

COMMONWEALTH OF PENNSYLVANIA



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March 31, 2026

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.
Peoples Natural Gas Company LLC;
Docket No. R-2026-3060855

Dear Secretary Homsher:

Attached for electronic filing, please find the Office of Consumer Advocate's Formal Complaint and Public Statement in this proceeding.

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

Respectfully submitted,

/s/ Joel H. Cheskis
Joel H. Cheskis Esq.
Senior Assistant Consumer Advocate
PA Attorney I.D. # 81617
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Enclosures

cc: The Honorable Charles E. Rainey, Jr. (email only: crainey@pa.gov)
Office of Special Assistants (email only: ra-OSA@pa.gov)
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Certificate of Service

CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2026-3060855
	:	
Peoples Natural Gas Company LLC	:	
	:	

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 Formal Complaint and Public Statement, 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 31st day of March, 2026.

SERVICE BY E-MAIL ONLY

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Dated: March 31, 2026

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Darryl A. Lawrence
Consumer Advocate

PENNSYLVANIA PUBLIC UTILITY COMMISSION

FORMAL COMPLAINT

1. COMPLAINANT INFORMATION

Darryl Lawrence, Consumer Advocate

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Dauphin County

Phone: 717-783-5048

2. FULL NAME OF UTILITY COMPANY:

Peoples Natural Gas Company LLC
Docket No. R-2026-3060855

3. TYPE OF UTILITY:

Natural Gas Distribution Company

4. COMPLAINT:

- A. On March 27, 2026, Peoples Natural Gas Company LLC (Peoples or Company) filed Original Tariff Gas – PA PUC Nos. 49 and S-5 to become effective May 26, 2026. A full suspension by the Public Utility Commission (Commission) would delay the increase until December 26, 2026. Through this filing, Peoples requests that the Commission approve general distribution rate increases to its natural gas distribution rates pursuant to section 1308 of the Public Utility Code, 66 Pa. C.S. Section 1308. Peoples' proposed retail tariff would increase the Company's total annual operating revenues by approximately \$163.2 million, or a 24.0% increase in distribution revenues, based on a fully projected future test year (FPFTY) ending December 31, 2027.
- B. As of March 27, 2027, Peoples serves approximately 703,000 residential, commercial, and industrial natural gas distribution customers located in 18 counties in Southwestern Pennsylvania.
- C. The Company provides natural gas distribution service in all or portions of Allegheny, Armstrong, Beaver, Blair, Butler, Cambria, Clarion, Clearfield, Fayette,

Greene, Indiana, Jefferson, Lawrence, Merger, Somerset, Venango, Washington, and Westmoreland Counties.

- D.** According to the customer notices included in Peoples’s filing, a residential natural gas distribution customer using 86 thousand cubic feet (Mcf) per year, or 80 hundred cubic feet (Ccf) per month, would see a total bill increase from \$122.20 to \$138.23 per month, an increase of \$15.09 or 13.1%. On a distribution-only basis, a residential customer’s bill would increase by approximately 25.2%.
- E.** The OCA is investigating the basis for and calculation of estimated bill increases and decreases to ensure that they are consistent with applicable standards and will produce just and reasonable rates.
- F.** The proposed rate changes noted above do not reflect the changes that will be experienced by all customers; rather they only reflect changes for customers using what Peoples has asserted is the “typical” usage for residential customers. In the OCA’s experience, the increases reflected above (and on the notices sent to customers) often underestimate the impact of the rate increase for many customers.
- G.** The Company is proposing to allocate approximately \$118.2 million, or 73.5% of the proposed increase, to the residential customer class. The Company produces this result, in part, by proposing to increase the average monthly residential customer charge, which is a charge a customer pays no matter how little or how much natural gas they consume, by \$9.20, or by 54.80%, from \$16.80 to \$26.00. The Company justifies this increase by stating that its calculations support a monthly residential customer charge of \$54.
- H.** For ratemaking purposes, Peoples proposes a return on equity of 11.25% resulting in an overall rate of return of 8.23%. The request for an 11.25% return on equity includes the Company’s request for recognition of its claimed exemplary managerial performance. The Company also proposes to utilize an equity-rich, projected capital structure of 54.47% common equity and 45.53% debt for ratemaking purposes.
- I.** The proposed rate of return appears to be excessive and, if accepted, would result in rates that are unjust and unreasonable in violation of chapter 13 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §1301, *et seq.*, sound ratemaking principles, and public policy. The proposed capital structure is also likely to be found to be excessive and, if adopted, would result in rates that are unjust and unreasonable in violation of Chapter 13 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §1301, *et seq.*, sound ratemaking principles, and public policy.

- J.** As part of its general rate increase request, Peoples proposes to utilize the equal life group depreciation procedure to determine its accumulated depreciation and depreciation expense for ratemaking purposes for plant installed in 1983 and subsequent years, whereas the average service life procedure is used for plant installed in years prior to 1983. Peoples utilizes a straight line, remaining life method for both grouping procedures.
- K.** Peoples proposes to continue using a weather normalization adjustment (WNA), subject to modifications to its weather normalization assumption, moving from determining heating degree days in its billing determinants from an average of a 65-year regression and 20-year historical average to a 65-year regression model.
- L.** Peoples has proposed to include an additional \$1.9 million of net utility plant in service in its rate base assets, associated with the merger of PNG Gathering into Peoples.
- M.** As part of this proceeding, Peoples is also proposing to recover additional costs, currently included in base rates, through its universal service rider. Those costs include a new Low-Income Usage Reduction Program (LIURP) Compliance Specialist, an Independent Program Evaluation expense normalized over six years, and additional costs associated with outreach related to Peoples' CARES program.
- N.** Additionally, Peoples is proposing to refund \$3.9 million to customers associated with its excess book contingency reserve related to potential Sales & Use tax exposure. Further, Peoples proposes to increase the collar from its Tax Repair Surcredit from \$10 million to \$13.5 million. For calendar year 2025, Peoples exceeded the collar by approximately \$4.8 million and, as a result, recorded a regulatory liability of \$1.0 million, after adjusting for taxes, and will likely record a regulatory liability of more than \$15.0 million, before adjusting for taxes. Peoples proposes to refund the existing regulatory liability for both the Sales & Use tax over-collection and Tax Repair Surcredit under-crediting to residential customers by applying a credit of \$5.2 million to the universal services rider through March 31, 2029.
- O.** Peoples proposes a new natural gas hot water tank rebate pilot program, which the Company avers will provide rebate incentives for residential customers to install natural gas hot water tank appliances. All current residential customers would be eligible for the pilot program, even if they do not currently use a natural gas hot water tank appliance. The Company has included \$500,000 in its annual revenue requirement, including both rebates and advertising expenses, associated with this program with a targeted participation level of 1,100 customers over three years.

- P.** Peoples is also proposing adjustments to its reconnection and dishonored payment fees, Merchant Function Charge and Gas Procurement Charge riders, as well as supplier billing fees and purchase of receivables administrative adders and uncollectible percentages. Some of these changes will result in customers paying additional costs and fees. The Company has included other proposed changes to its tariff.
- Q.** A preliminary examination of the Company’s general rate increase request indicates that the rates requested, including specific elements of its request, for example, but not limited to, the inclusion of certain plant in rate base, expense claims, rate of return, depreciation procedure proposal, cost of service study methodology, revenue allocation, proposed customer charges, proposed rate design, and changes to its tariff fees, terms, and conditions may not be just and reasonable and otherwise may be in violation of the law.
- R.** Whether rates are just and reasonable is inextricably intertwined with the quality of service provided. *Nat’l Utils. v. Pa. PUC*, 709 A.2d 972, 973 (Pa. Cmwlth. 1998). Therefore, all issues pertaining to the adequacy and reasonableness of a utility’s service and facilities are relevant to whether a utility’s existing or proposed rates are just and reasonable. 66 Pa. C.S. §§ 1301, 1501.
- S.** The Consumer Advocate is empowered to represent the interests of consumers before the Pennsylvania Public Utility Commission, pursuant to Act 161 of the General Assembly, as amended, 71 P.S. §§ 309-1, *et seq.*
- T.** In reaching a decision on whether to grant Peoples’ rate increase as well as its various rule and tariff changes, the Public Utility Commission must give “due consideration to the interests of consumers.” 71 Pa. Stat. Ann. §309-5(2).
- U.** A preliminary examination of the Company’s filed Original tariff No. 49 and request for a general rate increase indicates that:
1. The proposed changes and increase in rates, proposed rate schedule modifications and transfers, and proposed changes in rate policy, rules and regulations contained in the proposed Tariff may be unjust, unreasonable, in violation of the law and may produce an excessive return on investment in violation of the Public Utility Code, 66 Pa. C.S. Section 1301, *et seq.*;
 2. The proposed tariff changes and proposed rate structure and rate design may be unlawfully discriminatory, in violation of the Public Utility Code, 66 Pa. C.S. Sections 1301 and 1304, *et seq.*, and are otherwise contrary to sound ratemaking principles and public policy.

3. The Company's existing rates, rules, and regulations may not be just and reasonable or otherwise proper under the Public Utility Code and applicable ratemaking principles. 66 Pa. C.S. § 1301 *et seq.*
 4. The character of service and facilities furnished and maintained by the Company may not be adequate, efficient, safe, reasonable, reasonably continuous, or without unreasonable interruptions or delay, in violation of Section 1501 of the Public Utility Code. 66 Pa. C.S. § 1501. The character of service and facilities may not be in conformity with Commission regulations or orders. 66 Pa. C.S. § 1501. Additionally, the Company may have failed to make all such repairs, changes, alterations, substitutions, extensions, and improvements in or to such service and facilities as shall be necessary or proper for the accommodation, convenience, and safety of its patrons, employees, and the public. 66 Pa. C.S. § 1501.
- V. The Consumer Advocate files this Complaint to ensure that the Commission will fully and fairly adjudicate issues pertaining to whether the Company's (1) existing and proposed rates are just, reasonable, and are not unduly discriminatory or otherwise unlawful, and (2) service and facilities are adequate, efficient, safe, reasonable, reasonably continuous, without unreasonable interruptions or delay, and in conformity with Commission regulations and orders.

5. RELIEF

The Consumer Advocate respectfully requests that the Commission take the following actions:

- A. Suspend and investigate the operation of the proposed tariff supplements, Peoples Original tariff No. 49, pursuant to Section 1308(d) of the Public Utility Code, 66 Pa. C.S. §1308(d);
- B. Enter a suspension order at the next scheduled Public Meeting following the date of this Complaint, which is April 16, 2026, in order to expedite this matter being assigned to the Office of Administrative Law Judge, which would allow the commencement of necessary procedural steps for purposes of developing a reasonable procedural schedule in which the parties may litigate;
- C. Direct the Office of Administrative Law Judge to use the December 17, 2026, Public Meeting as the deadline for a final Commission determination in this matter and for purposes of setting a deadline for a Recommended Decision and developing a litigation schedule in this matter;
- D. Consolidate all complaints filed against the proposed general rate increase request;
- E. Ensure that the Company has provided appropriate and adequate notice in accordance with the Public Utility Code and the Commission's Regulations;

- F.** Hold full evidentiary hearings examining the reasonableness of utility's current and proposed rates and its proposed increases;
- G.** After providing the public with adequate notice, and as early in the proceeding as possible, hold in-person public input hearings in the utility company's service territory, as well as by telephone or virtually, in order to provide customers with an opportunity to be heard on the record;
- H.** Deny any inclusion into rate base of any plant that is not reasonably projected to be used and useful within the FPFTY, deny any charges or changes contained in the proposal which would result in unjust and unreasonable rates, or cannot be fully justified by the Company, or otherwise are contrary to the Public Utility Code, sound ratemaking principles, and public policy; and
- I.** Deny the proposed changes and increase in rates, proposed rate schedule modifications and transfers, proposed changes in rate policy or pilot programs, and proposed changes in rules and regulations contained in the proposed Tariff where the Commission finds they are not just and reasonable, unreasonably discriminatory, contrary to sound ratemaking principles, or inconsistent with or in violation of Commission regulations or orders. 66 Pa. C.S. §§ 1301, 1304.
- J.** After reasonable notice, as raised by consumer testimony in public input hearings or a party's written direct or supplemental direct testimony, and after hearing of the same, make findings as to whether the service or facilities of any public utility are unreasonable, unsafe, inadequate, insufficient, or unreasonably discriminatory, or otherwise in violation of the Public Utility Code. 66 Pa. C.S. § 1505(a).
- K.** Consider, in addition to all other relevant evidence of record, the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates. 66 Pa.C.S. § 523. On the basis of the Commission's consideration of such evidence, give effect to it by making such adjustments to specific components of the utility's claimed cost of service as it may determine to be proper and appropriate, on the basis of specific findings upon evidence of record, which findings shall be set forth explicitly, together with their underlying rationale, in the final order of the commission. 66 Pa.C.S. § 523.
- L.** Reject, in whole or in part, a public utility's request to increase its rates where the Commission concludes, after hearing, that the service rendered by the public utility is inadequate in that it fails to meet quantity or quality for the type of service provided. 66 Pa. C.S. § 526.

M. Where the Commission finds that service or facilities of the public utility are unreasonable, unsafe, inadequate, insufficient, or unreasonably discriminatory, or otherwise in violation of the Public Utility Code, determine and prescribe, by regulation or order, the reasonable, safe, adequate, sufficient, service or facilities to be observed, furnished, enforced, or employed, including all such repairs, changes, alterations, extensions, substitutions, or improvements in facilities as shall be reasonably necessary and proper for the safety, accommodation, and convenience of the public. 66 Pa. C.S. § 1505(a).

N. Grant such other relief that the Commission may deem appropriate.

6. VERIFICATION AND SIGNATURE

I, Darryl Lawrence, hereby state that the facts above set forth are true and correct (or are true and correct to the best of my knowledge, information and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsification to authorities).

Darryl Lawrence
Signature

3/31/2026

Date

7. Legal Representation

Joel Cheskis, Senior Assistant Consumer Advocate, PA Bar No. 81617
Jacob Guthrie, Assistant Consumer Advocate, PA Bar No. 334367
Ryan Morden, Assistant Consumer Advocate, PA Bar No. 335679
Olivia Spergel, Assistant Consumer Advocate, PA Bar No. 337929

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PUBLIC STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE
PURSUSANT TO 71 P.S. SECTION 309-4(e)

Act 161 of the Pennsylvania General Assembly, 71 Pa. C.S. Section 309-2, as enacted July 9, 1976, authorizes the Consumer Advocate to represent the interests of consumers before the Pennsylvania Public Utility Commission (Commission). In accordance with Act 161, and for the following reasons, the Consumer Advocate determined to file a Formal Complaint and participate in the proceedings before the Commission involving the proposed general rate increase by Peoples Natural Gas LLC (Peoples or Company).

On March 27, 2026, Peoples filed a general rate increase request seeking the Commission's approval to increase its overall operating revenue by approximately \$163.2 million, or a 24.0% increase in annual distribution revenues, over the amount of annual revenues at present rates. Under the Company's proposal, a residential natural gas distribution customer using 86 thousand cubic feet (Mcf) per year would see an estimated monthly increase in their natural gas bill of \$15.09, an approximately 25.2% increase in the distribution portion of their monthly bill.

Peoples provides natural gas distribution service to approximately 703,000 customers in all or portions of Allegheny, Armstrong, Beaver, Blair, Butler, Cambria, Clarion, Clearfield, Fayette, Greene, Indiana, Jefferson, Lawrence, Mercer, Somerset, Venango, Washington, and Westmoreland Counties.

The objective of the Consumer Advocate in filing this complaint is to protect the interests of Company's customers in paying just and reasonable rates and receiving adequate, efficient, safe, and reasonable utility service.

First, the Consumer Advocate will seek to ensure that the Company is permitted to implement only rates that are fully substantiated, just and reasonable, not unduly discriminatory,

and otherwise consistent with the Public Utility Code, Commission regulations and orders, case law, and sound ratemaking principles. The Consumer Advocate submits that the Company's existing rates and its proposed rates may be unjust and unreasonable and other otherwise unlawful based upon information filed by the Company in support of its ratemaking claims and overall general rate increase request. 66 Pa. C.S. §§ 1301, 1304.

Additionally, the Consumer Advocate will seek to ensure that the character of utility service and facilities furnished and maintained by the Company are adequate, efficient, safe, reasonable, reasonably continuous, without unreasonable interruptions or delay, and in conformity with Commission regulations or orders. 66 Pa. C.S. § 1501. Where service or facilities are found to be inadequate, the Consumer Advocate will seek to ensure that the Commission consider such findings in granting or denying the requested rate relief, in whole or in part, and in determining and prescribing the character of service or facilities to be furnished or maintained by the Company. 66 Pa. C.S. §§ 523, 526, 1505(a).