COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, HARRISBURG, PA 17120

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

June 22, 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.
National Fuel Gas Distribution Corporation
Docket No. R-2025-3059428
I&E Main Brief

Dear Secretary Homsher:

Enclosed for electronic filing please find the Main Brief of the Bureau of Investigation and Enforcement in the above-captioned proceeding.

Copies are being served on parties per the attached Certificate of Service. Should you have any questions, please do not hesitate to contact me.

Sincerely,

Scott B. Granger
Senior Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 63641
(717) 425-7593
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SBG/ac
Enclosures

cc: Administrative Law Judge Katrina L. Dunderdale (*via email* – kdunderdal@pa.gov)
Cadi Eberly, Legal Assistant (*via email* – caeberly@pa.gov)
Per Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2025-3059428
	:	
National Fuel Gas Distribution Corporation	:	
Base Rate Case	:	

MAIN BRIEF
OF
THE BUREAU OF INVESTIGATION & ENFORCEMENT

Scott B. Granger
Prosecutor
PA Attorney ID No. 63641

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Dated: June 22, 2026

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I. INTRODUCTION

A. Procedural History

The following is a summary of the procedural history of this proceeding. National Fuel Gas Distribution Corporation ("National Fuel" or "NFG" or the "Company") National Fuel is a "public utility" and a "natural gas distribution company" ("NGDC") as those terms are defined in Sections 102 and 2202 of the Code, 66 Pa. C.S. §§ 102, 2202.

On January 28, 2026, National Fuel filed Supplement No. 294 to National Fuel Gas Distribution Corporation Gas Tariff – PA P.U.C. No. 9 ("Supplement No. 294"). In Supplement No. 294, National Fuel is seeking a base rate increase pursuant to 66 Pa. C.S. § 1308 of the Public Utility Code of approximately $19.7 million. If the Company's entire request is approved, the total bill for a residential customer using 80 ccf per month would increase from $83.49 to $88.44 per month, or by 5.9%. Supplement No. 294 contains an issue date of January 28, 2026, and an effective date of March 29, 2026.

The Company's filing includes a proposal to reinstate a tariff rider that would provide a refund of Other-Post Employment Benefits ("OPEB") funds of approximately $6.2 million to all customers and also provide a one-time bill credit of $30, totaling approximately $1.025 million, to Customer Assistance Program ("CAP"), Level 1, and Level 2 customers.

This filing also includes a request for approval of the following alternative rate mechanisms in accordance with Act 58 of 2018, 66 Pa. C.S. § 1330: (1) Weather Normalization Adjustment ("WNA"); and (2) Energy Efficiency ("EE") pilot program. The Statement of Reasons and Direct Testimony explain why the Company is making this base rate filing at this time. The filing also includes the supporting data required by 52 Pa. Code §§ 53.52 and 53.53.

The parties to this base rate proceeding are National Fuel, the Commission's Bureau of Investigation and Enforcement ("I&E"); the Office of Consumer Advocate ("OCA"); the Office of Small Business Advocate ("OSBA"); the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"); and the Pennsylvania Weatherization Providers Task Force ("PWPTF").

By Order entered February 19, 2026, the Commission suspended the implementation of the proposed rates by operation of law until October 29, 2026, and opening an investigation into the lawfulness, justness, and reasonableness of the proposed rates, rules, and regulations contained therein.

The matter was assigned to the Office of Administrative Law Judge, Administrative Law Judge Katrina L. Dunderdale ("ALJ") presiding, for the prompt scheduling of hearings to culminate in the issuance of a Recommended Decision. A Telephonic Prehearing Conference was held on February 26, 2026.

Public input hearings were held on March 31, 2026, in-person in Erie, PA at 1:00 p.m. and 6:00 p.m.; and on April 2, 2026, telephonically at 1:00 p.m. and 6:00 p.m.

Pursuant to the established litigation schedule, I&E filed the following pieces of direct, rebuttal and surrebuttal testimony:

Christopher Keller
- I&E Statement No. 1 (PROPRIETARY and Non-Proprietary)
- I&E Exhibit No. 1 (PROPRIETARY and Non-Proprietary)
- I&E Statement No. 1-R
- I&E Exhibit No. 1-R

I&E Statement No. 1-SR
I&E Exhibit No. 1-SR

Drew Breuning
I&E Statement No. 2
I&E Exhibit No. 2
I&E Statement No. 2-SR

Ethan Cline
I&E Statement No. 3
I&E Exhibit No. 3
I&E Statement No. 3-SR

Jesse Burkett
I&E Statement No. 4 (PROPRIETARY and Non-Proprietary)
I&E Exhibit No. 4
I&E Statement No. 4-SR

During the course of this proceeding the parties held a series of settlement conferences but were unable to amicably resolve the issues presented in this base rate proceeding. On Tuesday, June 2, 2026, at the time and place set for the evidentiary hearing, the parties appeared in-person before ALJ Dunderdale. Prior to the hearing, the parties agreed to waive cross-examination of all but two witnesses. The remaining two witnesses were cross examined at the evidentiary hearing. Accordingly, all parties moved for the admission of their pre-served written testimony and exhibits as well as their specific hearing exhibits. I&E moved the pieces of I&E testimony and exhibits identified *supra* into evidence. A court reporter was present and a Hearing Transcript ("Hrg. Tr.") for June 2, 2026, was prepared and later distributed to the parties. Then, the following day, I&E served electronic copies of the I&E testimony and exhibits, along with witness verifications, on The Sargent's Group court reporting by email.

I&E now submits this Main Brief ("I&E MB") in support of the arguments made by the I&E witnesses in the record evidence presented.

B. Legal Standards - Burden of Proof

It is axiomatic that the burden of proof in any proceeding involving a utility's existing or proposed rates is on the utility.[1] NFG must satisfy its burden of proof by presenting a preponderance of evidence.[2] A preponderance of the evidence is such evidence that is more convincing, by even the smallest amount, than that presented by another party.[3] If a preponderance of evidence is submitted, the burden of going forward with competing evidence shifts to opposing parties to produce credible evidence of at least equal weight.

While the burden of going forward and producing evidence may shift back and forth between the parties, the ultimate burden of persuasion remains with the Company. Further, the Commission must ensure that any adjudication is supported by substantial evidence. "Substantial evidence" is such relevant evidence that a reasonable mind might accept as adequate to support a conclusion.[4]

I&E asserts that National Fuel has failed to meet its burden and therefore I&E respectfully requests that the Administrative Law Judge and the Commission adopt the

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1 *See* 66 Pa. C.S. §§ 1301, 315(a) ; *Brockway Glass Co. v. Pennsylvania Public Utility Commission,* 437 A.2d 1067 (Pa. Commw. 1981); *Lower Frederick Twp. v. Pennsylvania Public Utility Commission*, 409 A.2d 505 (Pa. Commw. 1980).

2 *Samuel J. Lansberry, Inc. v. Pennsylvania Public Utility Commission*, 578 A.2d 600 (Pa. Commw. 1990).

3 *Se-Ling Hosiery v. Margulies*, 70 A.2d 854 (Pa. 1950).

4 *Norfolk & Western Ry. Co. v. Pennsylvania Public Utility Commission,* 413 A.2d 1037 (Pa. 1980).

adjustments and the overall revenue requirement set forth in the record evidence presented by I&E as summarized in this I&E Main Brief and in the Appendices attached hereto.

II. SUMMARY OF ARGUMENT

I&E's total recommended revenue requirement for the Company is $276,603,000. This recommended revenue requirement represents an increase of $11,079,000 to the Company's claimed present rate revenues of $265,524,000.

RATE BASE

Rate base, also known as measure of value, is the depreciated original cost of a utility's investment in plant a utility has in place to serve customers plus other additions and deductions that the Commission determines to be necessary in order to keep the utility operating and providing safe and reliable service to its customers.

I&E did not submit any testimony regarding issues related to the overall utility plant issue other than I&E's request for fully projected future test year reporting requirements.

I&E did not submit any testimony regarding the accumulated depreciation issue. I&E took no position on this issue. I&E believes the Commission weighed in on this issue in the last *Columbia Gas* base rate case.

I&E did not present any record evidence or make any recommendations regarding gas inventory, accumulated deferred income taxes, customer deposits, and materials and supplies. I&E took no position on these issues

I&E recommends an allowance of \$6,643,822 or a decrease of \$111,005 (\$6,754,827 - \$6,643,822) to the Company's claim. I&E's recommendation is based on I&E's adjustments to O&M expenses as discussed in I&E's testimony and I&E's recommended cost of long-term debt ratio of 45%. Finally, I&E noted in surrebuttal that the cash working capital is not a final recommendation because all adjustments to the Company's claims must be continually brought together in the Administrative Law Judge's Recommended Decision and again in the Commission's Final Order.

<u>REVENUES</u>

The revenue requirement formula used in base rate cases is RR = E + D + T + (RB x ROR).

I&E did not present any record evidence or make any recommendations regarding gas supply revenues or other revenues. I&E took no position on these issues.

I&E's total recommended revenue requirement for the Company is \$276,603,000. This recommended revenue requirement represents an increase of \$11,079,000 to the Company's updated claimed present rate revenues of \$265,524,000.

<u>O&M EXPENSES</u>

I&E recommended that NFG's rate case expense be normalized over a period of five years or 60 months resulting in an annual expense of \$206,400 [(\$1,032,000 ÷ 60 months) x 12 months], or a reduction of \$137,600 (\$344,000 - \$206,400) to the Company's claim.

I&E recommended an allowance of $520,678 for stock-based compensation, or a reduction of $909,281 ($1,429,959 - $520,678) to the Company's claim with a focus on the performance shares.

I&E recommended an allowance of $40,212,325 for net labor expense, or a reduction of $379,731 ($40,592,056 - $40,212,325) to NFG's claim.

I&E recommended an allowance of $2,376,894 for payroll taxes, or a reduction of $22,670 ($2,399,564 - $22,670) to the Company's distribution claim.

I&E recommended an allowance of $212,298 for membership dues, or a reduction of $21,968 ($234,266 - $212,298) to the Company's claim.

I&E did not submit any testimony regarding the depreciation expense issue. I&E believes the Commission weighed in on this issue in the last *Columbia Gas* base rate case.

TAXES

I&E did not present any record evidence or make any recommendations regarding the tax issues. I&E took no position on these issues.

RATE OF RETURN

I&E recommends the following rate of return for the Company:

I&E Recommendation National Fuel Gas Summary of Cost of Capital			
Type of Capital	**Ratio**	**Cost Rate**	**Weighted Cost Rate**
Long-Term Debt	45.00%	5.58%	2.51%
Common Equity	55.00%	9.81%	5.40%
Total	**100.00%**		**7.91%**

I&E's recommended return on equity of 9.81% is based on a calculation of the average of I&E's DCF method; the average of two variations of the CAPM method; and the recent national average authorized return on equity for rate cases involving natural gas distribution utilities.

I&E rejected NFG's reliance on the Bond Yield Risk Premium approach.

I&E rejected NFG's use of the 30-year Treasury bond to determine the risk-free rate and instead supports the use of the 10-year Treasury bond.

I&E rejected NFG's assertion of claimed uncertainties in the capital markets to request an increased ROE.

I&E rejected NFG's assertion of a claimed risk due to NFG's capital investment or expenditure plans.

I&E rejected NFG's assertion of a claimed risk based on company size.

Finally, I&E rejected NFG's assertion of a risk due to potential loss of customers or customer concentration risk.

I&E, recommended using a capital structure of 55% common equity and 45% long-term debt.

The Company's claimed long-term debt cost rate is 5.58% for the FPFTY, and I&E recommended using the Company's claimed long-term debt cost rate.

I&E noted a proxy group is a set of companies that have similar traits as compared to the subject utility, in this case NFG. I&E and NFG had five companies that match, I&E included one company that NFG did not, and NFG included two companies that I&E did not.

I&E recommends rejecting the Company's claim for management performance points.

RATE STRUCTURE

A utility's rate structure implements the Commission's approved revenue increase to determine how the overall increase will be allocated among the utility's various rate classes.

I&E disagrees with the Company's customer-demand allocation proposal as it is inconsistent with long-standing Commission precedent that was reaffirmed in the recent *Columbia Gas* order.

Instead, I&E recommends that the Commission allocate revenues and design rates based on the Peak and Average Allocated Cost of Service Study ("ACOSS").

I&E strongly opposes the OSBA's ACOSS recommendation because allocating any part of the cost of mains based on the number of customers is not reasonable. The OSBA's proposed hybrid methodology should be rejected.

While I&E continues to recommend the Peak and Average ACOSS, I&E does not oppose the alternative ACOSS proposed by the OCA because it is also based on the Peak and Average ACOSS.

RATE DESIGN

Revenue allocation is described as the allocation of revenue responsibility between rate classes.

I&E recommends the Company's proposed allocation based on the customer-demand model be rejected in favor of I&E's allocation based on the Peak and Average ACOSS.

I&E's proposed revenue allocation is reasonable because it both moves each rate class towards a relative rate of return (ROR) of 1.0, based on the Peak and Average ACOSS, while also adhering to the concept of gradualism by not recommending an increase above 1.5x the system average increase, or approximately 20% (1.5 x 14%).

Regarding rate design and customer charges, I&E was unable to perform a customer cost analysis based on the Peak and Average ACOS because the Company did not provide the required information to perform a customer cost analysis based on the Peak and Average ACOS.

I&E recommends the Commission limit the percent increase in basic service charges proposed by the Company to approximately the same class percent increase unless and until they are supported by an appropriate customer cost analysis.

I&E recommends the residential class customer charge increase should be no more than approximately 13%, or to $15.80, which is the percent increase to the residential class I&E recommended based on the Peak and Average ACOSS.

Setting the basic service charge must strike a balance between cost-based rates, gradualism, and customer conservation efforts. Including the basic service charge in the scale back of rates represents a positive movement towards cost-based rates while adhering to the concept of gradualism.

If the Commission grants a revenue increase less than the amount requested by the Company, then I&E recommends that all proposed increases to customer charges and usage rates be scaled back proportionately based on the ACOSS that is ultimately approved by the Commission.

WEATHER NORMALIZATION ADJUSTMENT

I&E does not oppose the Company's proposal to calculate its Normal HDDs based on 10-years of National Oceanic and Atmospheric Administration (NOAA) weather data instead of the current method of using 15-years.

I&E recommends that the shoulder month of May be excluded from the calculation of the WNA and that the deadband be increased from 3% to 5%.

ENERGY EFFICIENCY PILOT

I&E does not oppose the EE Pilot program.

I&E recommends that the Company submit an annual report on the EE Pilot three months after the close of the program year.

UNIVERSAL SERVICE PROGRAMS

I&E recommends rejecting the PWPTF's recommendation to increase the Low-Income Usage Reduction Program ("LIURP") budget by the same increase as the revenue increase given to the Company.

The Company has been unable to exhaust its existing budget in 2022, 2023, and 2024 with the Company having underspent its budget by almost $1,500,000 in 2025.

CUSTOMER QUALITY OF SERVICE ISSUES

I&E did not submit any record evidence nor make any recommendations regarding any customer quality of service issues.

MISCELLANEOUS AND PIPELINE SAFETY ISSUES

I&E noted that Pipeline replacement, which includes high risk wrought iron and bare steel should be based on NFG's Distribution Integrity Management Plan (DIMP).

I&E raised concerns that, in I&E's opinion, based on the past average replacement schedule, NFG may not replace all remaining bare steel and wrought iron mains in 17 years.

I&E raised concerns regarding the seemingly ever-increasing restoration costs associated with the infrastructure improvement capital costs.

I&E did not submit any testimony or record evidence regarding Tariff Rule 8. I&E took no position on this issue.

I&E recommends that NFG implement a pilot program utilizing Smart Remote Methane Detectors (SRMDs) in a geographic region of NFG's choosing for the installation of 500 to 1000 SRMDs to allow NFG to study the effectiveness of the SRMDs and monitor the related expenses.

I&E recommends NFG consider using Advanced Metering Infrastructure (AMI) technology and LoRaWAN or other communication network technology for the notification methodology utilized by these devices as part of its pilot program.

CONCLUSION

National Fuel Gas has not met its burden of proof as the record evidence presented by NFG does not substantiate a revenue increase of $19.7 million. Instead, based on the weight of the record evidence, I&E recommends the Commission grant NFG the I&E recommended revenue increase of $11,079,000. Further, the Commission should implement the recommendations set forth by I&E in its testimony, exhibits and main brief arguments.

III. I&E'S OVERALL POSITION ON RATE CASE

I&E's total recommended revenue requirement for the Company is $276,603,000.[5] This recommended revenue requirement represents an increase of $11,079,000 to the Company's claimed present rate revenues of $265,524,000.[6] This total recommended allowance incorporates I&E adjustments made in I&E direct, rebuttal and surrebuttal testimony to O&M expenses,[7] and the recommended adjustments made in the direct and surrebuttal testimony of I&E witnesses Drew Breuning[8] and Ethan Cline.[9]

IV. RATE BASE

Rate base, also known as measure of value, is the depreciated original cost of a utility's investment in plant a utility has in place to serve customers plus other additions and deductions that the Commission determines to be necessary in order to keep the

5 I&E St. No. 1-SR, p.3. *See also* App. A, Table I *infra*.
6 *Id.*
7 *See* I&E St. No. 1; I&E St. No. 1-R; I&E St. No. 1-SR.
8 *See* I&E St. No. 2; I&E St. No. 2-SR.
9 *See* I&E St. No. 3; I&E St. No. 3-SR.

utility operating and providing safe and reliable service to its customers. Rate base is one part of the financial equation used by the Commission to determine the appropriate revenue that a utility is granted in a rate proceeding.

Additionally, the depreciated original cost is determined by subtracting the book reserve, which is the accumulation of all prior annual depreciation expense, and other items such as salvage value, from the original cost of the plant in service that is projected to be used and useful in the public service. The depreciated original cost of the plant in service is determined by taking a "snapshot" look at the depreciated original cost value of used and useful utility plant in service at the end of the FPFTY.

Further, for a utility plant to be included in rates, the plant must be used and useful in the provision of utility service to the customers. Therefore, by definition, only plant currently providing or capable of providing utility service to customers or plant projected to be completed and in service by the end of the FPFTY is eligible to be reflected in rates.

A. Utility Plant

I&E did not submit any testimony regarding issues related to the overall utility plant issue other than I&E's request for fully projected future test year reporting requirements. I&E took no position on this issue.

B. Accumulated Depreciation

I&E did not submit any testimony regarding the accumulated depreciation issue. I&E took no position on this issue. I&E believes the Commission weighed in on this issue in the last *Columbia Gas* base rate case.[10]

C. Net Plant in Service - FPFTY Reporting Requirements

I&E witness Ethan Cline submitted direct[11] and surrebuttal[12] testimony regarding I&E's requested FPFTY reporting requirements. I&E recommended that that the Company be required to provide the Bureau of Investigation and Enforcement and the Office of Consumer Advocate with an update to NFG Exhibit A - FTY, Schedule C-2 no later than February 1, 2027, under this docket number, which should include actual capital expenditures, plant additions, and retirements by month for the twelve months ending September 30, 2026.[13] Additionally, I&E recommended that the Company be required to provide an update to NFG Exhibit A - FPFTY, Schedule C-2 for actuals through October 31, 2027, no later than February 1, 2028.[14]

I&E reasoned there is value in determining how closely NFG's projected investments in future plant align with the actual investments that are made by the end of the FTY and FPFTY.[15] Determining the correlation between NFG's projected and actual results will help inform the Commission and the parties in NFG's future rate cases as to the validity of NFG's projections.[16]

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[10] See *PA. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2025-3053499, Recommended Decision Entered October 3, 2025, pp. 137-151; OPINION AND ORDER Entered December 04, 2025, pp. 97-111.
[11] I&E St. No. 3, pp. 3-4.
[12] I&E St. No. 3-SR, pp. 2-3.
[13] I&E St. No. 3, pp. 3-4.
[14] *Id.*
[15] *Id.*, p. 4.
[16] *Id.*

The Company stated that if directed, the Company will provide the updates.[17]

D. Gas Inventory

I&E did not present any record evidence or make any recommendations regarding this issue. I&E took no position on this issue.

E. Accumulated Deferred Income Taxes

I&E did not present any record evidence or make any recommendations regarding this issue. I&E took no position on this issue.

F. Customer Deposits

I&E did not present any record evidence or make any recommendations regarding this issue. I&E took no position on this issue.

G. Materials & Supplies

I&E did not present any record evidence or make any recommendations regarding this issue. I&E took no position on this issue.

H. Cash Working Capital

I&E witness, Christopher Keller, testified extensively regarding the Company's claim for its cash working capital expense in his direct[18] and surrebuttal[19] testimonies. Mr. Keller noted that cash working capital includes the amount of funds necessary to operate a utility during the interim between the rendition of service, including the payment of related expenses, and the utility's receipt of revenue in payment of services

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17 I&E St. No. 3-SR, p. 3, citing NFG St. No. 6-R, p. 5.
18 I&E St. No. 1, pp. 21-24.
19 I&E St. No. 1-SR, pp. 19-21.

rendered.[20] NFG calculates its cash working capital by using a lead/lag study which I&E does not oppose.[21] A lead/lag study measures the differences in time between: (1) the time services are rendered until payment of those services is received; and (2) the time between the point when a utility has incurred an expense and the actual payment of the expense.[22]

In his direct testimony Mr. Keller recommended an allowance of $6,643,822 or a decrease of $111,005 ($6,754,827 - $6,643,822) to the Company's claim.[23] I&E's recommendation is based on I&E's adjustments to O&M expenses as discussed in I&E's testimony and I&E's recommended cost of long-term debt ratio of 45%.[24] Finally, Mr. Keller noted in his surrebuttal that his cash working capital is not a final recommendation because all adjustments to the Company's claims must be continually brought together in the Administrative Law Judge's Recommended Decision and again in the Commission's Final Order.[25] This process, known as iteration, effectively prevents the determination of a precise calculation until all adjustments have been made to the Company's claims.[26]

V. REVENUE AND OPERATING SALES

A. Revenue Requirement and Customer Sales

The revenue requirement formula used in base rate cases is as follows:

$$RR = E + D + T + (RB \times ROR)$$

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20 I&E St. No. 1, pp. 21-22.
21 *Id.*, p. 22.
22 *Id.*
23 *Id.*, p. 23, citing I&E Exhibit No. 1, Schedule 5, p. 1.
24 *Id.*, citing I&E Exhibit No. 2, Schedule 1.
25 I&E St. No. 1-SR, p. 21.
26 *Id.*

Where:

RR = Revenue Requirement
E = Operating Expenses
D = Depreciation Expense
T = Taxes
RB = Rate Base
ROR = Overall Rate of Return

In the above formula, the rate of return is expressed as a percentage. The calculation of that percentage is independent of the determination of the appropriate rate base value for ratemaking purposes. As such, the appropriate total dollar return is dependent upon the proper computation of the rate of return and the proper valuation of the Company's rate base.

B. Gas Supply Revenues

I&E did not present any record evidence or make any recommendations regarding this issue. I&E took no position on this issue.

C. Other Revenues

I&E did not present any record evidence or make any recommendations regarding this issue. I&E took no position on this issue.

D. Revenue Increase

I&E's total recommended revenue requirement for the Company is $276,603,000. This recommended revenue requirement represents an increase of $11,079,000 to the Company's updated claimed present rate revenues of $265,524,000.[27]

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[27] I&E St. No. 1-SR, p. 3.

VI. OPERATING EXPENSES (O&M)

A. Company's Claimed O&M Expenses

It is well settled that a utility is entitled to recover its reasonably and prudently incurred expenses.[28] Operating and maintenance expenses, if properly and prudently incurred, are allowed as part of the overall base rate computation. As such, a public utility is entitled to recover all reasonable and normal operating and maintenance expenses incurred by providing regulated service.[29] To the extent that expenses are not incurred, imprudently incurred, or abnormally overstated during the test year, they should be disallowed and found not recoverable through rates. The public utility requesting a rate increase and seeking to recover expenses has the burden of showing that the rate requested, including all claimed expenses, is just and reasonable.[30]

B. Rate Case Expense

I&E witness, Christopher Keller, testified extensively regarding rate base expense in his direct[31] and surrebuttal[32] testimonies. Mr. Keller noted that NFG's claim for rate case expense is $344,000.[33] NFG estimated its total rate case expense amount to be $1,032,000 and requested a normalization period of three years.[34] This produced a

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[28] *UGI Corp. v. Pa. P.U.C.*, 410 A.2d 923, 932 (Pa. Commw. 1980).

[29] *Western Pennsylvania Water Company v. Pa. P.U.C.*, 422 A.2d 906 (Pa. Commw. 1980).

[30] 66 Pa. C.S. § 315(a); *See also Cup v. Pa. P.U.C.*, 556 A.2d 470 (Pa. Commw. 1989).

[31] I&E St. No. 1, pp. 4-10.

[32] I&E St. No. 1-SR, pp. 4-9.

[33] I&E St. No. 1, p. 4, citing NFG Book V, Exhibit A - FPFTY, Schedule D-6.

[34] *Id.*, p. 5, citing NFG Book V, Exhibit A - FPFTY, Schedule D-6.

normalized claim of $344,000 ($1,032,000 ÷ 3). The Company argued that the three-year normalization period was used as it aligns with the time interval between the Company's late base rate case and this proceeding.[35]

Mr. Keller, however, recommended that NFG's rate case expense be normalized over a period of five years or 60 months resulting in an annual expense of $206,400 [($1,032,000 ÷ 60 months) x 12 months], or a reduction of $137,600 ($344,000 - $206,400) to the Company's claim.[36] Mr. Keller disagreed with the claimed three-year recovery period because a three-year recovery period is not supported by the Company's historic filing frequency.[37]

C. Incentive (Stock Based) Compensation Expense

I&E witness, Christopher Keller, testified extensively regarding the Company's stock-based compensation expense in his direct[38] and surrebuttal[39] testimonies. Mr. Keller noted the Company's stock-based compensation claim contains three parts, which are based on a three-year average amount for each, with a total claim of $1.429,959.[40]

Mr. Keller, however recommended an allowance of $520,678 for stock-based compensation, or a reduction of $909,281 ($1,429,959 - $520,678) to the Company's claim with a focus on the performance shares.[41] Mr. Keller noted that in one discovery

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35 *Id.*, citing NFG Statement No. 3, p. 16, lines 5-6.
36 *Id.*, p. 6.
37 *Id.*
38 I&E St. No. 1, pp. 15-18.
39 I&E St. No. 1-SR, pp. 13-16.
40 I&E St. No. 1, p. 15, citing NFG Book III, Exhibit MPW-1, Schedule 2, p. 13.
41 *Id.*, p. 16.

response, the Company argued that the restricted stock are time vested stock where there is not any other goals to be met other than the passage of time and that the performance shares are based on financial results with the exception of emission reduction targets which account for approximately 5% of performance shares issued.[42]

I&E now argues that based on the Company's discovery responses, it is clear that performance shares in NFG's stock-based compensation expense claim are almost entirely focused on achieving financial goals and targets that benefit shareholders.[43] The Company's claim that the achievement of financial goals or targets benefits ratepayers is speculative and unsupported because there are no measurable or quantifiable benefits accruing directly to ratepayers specifically attributable to performance shares.[44] Further, the performance shares in the Company's stock-based compensation claim should not be funded by ratepayers.[45]

Therefore, I&E recommended disallowance of 95% of NFG's claim for performance shares or $909,281 ($957,138 x 95%).[46] This resulted in a recommended allowance of $520,678 for stock-based compensation, or a reduction of $909,281 ($1,429,959 - $520,678) to the Company's claim for stock-based compensation.[47]

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42 *Id.*, citing I&E Exhibit No. 1, Schedule 3.
43 *Id.*, p. 17.
44 I&E St. No. 1-SR, p. 15.
45 *Id.*
46 I&E St. No. 1, p. 17.
47 *Id.*

D. Payroll Expense and Related

1. Net Labor Expense

I&E witness, Christopher Keller, testified extensively regarding the Company's net labor expense in his direct[48] and surrebuttal[49] testimonies. Mr. Keller noted that NFG's net labor expense claim is $40,592,056[50] includes labor from the Company as well as labor from its subsidiaries, primarily NFG's New York Division (NFG NY) and National Fuel Gas Supply Corporation.[51]

Mr. Keller, however, recommended an allowance of $40,212,325 for net labor expense, or a reduction of $379,731 ($40,592,056 - $40,212,325) to NFG's claim.[52] Mr. Keller's recommendation for net labor expense is based on the removal of the portion of the executive bonus that is attributable to achieving financial goals. Mr. Keller argued further that the Company's claim that the achievement of financial goals benefits ratepayers is speculative and unsupported because there are no measurable or quantifiable benefits accruing directly to ratepayers specifically attributable to financial goals.[53]

Further, I&E argued, allowing this claim in rates would result in higher rates and revenues at the expense of ratepayers, while providing a benefit to the parent company and shareholders' financial goals.[54] It is not obvious how the portion of executive

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48 I&E St. No. 1, pp. 11-13.
49 I&E St. No. 1-SR, pp. 9-12.
50 I&E St. No. 1, p. 11, citing NFG Book III, Exhibit ATF-4, Schedule 1, p. 2.
51 *Id.*, citing NFG Statement No. 3, p. 5, lines 5-8.
52 I&E St. No. 1, p. 11.
53 I&E St. No. 1-SR, p. 11.
54 *Id.*

bonuses attributable to financial goals directly relates to providing safe and reliable service to ratepayers.[55] Therefore, all costs associated with executive bonuses related to financial goals should be paid for by shareholders, and not by ratepayers, as they are directly linked to the benefit of shareholders.[56]

2. Payroll Taxes

I&E witness, Christopher Keller, testified extensively regarding the Company's payroll taxes expense in his direct[57] and surrebuttal[58] testimonies. NFG made a claim in the amount of $2,399,564[59] for NFG's employer share of those payroll taxes.[60] NFG's claim consists of Social Security and Medicare taxes (together FICA), federal unemployment tax (FUTA), and state unemployment tax (SUTA).[61]

Mr. Keller, however, recommended an allowance of $2,376,894 for payroll taxes, or a reduction of $22,670 ($2,399,564 - $22,670) to the Company's distribution claim.[62] Mr. Keller's recommended adjustment is based on recognition of the net labor expense reduction for his removal of the portion of executive bonuses related to financial goals and on the payroll tax rate applied to the Company's claim.[63]

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55 *Id.*

56 *Id.*

57 I&E St. No. 1, pp. 13-14.

58 I&E St. No. 1-SR, pp. 12-13.

59 *Id.*, p. 13, citing NFG Book V, Exhibit A - FPFTY, Schedule D-9, column 5, lines 4-6.

60 *Id.*

61 *Id.*, p. 14.

62 *Id.*

63 *Id.*

E. Membership Dues

I&E witness, Christopher Keller, testified extensively regarding the Company's claim for a membership dues expense in his direct[64] and surrebuttal[65] testimonies. Mr. Keller noted that the Company's claim for membership dues of $234,266[66] includes payments to industry organizations, civic and community organizations, trades, technical, and professional organizations, and other memberships.[67] The Company's claim was based on its HTY amount for membership dues.[68]

Mr. Keller, however, recommended an allowance of $212,298 for membership dues, or a reduction of $21,968 ($234,266 - $212,298) to the Company's claim.[69] I&E's recommendation is based on disallowing membership dues for civic and community organizations and other membership dues where the Company has not provided adequate support that the membership is necessary to provide safe and reliable service to the Company's ratepayers.[70]

F. Customer Payment Transaction Costs

I&E did not present any record evidence or make any recommendations regarding this issue. I&E took no position on this issue.

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64 I&E St. No. 1, pp. 18-21.
65 I&E St. No. 1-SR, pp. 16-19.
66 I&E St. No. 1, p. 18, citing NFG Book III, Exhibit ATF-1, Schedule 1.
67 *Id.*, p. 19, citing NFG Book II, SDR-RR-30 and NFG Book II, SDR-RR-31.
68 *Id.*, citing I&E Exhibit No. 1, Schedule 4.
69 *Id.*, p. 19.
70 *Id.*, citing I&E Exhibit No. 1, Schedule 4, p. 3.

G. Depreciation Expense

See Section IV. B. Accumulated Depreciation *supra*. Further, I&E did not submit any testimony regarding the depreciation expense issue. I&E took no position on this issue. I&E believes the Commission weighed in on this issue in the last *Columbia Gas* base rate case.[71]

H. Other Expense Adjustments

1. Cash Working Capital (CWC)

See Section IV. H. Cash Working Capital *supra*.

VII. TAXES

A. Income Taxes

I&E did not present any record evidence or make any recommendations regarding this issue. I&E took no position on this issue.

B. Taxes Other than Income Taxes

I&E did not present any record evidence or make any recommendations regarding this issue. I&E took no position on this issue.

C. Tax and Amortization Issues

I&E did not present any record evidence or make any recommendations regarding this issue. I&E took no position on this issue.

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[71] See *PA. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2025-3053499, Recommended Decision Entered October 3, 2025, pp. 137-151; OPINION AND ORDER Entered December 04, 2025, pp. 97-111.

VIII. RATE OF RETURN

A. Introduction – Overall Rate of Return

I&E witness, Drew Breuning, testified extensively regarding I&E's overall rate of return analysis in his direct[72] and surrebuttal[73] testimonies. Mr. Breuning stated that I&E recommends the following rate of return for the Company:[74]

I&E Recommendation Columbia Gas of Pennsylvania, Inc. Summary of Cost of Capital			
Type of Capital	**Ratio**	**Cost Rate**	**Weighted Cost Rate**
Long-Term Debt	45.00%	5.58%	2.51%
Common Equity	55.00%	9.81%	5.40%
Total	**100.00%**		**7.91%**

Mr. Breuning opined further that I&E's recommended return on equity of 9.81% is based on a calculation of the average of his DCF method; the average of two variations of the CAPM method; and the recent national average authorized return on equity for rate cases involving natural gas distribution utilities as shown below.[75]

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72 I&E St. No. 2, pp. 2-7; 29-38; and 54-56, citing *Bluefield Water Works & Improvements Co. v. Public Service Comm. of West Virginia,* 262 U.S. 679, 692-93 (1923), and the *Federal Power Commission et al v. Hope Natural Gas Co.,* 320 U.S. 591, 603 (1944) cases which set forth the principles that are generally accepted by regulators throughout the country as the appropriate criteria for measuring a fair rate of return.

73 I&E St. No. 2-SR, pp. 2-27.

74 I&E St. No. 2, p. 6-7; I&E St. No. 2-SR, p. 26.

75 I&E St. No. 2, p. 7.

DCF Result	10.47%
Average of I&E Calculated CAPM Result and Kroll CAPM Result	9.25%
National Average of Natural Gas Distribution Authorized ROEs from S&P Global	9.70%
Average*	**9.81%**

*(10.47% + 9.25% + 9.70%) / 3 = 9.81%

B. Capital Structure

I&E witness, Drew Breuning, testified extensively regarding NFG's capital structure in his direct[76] and surrebuttal[77] testimonies. Mr. Breuning noted its capital structure represents how a utility has financed its rate base with different sources of funds.[78] The primary funding sources for NFG are long-term debt and common equity.[79] And while a capital structure may also include preferred stock and/or short-term debt, NFG utilizes neither.[80]

The Company's proposed capital structure is Long-Term Debt = 43.60%; and Common Equity = 56.40% for total of 100.00%.[81]

I&E, however, recommended using a capital structure of 55% common equity and 45% long-term debt.[82] I&E believes that the Company's proposed capital structure is

76 I&E St. No. 2, pp. 14-20.
77 I&E St. No. 1-SR, pp. 6-8.
78 I&E St. No. 2, p. 14.
79 *Id.*
80 *Id.*
81 *Id.*
82 *Id.*, p. 15.

unreasonable for ratemaking purposes. The Company's proposed capital structure falls close to the highest end of the range of I&E's proxy group's 2024 (most recent available) capital structures, where the most recent five-year average range contains individual company capital structure ratios from 39.53% to 58.23% long-term debt and 36.62% to 60.47% equity, with an overall five-year average of 50.40% long-term debt and 48.70% common equity.[83]

I&E argues that limiting a company's capital structure from becoming too equity heavy is reasonable and necessary for a fair ratemaking process.[84] Implementing a capital structure that is closer to 50% long-term debt and 50% common equity is commonly considered optimal when trying to balance the financial integrity of a utility and its impact on ratepayers.[85] While, I&E argues it is not always possible to have a capital structure that is exactly 50/50, implementing a limit helps strike a balance between rewarding the company for carrying more equity while also reducing the costs that would be passed on to ratepayers.[86] For that reason, it is I&E's opinion that the Company's capital structure should not exceed 55% equity.[87]

C. Debt Cost Rate (Cost of Long-Term Debt)

I&E witness, Drew Breuning, testified regarding NFG's cost of long-term debt in his direct[88] testimony. Mr. Breuning noted the Company's claimed long-term debt cost

83 *Id.*, pp. 15-16, citing I&E Exhibit No. 2, Schedule 4.
84 *Id.*, p. 16.
85 *Id.*
86 *Id.*
87 *Id.*
88 I&E St. No. 2, p. 21.

rate is 5.58% for the FPFTY,[89] and stated further that I&E recommends using the Company's claimed long-term debt cost rate.[90]

D. Return on (Cost of) Common Equity

I&E witness, Drew Breuning, testified extensively regarding the cost of common equity in his direct[91] and surrebuttal[92] testimonies. Mr. Breuning's testimony included an in-depth analysis of the common methods used to calculate the cost of common equity for public utilities.[93] Mr. Breuning presented his cost of common equity findings using the discounted cash flow method ("DCF"),[94] the capital asset pricing model ("CAPM"),[95] the national average authorized ROE data[96] that he relied on to make his recommendation. I&E's final cost of common equity recommendation for NFG is 9.81%.[97]

Mr. Breuning's direct[98] and surrebuttal[99] testimonies also included extensive critiques and rebukes of the Company's rate of return and cost of common equity testimony and proposals. Finally, I&E notes that there have been voices raising concerns regarding utility bill affordability including statements by certain Commissioners[100] and concerns raised by Governor Shapiro in a recent letter to Pennsylvania Utility Leaders

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89 *Id.*, p. 21, citing NFG Statement No. 11, p. 8, lines 4-6.
90 *Id.*, p. 21.
91 I&E St. No. 2, pp. 22-28.
92 I&E St. No. 2-SR, pp. 14-26.
93 I&E St. No. 2, pp. 22-30.
94 *Id.*, pp. 30-32.
95 *Id.*, pp. 32-37.
96 *Id.*, pp. 37-38.
97 I&E St. No. 2, p. 29; I&E St. No. 2-SR, p. 26.
98 I&E St. No. 2, pp. 38-48.
99 I&E St. No. 2-SR, pp. 3-26.
100 *Id.*, p. 26, citing I&E Exhibit No. 2, Schedules 4 and 5.

regarding higher utility costs and enormous profits earned by utilities in 2024.[101] I&E believes these concerns highlight the importance of ratepayers only being required to pay rates to fund costs that are necessary for the safe and reliable provision of natural gas service. I&E believes that its recommendations allow the Company to earn a fair return while considering the overall cost to ratepayers. Given the current economic climate, it is important that ratepayers only be required to pay rates to fund costs that are absolutely necessary for the safe and reliable provision of natural gas service.

Mr. Breuning also analyzed and critiqued the testimony of the NFG rate of return witness.[102] Mr. Breuning's responses to the NFG witness are summarized below. The Company's DCF analysis is flawed.[103] NFG included two companies in its proxy group that should have been excluded.[104]

I&E rejects NFG's reliance on the Bond Yield Risk Premium approach.[105] I&E rejects NFG's use of the 30-year Treasury bond to determine the risk-free rate and instead supports the use of the 10-year Treasury bond.[106] I&E rejects NFG's assertion of claimed uncertainties in the capital markets to request an increased ROE.[107] I&E rejects NFG's assertion of a claimed risk due to NFG's capital investment or expenditure plans.[108] I&E

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101 *Id.*, citing I&E Exhibit No. 1-SR, Schedule 2, pp. 1-4.
102 I&E St. No. 2, pp. 38-49; I&E St. No. 2-SR, pp. 14-26.
103 I&E St. No. 2, pp. 39-41.
104 *Id.*
105 *Id.*, pp. 41-42; I&E St. No. 2-SR, pp. 20-21.
106 *Id.*, pp. 42-43; *Id.*, pp. 15-20.
107 *Id.*, pp. 43-45.
108 *Id.*, pp. 45-46; *Id.*, p. 22.

rejects NFG's assertion of a claimed risk based on company size.[109] Finally, I&E rejects NFG's assertion of a risk due to potential loss of customers or customer concentration risk.[110]

1. Proxy Group

I&E witness, Drew Breuning, testified extensively regarding the proxy group used in his rate of return calculations in his direct[111] and surrebuttal[112] testimonies. Mr. Breuning noted a proxy group is a set of companies that have similar traits as compared to the subject utility, in this case NFG.[113] This group of companies acts as a benchmark for determining the subject utility's rate of return in a base rate case.[114] Further, a proxy group's cost of equity is used as a benchmark to satisfy the long-established guideline of utility regulation that seeks to provide the subject utility with the opportunity to earn a return similar to that of companies with corresponding risks and uncertainties.[115]

I&E included the following companies in its proxy group:[116]

Atmos Energy Corporation	ATO
Chesapeake Utilities Corp.	CPK
New Jersey Resources Corporation	NJR
NiSource Inc.	NI
Northwest Natural Holding Company	NWN
ONE Gas, Inc.	OGS

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109 *Id.*, pp. 46-48; *Id.*, p. 23-25.
110 *Id.*, pp. 48-49; *Id.*, pp. 25-26.
111 I&E St. No. 2, pp. 8-14.
112 I&E St. No. 1-SR, pp. 9-14.
113 I&E St. No. 2, p. 8.
114 *Id.*
115 *Id.*
116 *Id.*, p. 11.

Further, Mr. Breuning noted that while I&E and NFG had five companies that match, I&E included one company that NFG did not, and NFG included two companies that I&E did not.[117] Specifically, I&E excluded Southwest Gas Holdings, Inc. (SWX) and Spire, Inc. (SR) from my proxy group.[118]

E. Management Performance

I&E witness, Drew Breuning, testified extensively regarding NFG's request for management performance points in his direct[119] testimony. Mr. Breuning noted that NFG proposed that 25 basis points be added to the calculated cost of equity in recognition of the Company's management performance.[120]

Mr. Breuning, however rejected NFG's arguments asserting that many of the reasons alleged by the Company fall within the categories of reliability, customer satisfaction, and safety that are required of every public utility company under 66 Pa. C.S.A. § 1501.[121] Additionally, the Company passes capital expenditures to its ratepayers via base rates, or it can utilize the DSIC for capital expenditure recovery.[122] Further, if the Company is effective at controlling operating and maintenance costs, those savings should flow through to ratepayers and/or investors.[123]

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117 *Id.*
118 *Id.*, p. 12.
119 I&E St. No. 2, pp. 49-53.
120 *Id.*, p. 49, citing NFG St. No. 10, p. 4.
121 I&E St. No. 2, p. 50.
122 *Id.*
123 *Id.*

Finally, a 25-basis point increase to the cost of equity for management performance would add $1,120,163 directly to the Company's revenue requirement that would be borne by the ratepayers.[124] I&E does not support NFG, or any utility, being gifted additional basis points for doing what they are required to do to provide adequate, efficient, safe, and reasonable service under 66 Pa. C.S.A. § 1501.[125]

F. Conclusion – I&E's Overall Rate of Return Recommendation

In consideration of the above and the record evidence presented, I&E recommends that the Company should be afforded the opportunity to earn an overall rate of return of 7.91%.[126] This recommended overall rate of return is comprised of a weighted average of a 2.51% rate of return on long-term debt, and a 5.40% rate of return on common equity.[127] I&E notes that it's calculated return on common equity is 9.81%.[128]

IX. RATE STRUCTURE AND RATE DESIGN

A utility's rate structure implements the Commission's approved revenue increase to determine how the overall increase will be allocated among the utility's various rate classes. Once a class revenue allocation is determined, development of a rate design will address how the tariffed rates and rate elements will generate the allocated revenues. A properly designed rate structure will not unduly burden one class of ratepayers to the benefit of another. Under the Public Utility Code, "[n]o public utility shall … make or

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124 *Id.*, pp. 52-53.
125 *Id.*, p. 53.
126 I&E St. No. 2-SR, p. 26.
127 I&E St. No. 2, pp. 6-7.
128 *Id.*, p. 7.

grant any unreasonable preference to any person, corporation … No public utility shall establish or maintain any unreasonable difference as to rates, either as between localities or as between classes of service."[129] Differences in rates charged to different classes are permissible so long as there is reasonable basis for the discrepancy.[130] Generally "public utility rates should enable the utility to recover its cost of providing service and should allocate this cost among the utility's customers in a just, reasonable and nondiscriminatory manner."[131]

A. Allocated Cost of Service

I&E witness, Ethan Cline, testified extensively regarding allocated cost of service in his direct[132] and surrebuttal[133] testimonies. Mr. Cline noted a utility provides service to a defined set of customer classes that are different in terms of demand and usage patterns. An ACOSS allocates or assigns a utility's revenue requirement based on those service differences.[134] In other words, an ACOSS is a formalized analysis of costs that attempts to assign to each customer or rate class its proportionate share of the Company's total cost of service (i.e., the Company's total revenue requirement).[135]

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[129] 66 Pa. C.S. § 1304.

[130] *See generally, Peoples Natural Gas Company v. Pa. P.U.C.*, 409 A.2d 446 (Pa. Commw. 1979).

[131] *See generally Pa. P.U.C. v. West Penn Power*, 73 Pa. P.U.C. 454, 510, 199 PUR 4th 110 (1990).

[132] I&E St. No. 3, pp. 7-10.

[133] I&E St. No. 3-SR, pp. 6-11.

[134] I&E St. No. 3, p. 7.

[135] *Id.*, pp. 7-8.

Mr. Cline also noted NFG performed two ACOSSs in this case.[136] The first, using the customer-demand method, is the ACOSS that the Company proposed to be used to allocate costs in this case where cost of mains are allocated as 61% customer-related and 39% as demand-related.[137] The second ACOSS performed by the Company was based on the Peak and Average method, with no customer component, and was provided for informational and comparison purposes.[138]

Mr. Cline disagreed with the Company's customer-demand allocation proposal as it is inconsistent with long-standing Commission precedent that was reaffirmed in the recent *Columbia Gas* order.[139] Instead Mr. Cline and I&E recommend that the Commission allocate revenues and design rates based on the Peak and Average ACOSS provided by the Company.[140]

Also worth noting, OSBA witness, Justin Farr, disagreed with I&E's use of the Peak and Average ACOSS methodology in his rebuttal testimony, and instead recommended a hybrid ACOSS methodology which assigned 30.5% of the weight to customer-related costs and the remaining 69.5% allocated using the Peak and Average method proposed by the OCA.[141]

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136 *Id.*, p. 9.
137 *Id.*, citing National Fuel Statement No. 19, p. 12.
138 *Id.*, citing National Fuel Statement No. 19, p. 17.
139 I&E St. No. 3-SR, pp. 9-10, citing *Pa. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2025-3053499, pp. 254-5 (Order Entered December 4, 2025).
140 I&E St. No. 3, p. 10, noting the Peak and Average ACOSS was provided electronically in response to OCA-I-3 and summary page under present and proposed rates. *See* I&E Exhibit No. 3, Schedule 1.
141 *Id.*, p. 10, citing OSBA St. No. 1-R, pp. 1-2.

I&E strongly opposes Mr. Farr's recommendation because allocating any part of the cost of mains based on the number of customers is not reasonable and, therefore, the OSBA's proposed hybrid methodology should be rejected.[142]

OCA witness, Mr. Deupree, argued that while he did agree with I&E's support for the Peak and Average ACOSS, he continues to support the Peak and Average ACOSS that he submitted with his direct testimony.[143] Mr. Deupree's main disagreement with I&E's position is regarding allocation.[144]

Finally, while I&E continues to recommend the Peak and Average ACOSS as Mr. Cline proposed in direct testimony, Mr. Cline does not oppose the alternative ACOSS proposed by the OCA witness, Mr. Deupree, because it is also based on the Peak and Average ACOSS.[145]

B. Revenue Allocation

I&E witness, Ethan Cline, testified extensively regarding revenue allocation in his direct[146] and surrebuttal[147] testimonies. Mr. Cline noted the Company's proposed revenue allocation is based upon its customer-demand ACOSS.[148] As Mr. Cline recommended the Commission reject reliance on the proposed customer-demand ACOSS in favor of the Peak and Average ACOSS, so does Mr. Cline recommend the Company's

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142 I&E St. No. 3-SR, p. 10.
143 *Id.*, pp. 10-11, citing OCA Statement No. 1R, p. 11.
144 *Id.*, p. 11.
145 I&E St. No. 3-SR, p. 11.
146 I&E St. No. 3, pp. 11-13.
147 I&E St. No. 3-SR, pp. 11-13.
148 I&E St. No. 3, p. 11.

proposed allocation based on the customer-demand model be rejected in favor of I&E's allocation based on the Peak and Average ACOSS.[149] I&E's proposed revenue allocation is set forth in the table on page 12 of Mr. Cline's direct testimony.[150] I&E's proposed revenue allocation is reasonable because it both moves each rate class towards a relative rate of return (ROR) of 1.0, based on the Peak and Average ACOSS, while also adhering to the concept of gradualism by not recommending an increase above 1.5x the system average increase, or approximately 20% (1.5 x 14%).[151]

Mr. Cline noted that the OCA witness disagreed with his allocation recommendation due to concerns regarding gradualism claiming that Mr. Cline's allocation recommendation to limit the revenue allocations to 1.5 times the system average increase is inconsistent with the concept of gradualism.[152] The OCA instead proposed capping the under-earning rate classes to no more than 1.15 times the system average increase.[153]

Mr. Cline disagrees with the OCA criticism and states that in his experience, 1.5 times the system average increase is considered consistent with the concept of gradualism.[154]

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149 *Id.*
150 *Id.*, p. 12.
151 *Id.*
152 I&E St. No. 3-SR, p. 13.
153 *Id.*, citing OCA Statement No. 1R, pp. 10-11.
154 I&E St. No. 3-SR, p. 13.

C. Rate Design - Customer Charges

I&E witness, Ethan Cline, testified regarding rate design and the proposed customer charges in his direct[155] and surrebuttal[156] testimonies. Mr. Cline noted the Company recommended increasing the basic service charges for each customer class (except for the LCPA, SVIS, and IVIS) consistent with the results of its customer cost analysis.[157] However, as Mr. Cline points out, the Company did not provide a separate customer cost analysis in its filing.[158] NFG's claimed unit cost per customer of $27.17 is based upon the customer classification in the customer-demand ACOSS and is unreasonable.[159]

The Commission has consistently determined that the Peak and Average ACOS method is preferred over the customer-demand ACOS method.[160] Therefore, the Company's claimed unit cost per customer of $27.17 that is based upon the customer-demand ACOSS is not reasonable and should be rejected.[161]

Further, as Mr. Cline's notes, he was unable to perform a customer cost analysis based on the Peak and Average ACOS because the Company did not provide the required information to perform a customer cost analysis based on the Peak and Average ACOS.[162] Therefore, I&E recommends the Commission limit the percent increase in

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155 I&E St. No. 3, pp. 13-16.
156 I&E St. No. 3-SR, p. 14.
157 I&E St. No. 3, p. 14, citing National Fuel Statement No. 14, p. 17.
158 *Id.*, p. 13.
159 *Id.*, citing National Fuel Exhibit D, Schedule 7, p. 3.
160 *Id.*, p. 13.
161 *Id.*, pp. 13-14.
162 *Id.*, p. 14.

basic service charges proposed by the Company to approximately the same class percent increase unless and until they are supported by an appropriate customer cost analysis.[163] As an example, the residential class customer charge increase would be no more than approximately 13%, or to $15.80, which is the percent increase to the residential class I&E recommended based on the Peak and Average ACOSS.[164]

Finally, setting the basic service charge must strike a balance between cost-based rates, gradualism, and customer conservation efforts.[165] Including the basic service charge in the scale back of rates represents movement towards cost-based rates while adhering to the concept of gradualism.[166] I&E's recommendation is consistent with the Commission's decision in the recent *Columbia Gas* base rate proceeding in which it reduced Columbia's proposed customer charge and then included that reduced customer charge in the scale back of rates.[167]

D. Scale Back of Rates

I&E witness, Ethan Cline, testified regarding rate design and the proposed customer charges in his direct[168] and surrebuttal[169] testimonies. Mr. Cline recommended that if the Commission grants less than the $19.7 million revenue increase requested by the Company, then the proposed rates, including the customer charges, be scaled back

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163 *Id.*, pp. 14-15; I&E St. No. 3-SR, p. 14.
164 *Id.*, p. 15.
165 *Id.*
166 *Id.*
167 *Id.*, p. 16, citing *Pa. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2025-3053499, pp. 280-3 (Order Entered December 4, 2025).
168 I&E St. No. 3, p. 16.
169 I&E St. No. 3-SR, p. 15.

proportionately based upon the cost-of-service study ultimately approved by the Commission.[170]

NFG argued scaling back the customer charge merely to match a reduced revenue requirement would disconnect the rate design from cost causation principles and potentially results in an under-recovery of fixed costs.[171] NFG, however, is ignoring the fact that they did not provide a Peak and Average cost of service study; the accepted concept of gradualism; and the recent focus on affordability.

E. OPEB Credit

I&E did not present any record evidence or make any recommendations regarding this issue. I&E took no position on this issue.

F. Summary and Alternatives

The Commission should reject reliance on the proposed customer-demand ACOSS in favor of the Peak and Average ACOSS. Further, the proposed rate allocation based on the customer-demand model should be rejected in favor of an allocation based on the Peak and Average ACOSS. Additionally, the Commission should limit the percent increase in basic service charges proposed by the Company to approximately the same class percent rate increase unless and until they are supported by an appropriate customer cost analysis. Finally, if the Commission grants less than the $19.7 million revenue increase requested by the Company, then the proposed rates, including the customer

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170 I&E St. No. 3, p. 16; I&E St. No. 3-SR, p. 15.
171 I&E St. No. 3-SR, p. 16, citing NFG St. No. 19-R, pp. 24-25.

charges, be scaled back proportionately based upon the cost-of-service study ultimately approved by the Commission.[172]

X. WEATHER NORMALIZATION ADJUSTMENT (WNA)

I&E witness, Ethan Cline, testified extensively regarding the Company's weather normalization adjustment program in his direct[173] and surrebuttal[174] testimonies. Mr. Cline noted that NFG's existing WNA is a ratemaking mechanism that adjusts the delivery portion of customer bills so that they reflect usage under normal weather conditions rather than actual temperatures experienced during the WNA heating season.[175] It adjusts usage in customer bills based on deviations from normal weather by comparing actual Heating Degree Days (HDDs) to normal HDDs based on a 15-year weather history during the heating season of October through May.[176] The existing WNA includes a 3% deadband.[177] NFG's existing WNA applies to all residential, commercial, and public authority customers.[178]

Mr. Cline opined that I&E does not oppose the Company's proposal to calculate its Normal HDDs based on 10-years of National Oceanic and Atmospheric

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172 For example, if the Commission grants I&E's recommended revenue increase of $11.08 million rather than NFG's requested $19.70 million, that would represent a 43.75% reduction in the requested rate increase that could then be applied to a scale-back calculation.
173 I&E St. No. 3, pp. 4-7.
174 I&E St. No. 3-SR, pp. 3-6.
175 I&E St. No. 3, pp. 4-5, citing National Fuel Statement No. 19, pp. 23-24.
176 *Id.*, p. 5.
177 *Id.*, citing National Fuel St. No. 19, pp. 23-25.
178 *Id.*, p. 5.

Administration (NOAA) weather data instead of the current method of using 15-years.[179] Mr. Cline concluded that the Company's proposal to calculate its Normal HDDs based on ten years of weather data is more reasonable because it more accurately reflects recent weather trends and is consistent with the Commission's Order in the recent *Columbia Gas* base rate case.[180] Finally, I&E recommended further that the shoulder month of May be excluded from the calculation of the WNA and that the deadband be increased from 3% to 5%.[181]

XI. ENERGY EFFICIENCY PILOT

I&E witness, Christopher Keller, testified extensively regarding the Company's proposed EE Pilot program in his direct[182] and surrebuttal[183] testimonies. Mr. Keller noted that NFG proposed an Energy Efficiency (EE) Pilot program to be implemented over five years starting in October 2026.[184] I&E notes that although not statutorily mandated for natural gas distribution companies, NFG voluntarily designed and proposed an EE Pilot to encourage customers to install high efficiency natural gas appliances.[185] Additionally, the Company is proposing to recover the cost of the EE Pilot program from

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179 *Id.*, p. 6

180 *Id.*, p. 6, citing *Pa. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2025-3053499, pp. 301-02 (Order Entered December 4, 2025).

181 I&E St. No. 3, p. 6; I&E St. No. 3-SR, pp. 5-6.

182 I&E St. No. 1, pp. 25-27.

183 I&E St. No. 1-SR, pp. 22-23.

184 I&E St. No. 1, p. 25, citing NFG Statement No. 18, p .5, lines 1-2.

185 I&E St. No. 1, p. 25.

residential customers, which is the rate class that will directly benefit from the program via Rider D.[186]

I&E did not oppose the EE Pilot program, but instead recommended that the Company submit an annual report on the EE Pilot three months after the close of the program year.[187] The annual report would include information from activity from the previous program year and progress towards the Company's goals for the remaining years of the EE Pilot.[188] Further, both I&E and NFG agree that the annual reporting requirements should not be burdensome, duplicative, or inconsistent with the purpose of the EE Pilot as the purpose of the annual reporting is to evaluate the EE Pilot's performance.[189]

XII. UNIVERSAL SERVICE PROGRAMS

Most of the universal service programs issues were raised by the OCA, CAUSE-PA, and the PWPTF. I&E did not submit testimony on most of the issues raised by the other parties. The issues where I&E did submit testimony are addressed *infra*.

A. Customer Assistance Program ("CAP")

I&E did not submit any testimony or record evidence on CAP issues. I&E takes no position on this issue.

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186 *Id.*, p. 26, citing NFG Statement No. 18, p. 14.
187 *Id.*, p. 27.
188 *Id.*
189 I&E St. No. 1-SR, p. 23.

B. Low Income Usage Reduction Program ("LIURP")

I&E witness, Christopher Keller, testified regarding the LIURP recommendations proposed by the PWPTF in his rebuttal[190] testimony. Mr. Keller noted the PWPTF recommended that the Company increase its LIURP budget by the percentage increase in rates for residential customers as a result of this proceeding.[191] And while the PWPTF's recommendation is well-intentioned, it is inappropriate to consider an increase in the LIURP budget in the instant proceeding considering the Company has been unable to exhaust its existing budget in 2022, 2023, and 2024 with the Company having underspent its budget by almost $1,500,000 in 2025.[192] The PWPTF's supporting arguments are too speculative and not supported by any substantial record evidence.

Finally, it is important to note that the LIURP program costs are directly funded by ratepayers who do not receive assistance from low-income programs but are barely paying their bills themselves.[193] I&E believes it is unreasonable to implement an increase to LIURP paid for by ratepayers, when the Company's ability to utilize these additional funds is not supported by past experience and is uncertain.[194]

C. Neighbor for Neighbor Hardship Fund

I&E did not submit any record evidence nor make any recommendations regarding any hardship fund. I&E takes no position on these issues.

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190 I&E St. No. 1-R, pp. 1-4.
191 *Id.*, p. 2.
192 *Id.*, citing I&E Exhibit No. 1-R, Schedule 1.
193 *Id.*, p. 3.
194 *Id.*

XIII. CUSTOMER/QUALITY OF SERVICE ISSUES

I&E did not submit any record evidence nor make any recommendations regarding any customer quality of service issue. I&E takes no position on these issues.

XIV. MISCELLANEOUS ISSUES / PIPELINE SAFETY

A. Long-Term Infrastructure Improvement Plan ("LTIIP") and Leak Prone Pipe ("LPP") Replacements

I&E witness, Jesse Burkett, testified extensively regarding NFG's LTIIP and LPP pipeline replacement programs in his direct[195] and surrebuttal[196] testimonies. Mr. Burkett noted that the Company stated it has been replacing LPP through its Systematic Replacement Program.[197] The Company stated pipeline replacement projects are prioritized using a probabilistic risk model to evaluate and rank risks associated with individual pipeline segments as well as maintaining a Pipeline Replacement and Systematic Modernization Program.[198]

Mr. Burkett noted in his testimony that Pipeline replacement, which includes high risk wrought iron and bare steel should be based on NFG's Distribution Integrity Management Plan (DIMP).[199] I&E raised concerns that, in I&E's opinion, based on the past average replacement schedule, NFG will replace all remaining bare steel and wrought iron mains in 17 years.[200] And while this schedule appears to meet the targets of

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195 I&E St. No. 4, pp. 3-12.
196 I&E St. No. 4-SR, pp. 2-3.
197 I&E St. No. 4, p. 3.
198 *Id.*, citing NFG Statement No. 9, p. 7.
199 *Id.*, p. 9.
200 *Id.*, p. 11.

mileage replacement through 2027, it may not meet the LTIIP target of complete replacement by 2039.[201]

B. Restoration Costs

I&E witness, Jesse Burkett, testified extensively regarding restoration costs in his direct[202] and surrebuttal[203] testimonies. Mr. Burkett raised concerns regarding the seemingly ever-increasing restoration costs associated with the infrastructure improvement capital costs.[204] NFG stated that it has been working on reducing restoration costs, including municipal fees, since 2021 and is continuing its efforts to lower these costs.[205] I&E acknowledges that some of these increases in costs are implemented by local municipalities and are out of NFG's control.

C. Tariff Rule 8

I&E did not submit any record evidence nor make any recommendations regarding any Tariff Rule 8 issues. I&E takes no position on these issues.

D. Methane Detector Pilot Program

I&E witness, Jesse Burkett, testified extensively regarding I&E's proposed methane detector pilot program in his direct[206] and surrebuttal[207] testimonies. To summarize, Mr. Burkett recommended that NFG implement a pilot program utilizing

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201 *Id.*
202 I&E St. No. 4, pp. 12-16.
203 I&E St. No. 4-SR, pp. 2-3.
204 I&E St. No. 4, pp. 12-14.
205 *Id.* p. 14; I&E St. No. 4-SR, p. 3.
206 I&E St. No. 4, pp. 16-26.
207 I&E St. No. 4-SR, pp. 4-5.

Smart Remote Methane Detectors ("SRMDs") in a geographic region of NFG's choosing for the installation of 500 to 1000 SRMDs to allow NFG to study the effectiveness of the SRMDs and monitor the related expenses.[208] Further, I&E recommended NFG consider using Advanced Metering Infrastructure ("AMI") technology and LoRaWAN or other communication network technology for the notification methodology utilized by these devices as part of its pilot program.[209] I&E also recommends that in conjunction with the pilot program, NFG file quarterly reports with the Commission at this docket number, within 30 days of the end of each calendar quarter, beginning with the calendar quarter that ends December 31, 2026, and ending with the calendar quarter that ends December 31, 2031, or otherwise directed by the Commission.[210] Each report should include the data specified by Mr. Burkett.[211]

I&E believes the implementation of these detector programs is a valuable tool for early warning and accelerated actions to reduce the impacts of infrastructure integrity concerns going forward.[212] Further, I&E believes installation of SRMDs, or real-time methane detection devices have the potential to save lives across NFG's Pennsylvania service territory.[213] As technology continues to evolve, the ability to remotely notify the operator of the presence of indoor gas readings is the next logical step for operators

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208 I&E St. No. 4, p. 23; I&E St. No. 4-SR, p. 5.
209 *Id.*, p. 23.
210 *Id.*, p. 24-25.
211 *Id.*, p. 25.
212 *Id.*, p. 21.
213 *Id.*

across Pennsylvania to drive down the probability of an explosion and the consequences, should an explosion occur.[214]

XV. CONCLUSION

I&E respectfully submits that for all the reasons presented in this I&E Main Brief, National Fuel Gas has not met its burden of proof as the record evidence presented by NFG did not substantiate a revenue increase of $19.7 million. Instead, based on the weight of the record evidence, Your Honor and the Commission should only grant National Fuel Gas the I&E recommended revenue increase of $11,079,000 million in accordance with the record evidence presented by I&E and summarized in this I&E Main Brief and the appended I&E Tables.

Respectfully submitted,

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Dated: June 22, 2026

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214 *Id.*

Appendix A Tables

I&E TABLE I

TABLE I							
			National Fuel Gas Distribution Company				
INCOME SUMMARY							
			Docket No. R-2025-3059428				
			Dollars in $000				
	Pro Forma Present Rates (1)	Company Adjustments (1)	Pro Forma Present Rates Adjusted (1)	I&E Adjustments	I&E Pro Forma Present Rates	I&E Revenue Increase	Total Allowable Revenues
	$	$	$	$	$	$	$
Operating Revenue	265,524	0	265,524	0	265,524	11,079	276,603
Expenses:							
O&M Expense	204,048	0	204,048	(1,472)	202,576	172	202,748
Depreciation	25,302	0	25,302	0	25,302	0	25,302
Taxes, Other	2,489	0	2,489	0	2,489	0	2,489
Income Taxes:							
State	0	0	0	76	76	817	893
Federal	(1,716)	0	(1,716)	198	(1,518)	2,119	601
Deferred Taxes/ITC	(623)	0	(623)	0	(623)	0	(623)
Total Expenses	229,500	0	229,500	(1,198)	228,302	3,108	231,410
Net Inc. Available for Return	36,024	0	36,024	1,198	37,222	7,971	45,193
Rate Base	571,456	0	571,456	(111)	571,345		571,345
Rate of Return	6.30%		6.30%		6.51%		7.91%
(1) Company Rebuttal Testimony							

I&E TABLE I(A)

TABLE I(A)						
National Fuel Gas Distribution Company						
RATE OF RETURN						
Docket No. R-2025-3059428						
	Structure	Cost	After-Tax Weighted Cost	Effective Tax Rate Complement	Pre-Tax Weighted Cost Rate
Total Cost of Debt			2.51000000%		
Long-term Debt	45.00%	5.58%	2.51000000%		2.51%
Short-term Debt	0.00%	0.00%	0.00000000%		0.00%
Preferred Stock	0.00%	0.00%	0.00000000%	0.730829	0.00%
Common Equity	55.00%	9.81%	5.40000000%	0.730829	7.39%
	100.00%		7.91000000%		9.90%
Pre-Tax Interest Coverage	3.94				
After-Tax Interest Coverage	3.15				

I&E TABLE I(B)

TABLE I(B)	
National Fuel Gas Distribution Company	
REVENUE FACTOR	
Docket No. R-2025-3059428	
100%	1.00000000
Less:	
Uncollectible Accounts Factor (*)	0.01550000
PUC, OCA, OSBA Assessment Factors (*)	0.00000000
Gross Receipts Tax	0.00000000
Other Tax Factors (adjust for rounding)	0.00000000
	0.98450000
State Income Tax Rate (*)	0.07490000
Effective State Income Tax Rate	0.07373900
Factor After Local and State Taxes	0.91076100
Federal Income Tax Rate (*)	0.21000000
Effective Federal Income Tax Rate	0.19126000
Revenue Factor (100% - Effective Tax Rates)	0.71950100
(*) I&E Surrebuttal	

I&E TABLE II

TABLE II							
National Fuel Gas Distribution Company							
SUMMARY OF ADJUSTMENTS							
Docket No. R-2025-3059428							
Dollars in $000							
Adjustments	Rate Base	Revenues	Expenses	Depreciation	Taxes-Other	State Income Tax	Federal Income Tax
	$	$	$	$	$	$	$
RATE BASE:							
CWC:							
Int. & Div. (Table IV)	(IV!B38)						
Taxes (Table V)	(V!P34)						
O & M (Table VI)	(VI!B42)						
CWC	(111)						
REVENUES:							
					0	0	0
					0	0	0
EXPENSES:							
Rate Case Expense			-138			10	27
Net Labor Expense			-380			28	74
Payroll Taxes			-23			2	4
Stock-Based Compensation			-909			68	177
Membership Dues			-22			2	4
Rounding			-1			0	0
						0	0
						0	0
						0	0
						0	0
						0	0
						0	0
						0	0
						0	0
TAXES:							
Interest Synchronization (Table III)						(34)	(88)
TOTALS	(111)	0	(1,472)	0	0	76	198

I&E TABLE III

TABLE III	
National Fuel Gas Distribution Company	
INTEREST SYNCHRONIZATION	
Docket No. R-2025-3059428	
Dollars in $000	
	Amount
Company Rate Base Claim	$ 571,456
I&E Rate Base Adjustments	(111)
I&E Rate Base	571,345
Weighted Cost of Debt	2.510%
I&E Interest Expense	14,341
Company Claim (1)	13,886
Total I&E Adjustment	(455)
Company Adjustment	0
Net I&E Interest Adjustment	(455)
State Income Tax Rate	7.49%
State Income Tax Adjustment	(34)
Net I&E Interest Adjustment	(455)
State Income Tax Adjustment	(34)
Net I&E Adjustment for F.I.T.	(421)
Federal Income Tax Rate	21.00%
Federal Income Tax Adjustment	$ (88)
(1) Company Rebuttal Testimony	

I&E TABLE IV

TABLE IV				
National Fuel Gas Distribution Company				
CASH WORKING CAPITAL - Interest and Dividends				
Docket No. R-2025-3059428				
Accrued Interest			Preferred Stock Dividends	
	Long-Term Debt	Short-Term Debt		
Company Rate Base Claim	$571,456	$571,456	Company Rate Base Claim	$571,456
I&E Rate Base Adjustments	($111)	($111)	I&E Rate Base Adjustments	($111)
I&E Rate Base	$571,345	$571,345	I&E Rate Base	$571,345
Weighted Cost of Debt	2.51000000%	0.00%	Weighted Cost Pref. Stock	0.00000000%
I&E Annual Interest Exp.	$14,341	$0	I&E Preferred Dividends	$0
Average Revenue Lag Days	0.0	0.0	Average Revenue Lag Days	0.0
Average Expense Lag Days	0.0	0.0	Average Expense Lag Days	0.0
Net Lag Days	0.0	0.0	Net Lag Days	0.0
Working Capital Adjustment				
I&E Daily Interest Exp.	$39	$0	I&E Daily Dividends	$0
Net Lag Days	0.0	0.0	Net Lag Days	0.0
I&E Working Capital	$0	$0		$0
Company Claim (1)	$0	$0	Company Claim (1)	$0
I&E Adjustment	$0	$0		$0
Total Interest & Dividend Adj.	$0			
(1) Company Rebuttal				

I&E TABLE V

TABLE V

National Fuel Gas Distribution Company

CASH WORKING CAPITAL -TAXES

Docket No. R-2025-3059428

Description	Company Proforma Tax Expense Present Rates	I&E Adjustments	I&E Pro forma Tax Expense Present Rates	ALJ Allowance	I&E Adjusted Taxes at Present Rates	Daily Expense	Net Lead/ Lag Days	Accrued Tax Adjustment
PUC Assessment	$0	$0	$0	$0	$0	$0.00	0.00	$0
Public Utility Realty	$0	$0	$0		$0	$0.00	0.00	$0
Capital Stock Tax	$0	$0	$0		$0	$0.00	0.00	$0
	$0	$0	$0		$0	$0.00	0.00	$0
	$0	$0	$0		$0	$0.00	0.00	$0
	$0	$0	$0		$0	$0.00	0.00	$0
	$0	$0	$0		$0	$0.00	0.00	$0
	$0	$0	$0		$0	$0.00	0.00	$0
	$0	$0	$0		$0	$0.00	0.00	$0
	$0	$0	$0		$0	$0.00	0.00	$0
	$0	$0	$0		$0	$0.00	0.00	$0
State Income Tax	$0	$76	$76	$817	$893	$2.45	0.00	$0
Federal Income Tax	$0	$198	$198	$2,119	$2,317	$6.35	0.00	$0
	$0	$274	$274	$2,936	$3,210			
						ALJ Allowance		0
						Company Claim (1)		0
						I&E Adjustment		0

(1) Company Rebuttal

I&E TABLE VI

TABLE VI					
National Fuel Gas Distribution Company					
CASH WORKING CAPITAL -- O & M EXPENSE					
Docket No. R-2025-3059428					
Description	Company Pro forma FTY Expense	I&E	I&E Pro forma Expenses	Lag Days	Lag Dollars
Service Company	$0	$0	$0	0.00	$0
Chemicals	$0	$0	$0	0.00	$0
Group Insurance	$0	$0	$0	0.00	$0
Insurance, Other	$0	$0	$0	0.00	$0
Labor	$0	$0	$0	0.00	$0
Leased Equip./Rent	$0	$0	$0	0.00	$0
Leased Vehicles	$0	$0	$0	0.00	$0
Miscellaneous	$0	$0	$0	0.00	$0
Natural Gas	$0	$0	$0	0.00	$0
Power	$0	$0	$0	0.00	$0
Purchased Water	$0	$0	$0	0.00	$0
Telephone	$0	$0	$0	0.00	$0
Waste Disposal	$0	$0	$0	0.00	$0
Post Retirement Benefits	$0	$0	$0	0.00	$0
Pensions	$0	$0	$0	0.00	$0
	$0	$0	$0	#DIV/0!	$0
I&E Average Revenue Lag	0.0				
Less: I&E Avg. Expense Lag	#DIV/0!				
Net Difference	#DIV/0!	Days			
I&E Pro forma O&M Expense per Day	$0				
I&E CWC for O&M	#DIV/0!				
Less: Company Claim (1)	$0				
I&E Adjustment	#DIV/0!				
(1) Company Rebuttal					

Findings of Fact

1. National Fuel Gas Distribution Company ("National Fuel" or "NFG" or the "Company") is a "public utility" and a "natural gas distribution company" ("NGDC") as those terms are defined in Sections 102 and 2202 of the Code, 66 Pa. C.S. §§ 102, 2202.

2. On January 28, 2026, National Fuel filed Supplement No. 294 to National Fuel Gas Distribution Corporation Gas Tariff – PA P.U.C. No. 9 ("Supplement No. 294"). In Supplement No. 294, National Fuel is seeking a base rate increase pursuant to 66 Pa.C.S. § 1308 of the Public Utility Code of approximately $19.7 million.

3. Supplement No. 294 contains an issue date of January 28, 2026, and an effective date of March 29, 2026.

4. If the Company's entire request is approved, the total bill for a residential customer using 80 ccf per month would increase from $83.49 to $88.44 per month, or by 5.9%.

5. National Fuel has not met its burden of proof as NFG failed to present substantial credible record evidence to support its request for a revenue increase of $19.7 million.

6. The record evidence presented supports only a total revenue increase of $11.079,000. I&E St. No. 1-SR, p. 3. *See also* Appendix A, Table I *infra*.

7. The Company agreed that it would provide the Bureau of Investigation and Enforcement and the Office of Consumer Advocate with an update to NFG Exhibit A - FTY, Schedule C-2 no later than February 1, 2027, under this docket number, which should include actual capital expenditures, plant additions, and retirements by month for the twelve months ending November 30, 2025. I&E St. No. 3-SR, p. 3.

8. I&E recommends that the Company should be afforded the opportunity to earn an overall rate of return of 7.91%. I&E St. No. 2-SR, p. 26.

9. I&E's recommended cost of common equity is 9.81%. I&E St. No. 2, pp. 6-7, 29.

10. I&E recommended using a capital structure of 55% common equity and 45% long-term debt. I&E St. No. 2, p. 14.

11. I&E recommended using the Company's claimed long-term debt cost rate of 5.58% for the FPFTY. I&E St. No. 2, p. 21.

12. NFG performed and provided an Allocated Cost of Service Study using the customer-demand method. I&E St. No. 3, p. 9.

13. NFG also performed and provided an Allocated Cost of Service Study using the Peak and Average method with no customer component. I&E St. No. 3, p. 9.

14. The Act 129 mandate to develop an Energy Efficiency and Conservation Programs is not applicable to Pennsylvania natural gas distribution companies.

15. NFG would not be subject to statutory penalties if the stated goals in its Energy Efficiency Program are not met.

<u>Conclusions of Law</u>

1. Every rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable, and in conformity with regulations or orders of the commission. 66 Pa. C.S. § 1301.

2. No public utility shall … make or grant any unreasonable preference to any person, corporation … No public utility shall establish or maintain any unreasonable difference as to rates, either as between localities or as between classes of service. 66 Pa. C.S. § 1304.

3. The burden of proving the justness and reasonableness of every element of the utility's rate increase rests solely upon the public utility. 66 Pa. C.S. § 315(a); *Lower Frederick Twp. v. Pa. Pub. Util. Comm.*, 409 A.2d 505 (Pa. Commw. Ct. 1980).

4. National Fuel Gas, as the base rate filer, must satisfy its burden of proof by a preponderance of evidence. *Samuel J. Lansberry, Inc. v. Pennsylvania Public Utility Commission*, 578 A.2d 600 (Pa. Commw. 1990).

5. A preponderance of evidence is such evidence that is more convincing, by even the smallest amount, than that presented by another party. *Se-Ling Hosiery v. Margulies*, 70 A.2d 854 (Pa. 1950).

6. The burden of proof is comprised of two distinct burdens: the burden of production and the burden of persuasion. The burden of production tells the adjudicator which party must come forward with evidence to support a particular position. *In re: Loudenslager's Estate,* 430 Pa. 33, 240 A.2d 477 (1968). The burden of persuasion determines which party must produce sufficient evidence to convince a judge that a fact has been established, and it never leaves the party on whom it is originally cast. *Reidel v. County of Allegheny,* 633 A.2d 1325, 1329 n. 11 (Pa. Commw. 1993).

7. The Commission must ensure that any adjudication is supported by substantial evidence. "Substantial evidence" is such relevant evidence that a reasonable mind might accept as adequate to support a conclusion. *Norfolk & Western Ry. Co. v. Pennsylvania Public Utility Commission,* 413 A.2d 1037 (Pa. 1980).

8. While the burden of proof remains with the public utility throughout the rate proceeding, the Commission has stated that where a party proposes an adjustment to a ratemaking claim of a utility, the proposing party bears the burden of presenting some evidence or analysis tending to demonstrate the reasonableness of the adjustment. *Pa. Pub. Util. Comm. v. Aqua Pennsylvania, Inc.*, Docket No. R-00072711 (Opinion and Order entered July 17, 2008).

9. The Commission must consider the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates in exchange for customers paying rates for service, which include the cost of utility plant in service and a rate of return. 66 Pa. C.S. § 523.

10. In exchange for the utility's provision of safe, adequate and reasonable service, the ratepayers are obligated to pay rates which cover the cost of service which includes reasonable operation and maintenance expenses, depreciation, taxes and a fair rate of return for the utility's investors. *Pa. Pub. Util. Comm. v. Pennsylvania Gas & Water Co.,* 61 Pa. PUC 409, 415-16 (1986); 66 Pa. C.S. § 1501.

11 The Commission has the discretionary authority to deny a proposed rate increase, in whole or in part, if the Commission finds that the service rendered by the public utility is inadequate. 66 Pa. C.S. § 526(a); *PA PUC v. Columbia Gas of Pennsylvania Inc.,* Docket No. R-2020-3018835, Order entered February 19, 2021.

12. A Commission decision is adequate where, on each of the issues raised, the Commission was merely presented with a choice of actions, each fully developed in the record, and its choice on each issue amounted to an implicit acceptance of one party's thesis and rejection of the other party's contention. *Popowsky, et al. v. Pa. Pub. Util. Comm.*, 550 Pa. 449, 706 A.2d 1197 (1997).

13. The standard formula for determining a utility's base rate revenue requirement is:

RR = E + D + T + (RB x ROR)

RR: Revenue Requirement

E: Operating Expense

D: Depreciation Expense

T: Taxes

RB: Rate Base

ROR: Overall Rate of Return

14. A utility is entitled to recover its reasonably incurred expenses. *UGI Corp. v. Pa. Pub. Util. Comm'n,* 410 A.2d 923 (Pa. Commw. 1980). Expenses include such items as the cost of operations and maintenance (labor, fuel and administrative costs, e.g.), depreciation and taxes. *Pennsylvania Power Company v. Pa. Pub. Util. Comm.,* 561 A.2d 43, 47 (Pa. Commw. 1989).

15. The public utility requesting a rate increase and seeking to recover expenses has the burden of showing that the rate requested, including all claimed expenses, is just and reasonable. 66 Pa. C.S. § 315(a); *See also Cup v. Pa. P.U.C.*, 556 A.2d 470 (Pa. Commw. 1989).

16. To the extent that expenses are not reasonably incurred, imprudently incurred, or abnormally overstated during the test year, they should be disallowed and found not recoverable through rates. *Cup v. Pa. P.U.C.*, 556 A.2d 470 (Pa. Commw. 1989).

17. It is the historical filings, not the actual intentions of the utility, which will guide the determination of the normalization period. *Pa. Pub. Util. Comm. v. City of Lancaster,* R-2010-2179103, et al. (Opinion and Order entered July 14, 2011), 2011 Pa. PUC LEXIS 1685; *Pa. Pub. Utility Comm. v. Metropolitan Edison Company,* R-2006-00061366, et al. (Opinion and Order entered January 4, 2007), 2007 Pa. PUC LEXIS 5.

18. The rate of return should be reasonably sufficient to assure confidence in the financial soundness of the utility, and should be adequate, under efficient and economical management…to raise the money necessary for the proper discharge of public duties. *Bluefield Waterworks & Improvement Co. v. Public Service Comm. of West Virginia,* 262 U.S. 679 (1923).

19. Establishment of a rate structure is an administrative function peculiarly within the expertise of the Commission. *Emporium Water Company v. Pa. Pub. Util. Comm.,* 955 A.2d 456, 461 (Pa. Commw. 2008); *City of Lancaster v. Pa. Pub. Util. Comm.*, 769 A.2d 567, 571-72 (Pa. Commw. 2001). The question of reasonableness of rates and the difference between rates in their respective classes is an administrative question for the Commission to decide. *Pennsylvania Power & Light Co. v. Pa. Pub. Util. Comm.,* 516 A.2d 426 (Pa. Commw. 1986); *Park Towne v. Pa. Pub. Util. Comm.,* 43 A.2d 610 (1981).

20. The basic factor in allocating revenue is to have the rates reflect the cost of service. *Lloyd v. Pa. Pub. Util. Comm.,* 904 A.2d 1010, 1020 (Pa. Commw. 2006).

21. In order to implement an alternative ratemaking mechanism, the proposing utility must provide substantial evidence that the specific mechanism proposed by the utility would result in just and reasonable rates. *Pa. PUC v. PECO Energy Company - Gas* ("PECO WNA Order"), Docket No. R-2024-3046932, p. 14 (Order Entered December 12, 2024). *See also* 66 Pa.C.S. §§ 315(a), 1330.

22. To determine "just and reasonable alternative distribution ratemaking mechanisms and rate designs that promote the purpose" of the Commission's policy and the policy laid out in Section 1330, the Commission, in a Policy Statement, developed 14

factors to be considered. *Pa. PUC v. PECO Energy Company - Gas* ("PECO WNA Order"), Docket No. R-2024-3046932, p. 15 (Order Entered December 12, 2024). *See* 52 Pa. Code § 69.3302(a).

23. "It is a primary concern of the Commission that alternative ratemaking is, in some way, rooted in the cost of service." *Pa. PUC v. PECO Energy Company - Gas* ("PECO WNA Order"), Docket No. R-2024-3046932, p. 16 (Order Entered December 12, 2024).

24. As is stated at 52 Pa. Code § 69.3301, "An alternative rate design methodology should reflect the sound application of cost-of-service principles, establish a rate structure that is just and reasonable, and consider customer impacts." *Pa. PUC v. PECO Energy Company - Gas* ("PECO WNA Order"), Docket No. R-2024-3046932, pp. 16-17 (Order Entered December 12, 2024), *quoting* 52 Pa. Code §§ 69.3301, 69.3302(a).

25. A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. *Bluefield Water Works & Improvements Co. v. Public Service Comm. of West Virginia,* 292 U.S. 679, 692-93 (1923).

26. The Commission reasoned that methodologies other than the DCF can be used as a check upon the reasonableness of the DCF derived ROE calculation. As such, where evidence based on other methods suggests that the DCF-only results may produce an unreasonable ROE, we will consider those other methods, to some degree, in determining the appropriate range of reasonableness for our determination as to the appropriate ROE to award [the utility]. *PA PUC v. Columbia Gas of Pennsylvania Inc.,* Docket No. R-2025-3053499, Opinion and Order entered December 4, 2025.

27. "Our decision on this issue is consistent with prior decisions in which we have determined that it was not appropriate to consider proposals relating to a public utility's energy burdens, CAP, and other universal service program issues within the context of a base rate proceeding, finding that such proposals are more properly considered in a public utility's Universal Service and Energy Conservation Plan (USECP) proceeding." *PA Public Utility Commission et al. v. Aqua Pennsylvania, Inc.*, (2022 Aqua Order), Docket No. R-2021-3027386 (Order Entered May 16, 2022).

28. "[A] LIURP budget can only be revised through a USECP proceeding initiated pursuant to the periodic USECP review process or in response to a petition to amend a USECP earlier than the periodic USECP review process." Notice of Proposed Rulemaking for the *Initiative to Review and Revise the Exhibit Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§ 58.1-58.18,* (2023 LIURP Rulemaking Order), Docket No. L-2016-2557886, p. 36 (Order Entered May 18, 2023).

29. "As LIURP is a ratepayer-funded program, considerations impacting its budget determination should be open to scrutiny and comment. USECP proceedings allow all interested parties to provide comments, raise questions, and review information justifying the proposed change to the LIURP budget in an on-the-record proceeding." Notice of Proposed Rulemaking for the *Initiative to Review and Revise the Exhibit Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§ 58.1-58.18,* (2023 LIURP Rulemaking Order), Docket No. L-2016-2557886, p. 37 (Order Entered May 18, 2023).

30. "Iteration" is an accepted ratemaking process that must be applied to the final calculation of rates as all adjustments are finalized.

31. "Scale back" of rates is an accepted rate making process that is applied to the final rate structure after the Commission approves the Company's new total revenue requirement.

32. National Fuel Gas Distribution Corporation did not meet its burden of proof.

Ordering Paragraphs

1. That I&E's proposed total revenue increase for National Fuel Gas of $11,079,000 is approved.

2. That I&E's recommended cost of common equity of 9.81% is accepted.

3. That I&E's recommended overall rate of return of 7.91% is accepted.

4. That the Company's request for management performance points to be added to the overall rate of return is denied in its entirety.

5. That the Company use the Peak and Average methodology to allocate any potential revenue increases among NFG customer classes.

6. That "scale back" of rates shall be proportionately applied to the new rates.

7. That NFG's Weather Normalization Adjustment program be modified as recommended by I&E.

8. That no increase in the budgeted LIURP amount be approved in this base rate proceeding.

9. That the Company implement a pilot program utilizing SRMD methane detectors in a region selected by NFG for the installation of 500 to 1000 SRMDs.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2025-3059428
	:	
National Fuel Gas Distribution Corporation	:	

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Main Brief** dated June 22, 2026, in the manner and upon the persons listed below.

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