COMMONWEALTH OF PENNSYLVANIA

July 1, 2026

E-FILED

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

Dear Secretary Homsher:

Enclosed please find the Reply Brief, on behalf of the Office of Small Business Advocate ("OSBA"), in the above-referenced proceeding.

Copies will be served on all known parties in this proceeding, as indicated on the attached Certificate of Service.

If you have any questions, please do not hesitate to contact me.

Sincerely,

/s/ Rebecca Lyttle

Rebecca Lyttle
Assistant Small Business Advocate
Attorney ID No. 201399

Enclosures
cc: Justin Farr
Parties of Record

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

REPLY BRIEF
ON BEHALF OF THE
OFFICE OF SMALL BUSINESS ADVOCATE

Rebecca Lyttle
Assistant Small Business Advocate
Attorney I.D. No. 201399

For:
NazAarah Sabree
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Office of Small Business Advocate
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Date: July 1, 2026

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TABLE OF AUTHORITIES

STATUTES

I. INTRODUCTION

The Office of Small Business Advocate ("OSBA") is authorized and directed by the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50, to represent the interests of Small Business customers of utility services in matters before the Pennsylvania Public Utility Commission ("Commission").

National Fuel Gas Distribution Corporation ("NFG", "National Fuel", or the "Company") has approximately 15,109 Small Businesses, out of this number, approximately 10,358 accounts classify as small commercial lower limit.[1] Out of the 15,109 Small Business accounts, in the last three years, approximately 1624 to 2375 accounts were late on their payments each month.[2] In the last three years, approximately 2 to 53 accounts were disconnected or had service terminated, each month, due to late payment or non-payment.[3]

OSBA Reply Brief is in response to section IX.A "Allocated Cost of Service" of the Main Brief filed by the Bureau of Investigation and Enforcement ("I&E").[4]

A. Procedural History

Section A. "Procedural History" of the OSBA's Main Brief is incorporated by reference as if fully set forth herein.

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[1] OSBA Main Brief, Exhibit OSBA-1. National Fuel answer to OSBA I-3 Interrogatory.
[2] OSBA Main Brief, Exhibit OSBA-2. National Fuel answer to OSBA I-4 Interrogatory, Attachment OSBA-I-01.4.
[3] OSBA Main Brief, Exhibit OSBA-3. National Fuel answer to OSBA I-5 Interrogatory, Attachment OSBA-I-01.5.
[4] Main Brief of I&E, Section IX.A, p. 34.

B. Legal Standards

Section B. "Legal Standards" of the OSBA's Main Brief is incorporated by reference as if fully set forth herein.

II. SUMMARY OF ARGUMENT

The OSBA refers to its Summary of Argument contained in its Main Brief.[5] Nothing in the other Parties' briefs changes the OSBA's argument or position.

III. OVERALL POSITION ON RATE CASE

The OSBA refers to its Main Brief.[6] Nothing in the other Parties' briefs changes the OSBA's argument or position.

IV. RATE BASE

The OSBA is not briefing on this issue.

V. OPERATING SALES AND REVENUES

The OSBA is not briefing on this issue.

VI. OPERATING EXPENSES

A. Company's Claimed O&M Expenses

The OSBA is not briefing on this issue.

B. Rate Case Expense

The OSBA is not briefing on this issue.

[5] OSBA Main Brief p. 3.
[6] OSBA Main Brief p. 5.

C. Incentive Compensation Expense

The OSBA refers to its Main Brief.[7] Nothing in the other Parties' briefs changes the OSBA's argument or position.

D. Membership Dues Expense

The OSBA refers to its Main Brief.[8] Nothing in the other Parties' briefs changes the OSBA's argument or position.

E. Customer Payment Transaction Costs

The OSBA refers to its Main Brief.[9] Nothing in the other Parties' briefs changes the OSBA's argument or position.

F. Depreciation Expense

The OSBA is not briefing on this issue.

G. Other Expense Adjustments

The OSBA is not briefing on this issue.

VII. TAXES

The OSBA is not briefing on this issue.

VIII. RATE OF RETURN

A. Introduction

The OSBA refers to its Main Brief.[10] Nothing in the other Parties' briefs changes the OSBA's argument or position.

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[7] OSBA Main Brief pp. 6-7.
[8] OSBA Main Brief pp. 8-9.
[9] OSBA Main Brief p. 9.
[10] OSBA Main Brief p. 10.

B. Capital Structure

The OSBA is not briefing on this issue.

C. Debt Cost Rate

The OSBA is not briefing on this issue.

D. Return on Common Equity

The OSBA refers to its Main Brief.[11] Nothing in the other Parties' briefs changes the OSBA's argument or position.

E. Management Performance

The OSBA refers to its Main Brief.[12] Nothing in the other Parties' briefs changes the OSBA's argument or position.

F. Conclusion as to Rate of Return

The OSBA refers to its Main Brief.[13] Nothing in the other Parties' briefs changes the OSBA's argument or position.

IX. RATE DESIGN, REVENUE ALLOCATION, AND CLASS COST OF SERVICE

A. Allocated Class Cost of Service Study

Section IX.A "Class Cost of Service"[14] of the OSBA's Main Brief as well as OSBA Rebuttal Testimony[15] are incorporated by reference as if fully set forth herein.

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[11] OSBA Main Brief pp. 10-12.
[12] OSBA Main Brief pp. 12-13.
[13] OSBA Main Brief p. 13.
[14] OSBA Main Brief, pp. 13-14.
[15] OSBA Statement No. 1-R, pp. 3-8.

Differences in rates charged to different classes are permissible so long as there is reasonable basis for the discrepancy.[16] 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."[17] The Company used special cost studies to allocate meters, services, and regulators.[18] The OSBA finds that National Fuel's cost allocation methods, as described by Mr. Taylor, align with cost causation principles.

I&E argues that all distribution main costs should be allocated using the Peak and Average method[19], effectively assigning no weight whatsoever to the customer-related function of the distribution system.

That position ignores basic reality. Distribution mains are not built solely to satisfy peak demand. They are also constructed because utilities must extend service to every customer location, regardless of how much gas that customer ultimately uses. Every customer requires a connection to the system before any demand can even be served.

National Fuel's zero-intercept analysis recognizes this reality by identifying a customer-related component of distribution main

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[16] Main Brief I&E, p. 34.
[17] Id.
[18] National Fuel Statement No. 19, Direct Testimony of John D. Taylor, p. 12.
[19] Main Brief I&E, p. 39.

investment.[20] While reasonable parties may disagree over the precise magnitude of that customer component, assigning it a value of zero, as I&E proposes, is inconsistent with the principle of cost causation. A distribution system exists not only to provide capacity but also to provide access to service.

Rather than adopting either extreme, OSBA's expert recommends a hybrid approach, as described in OSBA Rebuttal Testimony.[21] This method assigns 50% of the weight to customer-related costs that are otherwise derived from National Fuel's zero-intercept analysis (i.e., 50% x 61% = 30.5%)[22] with the remaining allocation (69.5%) determined using the alternative Peak and Average method variant proposed by OCA.[23]

OSBA proposed hybrid method recognizes that distribution mains serve both customer access and peak demand. It reduces the customer-related weighting reflected in National Fuel's study while still acknowledging that customer-related costs undeniably exist. This compromise produces a more equitable allocation of costs among customer classes and better reflects the dual purpose of the distribution system.

I&E offers no persuasive justification for completely eliminating the

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[20] Direct Testimony of John D. Taylor, p. 12, lines 7-11.
[21] OSBA Statement No. 1-R, pp. 4-8.
[22] Direct Testimony of John D. Taylor, p. 12, lines 7-11.
[23] Direct Testimony of OCA, Michael Deupree, p. 55, line 3 – p. 57, line 9.

customer-related component of distribution main costs. Its proposal shifts costs away from customers whose presence on the system drives the need for service connections and instead places disproportionate emphasis on demand alone. That result is neither required by cost causation principles nor supported by the practical operation of a natural gas distribution system.

I&E's proposal rests on an all-or-nothing premise that is difficult to justify. It assumes distribution mains exist only to meet peak demand and annual throughput and ignores the fact that the utility must construct, maintain, and extend its system simply to make service available to customers. Regardless of a customer's peak and annual usage, every customer requires access to the distribution network. Ignoring this customer-related function by assigning it zero weight is inconsistent with cost causation.

OSBA's hybrid proposal reaches the more reasonable result. It acknowledges the legitimate concerns raised by I&E regarding demand-related costs while preserving an appropriate customer-related component recognized by National Fuel's regression analysis. The hybrid approach avoids the distortions created by either party's extreme position and better reflects the actual purposes for which distribution mains are constructed.

B. Revenue Allocation

The OSBA refers to its Main Brief.[24] Nothing in the other Parties' briefs changes the OSBA's argument or position.

C. Rate Design

1. Summary of Proposed Rate Design

The OSBA is not briefing on this issue.

2. Residential Rate Design

The OSBA is not briefing on this issue.

3. Non-Residential Rate Design

The OSBA is not briefing on this issue.

D. Scale Back

The OSBA is not briefing on this issue.

E. OPEB Credit

The OSBA is not briefing on this issue.

F. Summary and Alternatives

The OSBA refers to its Main Brief.[25] Nothing in the other Parties' briefs changes the OSBA's argument or position.

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[24] OSBA Main Brief p. 14.
[25] OSBA Main Brief p. 15.

X. WNA

The OSBA refers to its Main Brief.[26] Nothing in the other Parties' briefs changes the OSBA's argument or position.

XI. ENERGY EFFICIENCY PILOT

The OSBA refers to its Main Brief.[27] Nothing in the other Parties' briefs changes the OSBA's argument or position.

XII. UNIVERSAL SERVICE

A. Customer Assistance Program

The OSBA is not briefing on this issue.

B. Low Income Usage Reduction Program

The OSBA is not briefing on this issue.

C. Neighbor For Neighbor Hardship Fund

The OSBA refers to its Main Brief.[28] Nothing in the other Parties' briefs changes the OSBA's argument or position.

XIII. CUSTOMER/QUALITY OF SERVICE ISSUES

The OSBA is not briefing on this issue.

XIV. MISCELLANEOUS/OTHER ISSUES

The OSBA is not briefing on this issue

[26] OSBA Main Brief p. 15.
[27] OSBA Main Brief pp. 15-17.
[28] OSBA Main Brief pp. 17-18.

XV. CONCLUSION

WHEREFORE, OSBA respectfully requests that for all the reasons presented above and in cited documents as footnoted herein, that the Commission apply OSBA's hybrid approach to the class cost of service.

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Dated: July 1, 2026

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	**Docket Nos. R-2025-3059428**
v.	:	**C-2026-3060354**
	:	
National Fuel Gas Distribution Corporation	:	

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served via email (*unless otherwise noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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