need to impose a requirement that Columbia maintain its 2024 call center performance numbers as part of this rate proceeding.”⁶⁰ The RD appropriately reasons that “the record already reflects that Columbia . . . has taken several steps to improve its call center performance since 2023, resulting in improvement in 2024 call center performance that meets Columbia’s internal performance standards.”⁶¹ Thus, the Commission should deny OCA Exception No. 7 and reject OCA’s call center performance proposal.

J. THE RD PROPERLY REJECTED OCA’S UNNECESSARY FIELD TERMINATION TRAINING PROPOSAL (OCA EXCEPTION NO. 8)

In its eighth Exception, OCA argues that the RD errs in failing to require the Company to revise its field termination training materials to include “all applicable consumer protections and rights for residential customers facing termination of service.”⁶² OCA claims that the RD’s reasoned decision not to implement its training proposal “is contrary to the express language of the Public Utility Code for exceptions to discontinuance of service.”⁶³ OCA’s claim is unsupported by the record in this case and the provision of the Public Utility Code it relies upon. As the RD correctly determined, “the Company’s current field termination training materials

⁵⁸ Columbia MB, p. 181.

⁵⁹ *Id.*

⁶⁰ RD, p. 505.

⁶¹ *Id.*

⁶² OCA Exceptions, p. 31.

⁶³ OCA Exceptions, p. 32.

include the necessary components from the Commission’s regulations on when termination cannot occur. Thereby the Company’s employees are adequately trained. Moreover, employees cannot reasonably be expected to anticipate and be ready to respond to every scenario raised by a customer facing termination.”⁶⁴ For the reasons explained below, the OCA’s eighth Exception should be denied.

First, as recognized by the RD, Columbia fully demonstrated that its current field termination materials comply with the applicable provisions of the Commission’s regulations. Section 56.94(1) of the Commission’s regulations, related to procedures immediately prior to termination, lays out the four conditions under which termination cannot occur: (1) “when evidence is presented which indicates that payment has been made”; (2) “a serious illness or medical condition exists”; (3) “a dispute or complaint is properly pending”; and (4) “if the employee is authorized to receive payment and payment in full is tendered in any reasonable manner.”⁶⁵ As the Company explained, termination work orders are not generated for any account that is in dispute. The Company also demonstrated that the other three conditions are already directly addressed in the training materials singled out by OCA for reform.⁶⁶ As such, the Company’s training materials properly address the conditions that would require its employees to withdraw termination in the field and further training is not necessary.

Second, the RD also correctly recognizes that the point of field contact is not the appropriate time to reiterate all consumer protections and rights, particularly given potential safety risks and privacy concerns for both the customer and the field technician.⁶⁷ As the ALJs explained, “to require the employee to further discuss rights at the time of termination places an undue burden

⁶⁴ RD, p. 516.

⁶⁵ 52 Pa. Code § 56.94(1).

⁶⁶ See Columbia MB, p. 186.

⁶⁷ RD, p. 516.

on the employees and exposes both the employee and customer to unneeded safety risks at a time when the situation may already be emotional.”⁶⁸

Third, OCA’s reliance on Section 1503(b) of the Public Utility Code for support is misplaced.⁶⁹ Section 1503(b) imposes the personal contact requirement that all utilities are required to fulfill “at least three days prior” to termination and contains no requirements related to the reiteration of customer rights at the point of termination.⁷⁰ Indeed, the only exceptions contained in Section 1503(b) exempt utilities from the three-day personal contact requirement in emergency situations posing a danger to life or property.⁷¹ The four conditions that require terminations to stop in the field are contained in Section 56.94(1) of the Commission’s regulations, as discussed above, and are already addressed in the Company’s field termination training materials and procedures.⁷²

Finally, OCA specifically disregarded the Company’s arguments related to personal contacts leading up to the point of termination at other stages of this proceeding and its reliance on personal contact requirements now is disingenuous. OCA ignored the Company’s rebuttal testimony discussing the multiple contact points with customers preceding termination that inform customers of their broader rights, including the ten-day termination notice and the three-day personal contact attempts.⁷³ Instead, prior to its Exceptions, OCA’s singular focus has been to require that the Company’s field personnel be trained in “the applicable customer rights that might be alleged by the customer or responsible adult at the door prior to termination.”⁷⁴ To the extent that OCA is now attempting to move the goal post and widen the scope of its recommendation to

⁶⁸ *Id.*

⁶⁹ *See* OCA Exceptions, p. 32.

⁷⁰ *See* 66 Pa. C.S. § 1503(b).

⁷¹ *See id.*

⁷² *See* RD, p. 516; Columbia MB, p. 186.

⁷³ *See* Columbia St. No. 9-R, p. 26.

⁷⁴ OCA St. 6R, p. 12 (emphasis added); *see also* OCA St. 6, p. 19; OCA MB, pp. 280-82.

include the Company's training materials related to the three-day personal contact requirement, it cannot do so at the Exceptions stage of this proceeding and any broadened proposal should be rejected outright.⁷⁵

For these reasons, and as more fully explained in the Company's MB on pages 185 to 186, the Commission should adopt the RD's recommendation regarding field termination training materials, reject the OCA's proposal, and deny OCA Exception No. 8.

⁷⁵ If the Commission were to consider or grant these arguments now, Columbia's due process rights would be violated, as Columbia has been denied the opportunity to engage in discovery, present testimony, and cross-examine witnesses about this issue. See *Hess v. Pa. PUC*, 107 A.3d 246, 266 (Pa. Cmwlth. 2014) (citing *Davidson Unemployment Compensation Case*, 151 A.2d 870 (Pa. Super. 1959); *Shenandoah Suburban Bus Lines, Inc.*, 46 A.2d 26 (Pa. Super. 1946)) (stating that "[a]mong the requirements of due process are notice and an opportunity to be heard on the issues, to be apprised of the evidence submitted, to cross-examine witnesses, to inspect documents, and to offer evidence in explanation or rebuttal"); *Mid-Atlantic Power Supply Ass'n v. PECO Energy Co.*, Docket Nos. P-00981615, *et al.*, 1999 Pa. PUC LEXIS 30, at *54-55 (Order entered May 19, 1999) (concluding that a party entitled to due process must be given "adequate notice" and a "[m]eaningful opportunity to be heard," which includes "reasonable examination and cross-examination").

III. CONCLUSION

For all the foregoing reasons, Columbia Gas of Pennsylvania, Inc. respectfully requests that the Pennsylvania Public Utility Commission grant Columbia's Exceptions and deny the Exceptions of OCA and Penn State.

Respectfully submitted,

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