

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17120**

**Pennsylvania Public Utility Commission, et al.
v.
Columbia Gas of Pennsylvania, Inc.**

**Public Meeting of December 4, 2025
3053499-OSA
Docket No. R-2025-3053499**

STATEMENT OF VICE CHAIR KIMBERLY BARROW

Before us for consideration is the proposed rate increase request by Columbia Gas of Pennsylvania, Inc. (Columbia Gas or Company). Columbia Gas proposed an increase of \$110.4 million (12.02%) in additional annual revenues based on a fully projected future test year (FPFTY) ending December 31, 2026. The proposal would have resulted in an increase in a residential customer's bill using 70 Therms per month from \$138.52 to \$152.29 (an increase of \$15.77 or 11.38%). Columbia Gas also requested an increase in its residential customer charge from \$17.25 to \$31.97 (an increase of \$14.72 or 85.2%).

In their Recommended Decision, Administrative Law Judges (ALJs) Jeffery A. Watson and Chad L. Allensworth recommended that the Commission deny the Company's rate increase request in its entirety or alternatively grant an increase of \$66,424,574. Exceptions and Reply Exceptions were filed.¹

Below are a few issues of concern I would like to highlight.

Frequency of Rate Increase Filings:

The record in this case indicates that since 2008 Columbia Gas has requested an increase almost on an annual basis, including five rate increase requests since 2020.² Columbia Gas' rates have increased by almost \$500 million during this period. The record further shows that Columbia Gas has the highest rates in the state and the highest revenue per unit of natural gas in the state and the third highest for the 25 natural gas distribution companies (NGDCs) offering service in the mid-Atlantic region, surpassed only by NGDCs offering service to New York City.³ Columbia Gas' rates outpace inflation. Over the last 20 years, Columbia's residential customer rates for average heating customers (70 therms per month) have increased by 121% (from \$47.58 in 2005 to \$105.09 in 2025). During this period, the household income for a family of four at 150% FPL only increased 60% (from \$30,000 to \$48,225 per year). Columbia Gas has also filed 12 rate

¹ The Parties to this proceeding include Columbia Gas, the Office of Consumer Advocate (OCA), The Pennsylvania State University (PSU), the Commission's Bureau of Investigation and Enforcement (I&E), the OCA, the Office of Small Business Advocate (OSBA), and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA).

² Including the instant proceeding, the Company has requested a rate increase twelve times since 2009: 2009, 2010, 2012, 2014, 2015, 2016, 2019, 2020, 2021, 2022, 2024, and now 2025. See OCA St. 5 at 7; OSBA M.B. at 5, Table IEC-1; Table 2, *supra*. Further, as noted in Table 2, the instant rate proceeding is the Company's thirteenth since 2008.

³ OCA Ex. MWD-7; I&E St. 2 at 9; OCA M.B. at 36; OCA R.B. at 12; OCA Exh. MWD-7.

cases during this period totaling approved distribution rate increases of over \$487 million.⁴

While I understand that Columbia Gas is entitled to recovery of the cost of investments made to its system, the Company's utilization of the FPFTY, as authorized under 66 Pa.C.S. § 315, and the availability of the distribution system improvement charge (DSIC), as authorized under 66 Pa.C.S. § 1350 and other rate recovery mechanisms, should be enough incentives to discourage Columbia Gas' current near-annual frequency of rate increase requests.

Capital Structure:

Columbia Gas requested a capital structure of 54.4% common equity and 45.60% debt (43.28% long-term debt and 2.32% short-term debt), along with a return on equity (ROE) of 11.35%. Although I&E accepts the Company's proposed capital structure, the OCA and CAUSE-PA, in opposition, argued that the Commission should instead award a hypothetical capital structure of 50% equity and 50% debt (47.68% long-term debt and 2.32% short-term debt).⁵ According to the OCA, the average capital structure mix for the proxy group used in this case as shown on the Value Line consists of 55% debt and 45% equity, the inverse of the ratio proposed by Columbia.⁶

Here, the record clearly reflects that the proxy group's capital structure is composed of less equity than Columbia Gas' capital structure, highlighting reduced risk for the Company when compared to that of the proxy group, and, therefore, suggesting the need for a lower ROE for Columbia Gas. I agree with the OCA that the discrepancy between Columbia Gas' capital structure and the proxy group necessitates an adjustment to the Company's capital structure since Columbia Gas' equity profile has less financial risk than the proxy group. A 50/50 capital structure in this case is equal to the proxy group's average capital structure.⁷ Also noteworthy, CAUSE-PA argued that if the Commission were to apply a hypothetical capital structure of 50% equity and 50% debt, the overall rate of return at the Company's desired ROE of 11.35% would be reduced by 0.27% (from 8.55% to 8.28%), which would have reduced the Company's overall annual revenue requirement increase by \$17.7 million, or from the proposed increase of \$110.5 million sought by Columbia to \$92.8 million.⁸ CAUSE-PA and the OCA propose an overall rate of return of 7.06%.⁹

⁴ CAUSE-PA St. 2 at 21.

⁵ OCA M.B. at 126; OCA St. 3 at 58; OCA Exh. DJG-16.

⁶ OCA M.B. at OCA St. 3 at 50.

⁷ Adoption of the OCA's recommended capital structure and ROE would result in a revenue requirement reduction of \$54.6 million. OCA St. 3 at 3-4, 50. I agree with the OCA that in *Riverton Consol. Water Co. v. Pa. PUC*, 140 A.2d 114 at 121 (*Pa. Super. 1958*), the Superior Court determined that the Commission may make adjustments to a utility's capital structure where circumstances indicate that the actual capital structure may be unfair to customers, such as when the actual capital structure may be weighted too heavily to the debt side or the equity side. See OCA M.B. at 125.

⁸ CAUSE-PA M.B. at 35-38.

⁹ The OCA's proposed overall rate of return was based upon a weighted average of a 5.20% rate of return on long-term debt, a 5.00% rate of return on short-term debt, and an 8.9% rate of return on common equity. OCA M.B. at 123, 127; OCA St. 3 at 58.

It is clear from the arguments put forward by the Parties in opposition to the Company's proposed capital structure that a 50% equity and 50% debt capital structure is a better representation of the Company's **actual** financial risk and would have resulted in millions of dollars in reduced revenue requirement for the Company and resultant lower rates for Columbia Gas' customers.

Rate of Return on Equity:

Columbia Gas proposed a rate of return on common equity of 11.35% inclusive of the Company's requested upward adjustment of 0.25% for management effectiveness.¹⁰ As a result of its DCF analysis, I&E recommended a cost of common equity of 10.51%.¹¹ The OCA recommended a cost of common equity of 8.90%, based on its CAPM model and the use of a hypothetical capital structure. The OCA noted that an ROE of 8.90% and overall rate of return of 7.06% are sufficient to ensure Columbia Gas' ability to attract capital and continue investment to provide safe and reliable service, while guarding the interests of consumers.¹² The ALJs rejected Columbia Gas' proposed rate of return on common equity of 11.35% and adopted I&E's proposed DCF ROE of 10.51% ROE.¹³

I believe an ROE lower than the ALJs' recommended 10.51% is more appropriate in this case, given Columbia Gas' unique lack of regulatory lag, associated reduced business risk, and the commensurate impact of the Company's nearly annual rate increases in the past five years on customers' rates. Using informed judgment, an ROE of 9.6% is more appropriate. The most recent five-year average of I&E's proxy group companies' capital structure ranges from 39.33% to 57% long-term debt, 0.51% to 12.82% short-term debt, and 35.96% to 60.16% common equity, with an overall five-year average of 47.42 long-term debt, 7.85% short-term debt, and 44.73% common equity.¹⁴ Since the proxy group's capital structure is composed of less equity than Columbia's capital structure (or the hypothetical capital structure) it is appropriate to adjust the equity return to account for the reduced risk of a capital structure that employs more equity. I&E's DCF results range from 9.06% to 11.68% (using an average dividend yield and average growth estimate for each company) with an average of 10.51% and a composite CAPM ROE of 9.935.

Based upon consideration of the competing evidence provided to the record, I believe an ROE that is in the range of the bottom of I&E's DCF range and the Composite CAPM ROE is appropriate. The 9.60% ROE is also an approximate median number between the OCA's proposed ROE of 8.90% and I&E's proposed ROE of 10.51%. With an ROE of 9.60% along with a 50/50 capital structure, the overall rate of return would be 7.40%, resulting in an overall rate increase of approximately \$30,573,357. Accordingly, I would support an ROE of 9.60%.

Smart Remote Methane Detection Pilot: I&E recommended a Smart Remote Methane Detector pilot program in a region where Columbia has risky pipe for the installation of

¹⁰ Columbia Gas St. 8 at 9-10.

¹¹ I&E M.B. at 40-41.

¹² OCA R. Exc. at 10-11; OCA M.B. at 137.

¹³ R.D. at 337-38.

¹⁴ I&E M.B at 37; I&E St. 2 at 20, citing I&E Exh. 2, Sch. 2.

500 to 1,000 Smart Remote Methane Detectors (SRMDs). Columbia stated that it could not commit to the Pilot as outlined by I&E, citing significant IT infrastructure costs and concerns, but was willing to evaluate technologies associated with the integration of Automated Metering Infrastructure and SRMDs for potential future deployment.

I support directing Columbia to implement an internal study to determine whether a methane detection pilot program would be feasible and how it would be implemented. With affordability always on our minds, it is very important for the company to fully understand the potential costs associated with the pilot prior to implementation. The usefulness and safety benefits of methane detectors are tremendous, allowing the ability of real-time smart reporting technology to simultaneously notify the customer and the emergency response officials of a potentially hazardous situation. I want to take the opportunity to thank I&E for putting forth this proposal and for Columbia to be willing to evaluate the pilot.

Additional CAP Screening: The OCA and CAUSE-PA proposed that Columbia conduct initial screening for all applicants applying for service or when transferring service to determine if they qualify as a low-income customer or may be eligible for assistance, such as customer assistance program (CAP). The record indicates that only 20,988 customers, or 23% of the estimated Columbia Gas' low-income customers, were enrolled in CAP and that additional screening is appropriate. I support this proposal and agree that additional screening is needed, and that any tool we can use to nudge customers into a healthy financial relationship with their utility is beneficial for everyone.



December 4, 2025

Kimberly Barrow, Vice Chair