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

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

July 1, 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 Reply Brief

Dear Secretary Homsher:

Enclosed for electronic filing please find the Reply 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,

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SBG/ac
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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	:	

REPLY BRIEF
OF
THE BUREAU OF INVESTIGATION AND ENFORCEMENT

Scott B. Granger
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Dated: July 1, 2026

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I. INTRODUCTION

A. Procedural History

The history of this proceeding was addressed in the Bureau of Investigation and Enforcement's ("I&E") Main Brief ("I&E MB"), filed on June 22, 2026, and in the main briefs submitted by the various parties. The parties to this base rate proceeding are National Fuel Gas ("NFG"), 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").

I&E now submits this I&E Reply Brief ("I&E RB") in reply to the main briefs of NFG ("NFG MB"), OCA ("OCA MB"), OSBA ("OSBA MB"), and CAUSE-PA ("CAUSE MB"). PWPTF did not submit a main brief. This I&E RB is submitted in support of the arguments and recommendations made by the I&E witnesses, the record evidence presented, and I&E's Main Brief. Overall, the arguments made in the parties' main briefs have been raised consistently throughout the litigation process and have already been addressed in I&E's direct, rebuttal and surrebuttal testimony, as well as in I&E's Main Brief. This I&E RB will supplement I&E's ongoing arguments as necessary.

B. Legal Standards - Burden of Proof

I&E fully addressed the applicable burden of proof in its Main Brief.[1]

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[1] *See* I&E MB, pp. 4-5.

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

II. SUMMARY OF ARGUMENT

Reiterating the summary of the arguments from I&E's MB, I&E continues to assert that NFG failed to present substantial credible evidence to support its request for a $19.8 million revenue requirement increase. Instead, 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 ruled against the OCA position 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.

O&M EXPENSES

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 ruled against the OCA position 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 Discounted Cash Flow ("DCF") method; the average of two variations of the Capital Asset Pricing Model ("CAPM"); 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 Cos 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 for I&E's recommended revenue increase is set forth on **Appendix A** attached hereto.

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. See **Appendix A** attached hereto.

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.

I&E opposes the expansion of the EE Pilot as recommended by CAUSE-PA.

UNIVERSAL SERVICE PROGRAMS

I&E recommends rejecting the PWPTF's recommendation to increase the 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 but does recognize the Company's concerns regarding the health and safety of its employees.

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

As presented in I&E's MB, I&E's total recommended revenue requirement for the Company is $276,603,000.[2] This recommended revenue requirement represents an increase of $11,079,000 to the Company's claimed present rate revenues of $265,524,000.[3] This total recommended allowance incorporates I&E adjustments made in I&E direct, rebuttal and surrebuttal testimony to O&M expenses by I&E witness D.C. Patel,[4] and the recommended adjustments made in the direct and surrebuttal testimony of

[2] I&E MB, p. 13, citing I&E St. No. 1-SR, p. 3.
[3] *Id.*
[4] *See* I&E St. No. 1; I&E St. No. 1-R; I&E St. No. 1-SR.

I&E witnesses Drew Breuning[5] and Ethan Cline.[6] No argument in any of the other parties main briefs warrants I&E changing its previously stated overall position.

IV. RATE BASE

As noted in I&E's MB, 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.[7] For utility plant to be included in rates, the plant must be used and useful in the provision of utility service to the customers.[8] 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 took no position on this issue.

B. Accumulated Depreciation

I&E took no position on this issue. I&E believes the Commission ruled against the OCA position on this issue in the last *Columbia Gas* base rate case.[9]

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5 *See* I&E St. No. 2; I&E St. No. 2-SR.
6 *See* I&E St. No. 3; I&E St. No. 3-SR.
7 I&E MB, pp. 13-14.
8 *Id.*
9 *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 4, 2025, pp. 97-111.

C. Net Plant in Service - FPFTY Reporting Requirements

As noted in I&E's MB, 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.[10] 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.[11]

The Company stated that if directed, the Company will provide the updates.[12]

D. Gas Inventory

I&E took no position on this issue.

E. Accumulated Deferred Income Taxes

I&E took no position on this issue.

F. Customer Deposits

I&E took no position on this issue.

G. Materials & Supplies

I&E took no position on this issue.

H. Cash Working Capital

Responding to NFG MB, pp. 16-18.

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10 I&E MB, p. 15, citing I&E St. No. 3, pp. 3-4.
11 *Id.*
12 I&E MB, p. 16, citing I&E St. No. 3-SR, p. 3; NFG St. No. 6-R, p. 5.

I&E notes in its Main Brief that NFG calculates its cash working capital by using a lead/lag study which I&E does not oppose.[13] Further, I&E recommended an allowance of $6,643,822 or a decrease of $111,005 ($6,754,827 - $6,643,822) to the Company's claim.[14] 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%.[15]

NFG argues that I&E's adjustment to the Company's cash working capital expense for the same reasons for the same reasons that the Company explains various of I&E's and OCA's proposed adjustments to expenses and capital structure should be rejected.[16]

I&E rejects NFG's argument and continues to recommend a cash working capital allowance of $6,643,822. Further, this cash working capital recommendation 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.[17] This process, known as iteration, effectively prevents the determination of a precise calculation until all adjustments have been made to the Company's claims.[18]

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13 *Id.*, p. 17, citing I&E St. No. 1, p. 22.
14 *Id.*, p. 17, citing I&E St. No. 1, p. 23; I&E Exhibit No. 1, Schedule 5, p. 1.
15 *Id.*, citing I&E St. No. 1, p. 23; I&E Exhibit No. 2, Schedule 1.
16 NFG MB, pp. 16-17.
17 I&E MB, p. 17.
18 *Id.*

V. REVENUE AND OPERATING SALES

A. Revenue Requirement and Customer Sales

The revenue requirement formula used in base rate cases was summarized in I&E's Main Brief.[19]

B. Gas Supply Revenues

I&E took no position on this issue.

C. Other Revenues

I&E took no position on this issue.

D. Revenue Increase

As noted in I&E's Main Brief, 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.[20]

VI. OPERATING EXPENSES (O&M)

A. Company's Claimed O&M Expenses

As noted in I&E's MB, it is well settled that a utility is entitled to recover its reasonably and prudently incurred expenses.[21] As such, a public utility is entitled to recover all reasonable and normal operating and maintenance expenses incurred by

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19 *See* I&E MB, pp. 17-18.

20 I&E MB, p. 18, citing I&E St. No. 1-SR, p. 3.

21 See I&E MB, p. 19, citing *UGI Corp. v. Pa. P.U.C.*, 410 A.2d 923, 932 (Pa. Commw. 1980).

providing regulated service.[22] 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.[23]

B. Rate Case Expense

Responding to NFG MB, pp. 21-23.

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.[24] I&E disagreed with the claimed three-year recovery period because a three-year recovery period is not supported by the Company's historic filing frequency.[25]

NFG argued it used a three-year normalization period because the Company anticipates the need to file rate cases more frequently than it has in the past for various reasons.[26] NFG argued that I&E used historic filing data showing a 16-year gap in filings from over 20 years ago.[27]

I&E stands by its five-year normalization period. I&E used the historic filing data relevant to this proceeding. The Commission also looks to the historic filing data. The

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22 Id., citing *Western Pennsylvania Water Company v. Pa. P.U.C.*, 422 A.2d 906 (Pa. Commw. 1980).

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

24 I&E MB, pp. 19-20, citing I&E St. No. 1, p. 6.

25 *Id.*, p. 20, citing *Id.*

26 NFG MB, p. 22.

27 *Id.*

historic filing data carries more weight than NFG's stated anticipated filing frequency because, while anticipated, it is still only speculative.

C. Incentive (Stock Based) Compensation Expense

Responding to NFG MB, pp. 23-29.

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.[28] I&E noted that 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.[29] The performance shares in the Company's stock-based compensation claim should not be funded by ratepayers.[30]

NFG argues that I&E's adjustments should be rejected because (1) NFG has demonstrated that its incentive compensation programs as a whole, including financial goals contained therein, provide material benefits to ratepayers; and (2) NFG's restricted stock-based incentives are not tied to any financial goals, they are focused on employee retention, which also benefits ratepayers. [31]

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[28] I&E MB, pp. 20-21, citing I&E St. No. 1, p. 16.
[29] *Id.*, citing I&E St. No. 1, p. 16; citing I&E Exhibit No. 1, Schedule 3.
[30] I&E MB, p. 21, citing I&E St. No. 1-SR, p. 15.
[31] NFG MB, pp. 23-29.

I&E rejects NFG's arguments and continues to recommend disallowance of 95% of NFG's claim for performance shares or $909,281 ($957,138 x 95%).[32] This results 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.[33]

D. Payroll Expense and Related

1. Net Labor Expense

Responding to NFG MB, pp. 23-29.

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.[34] I&E'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 discussed *supra*. I&E argued 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.[35]

NFG argued in favor of keeping their restricted stock-based compensation and their executive performance shares.[36] Which, in turn, would eliminate I&E's net labor

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32 I&E MB, p. 21, citing I&E St. No. 1, p. 17.
33 *Id.*
34 I&E MB, p. 21; citing I&E St. No. 1, p. 11.
35 *Id.*, p. 22.
36 NFG MB, pp. 26-29.

expense reduction based on the removal of those compensation packages based on financial goals.

I&E rejects NFG's arguments and continues to recommend the net labor reduction discussed above.[37]

2. Payroll Taxes

Responding to NFG MB, pp. 23-29.

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.[38] I&E'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.[39]

NFG again argued in favor of keeping their restricted stock-based compensation and their executive performance shares.[40] Which, in turn, would eliminate I&E's payroll tax expense reduction based on the removal of those compensation packages based on financial goals.

I&E rejects NFG's arguments and continues to recommend the payroll tax reduction discussed above.[41]

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37 *See also* I&E MB, pp. 21-23.
38 I&E MB, pp. 22-23; citing I&E St. No. 1, p. 14.
39 *Id.*
40 NFG MB, pp. 26-29.
41 *See also* I&E MB, pp. 22-23.

E. Membership Dues

Responding to NFG MB, pp. 30-31.

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.[42] 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.[43]

NFG argued I&E's adjustment should be rejected because they fail to consider the overall impact these funds and the associated organizations have on the Company's ratepayers and their communities.[44] The Company's limited support of chambers of commerce and economic development agencies is intended to directly benefit ratepayers by promoting strong, resilient communities within its service territory.[45] Further, NFG argues building stronger communities by supporting economic stability and affordable, reliable service over the long term benefits all stakeholders - including small businesses and the residents who live and work in these communities.[46]

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42 I&E MB, pp. 23-24, citing I&E St. No. 1, p. 19.
43 *Id.*, citing I&E Exhibit No. 1, Schedule 4, p. 3.
44 NFG MB, p. 30.
45 *Id.*
46 *Id.*, p. 31.

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

F. Customer Payment Transaction Costs

I&E took no position on this issue.

G. Depreciation Expense

Responding to NFG MB, pp. 32-44.

See Section IV. RATE BASE, 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 ruled against the OCA's position on this issue in the last *Columbia Gas* base rate case.[47]

H. Other Expense Adjustments

1. Cash Working Capital (CWC)

See Section IV. RATE BASE, H. Cash Working Capital *supra*.

VII. TAXES

A. Income Taxes

I&E took no position on this issue.

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[47] 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 4, 2025, pp. 97-111.

B. Taxes Other than Income Taxes

I&E took no position on this issue other than the adjustment regarding payroll taxes associated with the Company's executive compensation packages discussed VI. OPERATING EXPENSES, D. Payroll Expense and Related, 2. Payroll Taxes *supra*.

C. Tax and Amortization Issues

I&E took no position on this issue.

VIII. RATE OF RETURN

A. Introduction - Overall Rate of Return

Responding to NFG MB, pp. 50-55.

I&E noted the controlling principles and case law regarding I&E's overall rate of return analysis.[48] I&E ultimately recommended the following rate of return for the Company:[49]

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%**

48 I&E MB, pp. 26-27, citing I&E St. No. 2, pp. 2-7; 29-38; and 54-56. *See also, 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.

49 I&E MB, p. 26, citing I&E St. No. 2, p. 6-7; I&E St. No. 2-SR, p. 26.

I&E noted further that 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 as shown below.[50]

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%

NFG argued the Company has a long-term program to modernize its distribution system and to replace at risk pipe in its Pennsylvania service area.[51] The Company's significant capital expenditures place pressure on cash flows and credit metrics.[52] Accelerated pipeline investments going forward in the FPFTY must be supported by a reasonable return to continue to attract capital.[53] It is critical that the Commission demonstrate that Pennsylvania remains a constructive and supportive regulatory environment, through a fair rate of return.[54]

50 I&E St. No. 2, p. 7.
51 NFG MB, p. 50.
52 *Id.*
53 *Id.*
54 *Id.*

I&E disagrees with the Company's statement that I&E's 9.81% ROE recommendation is deficient.[55] To the contrary, I&E's recommended ROE is fair and is supported by I&E's Commission-approved calculations.[56]

B. Capital Structure

Responding to NFG MB, pp. 55-62.

I&E noted a utility's capital structure represents how a utility has financed its rate base with different sources of funds.[57] The primary funding sources for NFG are long-term debt and common equity.[58]

Even though NFG's proposed capital structure is Long-Term Debt = 43.60%; and Common Equity = 56.40% for total of 100.00%,[59] I&E, recommended using a capital structure of 55% common equity and 45% long-term debt.[60] I&E argued that the Company's proposed capital structure is unreasonable for ratemaking purposes.[61] I&E also argued that limiting a company's capital structure from becoming too equity heavy is reasonable and necessary for a fair ratemaking process.[62] 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

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55 *Id.*, p. 51.
56 *See* I&E MB, pp. 29-32, citing I&E St. No. 2, pp. 22-28; I&E St. No. 2-SR, pp. 14-26.
57 I&E MB, p. 27, citing I&E St. No. 2, p. 14.
58 *Id.*
59 *Id.*
60 I&E MB, p. 27, citing I&E St. No. 2, p. 15.
61 I&E MB, pp. 27-28.
62 *Id.*, p. 28.

impact on ratepayers.[63] For that reason, it is I&E's opinion that the Company's capital structure should not exceed 55% equity.[64]

NFG argued I&E's use of hypothetical capital structures instead of the Company's actual capital structure is unreasonable, contrary to precedent, and should be rejected.[65] Further, NFG argued the Company's common equity ratio portion of it's capital structure is within the range of actual common equity ratios of the capital structures of the proxy group of gas companies used in this proceeding.[66] Additionally, NFG argued I&E would have the Commission reject the evidence of typical capital structures and employ a process that would direct the use of a hypothetical capital structure any time the equity ratio exceeds the proxy group average.[67] Such a standard, NFG argued, would effectively mean that the Commission would adopt hypothetical capital structure ratios in many rate cases, contrary to long-established precedent.[68]

I&E recognizes NFG's arguments. Nevertheless, I&E continues to recommend a capital structure of 55% common equity and 45% long-term debt.

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

Responding to NFG MB, p. 62.

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63 *Id.*
64 *Id.,* citing I&E St. No. 2, p. 16.
65 NFG MB, p. 55.
66 *Id.*, pp. 55-56.
67 *Id.*, p. 60.
68 *Id.*

I&E noted that NFG's claimed long-term debt cost rate is 5.58% for the FPFTY.[69] I&E recommended using the Company's claimed long-term debt cost rate.[70]

D. Return on (Cost of) Common Equity

Responding to NFG MB, pp. 62-66.

I&E presented its cost of common equity findings using a blend of the DCF,[71] the CAPM,[72] and the national average authorized ROE data[73] that it relied on to make its recommendation. I&E's final cost of common equity recommendation for NFG is 9.81%.[74]

NFG argues that in the past I&E has relied primarily on the DCF to make its final ROE recommendation.[75] NFG challenged I&E witness Breuning under cross examination regarding I&Es past reliance primarily on the DCF.[76] But NFG's challenge is misguided. I&E witness Breuning made it clear on redirect that in recent cases, "as explained [in my] direct testimony, the Commission has more recently based its ROE decisions on a combination of methods, including averaging the DCF and CAPM."[77] Mr. Breuning made it perfectly clear in his direct testimony that in this proceeding he used a

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69 I&E MB, pp. 28-29, citing I&E St. No. 2, p. 21, citing NFG Statement No. 11, p. 8, lines 4-6.
70 *Id.*, p. 29.
71 I&E MB, p. 29, citing I&E St. No. 2, pp. 30-32.
72 *Id.*, citing *Id.*, pp. 32-37.
73 *Id.*, citing *Id.*, pp. 37-38.
74 I&E St. No. 2, p. 29; I&E St. No. 2-SR, p. 26.
75 NFG MB, pp. 62-64.
76 NFG MB, pp. 63, 65, citing Tr., pp. 200-204, 207.
77 Tr., p. 209.

blend of the discounted cash flow method, the capital asset pricing model, and the national average authorized ROE data to arrive at his final ROE recommendation.[78]

And, to reiterate, Mr. Breuning's direct[79] and surrebuttal[80] testimonies also included extensive critiques and rebukes of the Company's rate of return and cost of common equity testimony and proposals. I&E rejects NFG's reliance on the Bond Yield Risk Premium approach.[81] I&E rejects NFG's use of the 30-year Treasury bond to determine the risk-free rate and instead supports use of the 10-year Treasury bond.[82] I&E rejects NFG's assertion of claimed uncertainties in the capital markets to request an increased ROE.[83] I&E rejects NFG's assertion of a claimed risk due to NFG's capital investment or expenditure plans.[84] I&E rejects NFG's assertion of a claimed risk based on company size.[85] Further, I&E rejects NFG's assertion of a risk due to potential loss of customers or customer concentration risk.[86]

Finally, I&E believes that its ROE recommendation allows the Company to earn a fair return while considering the overall cost to ratepayers.

1. Proxy Group

Responding to NFG MB, pp. 54-55.

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78 I&E MB, p. 29, citing I&E St. No. 2, pp. 22-38.
79 I&E MB, pp. 29-31, citing I&E St. No. 2, pp. 38-48.
80 *Id.*, citing I&E St. No. 2-SR, pp. 3-26.
81 *Id.*, p. 30, citing I&E St. No. 2, pp. 41-42; I&E St. No. 2-SR, pp. 20-21.
82 *Id.*, p. 30, citing *Id.*, pp. 42-43; *Id.*, pp. 15-20.
83 *Id.*, p. 30, citing *Id.*, pp. 43-45.
84 *Id.*, p. 30, citing *Id.*, pp. 45-46; *Id.*, p. 22.
85 *Id.*, pp. 30-31, citing *Id.*, pp. 46-48; *Id.*, p. 23-25.
86 *Id.*, p. 31, citing *Id.*, pp. 48-49; *Id.*, pp. 25-26.

I&E set forth its well-established criteria for determining which companies should be included in a proxy group.[87] Based on those criteria I&E included the following companies in its proxy group:[88]

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

Further, I&E 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.[89] Specifically, I&E excluded Southwest Gas Holdings, Inc. (SWX)[90] and Spire, Inc. (SR)[91] from its proxy group.

NFG argues that both Spire and Southwest Gas should have been included.[92] NFG argues that Spire's market data are "stable" and should be included despite the fact that it is in a transaction.[93] Then NFG argues that Southwest Gas should have been included despite the fact that it has 48.42% revenues from regulatory activities and does not surpass I&E's 50% cut off, claiming that percentage of net operating income is more

87 I&E MB, pp. 31-32. See also I&E St. No. 2, pp. 7-8.
88 *Id.*, p. 31.
89 *Id.,* p. 32.
90 *See* I&E St. No. 2, p. 12. SWX did not meet the criteria that 50% or more of the company's revenue must be generated from the regulated gas industry.
91 *See* I&E St. No. 2, p. 13. SR was excluded because SR is currently involved in a significant merger/acquisition at this time.
92 NFG MB, pp. 54-55.
93 *Id.*, p. 54.

representative of the risks faced by National Fuel and its investors than is the percentage of regulated revenue.[94]

I&E rejects NFG's arguments as they play fast and loose with the well-established criteria used to determine inclusion in a proxy group. Consistent use and enforcement of the same criteria from case to case is necessary to establish consistent and supportable results and recommendations. If 48.42% is good enough in this case, then will 46.00% be good enough in the next case or 43.00% in the next case? And if the criteria establishes that a company involved in a transaction is excluded then why interject the subjective criteria that that company may or may not be "stable?" Further, I&E noted that Spire's stock price has seen a significant increase since the announcement of the acquisition.[95] Finally, I&E Exhibit 2, Schedule 7 is simply a master list of the national average authorized ROEs for gas distribution companies maintained by I&E and was not cited by I&E regarding the establishment of a proxy group.[96]

I&E's proxy group was determined by using its well-established criteria[97] that it applies consistently in every base rate case and should be accepted by the Commission.

E. Management Performance

Responding to NFG MB, pp. 66-67.

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94 *Id.*, pp. 54-55.
95 *See* I&E St. No. 2, p. 13.
96 *See Id.*, p. 37.
97 *See Id.*, pp. 7-8.

NFG has withdrawn its request for the management performance ROE adder, consistent with its other, similar initiatives that demonstrate its recognition of the affordability concerns currently impacting customers.[98]

And to reiterate, 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.[99]

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

In consideration of the record evidence presented and the arguments made in all of the parties main briefs, I&E continues to recommend that the Company should be afforded the opportunity to earn an overall rate of return of 7.91%.[100] 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.[101] Finally, I&E's calculated return on common equity is 9.81%.[102]

IX. RATE STRUCTURE AND RATE DESIGN

I&E reiterates, a public 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. A properly designed rate structure will not unduly burden one class of ratepayers to the benefit of another. Under the Public Utility Code,

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98 NFG MB, pp. 66-67.
99 I&E MB, p. 33.
100 I&E MB, p. 33, citing I&E St. No. 2-SR, p. 26.
101 *Id.*, citing I&E St. No. 2, pp. 6-7.
102 *Id.*, citing *Id.*, p. 7.

"[n]o 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."[103] Differences in rates charged to different classes are permissible so long as there is reasonable basis for the discrepancy.[104] 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."[105]

A. Allocated Cost of Service (ACOS)

Responding to NFG MB, pp. 67-68 and OSBA MB, p. 13.

In I&E's MB, I&E noted a utility provides service to a defined set of customer classes that are different in terms of demand and usage patterns.[106] An ACOSS allocates or assigns a utility's revenue requirement based on those service differences.[107]

I&E recommended the Commission allocate revenues and design rates based on the Peak and Average ACOSS provided by the Company.[108]

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103 I&E MB, pp. 33-34, citing 66 Pa. C.S. § 1304.

104 *Id.*, p. 34. *See generally, Peoples Natural Gas Company v. Pa. P.U.C.*, 409 A.2d 446 (Pa. Commw.1979).

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

106 I&E MB, p. 34, citing I&E St. No. 3, pp. 7-10; I&E St. No. 3-SR, pp. 6-11.

107 *Id.*, citing I&E St. No. 3, p. 7-8.

108 I&E MB, p. 35, citing 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.

NFG argued that it prefers using an allocated cost of service study that assigns mains costs based on the customer demands to each class (Demand Study).[109] NFG also recognized that both the OCA and I&E proposed to allocate mains costs using 50% of peak demand and 50% annual throughout of gas deliveries (Peak and Average Study).[110]

The OSBA concluded that it does not recommend any changes to the Company's cost allocation methods in this case.[111]

I&E continues to recommend use of the Peak and Average ACOSS as proposed in I&E testimony.[112] Further, I&E does not oppose the alternative ACOSS proposed by the OCA witness, Mr. Deupree, because it is also based on the Peak and Average ACOSS.[113]

B. Revenue Allocation

Responding to NFG MB, pp. 68-69; OCA MB, pp. 69-70; and OSBA MB, p.14.

NFG's proposed revenue allocation is based upon its customer-demand ACOSS.[114] The OSBA has voiced its support of the NFG's proposal with certain conditions.[115] I&E recommends the Commission reject NFG's reliance on the proposed customer-demand ACOSS in favor of the Peak and Average ACOSS.[116] I&E reiterates that I&E and the Commission favor revenue allocation based on the Peak and Average

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109 NFG MB, p. 68.
110 *Id.*
111 OSBA MB, p. 13.
112 I&E MB, p. 36, citing I&E St. No. 3, pp. 7-10; I&E St. No. 3-SR, pp. 6-11.
113 *Id.*, citing I&E St. No. 3-SR, p. 11.
114 NFG MB, p. 68.
115 OSBA MB, p. 14.
116 I&E MB, pp. 36-37, citing I&E St. No. 3, p. 11.

ACOSS.[117] I&E's proposed revenue allocation was set forth in the table on page 12 of Mr. Cline's direct testimony,[118] however, Mr. Cline recently discovered several typos in his table and the updated table is provided here with the corrections in BOLD.

I&E Recommended Revenue Allocation Based on NFG Requested Increase ($ in thousands)					
Rate Class	Current Revenues	Increase	Proposed Revenues	Percent Increase	Relative ROR under proposed rates
Residential	$97,367	$13,050	$110,417	13%	1.05
SCPA-LL	$6,819	$800	$7,619	12%	1.42
SCPA-UL	$6,989	$1,400	$8,389	20%	0.84
LCPA	$13,908	$2,199	$16,107	16%	1.05
NGV	$131	$26	$157	20%	(0.07)
SVIS	$444	$0	$444	0%	1.36
IVIS	$5,876	$1,150	**$7,026**	20%	1.00
LVIS	$2,730	$540	$3,270	20%	0.85
LIS	**$2,470**	$500	$2,970	20%	0.05
Total:	$136,735	$19,665	$156,400	14%	

I&E reiterates that its 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

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117 *Id.*, p. 37. *See also* I&E St. No. 3, p. 10, citing *Pa. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2025-3053499, pp. 254-5 (Order Entered December 4, 2025).

118 *See* I&E St. No. 3, p. 12.

an increase above 1.5x the system average increase, or approximately 20% (1.5 x 14%).[119]

The OCA disagreed with I&E's allocation recommendation due to concerns regarding gradualism claiming that I&E's allocation recommendation to limit the revenue allocations to 1.5 times the system average increase is inconsistent with the concept of gradualism.[120] I&E agrees with the concept of gradualism and also reiterates that in I&E's experience, 1.5 times the system average increase is considered consistent with the concept of gradualism.[121]

Finally, I&E has provided **Appendix A** attached hereto which first shows NFG's proposed revenue allocation at the as-filed revenue increase ($19.66 million, "Company Increase" and Column C); then I&E's recommended revenue allocation at both NFG's as-filed proposed revenue increase ($19.66 million, Columns D and E); and, I&E's final proposed revenue increase ($11.08 million, Columns F and G) across all rate classes.[122]

C. Rate Design - Customer Charges

Responding to NFG MB, pp. 69-71.

I&E reiterates that the Commission has consistently determined that the Peak and Average ACOS method is preferred over the customer-demand ACOS method.[123] NFG's claimed unit cost per customer of $27.17 is based upon the customer classification in the

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119 I&E MB, p. 37, citing I&E St. No. 3, p. 12.
120 OCA MB, p. 70. *See also* I&E St. No. 3-SR, p. 13.
121 I&E MB, p. 37, citing I&E St. No. 3-SR, p. 13.
122 *See* I&E MB, App. A.
123 I&E MB, p. 38, citing *Id.*, p. 13.

customer-demand ACOSS[124] and is unreasonable.[125] Therefore, the Company's claimed unit cost per customer of $27.17 that is based upon the customer-demand ACOSS should be rejected.[126]

I&E continues to recommend 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.[127] 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.[128]

D. Scale Back of Rates

All parties had various comments regarding scaling back any increase in rates that are less than NFG's requested increase. I&E continues to recommend 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 proportionately based upon the cost-of-service study ultimately approved by the Commission.[129] I&E's scale back of rates at its recommended revenue increase of $11.08 million is shown on **Appendix A** attached hereto at Columns F and G.

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124 NFG MB, pp. 69-70.
125 I&E MB, p. 38.
126 *Id.*, citing I&E St. No. 3, pp. 13-14.
127 I&E MB, pp. 38-39, citing I&E St. No. 3, pp. 14-15; I&E St. No. 3-SR, p. 14.
128 I&E MB, p. 39, citing *Pa. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2025-3053499, pp. 280-3 (Order Entered December 4, 2025).
129 I&E MB, pp. 39-40.

E. OPEB Credit

I&E took no position on this issue.

F. Summary and Alternatives

I&E reiterates, the Commission should reject reliance on the proposed customer-demand ACOSS in favor of 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 charges, be scaled back proportionately based upon the cost-of-service study ultimately approved by the Commission.

X. WEATHER NORMALIZATION ADJUSTMENT (WNA)

Responding to NFG MB, pp. 73-78, OCA MB, pp. 95-101.

I&E recommended that NFG's WNA be modified and continued as a pilot; recommending that the shoulder month of May be excluded from the calculation of the WNA; and, that the deadband be increased from 3% to 5%.[130] Further, 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.[131]

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130 I&E MB, p. 42, citing I&E St. No. 3, p. 6; I&E St. No. 3-SR, pp. 5-6.

131 I&E MB, pp. 41-42, citing National Fuel St. No. 19, pp. 23-25. *See also*, NFG MB, pp. 74-75.

NFG argued that temperatures in the Company's service territory are colder and the cold days continue longer in the year in the Company's service area as compared to other areas in the Commonwealth, including Pittsburgh where Columbia Gas primarily operates.[132] In that regard, NFG opposes I&E's recommendation to remove the month of May from the WNA.[133] However, the data provided by NFG shows that for the month of May, NFG customers were charged an additional $1,078,972 in the 2023-2024 heating season and, by contrast, only $48,505 in the 2024-2025 heating season.[134] Thus, while there may be some validity to the Company's argument that May tends to be a colder month in its service territory, the data still demonstrates that May weather is highly variable for NFG and warrants classification as a shoulder month and removal from the WNA calculation.

NFG also argued that I&E proposal to expand the deadband from 3% to 5% may have unintended negative effects of the ratepayers.[135] As NFG explained, the $2.6 Million of credits the Company's customers received in the 2025-2026 winter would have been reduced if the dead band was 5% because a greater portion of the weather deviations would have been within the expanded dead band.[136] However, one year of data alone is not sufficient to deviate from the Commission's determination in the recent Columbia Order that "…a 5% deadband adequately captures what could be considered

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132 NFG MB, p. 75.
133 Id.
134 NFG St. 1-R, p. 9.
135 NFG MB, pp. 75-76.
136 Id.

normal weather fluctuations in Pennsylvania. It also places more of the burden for calculating and forecasting weather variations back onto the Company as a normal part of doing business."[137] NFG argued further that expanding the deadband should be rejected because it will increase risk and create additional opportunity for the volatility of weather to negatively impact both ratepayers and the Company in an equal fashion.[138] I&E concedes that this argument may also have some validity. There is no denying that the Erie geographic region, sitting next to Lake Erie, is a separate world and that the weather in and around the Erie area is not typical of the rest of Pennsylvania, especially East of the Appalachian Mountains. However, as noted above, the Commission has determined that a 5% deadband adequately captures what is considered normal weather in Pennsylvania.

I&E took no position regarding the effect of the WNA on low-income customers.[139]

And finally, I&E does not oppose continuing NFG's WNA as a pilot extending to the end of NFG's next base rate case.[140]

XI. ENERGY EFFICIENCY PILOT

Responding to NFG MB, pp. 78-86.

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

138 Id., p. 76.

139 Id.

140 I&E MB, pp. 41-42. See also, NFG MB, p. 78.

I&E does not oppose the EE Pilot program, but instead recommends that the Company submit an annual report on the EE Pilot three months after the close of the program year.[141] The annual report should include information from activity from the previous program year and progress towards the Company's goals for the remaining years of the EE Pilot.[142] 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.[143]

I&E took no position and does not oppose the OSBA's proposal to expand the EE Pilot to include a small business program.[144]

Finally, I&E cannot support CAUSE-PA's recommendation to expand the EE Pilot to include a no-cost direct install low-income component that would be funded by the residential ratepayers though the EE Pilot rider. As NFG points out, the EE Pilot will have no income restrictions and all residential customers will be eligible to participate.[145]

XII. UNIVERSAL SERVICE PROGRAMS

Most of the universal service programs issues were raised by the OCA, CAUSE-PA, and 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*.

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141 I&E MB, p. 43, citing I&E St. No. 1, p. 27.
142 *Id.*, citing *Id.*
143 I&E MB, p. 43. *See also*, NFG MB, p. 84.
144 I&E MB, pp. 42-43. See also NFG MB, pp. 80, 82-84.
145 NFG MB, pp. 81-82.

A. Customer Assistance Program (CAP)

I&E takes no position on this issue.

B. Low Income Usage Reduction Program (LIURP)

Responding to NFG MB, pp. 95-98.

I&E noted that it fully addressed the LIURP issues raised by other parties in I&E's testimony.[146] I&E noted that other parties recommended that the Company increase its LIURP budget by the percentage increase in rates for residential customers as a result of this proceeding. And while their recommendation may be 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.[147] The arguments presented by the other parties for increasing LIURP funding are too speculative and not supported by any substantial record evidence. Even NFG has stated that its LIURP spending is sufficient.[148]

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.[149] I&E believes it is unreasonable to implement an

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146 I&E MB, p. 44, citing I&E St. No. 1-R, pp. 1-4.
147 *Id.*, citing *Id.*
148 NFG MB, p. 95.
149 I&E MB, p. 44, citing I&E St. No. 1-R, p. 3.

increase to LIURP paid for by ratepayers, when the Company's ability to utilize these additional funds is not supported by past experience.[150]

C. Neighbor for Neighbor Hardship Fund

I&E takes no position on these issues.

XIII. CUSTOMER/QUALITY OF SERVICE ISSUES

I&E takes no position on these issues.

XIV. MISCELLANEOUS ISSUES / PIPELINE SAFETY

A. LTIPP and LPP Replacements

Responding to NFG MB, pp. 103-104.

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.[151] And while this schedule appears to meet the targets of mileage replacement through 2027, it may not meet the LTIIP target of complete replacement by 2039.[152]

NFG argued that I&E's concerns are based on incorrect data and assumptions.[153] Further, NFG stated the total of bare steel and wrought iron mileage remaining at the end of 2025 was 749.91 miles.[154] Removing the two miles of vintage plastic pipe per year from the Company's projections results in a projected replacement of 52 miles in 2026 and 55 miles each year for the 13-year period from 2027 to 2039, for a total target LPP

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150 *Id.*, citing *Id.*
151 I&E MB, pp. 45-46, citing I&E St. No. 4, p. 3.
152 *Id.*, citing Id.
153 NFG, p. 104.
154 *Id.*

replacement of 767 miles.[155] Finally, NFG argued, this means that the Company's projections will exceed its replacement target by 17.09 miles in 2039.[156]

B. Restoration Costs

Responding to NFG MB, pp. 104-106.

I&E raised concerns regarding the seemingly ever-increasing restoration costs associated with the infrastructure improvement capital costs.[157]

NFG responded, the Company's current cost tracking methods already provide the insight into project costs and potential savings that I&E's recommendation contemplates and further tracking is not necessary at this time.[158] Further, NFG noted the Company is actively involved in efforts to reduce restoration costs, including by participating in countywide utility coordination meetings, working directly with PennDOT and municipalities, coordinating construction schedules, and obtaining private rights-of-way where possible.[159] NFG also noted that the Company actively categorizes and tracks replacement costs on an overall and project specific basis, analyzes costs drivers, identifies efficiencies, and negotiates cost savings.[160]

C. Tariff Rule 8

I&E takes no position on this issue but does understand the Company's concern for the health and safety of its employees.

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155 *Id.*
156 *Id.*
157 I&E MB, p. 46.
158 NFG MB, p. 104.
159 NFG MB, pp. 105-106.
160 Id., p. 106.

D. Methane Detector Pilot Program

Responding to NFG MB, pp. 109-111.

To summarize, I&E recommended 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.[161] 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.[162] I&E also recommended 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.[163]

NFG argued the Company is currently operating another methane detector pilot program in its New York division.[164] The New York pilot is designed to evaluate the feasibility, operational requirements, costs, and potential risks of methane detector technologies.[165] In this way, the New York pilot overlaps with I&E's proposal in this proceeding.[166]

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161 I&E MB, p. 46, citing I&E St. No. 4, p. 23; I&E St. No. 4-SR, p. 5.
162 *Id.*, citing *Id.*, p. 23.
163 *Id.*, citing *Id.*, p. 24-25.
164 NFG MB, p. 109.
165 *Id.*
166 *Id.*

Further, NFG argued, given that the New York pilot is still under way, requiring the Company to fund and administer a duplicative pilot is not necessary at this time, especially as there is no guarantee that a Pennsylvania pilot would yield materially different or additional information.[167] Finally, the Company is also concerned about the costs required to implement I&E's proposal.[168] As explained by NFG, a small-scale pilot would have limited effectiveness and value, while a broader program would not be feasible considering it would require substantial investment in infrastructure, IT systems, and field hardware.[169]

Nothing has caused I&E to change its position on this. I&E continues to recommend that NFG implement a program in accordance with the recommendations contained in I&E Statement No. 4 and I&E Statement No. 4-SR.

XV. CONCLUSION

I&E respectfully submits that for all the reasons presented in this I&E Reply 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

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167 *Id.*
168 *Id.*, pp. 109-110.
169 *Id.*, 110.

Reply Brief; Appendix A attached hereto; I&E's Main Brief and the I&E Tables appended to its Main Brief.

Respectfully submitted,

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Dated: July 1, 2026

APPENDIX A

I&E Revenue Allocation at NFG and I&E Proposed Increases

National Fuel Gas Distribution Corporation
I&E Revenue Allocation at Proposed Rates
Docket No. R-2026-3059428
($ in thousands)

Line No.	Rate Class	Current Revenues	Company Increase	Company Allocation As Filed	I&E Recommended Increase	I&E Recommended Revenues at Full Increase	I&E Percent Change at Full Increase	I&E Recommended Scale Back Allocation	Increase over Current Revenues	I&E Percent Change at Scale Back		Scale Back Percent	Scale Back Percent Increase
	(A)	(B)		(C)		(D)	(E)	(F)	(G)	(H)			
1	Residential	$ 97,367	$ 15,404	$ 112,771	$ 13,050	$ 110,417	13%	$ 104,719	$ 7,352	8%		56%	8%
2	SCPA-LL	$ 6,819	$ 883	$ 7,702	$ 800	$ 7,619	12%	$ 7,270	$ 451	7%			7%
3	SCPA-UL	$ 6,989	$ 904	$ 7,893	$ 1,400	$ 8,389	20%	$ 7,778	$ 789	11%			11%
4	LCPA	$ 13,908	$ 1,341	$ 15,249	$ 2,199	$ 16,107	16%	$ 15,147	$ 1,239	9%			9%
5	NGV	$ 131	$ 21	$ 152	$ 26	$ 157	20%	$ 146	$ 15	11%			11%
6	SVIS	$ 444	$ 43	$ 487	$ -	$ 444	0%	$ 444	$ -	0%			0%
7	IVIS	$ 5,876	$ 567	$ 6,443	$ 1,150	$ 7,026	20%	$ 6,524	$ 648	11%			11%
8	LVIS	$ 2,730	$ 264	$ 2,994	$ 540	$ 3,270	20%	$ 3,034	$ 304	11%			11%
9	LIS	$ 2,470	$ 239	$ 2,709	$ 500	$ 2,970	20%	$ 2,752	$ 282	11%			11%
10	Total:	$ 136,734	$ 19,666	$ 156,400	$ 19,665	$ 156,399	14%	$ 147,813	$ 11,079	8%			8%

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

<u>CERTIFICATE OF SERVICE</u>

I hereby certify that I am serving the foregoing **Reply Brief** dated July 1, 2026, in the manner and upon the persons listed below.

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