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October 21, 2025

Via Electronic Filing

Matthew Homsher, Secretary
Secretary's Bureau
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, Second Floor
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission v. Columbia Gas of Pennsylvania, Inc.; Docket No. R-2025-3053499, et al.; **Penn State's Replies to Exception of the Office of Consumer Advocate**

Dear Secretary Homsher:

Attached you will find The Pennsylvania State University's Replies to Exception of the Office of Consumer Advocate in connection with the above-captioned docket. Copies of this document have been served in accordance with the attached Certificate of Service.

Very truly yours,

/s/ Erich W. Struble

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Counsel for The Pennsylvania State University

EWS/das
Enclosure

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2025-3053499
	:	C-2025-3054434
v.	:	C-2025-3054552
	:	C-2025-3054662
Columbia Gas of Pennsylvania, Inc.	:	C-2025-3054780

**THE PENNSYLVANIA STATE UNIVERSITY REPLIES TO EXCEPTION OF
THE OFFICE OF CONSUMER ADVOCATE**

Respectfully submitted,

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Dated: October 21, 2025

I. INTRODUCTION

On October 3, 2025, Administrative Law Judges (“ALJs”) Jeffrey A. Watson and Chad L. Allensworth issued a Recommended Decision (“RD”) in this proceeding recommending that the Commission deny Columbia Gas of Pennsylvania, Inc.’s (“Columbia”) request to increase the base rate.¹ On October 14, 2025, Penn State filed exceptions to portions of the RD which alternatively provide for a rate increase.² Specifically, Penn State took exception to the RD’s alternative recommendations regarding how the rate increase is allocated to the various customer classes. On October 14, 2025, the Office of Consumer Advocate (“OCA”) also filed exceptions to the RD regarding, *inter alia*, how the rate increase is allocated to the various customer classes. *See* OCA Exception No. 9. Penn State hereby files these Replies to OCA’s Exception No. 9.

II. REPLIES TO EXCEPTIONS

A. Reply to OCA Exception No. 9: The Commission should deny OCA’s Exception No. 9 claiming that a 2.0× the system average increase for the LDS/LGSS rate class is appropriate.

In its Exceptions, OCA correctly observes that the RD did not reach a determination regarding how the chosen Cost of Service Study should be implemented to allocate rates and whether the appropriate gradualism ceiling for all rate classes should be 1.5× the system average, as proposed by Columbia and Penn State, or 2.0× the system average, as proposed by OCA and the Office of Small Business Advocate. OCA states that its

¹ RD at 117-118.

² RD at 118.

recommended modifications to the Company's proposed revenue allocation are consistent with principles of cost causation and equity. However, they are not. The Commission should not approve a 2.0× the system average increase for the LDS/LGSS rate class or any rate class. Doing so would be incompatible with the concept of gradualism for Columbia's customers.

As the Company's witness Mr. Johnson correctly observes, 1.5× the system average increase "represents the upper bound for rate gradualism used by the Commission in [*Columbia 2020*³]"⁴ OCA argued in its Main Brief that, while reliance on the outcome of *Columbia 2020* is misplaced, the Commission should nevertheless rely on dicta concerning gradualism generally discussed in *Columbia 2020* to justify a 2.0× the system average increase to the SDS/LGSS and LDS/LGSS classes.⁵ Here, the Commission should again limit the increase to any class to 1.5× the system average increase because the record supports this as the upper bound for gradualism.

Mr. Crist provided evidence of the importance of gradualism to Penn State and other LDS/LGSS class members:

The allocations proposed by Mr. Mierzwa and Mr. Ewen will not only harm Penn State, but will harm all 70 customers in the LDS/LGSS class. Penn State has significant cost pressure and wishes not to divert funding from academics and student services which would be necessary given the magnitude of the proposed increase. Other members of the LDS/LGSS class

³ *Pa. Pub. Util. Comm'n v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2020-3018835 *et al.*, at 217-218 (Opinion and Order entered Feb. 19, 2021).

⁴ *Columbia St. No. 6-R*, Rebuttal Testimony of K. Johnson at 10:11-14.

⁵ *See* OCA MB at 186-87.

would include industrial manufacturers that provide jobs and are subject to uncertainty due to the volatile tariff policies.⁶

The OCA's arguments regarding subsidization fail because they rely on an inappropriate comparison of settlement rates to rates based on a specific cost of service study. The OCA states that "the additional \$3,397,637 allocated to the LDS/LGSS class by OCA witness Mierzwa still produced a subsidy of \$15,854,813 to that customer class and resultant RROR of 0.57," and, therefore, the 2.0× the system average increase that Mr. Mierzwa employed is justifiable because, like in *Columbia 2020*, the revenue recognition from the LDS/LGSS class "is still shown to be below its cost to serve and therefore continues to be subsidized by other rate classes."⁷ However, as Penn State witness Mr. Crist testified:

[U]tilizing the Peak & Average [Study] and comparing it to rates previously developed as part of a settlement to determine relative rates of return compares apples to oranges and is logically inappropriate. When comparing the class rates of return under current rates, which are the product of black box settlements, to the Company's proposal in this rate case, which is based on the Company's Peak & Average [Study], a method that greatly favors residential customers, it is not surprising that the LDS/LGSS would be shown to have a low relative rate of return. Mr. Mierzwa wants to "fix" that by moving additional revenue responsibility to the LDS/LGSS customers resulting in a 32.8% rate hike, which is twice the overall increase. This is unconscionable. First, there is nothing to "fix." His method is not appropriate because it is not based on cost causation. If Mr. Mierzwa would have considered the relative rate of return of the LDS/LGSS class using the Customer-Demand [Study] his recommendation would be to decrease rates for not only the LDS/LGSS class but also the SGS/DS-1, SGS/DS-2, and SDS/LGSS classes. Specifically,

⁶ PSU St. No. 1-SR at 12:11-19.

⁷ OCA MB at 186.

the relative ROR under current rates in the Customer-Demand [Study] is 2.87 and under proposed rates is 2.75, both are exceptionally high. Moreover, even if it were appropriate under cost causation principles to assign such a large increase to these customer classes, a 32.8% increase does not demonstrate gradualism, but would indeed be rate shock.⁸

Accordingly, the Commission should reject the OCA's attempt to justify a 2.0× the system average increase to the LDS/LGSS class by resorting to dicta from *Columbia 2020* because, when properly contextualized, the revenue recognition from the LDS/LGSS class is not in fact below its cost to serve.

Moreover, the OCA downplays the significance of a 2.0× the system average increase by pointing to the Commission's approval of a 2.5× the system average increase in *PECO Gas 2020*.⁹ However, that decision is readily distinguishable. PECO's "L" class (large-volume customers) had been subject to a 2008 settlement that constrained the rates of that class for more than a decade.¹⁰ Because the settlement limited increases across two successive cases, by 2020, the L class had become severely underpriced. Its relative rate of return at current rates was approximately -0.36, well below cost.¹¹ Even after a 43% increase, which was equivalent to 2.5× the system average, the class still remained below cost at a projected relative return of about -0.45, once the overall revenue requirement was scaled back.¹²

⁸ PSU St. No. 1-R, Rebuttal Testimony of J. Crist at 6:18-7:13.

⁹ See OCA MB at 185 (citing *Pa. Pub. Util. Comm'n v. PECO Energy Co. – Gas Div.*, Docket No. R-2020-3018929, *et al.*, 2021 WL 2645922 (Opinion and Order entered June 22, 2021) ("*PECO Gas 2020*").

¹⁰ *PECO Gas 2020* at *130.

¹¹ *Id.* at *139.

¹² *Id.*

The Commission in *PECO Gas 2020* acknowledged that increases above the usual 1.5–2.0× range are rare, citing *Columbia 2020* as an example of its typical approach.¹³ However, the Commission ultimately found that PECO presented an exceptional situation: a decade-long freeze had left the L class so far below cost that even a 43% increase did not eliminate the subsidy.¹⁴ But the circumstances here are markedly different from those in *PECO 2020*. The rates of Columbia’s LGS/LDSS class have not been frozen for over a decade. To the contrary, that class received an above-average increase of about 1.5× in 2020 and increases pursuant to settlements in 2021, 2022 and 2024.¹⁵ Unlike in *PECO 2020*, there is no extraordinary shortfall that compels a departure from capping rate increases to 1.5× the system average for all rate classes.

Columbia’s proposed revenue allocation includes an allocation to the LDS/LGSS class that is considerably greater than the system average. Columbia’s 2020,¹⁶ 2021,¹⁷ 2022,¹⁸ and 2024¹⁹ base rate cases all resulted in revenue allocations to the LDS/LGSS class that were a substantially greater percentage increase than the overall percentage

¹³ *Id.* at *140.

¹⁴ *Id.*

¹⁵ See PSU St. No. 1, Direct Testimony of J. Crist at 5; PSU St. No. 1-R, Rebuttal Testimony of J. Crist at 6-7.

¹⁶ See *Columbia 2020*, *supra* note 3, at 233-34.

¹⁷ See *Pa. Pub. Util. Comm’n v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2021-3024296 *et al.*, at Appendix B, Page 1, Lines 20-36 (Joint Petition for Settlement posted Sept. 9, 2021).

¹⁸ See *Pa. Pub. Util. Comm’n v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2022-3031211 *et al.*, at Appendix B, Page 1, Lines 20-36 (Joint Petition for Settlement posted Sept. 6, 2022).

¹⁹ See *Pa. Pub. Util. Comm’n v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2024-3046519 *et al.*, at Appendix C, Page 1, Lines 21-38 (Joint Petition for Settlement posted Aug. 23, 2024).

increase Columbia received. Meanwhile, the residential class in those base rate cases received percentage increases that were less than the system average increase. The Commission should reject OCA's argument that 2.0× the system average increase for the LDS/LGSS rate class is appropriate and limit the increase to all classes to 1.5 × the system average.

III. CONCLUSION

For the foregoing reasons, Penn State respectfully requests that the Commission limit the increase to any rate class to 1.5 times the system average increase because the record supports this as the upper bound for gradualism.

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Date: October 21, 2025

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

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Dated this 21th day of October, 2025