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July 1, 2026

VIA ELECTRONIC FILING

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Pennsylvania Public Utility Commission, *et al.* v. National Fuel Gas Distribution Corporation
Docket Nos. R-2025-3059428, *et al.*

Dear Secretary Homsher:

Enclosed for filing is the Reply Brief on behalf of National Fuel Gas Distribution Corporation in the above-referenced proceedings.

Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Megan E. Rulli

MER/sll
Attachment

cc: Honorable Katrina L. Dunderdale *(via email; w/attachment)*
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	R-2025-3059428
Office of Small Business Advocate	:	C-2026-3060292
Office of Consumer Advocate	:	C-2026-3060437
CAUSE-PA	:	C-2026-3060437
	:	
v.	:	
	:	
National Fuel Gas Distribution Corporation	:	

REPLY BRIEF OF NATIONAL FUEL GAS DISTRIBUTION CORPORATION

TO THE HONORABLE KATRINA L. DUNDERDALE:

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Dated: July 1, 2026

Counsel for National Fuel Gas Distribution Corporation

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I. INTRODUCTION

National Fuel Gas Distribution Corporation ("National Fuel" or the "Company") files this Reply Brief in response to the Main Briefs filed by the Pennsylvania Public Utility Commission's ("Commission" or "PUC") Bureau of Investigation and Enforcement ("I&E"), the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA").

To a very large extent, the issues raised in the other parties' Main Briefs were fully addressed in National Fuel's Main Brief, filed on June 22, 2026, and reiterating the Company's position of each subject is, therefore, unnecessary. However, as an aid to the Administrative Law Judge (the "ALJ"), this Reply Brief responds to the key issues in dispute in this case. National Fuel also address new arguments and requests for relief that some of the other parties introduce for the first time in their Main Briefs.

For the reasons explained below, in its Main Brief, and in its filing, National Fuel's proposed distribution rate increase is fully supported by the record in this case, which demonstrates that the Company's proposal is just and reasonable and should be approved by the Commission. In addition, a customer impact chart reflecting the rate impact of the Company's final revenue request is attached hereto as **Appendix E**.

II. SUMMARY OF ARGUMENT

Substantial evidence presented by National Fuel fully supports its requested revenue increase, as adjusted downward in its Main Brief, and the Commission should reject the adjustments to the Company's rate base, expenses, and rate of return proposed by the other parties. The Commission should also approve the Company's new Energy Efficiency Pilot ("EE Pilot"), authorize the Company's continued use of a Weather Normalization Adjustment ("WNA"), and accept the proposed amendments to National Fuel's Tariff Rule 8. The Company has fully supported these proposals with substantial evidence in the record and the other parties' recommended changes to these proposals should be rejected.

In their Main Briefs, OCA and CAUSE-PA ask the Commission to deny National Fuel any rate increase in this proceeding and claim that the Company's proposed increase in rates is not affordable.[1] However, a rate increase was recommended by every party in this case that presented a revenue requirement, including OCA.[2] Though the parties may disagree about the appropriate level of the increase or rate of return, the record clearly demonstrates that the Company is need of rate relief.

None of the parties disagree with National Fuel's plan to invest more than $66 million to modernize infrastructure during the FPFTY.[3] The other parties also have not challenged the prudence or reasonableness of National Fuel's ongoing accelerated leak prone pipe replacement program, or any of the other investments that National Fuel makes every day to enhance the reliability and resilience of its distribution system.[4] Absent rate relief, National Fuel's operations are projected to produce an overall return on rate base of 6.30% and a return on common equity of 6.87% during the FPFTY.[5] A 6.87% return on

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[1] *See* OCA Main Brief ("MB"), p. 7; CAUSE-PA MB, pp. 1-2.
[2] *See* OCA MB, p. 3; OSBA MB, p. 5; I&E MB, p. 5.
[3] *See* National Fuel St. No. 9, p. 3.
[4] *See generally* National Fuel St. No. 9.
[5] National Fuel St. No. 1, p. 7.

equity for the FPFTY is far less than required to provide the Company with a reasonable opportunity to attract capital for these investments.[6] Further, none of the expert witness testimony on rate of return presented in this case supports the conclusion that a 6.87% equity return for the FPFTY is a fair return for National Fuel.[7]

The Company has evaluated the impact of the updated proposed rate increase, as reduced in its Main Brief, on its customers. Attached to this Reply Brief is a customer bill impact analysis based on the Company's updated rate increase request and proposed cost allocation.[8]

The bill impact analysis shows that the bill for a residential customer with average usage of 80 ccf per month would increase by $5.35 per month under the Company's proposed rates, or $64.20 annually.[9]

This moderate increase does not include the $6.2 million OPEB surcredit that will be distributed to all customers in the first year new rates take effect. The Company's rate increase will be offset in the first year by the distribution of $7.2 million in OPEB credits to customers, with $6.2 million distributed to all customers in the first year of new rates and a one-time $30 bill credit distributed solely to confirmed low-income customers in the December 2026 billing period.[10]

With the OPEB surcredit in the first year, the bill for a residential customer with

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[6] *See* National Fuel MB, pp. 50-51, 67.
[7] *See* I&E St. No. 2, p. 54; OCA St. No. 3, pp. 65-66; OSBA St. No. 1, pp. 14-15.
[8] *See* Appendix E.
[9] *See* Appendix E.
[10] National Fuel MB, p. 72.

average usage of 80 ccf per month would increase by $3.51 per month, or $42.12 annually.[11]

The practical effect of this OPEB surcredit is that residential customers will experience a moderate two-step increase in rates: a $3.51 increase per month in the first year followed by a further $1.84 increase in the second year. Annually, these customers would experience a phased-in increase of $42.12 in the first year followed by a $22.08 increase in the second year.[12]

For its lower-income customers, the Company has an array of assistance programs that will further reduce the impact of a rate increase, including the Customer Assistance Program ("CAP"), which will continue to offer eligible customers a monthly bill amount based on a percentage of their income. The Company's CAP meets the Commission's heat burden standards and the Company has agreed in this case to take further steps to enroll low-income customers in CAP. The Company is also increasing its annual contribution to its Neighbor for Neighbor hardship fund by $30,000.[13]

The Company is also proposing an EE Pilot for residential customers in this case to help them obtain efficient appliances and heating equipment to lower their energy usage and monthly bills.[14]

As evident in the bill impact analysis and as demonstrated throughout this proceeding, National Fuel has taken many actions to minimize costs and assist low-income

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[11] *See* Appendix E.
[12] *See* Appendix E.
[13] National Fuel MB, p. 100.
[14] *See* National Fuel MB, pp. 78-85.

customers, while providing reliable and safe service to its customers. The Company's last rate case was filed in 2022 and the Company's rate increase over the period leading to this case is less than the rate of inflation.[15] The Company's achieved efficiencies have resulted in the lowest rates of the major national gas distribution companies ("NGDCs") in the state. National Fuel will maintain this position even if the requested rate increase, as adjusted downward in the Company's Main Brief, is granted in this proceeding.[16]

III. OVERALL POSITION ON RATE CASE

Please see pages 11 to 12 of National Fuel's Main Brief.

IV. RATE BASE

A. UTILITY PLANT

National Fuel's undisputed claim should be approved without modification.[17]

B. ACCUMULATED DEPRECIATION

As explained in National Fuel's Main Brief and Section VI.G of this Reply Brief, OCA's proposed adjustment to National Fuel's depreciation reserve should be rejected.[18]

C. NET PLANT IN SERVICE

National Fuel's net plant in service is $636.7 million.[19]

D. GAS INVENTORY

National Fuel's undisputed claim should be approved without modification.[20]

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[15] National Fuel St. No. 1-R, pp. 13-14.
[16] *See* National Fuel MB, p. 7.
[17] *See* National Fuel MB, p. 13.
[18] *See* National Fuel MB, pp. 13-14.
[19] National Fuel MB, p. 14.
[20] *See* National Fuel MB, p. 14.

E. ACCUMULATED DEFERRED INCOME TAXES

National Fuel's undisputed claim should be approved without modification.[21]

F. CUSTOMER DEPOSITS

National Fuel's undisputed claim for customer deposits should be approved,[22] and the Commission should accept the Company's deductions for CIAC and customer advances, which are based on the 13-month average balance for those accounts ending September 30, 2025.[23]

G. MATERIALS & SUPPLIES

National Fuel's undisputed claim should be approved without modification.[24]

H. CASH WORKING CAPITAL

As explained in the Company's Main Brief, the Commission should accept the Company's CWC claim with one adjustment to the lead-lag study: National Fuel accepts OCA's position regarding non-cash expenses and recommends their removal from the lead-lag study when determining the final CWC allowance approved in this proceeding. All other adjustments to the proposed CWC claim should be rejected for the reasons explained in the Company's MB.[25]

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[21] *See* National Fuel MB, pp. 14-15.
[22] *See* National Fuel MB, p. 15.
[23] *See* National Fuel MB, pp. 15-16.
[24] *See* National Fuel MB, p. 6.
[25] *See* National Fuel MB, pp. 16-19. For National Fuel, this means removing incentive compensation expenses from the lead-lag study; rate case expense and insurance are cash expenses for the Company.

V. OPERATING SALES AND REVENUES

A. CUSTOMER SALES AND REVENUES

National Fuel's undisputed claim should be approved without modification.[26]

B. GAS SUPPLY REVENUE

National Fuel's undisputed claim should be approved without modification.[27]

C. OTHER REVENUES

1. Rent from Gas Property

As explained in the Company's MB, the Commission should reject OCA's proposed $12,000 adjustment to Rent From Gas Property.[28]

2. Forfeited Discounts

The Company's claim for Forfeited Discounts of $1.1 million already reflects the late payment charges the Company anticipates collecting during the FPFTY at present rates.[29] If the Commission determines a further adjustment is appropriate, then it should adopt the Company's recommendation in its Main Brief by basing the forfeited discount ratio on a trailing 12-month weighted average and matching the adjustment to the final revenue increase approved in this proceeding.[30]

VI. REVENUE INCREASE

The Company's updated revenue increase of $16.2 million should be approved.[31]

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[26] *See* National Fuel MB, p. 19.
[27] *See* National Fuel MB, p. 19.
[28] *See* National Fuel MB, p. 20.
[29] *See* National Fuel MB, p. 20.
[30] *See* National Fuel MB, pp. 20-21.
[31] *See* National Fuel MB, Appendix D.

VII. OPERATING EXPENSES

A. COMPANY'S CLAIMED O&M EXPENSES

Certain expenses have been challenged by I&E, OCA, and OSBA. National Fuel anticipated and responded to many of these arguments in its Main Brief and will avoid repeating those explanations in the sections below.[32]

B. RATE CASE EXPENSE

National Fuel's claim for rate case expense should be normalized over a three-year period. I&E's five-year normalization period overlooks the Company's current operating model, increased capital investments, and inflationary pressures of labor, which will require the Company to file more frequent rate cases in the years to come.[33]

C. INCENTIVE COMPENSATION EXPENSE

In its Main Brief, the Company anticipated and responded to the arguments of I&E, OCA, and OSBA opposing recovery of portions of the Company's incentive compensation expense.[34] The Company will not repeat those arguments here and instead provides clarifications below to help create a clear record in this case.

The following table shows the incentive compensation adjustments proposed by I&E, OCA, and OSBA and the expense category associated with each adjustment:[35]

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[32] *See* National Fuel MB, pp. 21-48.
[33] *See* National Fuel MB, pp. 21-23.
[34] *See* National Fuel MB, pp. 23-29.
[35] National Fuel St. No. 5-R, p. 2.

Summary of Incentive Compensation Adjustments			
Cost Element	**Amount Claimed by National Fuel**	**Party**	**Amount Proposed to be Disallowed**
Executive Cash Bonus Incentive Compensation (part of Net Labor Expense)	$855,587	I&E	$379,731 (with a $22,670 impact to payroll taxes)
Stock Based Compensation (part of Employee Benefits Expense)	$1,429,959	OCA	$1,430,000 ($1,429,959 unrounded)
Stock Based Compensation (part of Employee Benefits Expense)	$1,429,959	I&E	$909,281
Stock Based Compensation (part of Employee Benefits Expense)	$1,429,959	OSBA	$1,382,102

The Company notes that the $1,517,718 adjustment referenced in OSBA's Main Brief does not match the $1,382,102 adjustment actually proposed by OSBA witness Farr.[36] In its Main Brief, OSBA states that its "adjustment removes the FPFTY stock-based compensation expense, less the 5% portion of the stock-based compensation expense that the Company identified as being issued historically from December 2022 – December 2024 based on ESG criteria."[37] As reflected in the table above and OSBA Exhibit JBF-3, 95% of the stock-based compensation expense is $1,382,102.[38]

[36] *See* OSBA Exh. JBF-3, p. 3.
[37] OSBA MB, p. 7.
[38] *See* OSBA Exh. JBF-3, p. 3 (1,429,959 * .95 = 1,382,102).

The Company maintains that its incentive compensation program as a whole provides direct and lasting benefits to ratepayers, because it promotes:

- Cost-effective access to capital;[39]
- Employee retention, which results in workforce stability, knowledge transfer, and employee expertise;[40]
- A long-term commitment to prudent financial management that facilitates investments in the distribution system and provides safe, reliable, and affordable service to its customers;[41] and
- An internal culture of cost containment and organizational efficiency.[42]

These sound financial management practices allowed the Company to avoid the need for a base delivery rate increase since 2023 and kept the original rate increase requested in this case in line with, if not below, the general rate of inflation.[43] For these reasons, and as more fully explained in the Company's Main Brief, National Fuel's incentive compensation program benefits ratepayers and should be approved.

D. PAYROLL EXPENSE AND RELATED

As of April 2026, the Company's actual headcount of 451 full time employees ("FTEs") surpassed the 450 FTEs included in the FPFTY. OSBA's proposed adjustment, which would include only 440.3 FTEs in the FPFTY, would inappropriately reduce the headcount below the current FTE level in a period where labor expenses are a key driver

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[39] National Fuel St. No. 5-R, p. 3.
[40] National Fuel St. No. 4, p. 6.
[41] National Fuel St. No. 4, p. 16.
[42] National Fuel St. No. 5-R, p. 10.
[43] National Fuel St. No. 5-R, pp. 3-4.

of National Fuel's requested rate increase.[44]

E. MEMBERSHIP DUES EXPENSE

As explained in the Company's Main Brief, OCA's and I&E's proposed adjustments to the Dues and Memberships expense fail to account for the positive impacts that the Company's participation in community and development organizations have on National Fuel's customers and the communities it serves. As supported by the record in this case, this expense provides benefits to customers by enabling National Fuel to operate more effectively in the communities it serves and it is improper to disallow the expense.[45]

The Commission previously has allowed recovery of chamber of commerce dues in rates. In its 1994 rate case, Pennsylvania American Water Company ("PAWC") included expenses related to membership in local chambers of commerce. The OCA argued that the dues associated with these specific organizations were connected to lobbying and thus unnecessary, and proposed adjustments for dues related to these organizations. The ALJ took the Company's position with respect to the local chambers of commerce dues, stated that he did not discern a forbidden activity under Section 1316 of the Public Utility Code, 66 Pa. C.S. § 1316, and agreed with the Company that local memberships are a proper part of the Company's relationship with the communities in which it serves customers.[46] The Commission adopted the recommendation of the ALJ with respect to the Company's dues to local chambers of commerce. The Commission stated, "these memberships can be

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[44] *See* National Fuel MB, pp. 29-30.
[45] National Fuel MB, pp. 30-31.
[46] *Pa PUC, et al. v. Pennsylvania-American Water Company*, Docket Nos. R-00943231, *et al.*, 1995 Pa. PUC LEXIS 170, at *44 (Order dated July 24, 1995).

viewed as part of a utility's economic development efforts. The memberships also provide essential sources of information about trends in growth and industrial and business activity which have an impact on current and future water demands."[47]

In Columbia Water Company's ("Columbia Water") 2008 rate case, the utility claimed expenses related to membership in the Lancaster and Susquehanna Valley Chambers of Commerce. OCA argued that the Commission should disallow these expenses because they are similar to lobbying activities and do not provide direct benefits to ratepayers. The ALJ found in favor of Columbia Water, concluding that the dues were not for lobbying expenses, nor were they similar to lobbying expenses. The Commission agreed with the ALJ, finding in favor of Columbia Water and noting that Columbia Water's position on this issue was consistent with prior Commission decisions, citing *PAWC 1995*.[48]

Based on the foregoing and as explained in National Fuel's Main Brief, other parties' proposed disallowance of membership dues to chambers of commerce and economic development agencies should be rejected.

F. CUSTOMER PAYMENT TRANSACTION COSTS

As described in the Company's Main Brief, the Commission should reject OCA's fee-free payment proposal.[49] OCA has not provided sufficient support that its proposal accurately forecasts the cost to transition to and implement a fee-free payment structure.[50]

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[47] *Id.* at *45.
[48] *Pa. PUC, et al. v. The Columbia Water Company*, Docket Nos. R-2008-2045157, *et al.*, 2009 Pa. PUC LEXIS 1423, at *59-60 (Order entered June 10, 2009).
[49] *See* National Fuel MB, pp. 31-32.
[50] *See* National Fuel MB, pp. 31-32.

The Commission has rejected a similar OCA proposal to require Philadelphia Gas Works ("PGW") to move to a fee-free payment system.[51] The Commission reasoned that: (1) no provision of the Public Utility Code or the Commission's regulations, orders, or policies prohibited PGW from collecting credit card processing fees; (2) OCA failed to provide substantial evidence that credit card fees should be shared among all residential customers rather than the individual customers; and (3) PGW offered multiple fee-free payment options.[52]

All three factors are present here. OCA has not identified any provision of the Public Utility Code or Commission regulation, order, or policy statement prohibiting National Fuel from offering online payment options with third-party processing fees. OCA has not provided sufficient support for its forecasted budget for the credit card processing fees but instead appears to have just rounded down the fees collected in a recent year, which fails to account for the increased adoption for this payment method predicted by its own witness.[53] Finally, the Company offers multiple fee-free payment options, including two in-person payment drop boxes, automatic online payments using a checking or savings account, and one-time fee-free online payments using a checking or savings account.[54]

As such, OCA's fee-free payment proposal should be rejected.

[51] *See Pa. PUC, et al. v. Philadelphia Gas Works*, Docket Nos. R-2023-3037933, *et al.*, 2023 Pa. PUC LEXIS 298 (Order entered Nov. 9, 2023), at *110.
[52] *See id*.
[53] *See* National Fuel MB, pp. 31-32; OCA Exhibit LMW-3.
[54] National Fuel St. No. 17-R, pp. 36-37.

G. DEPRECIATION EXPENSE

1. The Conversion of Equal Life Group Depreciation to Average Service Life Depreciation Is Not in the Interest of Customers

OCA proposes to shift from the Equal Life Group ("ELG") method of determining depreciation expense and accrued depreciation to the Average Life Group ("ALG") method. OCA's primary goal is to reduce current depreciation expense by approximately $4.7 million to reduce the rate increase in this proceeding.[55] OCA recognizes that the reduction in depreciation expense will reduce the growth of accumulated depreciation and therefore increase net rate base.[56] To be clear, there will be a one-time reduction in expense of $4.7 million in this case followed by an increase in rate base of approximately $4.7 million in each future year.

OCA accepts the chart that Company witness Spanos presented, which illustrates that in approximately 11 years the revenue requirement of the effect of the OCA proposed changes will be higher total costs to customers.[57] However, OCA argues that the lower depreciation expense in the interim will help to offset increased costs of replacement of at-risk pipe in causing increased rate base over the next 11 years.[58]

The Company believes that this argument is erroneous.

In each of the 11 years, the effect of the one time reduction in rates will decline, due to the higher rate base resulting from not accruing the depreciation of $4.7 million per year.

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[55] OCA MB, p. 20.
[56] *See* OCA MB, p. 27.
[57] OCA MB, p. 26.
[58] OCA MB, pp. 23-24.

After 11 years, the customers will be paying more. There is little to no benefit in the 11 year period to offset the costs of infrastructure improvements.[59] In addition, the rate base after 11 years of reduced depreciation will be approximately $50 million greater than under the ELG procedure and this will be in addition to all the increased rate base for new gas plant that is added over the next 11 years. After the 11th year the lower depreciation expense will continue to increase net rate base. OCA proposes to push costs forward to a future generation with little value now.[60]

The effect of OCA's proposal on the Company is a reduction of cash flow of approximately $4.7 million per year, which the Company could have used to finance pipe replacements. Therefore, the Company will have to raise additional capital. In obtaining ratings for the debt of the Company, cash flow and leverage capacity is important to the rating agencies. Unexpected changes in regulatory policy or inconsistent application of ratemaking principles that impact cash flows are viewed negatively by the rating agencies and could contribute to adverse ratings actions or downgrades.

OCA also argues that it has overcome the Commission's objections to a similar proposal in *Columbia 2025*, noting that in that case the prior proposed adjustment for accrued depreciation was incorrect.[61] OCA understates the Commission's reasons for rejecting OCA's ALG proposal in *Columbia 2025*. While the Commission agreed with the Company that OCA's witness incorrectly calculated the adjustment to depreciation, it was

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[59] *See* National Fuel St. No. 8-R, pp. 15-17.
[60] National Fuel MB, pp. 40-41.
[61] OCA MB, p. 36.

the ALG *method* that the Commission ultimately rejected, not an individual calculation.[62] OCA's claim that its correction of an error made in *Columbia 2025* results in a "material difference" to its case is unpersuasive.[63] The accuracy of a calculation using the ALG method does not provide any independent support of the method's reasonableness. It should also be noted that in the ongoing Pennsylvania-American Water Company rate case, the recently issued Recommended Decision once again supports the continued use of the ELG procedure for determining depreciation expense.[64]

OCA has once again misrepresented what is appropriate if switching to the ALG procedure. The full conversion would require a restatement of the accumulated depreciation for the last 40 years, which will create an even higher rate base as of the historic test year.[65] Therefore, the development of the accumulated depreciation for the future and fully projected future test years is only a small step in appropriately converting

[62] *See Pa. PUC v. Columbia Gas of Pa., Inc.*, Docket No. R-2025-3053499 (Order entered Dec. 9, 2025) ("*Columbia 2025*"), pp. 106-111.
[63] OCA MB, pp. 36-37.
[64] *Pa. PUC, et al. v. Pennsylvania-American Water Company*, Docket Nos. R-2025-3057983, *et al.* (Recommended Decision issued May 15, 2026), pp. 217-222 (concluding that "OCA has failed to provide any reasonable basis – whether based on equity, accuracy, or precedent – to compel a switch to the ALG procedure.") Exceptions were filed by multiple parties in this proceeding, and the case remains pending for final disposition by the Commission.
[65] OCA states that Mr. Andrews "presented a bringforward of accumulated depreciation from Sept. 30, 2025, to Oct. 31, 2027, based on the ALG methodology." OCA MB, p. 36. This correction addresses only part of the error identified by Mr. Spanos in *Columbia 2025*. Missing from the record is any demonstration that OCA witness Andrews "restate[d] the historical book reserves for the past forty (40) years to match that method." *See Columbia 2025*, p. 111.

depreciation procedures. OCA only made minor steps in the accumulated depreciation levels in this case as compared to their position in the Columbia case.

OCA also claims that unlike Columbia, which has had multiple rate increase reviews, the Commission has not reviewed or accepted National Fuel's use of the ELG procedure in 20 years because there were only two rate cases filed by National Fuel in that period and those cases were settled.[66] While the fact that National Fuel has filed for just two rate increases in last 20 years is noteworthy in the context of affordability, this claim regarding the Commission's review of the ELG method is demonstrably false. Every five years since the 1980s, the Company has filed a service life study report with the Commission for approval using the ELG method. National Fuel also submits annual depreciation reports to the Commission each year updating the Company's depreciation accrual rates for book purposes as well as identifying the underlying depreciation parameters and calculation methods and procedures used to determine depreciation expense. In 2023, National Fuel submitted its most recent service life study to the Commission and all depreciation parameters and methods, *including the use of the ELG procedure*, were approved.[67] Through these regular filings, the Commission has reviewed and accepted National Fuel's use of the ELG procedure for nearly forty years. It was the Commission's approval of these filings that creates the rebuttable presumption that the

[66] OCA MB, p. 37.
[67] National Fuel St. No. 8-R, pp. 10-11.

Company's accrued depreciation claim in this case is reasonable.[68] The purpose of this rebuttable presumption is to avoid litigating depreciation issues in rate cases. OCA's argument that the Commission's review of depreciation methods is limited to litigated rate cases is meritless. Like Columbia, the Commission has reviewed and accepted National Fuel's ELG procedure for decades.

Finally, OCA overlooks the many compelling reasons for the Commission's rejection of the ALG procedure in *Columbia 2025* that have carried through to the record in this proceeding. These findings include:

- "[T]he alleged benefit of the ASL procedure . . . of lower depreciation expense and a short-term reduction in rates for current customers, is not a result of the procedure itself, but is a result of the proposed change in procedure."[69]

- "[A] switch to the ASL procedure would increase rate base in comparison to the continued use of the ELG procedure (by lowering accumulated depreciation), leading to higher rates in the long run."[70]

- "[A]doption of the ASL procedure would serve as an intergenerational subsidy to current customers at the expense of other generations of customers."[71]

- "The intergenerational inequity that would be developed from changing to the ASL procedure after approximately forty years of using the ELG procedure is that future customers would be paying less than current and past customers for the recovery of the same assets from which they are receiving service."[72]

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[68] *See* 52 Pa. Code § 73.9(c), establishing that "[i]n subsequent ratemaking proceedings, the most recent annual depreciation report or service life study approved or deemed approved for accounting purposes only under this chapter, constitutes a rebuttable presumption as to the reasonableness of the accrued depreciation claimed for ratemaking purposes, and the burden of proving the unreasonableness of the accrued depreciation shall be on the challenging party."
[69] *Columbia 2025*, p. 108; National Fuel St. No. 8-R, p. 12.
[70] *Columbia 2025*, p. 109; National Fuel St. No. 8-R, pp. 16-17.
[71] *Columbia 2025*, p. 109; National Fuel St. No. 8-R, p. 16.
[72] *Columbia 2025*, p. 109; National Fuel St. No. 8-R, p. 16.

- "The ELG procedure correctly matches depreciation expense of the straight-line allocation of service value over the period the assets are in service and avoids the back-end loading of the ASL procedure."[73]

- "[O]ther jurisdictions' differing use of the ASL procedure, as noted by the OCA, is not relevant since these jurisdictions use other depreciation parameters (e.g., whole-life vs. remaining-life, net salvage treatment)."[74]

National Fuel has presented ample record evidence demonstrating that adopting OCA's current proposal will lead to the same negative outcomes because it is based on the same flawed ALG procedure.[75]

2. The Concept of Intergenerational Equity is Misrepresented by OCA

OCA does not accurately discuss the entire impact of why the conversion to the ALG procedures does not create intergenerational equity as compared to the ELG procedure. OCA erroneously takes the position that the ALG procedure in some manner is firmly established at the present moment whereas the benefit utilizing the ELG procedure is based on long term projections.[76] This is misleading for numerous reasons. First, the level of rate base today is lower because of the use of the ELG procedure so past and present ratepayers have already fairly paid for the service of the assets they have utilized and have been retired.[77] Second, if OCA believes the time value of money is unfair to future ratepayers, it would need to restate the original cost of plant to today's dollars, not just focus on the level of recovery from today until the next 11 years.[78] OCA does not want

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[73] *Columbia 2025*, p. 110; National Fuel St. No. 8-R, pp. 6-7.
[74] *Columbia 2025*, p. 111; National Fuel St. No. 8-R, p. 22.
[75] *See* National Fuel St. No. 8-R, pp. 3-27.
[76] OCA MB, p. 28.
[77] National Fuel St. No. 8-R, p. 12.
[78] OCA MB, pp. 30-31.

to recognize that the ELG procedure properly recovers the plant investment as it is utilized and the periodic reviews that are required in Pennsylvania ensure that all generations are paying for the benefit of the assets that are in service.[79] Thus, OCA witness Andrews' discussion related to the time value of money only considers the recovery component and not the offsetting benefit that ratepayers have with the reduced plant in service value.[80]

3. OCA's Attempts to Challenge the Accuracy of the ELG Methodology Fail

In its Main Brief, OCA characterizes the accuracy of the ELG methodology as a "mirage."[81] First, it should be clearly understood that a survivor curve is an estimate of the future and as closely as possible reflects the expectation of the future recovery. It should not be isolated to a mathematical comparison of the past alone.[82] Second, the statistical matching of the curve should not be required to be exactly as the statistical assets that have been retired for the ELG procedure to be more accurate than the ALG procedure when recovering the investment in a systematic and rational manner. This concept is clearly shown when comparing the theoretical reserve (calculated accrued depreciation) to the actual book reserve in each test year.[83] As the depreciation studies show, the actual book reserve is below the theoretical reserve, which shows past recovery using the ELG procedure is behind. This demonstrates that the ELG procedure has not been over recovering. Thus, OCA's position that the ALG procedure corrects for fluctuations any

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[79] *See* National Fuel St. No. 8-R, p. 12.
[80] *See* National Fuel St. No. 8-R, p. 16.
[81] OCA MB, p. 31.
[82] *See* National Fuel St. No. 8-R, p. 3.
[83] *See* National Fuel Exh. C.

differently or more accurately is just false. Each procedure when coupled with the remaining life procedure corrects for any fluctuations and in this case, the amount of correction in the future is considerably less with the ELG procedure than the ALG procedure. This is due to the precision of the calculation of the ELG procedure to date has been much more accurate based on the utilization of the assets than the ALG procedure.[84] Therefore, the perceived accuracy is not costing ratepayers as OCA claims but maintaining a fair intergenerational equity.

4. OCA's Reliance on Other Jurisdictions' Adoption of the ALG Method Is Unpersuasive

OCA once again attempts to compare situations in other jurisdictions to support a change from the ELG procedure in this case.[85] It is true that one type of depreciation procedure is not more applicable based on the type of utility, electric, gas, or water. However, it also cannot be ignored that in the Indiana and Kentucky cases, a major percentage of the asset base is related to generation which is a significantly different asset involving significantly different recovery.[86] Additionally, it should be noted that two of the more recent cases in Indiana have had depreciation rates approved based on the ELG procedure.[87] These utilities have a more similar asset base to National Fuel in that most

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[84] National Fuel St. No. 8-R, pp. 20-21.
[85] OCA Main Brief, pp. 38-40.
[86] National Fuel St. No. 8-R, p. 24.
[87] *See Verified Petition Of The Board Of Directors For Utilities Of The Department Of Public Utilities Of The City Of Indianapolis For Presentation And Approval Of New Depreciation Accrual Rates*, Cause No. 45988 (State of Indiana Utility Regulatory Commission Order approved Oct. 16, 2024); *Petition Of Aqua Indiana, Inc. For Approval Of New Depreciation Accrual Rates To Be Applicable To The Wastewater Plant Of Its*

accounts are mass property and the upgrading of assets are due to leaks or infrastructure integrity not creating of completely new generation.[88]

H. OTHER EXPENSE ADJUSTMENTS

1. Charge off Customer Accounts/Receivable ("A/R") Expense

OCA withdrew its proposed adjustment to this expense.[89]

2. Office Employee Expenses

The Company's Office Employee Expense should be accepted as filed because the expenses included in this line item are subject to inflationary price increases, and the Company's compound annual growth rate calculation is based on actual increases to the pricing for these items in recent years.[90] This CAGR adjustment is not a blanket inflation adjustment but is based on the actual price increases experienced between 2023 and 2025.[91]

In its Main Brief, OCA claims that "the software, office equipment and employee training and travel expenses" included in this expense "were not the same costs that were identified and escalated by" the CAGR.[92] OCA is wrong for two reasons. First, OCA incorrectly expands Mr. Morgan's critique of this expense to include employee training and travel expenses, which were not challenged in his testimony.[93] Second, Mr. Formato explained that two adjustments were made to the expense: (1) software licensing expenses

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Aboite Wastewater System, Cause No. 46334 (State of Indiana Utility Regulatory Commission Order approved June 24, 2026).

88 *See id.*

89 *See* National Fuel MB, p. 44.

90 *See* National Fuel MB, p. 44.

91 National Fuel St. No. 3-R, p. 5.

92 OCA MB, p. 43.

93 *Compare* OCA MB, p. 43 *with* OCA St. No. 2SR, p. 14.

were first normalized to reflect a full year in the HTY amount; and (2) the HTY amount was increased by the CAGR.[94] Thus, the claim that the CAGR adjustment does not include software licensing and office equipment is not supported by the record.

3. Postage Expense

The Company's claim for Postage Expense should be accepted, which uses a three-year CAGR calculated using the actual increases in the price of one ounce stamps between January 2023 and December 2025 to project postage expense for the FPFTY.[95]

4. Line Hit Collections

The Company's three-year normalization adjustment to Other Expense - Line Hit Collections should be accepted.[96] OCA's opposition to this adjustment is flawed because it assumes a direct correlation between line hit collections received and line hit expenses incurred in any given year. OCA does not dispute that the Company's line hit collections in 2025 were abnormally high and also claims in its brief that "the intent of the adjustment is not to move away from a 3-year normalization concept."[97] Despite these admissions, OCA's proposal still reverts the expense claim to the abnormally high 2025 balance without any attempt to remediate its impact.[98] OCA's proposal should be rejected.

5. Insurance Settlement Proceeds

As explained in the Company's Main Brief, the Company should be permitted to

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[94] *See* National Fuel St. No. 3, pp. 10-11; National Fuel Exhibit ATF-2, Sch. 2.
[95] *See* National Fuel MB, pp. 45-46.
[96] *See* National Fuel MB, p. 46.
[97] OCA MB, p. 44.
[98] OCA St. No. 2, p. 17.

continue to use these funds to offset environmental expenses.[99]

6. Uncollectible Expense

National Fuel accepts OCA's 0.02% adjustment to the uncollectible factor.[100]

VIII. TAXES

A. INCOME TAXES

OCA accepted the Company's proposed Pennsylvania Corporate Income Tax rate.[101]

B. TAXES OTHER THAN INCOME TAXES

I&E's proposed payroll tax adjustments should be denied because its expense reductions should be rejected.[102]

C. TAX AND AMORTIZATION ISSUES

The Company's unopposed amortizations of the regulatory liability established for the Medicare subsidy and the regulatory asset for the over-refunded Tax Cuts and Jobs Act ("TCJA") surcharge should be approved.[103]

IX. RATE OF RETURN

As explained in the Company's Main Brief, the primary method for determining the ROE should be the DCF based on analyst projected earnings. All of the witnesses used this method with produce results that the ROE should be 10.5% or above.[104] The methods used by the other parties are flawed and should be revised or corrected.

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[99] *See* National Fuel MB, pp. 47-48.
[100] OCA St. No. 2, p. 18.
[101] National Fuel MB, p. 48.
[102] *See* National Fuel MB, p. 49.
[103] *See* National Fuel MB, pp. 49-50.
[104] National Fuel MB, pp. 62-63.

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A. I&E'S CAPM METHOD UNDERSTATES THE COST OF EQUITY

I&E's CAPM method produces two results, which I&E witness Breuning averages to produce an average CAPM result of 9.25%.[105] I&E uses a standard CAPM with a combined projected and historic market premium to arrive at an 11.57% premium.[106] This method produces a cost of equity of 9.95%.[107]

I&E's second CAPM method uses a Kroll recommended calculation that produces an 8.55% CAPM result based on an ERP of 5.00% This second CAPM is not credible.[108] I&E witness Breuning also states that he used the results of recent ROE awards to check his results. Examining the awards in Mr. Breuning's testimony shows that the lowest award in the period January 1, 2025 to March 11, 2026 was 9.3%, greatly in excess of the Kroll CAPM of 8.55%.[109]

Mr. Breuning averaged his standard CAPM result of 9.95% and the Kroll method result of 8.85% to produce a CAPM result of 9.25%.[110] The 9.25% result is below any of the ROE rewards Mr. Breuning presented and significantly below the 9.7% average.[111] If I&E's CAPM is used to decide the ROE award in this case, only Mr. Breuning's standard CAPM result of 9.95% should be considered. Other CAPMs should also be considered.

Mr. Breuning used 10-year treasury bonds to set the risk free return of 4.20% as

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[105] I&E St. 2, p. 37.
[106] *Id.*, p. 35.
[107] *Id.*, p. 35.
[108] National Fuel St. No. 10-R, p. 47 (describing the errors of the Kroll method), and pp. 68-70.
[109] I&E Exh. 2, Sch. 7.
[110] I&E St. No. 2, p. 37.
[111] I&E Exh. 2, Sch. 7.

projected by Blue Chip in January 2026.[112] Company witness Nowak explained that yields on Treasury bonds have increased since January 2026.[113] Mr. Nowak showed a 10.59% CAPM ROE using the FERC method and a 30-year treasury as the risk-free rate.[114]

B. OCA'S ALTERNATIVE DCF MODEL UNDERSTATES THE COST OF EQUITY

OCA presents three DCF models in its Main Brief.[115] In the Company's Main Brief, it is noted that OCA's Constant-Growth DCF (EPS Growth) range is a cost of equity of 10.48%-10.61% rate and supports the Company's updated ROE of 10.5%.[116] OCA's result also is close to I&E's DCF result of 10.47%.[117] The Commission has used this DCF method as its primary method to establish the ROE for many years.

OCA witness Reno also calculated a Constant-Growth DCF (DPS, EPS, and BVPS) which produced a range of 8.8% - 9.03%.[118] These results also are well below any of the authorized ROEs on the list in Schedule 7 of Exhibit 2 to I&E's testimony and which were used by Ms. Reno. In addition, the Commission has not used dividends or book value in the growth component of the DCF because it is earnings that drive dividends and book value growth. OCA's witness also used a Sustainable Growth DCF to produce a range of 9.87% to 10.3%. As noted in the Company's Main Brief, the Commission has declined to use this method.

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[112] I&E Ex. No. 2, Schedule 15.
[113] National Fuel St. 10-R, pp. 10-11.
[114] National Fuel Exh. JCN-6R.
[115] OCA MB, p. 55.
[116] National Fuel MB, pp. 62-63.
[117] I&E St. No. 2, p. 32.
[118] OCA MB, p. 55.

OCA witness Reno did not present the results of a CAPM method to help the Commission determine the ROE in this proceeding, even though the Commission has used the CAPM method recently.

OCA witness Ms. Reno also uses the average ROE authorized in the United States between January 2025 and March 2026 to determine her 9.74% proposal.[119] While it is reasonable to check the results of the DCF and CAPM by reviewing recent ROE rewards, it would be circular to set the ROE based upon other jurisdictions authorized ROEs over the past 15 months. The Commission should set the ROE on a market basis as it is now, not as it was last year. The current results of the DCF method based on projected earnings and a properly calculated CAPM method are necessary to set the authorized ROE.[120]

OCA attempts to refute Company witness Nowak's testimony explaining that increases in inflation and interest rates demonstrate that the cost of capital has risen since the decisions on the ROE list by stating that some customers may have to pay higher mortgage rates.[121] However, OCA's example simply demonstrates that the cost of capital has increased since the cases it relies on were adjudicated.

C. CAPITAL STRUCTURE

In its Main Brief, OCA argues that the Company's projected capital structure of 56.4% equity and 43.6% debt contains too much equity and that this causes higher rates for customers. I&E also questions the Company's equity ratio as too high. OCA proposes

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[119] OCA MB, p. 59.
[120] National Fuel St. No. 10-R, pp. 3-4.
[121] OCA MB, p. 59.

a hypothetical capital structure of 50% equity and 50% debt. I&E proposes to reduce the equity to 55% and increase debt to 45%.[122] The Company's Main Brief explains that the Company's projected equity ratio is not atypical, because a substantial number of gas operating companies have more than 56% equity in their capital structure.[123]

OCA also disputes that it is appropriate to have a higher-than-average equity ratio when a company is undertaking a significant infrastructure program. As explained in the Company's Main Brief, the Commission has concluded several times that a higher equity ratio is appropriate during an infrastructure expansion program because it is a period of raising debt capital to finance the construction costs at reasonable interest rates and on reasonable terms.[124] Accordingly, OCA is incorrect in arguing that a higher than average equity ratio is necessary and proper at this time.

D. OCA'S ALTERNATIVE ROE

If the Commission declines to accept OCA's hypothetical capital structure of 50% equity and 50% debt, OCA requests that the authorized ROE be adjusted from 9.74% to 9.06%. This is simply a way to provide the same revenue decrease as adopting the hypothetical capital structure. OCA proposed this type of adjustment in *Columbia 2025,* in

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[122] The Company has expressed in testimony that I&E's proposal is not unreasonable. National Fuel St. No. 10-R, p. 16.
[123] National Fuel St. No. 10-R, p. 19, Figure 4.
[124] National Fuel MB, pp. 55-61.

which the Commission approved a 54.4% equity ratio and rejected OCA's attempt to make an adjustment to the ROE if the Company's actual capital structure was accepted.[125]

OCA's alternative rate of return is not market based and should be rejected.

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

A. REVENUE ALLOCATION

In its Main Brief, the Company has explained the process of determining how an increase in revenues is assigned to the customer classes.[126]

In its initial filing, Company witness Taylor provided an Allocated Cost of Service Study ("ACOSS") which allocated all current costs to the classes in order to determine which classes were paying or not fully paying current costs. That study is denoted as the Customer-Demand study. In rebuttal, the Company also provided a Peak and Average study.[127]

While the Company believes that the Customer-Demand study best describes how costs should be assigned to classes, the Company is aware that the Commission has used the Peak and Average study in prior litigated cases and at times, considered both studies in assigning the allowed increase to the customer classes.

If a revenue settlement had been achieved in this case, the Company would have worked with the Parties to resolve the allocation of the increase to the classes.[128] In the

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[125] *Columbia 2025*, pp. 232-39.
[126] National Fuel MB, pp. 67-71.
[127] National Fuel St. 19-R, Exhibit JDT-19-R-A.
[128] OSBA witness Farr proposed a revenue allocation based upon a weighting of use of the two studies. OSBA St. 1R, pp. 3-8.

absence of a settlement, the Company proposes to use the allocation of the increase as shown in Table 1 of National Fuel witness Taylor's testimony.[129] This table shows the percentage of the increase each party proposed to be allocated to each rate class.

Appendix E to the Reply Brief provides the bill effects of the increase in rates. To develop the bill impact analysis, the Company used the adjusted revenue increase of $16.2 million and the allocation of the increase shown in Table 1 of Mr. Taylor's rebuttal testimony under the National Fuel column. Table 1 also shows the other parties' proposed allocation percentages. The bill effects vary depending on both the increase allowed and the percentage of the increase that is assigned to each class.[130]

The Company's bill impact analysis in Appendix E shows that the bill for a residential customer with average usage of 80 ccf per month would increase by $5.35 per month under the Company's proposed rates, or $64.20 annually.[131]

This moderate increase does not include the $6.2 million OPEB surcredit that will be distributed to all customers in the first year new rates take effect. The Company's rate increase will be offset in the first year by the distribution of $7.2 million in OPEB credits to customers, with $6.2 million distributed to all customers in the first year of new rates and a one-time $30 bill credit distributed solely to confirmed low-income customers in the December 2026 billing period.[132]

With the OPEB surcredit in the first year, the bill for a residential customer with

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[129] National Fuel St. No. 19-R, p. 5.
[130] National Fuel St. No. 19-R, p. 5.
[131] *See* Appendix E.
[132] National Fuel MB, p. 72.

average usage of 80 ccf per month would increase by $3.51 per month, or $42.12 annually.[133]

The practical effect of this OPEB surcredit is that residential customers will experience a moderate two-step increase in rates: a $3.51 increase per month in the first year followed by a further $1.84 increase in the second year. Annually, these customers would experience a phased-in increase of $42.12 in the first year followed by a $22.08 increase in the second year.[134]

B. RATE DESIGN/CUSTOMER CHARGES

In its Main Brief, the Company has explained the reasons for requesting an increase in the residential customer charge or basic service charge from $14 a month to $19 a month. This increase is supported by a customer cost study to identify costs that are incurred to connect and serve every residential customer such as meters, service line meters, billing, etc. The customer cost study indicates that the monthly residential customer cost is $27.17 per month. The Company proposed to increase the residential service charge from $14 per month to $19 per month, less than half of the way to the customer cost.[135]

I&E witness Cline indicated in his direct testimony that the customer charges should not be increased other than by an amount equal to the increase to each class because the

[133] *See* Appendix E.
[134] *See* Appendix E.
[135] National Fuel MB, pp. 69-71.

Company did not conduct a customer cost study for the Peak and Average ACOSS.[136] I&E continues this criticism in its Main Brief.[137]

I&E appears to have failed to see that Company witness Taylor provided a Peak and Average ACOSS in his rebuttal as Ex. JDT-19-R-A to National Fuel St. 19-R. This exhibit includes a customer cost study at the last three pages of the study. On page three, the customer study indicates a residential customer cost $27.17 per month.

Mr. Taylor explains why the customer cost is the same under the Customer-Demand and Peak and Average studies because both studies derive the customer classified costs distribution remains 100% classified as 100% demand-related within the ACOSS study and are excluded from the calculation of the residential customer unit customer cost used to determine the Basic Service Charge.[138] Therefore, I&E's argument that the increase in the residential basic service charge should be limited to the class percentage increase should be rejected.

XI. <u>WEATHER NORMALIZATION ADJUSTMENT</u>

A. THE COMPANY'S WNA PILOT IS OPERATING AS DESIGNED

The Company has just completed the third year of a five-year pilot applying a weather normalization adjustment to customer bills. Other parties propose either terminating the pilot or making significant changes to the WNA.[139]

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[136] I&E St. No. 3, p. 14.
[137] I&E MB, p. 38.
[138] National Fuel St. 19-R, pp. 23-24.
[139] *See* National Fuel MB, pp. 73-75.

The purpose of the WNA is to is to offset any harm or benefit from higher or lower bills that occur due to weather fluctuations, which cannot be predicted or managed by either the Company or its ratepayers. The rates set in this case to recover the Company's authorized cost of service will be based on forecasted customer usage under normal weather conditions, which is defined as the 10-year average heating degree days ("HDDs") observed in the Company's service territory. If actual temperatures are colder than the 10-year average, customers' delivery charges will produce revenues that will exceed the Company's authorized cost of service. If actual temperatures are warmer than the normal assumption, customers' delivery charges will produce revenues that will fail to recover the Company's authorized cost of service. Thus, the WNA establishes surcredits or surcharges that offset these higher or lower volumetric delivery charges on customer bills such that both the customer and the Company are insulated from the impacts of weather on consumption.[140]

After three years in operation, the Company's WNA is no longer a hypothetical mechanism and the record demonstrates that it has operated precisely as designed. Specifically, the Company has shown that:

- The WNA is necessary because a large portion of National Fuel's fixed distribution costs are recovered through volumetric rates.[141]
- Weather-related over- or under-recovery occurs when actual weather deviates from the normal weather used to develop the revenue requirement in base rate proceedings.[142]

[140] *See* National Fuel St. No. 19-R, p. 28.
[141] National Fuel St. No. 19, p. 27; National Fuel St. No. 19-R, p. 27.
[142] National Fuel St. No. 19-R, p. 35.

- The WNA is only activated if actual weather conditions vary from normal weather by more than 3%, the deadband established for the WNA pilot in 2022.[143]
- The WNA has produced both surcharges and credits, depending on actual weather conditions.[144]
- The Company has not recovered revenue above of the Commission-authorized revenue requirement with the WNA in place.[145]

No party disputes that the Company's WNA ensured that the Company has not recovered revenues above the level authorized by the Commission in its last rate case. In fact, OCA concedes this point in its Main Brief, stating that "NFG's evidence shows that it has not recovered revenue above its authorized revenue requirement with the WNA . . ."[146] The evidence is clear – the Company's WNA pilot has functioned as intended.

The Commission recently approved the continued use of a WNA for Columbia to provide it a reasonable opportunity to recover fixed costs that are included in volumetric rates.[147] In its decision, the Commission confirmed that a functioning WNA will produce both surcharges and credits based on the deviation from normal weather in any given billing period:

> In a rate case, the Commission approves a revenue number which produces customer rates that afford the utility the opportunity to earn the approved revenue amount. For a natural gas utility, a large portion of its revenue is based on home heating, but the cost of delivering gas is not weather-dependent. Weather that is colder or warmer than expected results in revenue that is higher or lower than that approved by

[143] National Fuel St. No. 19, p. 24.
[144] National Fuel St. No. 1-R, p. 9.
[145] National Fuel St. No. 19-R, p. 31.
[146] OCA MB, pp. 88-89.
[147] *Columbia 2025*, p. 302.

> the Commission. A WNA may be used to align revenue collected to that approved by the Commission. If temperatures are warmer than expected, the utility will add a surcharge to give it the opportunity to collect revenues up to the amount approved by the Commission. Conversely, if weather is colder than expected, customers receive a credit on their bills to limit the utility from collecting revenue above the Commission-approved amount.[148]

The Commission also recognized that a functioning WNA is not measured by comparing surcharges to credits, as OCA and CAUSE-PA suggest. Rather, the Commission appropriately measured WNA adjustments against Columbia's authorized revenue requirement, ultimately determining that "[b]ased on the evidence presented, Columbia's WNA, which has been in place for ten years, has not enabled the Company to recover revenue outside of the Commission-authorized revenue requirement."[149]

B. THE COMPANY'S WNA PILOT IS NOT SIMILAR TO PECO'S PROPOSED WNA

OCA cites to the Commission's 2024 decision for PECO Gas that denied its request for a WNA.[150] However, the Commission approved a WNA for Columbia in a subsequent litigated proceeding, despite OCA's objections.[151] National Fuel's WNA is similar to Columbia's approved WNA, not PECO's proposed WNA, and therefore, the Commission's PECO decision is not applicable.

OCA fails to address any of the fundamental differences between PECO's proposal and the Company's successful WNA pilot. PECO proposed a 1% deadband, relied on 30

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148 *Columbia 2025*, p. 300.
149 *Columbia 2025*, p. 301.
150 *See, e.g.*, OCA MB, pp. 92-93.
151 Include Peoples Example

years of weather data, and had limited reporting requirements.[152] The Commission noted that PGW had billing issues with its WNA in the month of May and that PECO was located in a similar service area as PGW. Further, the Commission noted that PECO was both a gas and electric utility and could benefit from changing weather.[153] None of these factors apply here. National Fuel has a 3% deadband, is updating its weather data from 15 to 10 years, and has comprehensive reporting requirements. National Fuel is not located near PECO's or PGW's service territories and has not had May billing issues like PGW. National Fuel also does not provide electric service.

National Fuel's WNA is not similar to PECO's WNA, and the *PECO WNA Order* is not applicable especially given the Commission's recent decisions approving a permanent WNA for Peoples and a continued WNA pilot for Columbia.[154]

C. THE OTHER PARTIES' OBJECTIONS TO THE WNA ARE BASED ON POLICY PREFERENCES AND MISREPRESENT THE RATEMAKING FUNCTION OF THE WNA

OCA and CAUSE-PA propose to terminate the WNA. These recommendations reflect the parties' policy preferences and result in arguments that could be raised against the adoption of *any* WNA, not just the Company's proposal.[155] These arguments misunderstand the ratemaking function of the WNA and should be rejected.

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[152] *Pa. PUC v. PECO Energy Company – Gas Division*, Docket Nos. R-2024-3046932 *et al*. (Order entered Dec. 12, 2024), p. 100 (*"PECO WNA Order"*).
[153] *Id*. at 96.
[154] *See Columbia 2025*, pp. 299-302; *Pa. PUC, et al. v. Peoples Natural Gas Co.*, Docket Nos. R-2023-3044549, *et al.* (Order entered Sept. 12, 2024), pp. 92-93.
[155] *See Pa. PUC, et al. v. Peoples Natural Gas Co.*, Docket Nos. R-2023-3044549, *et al.* (Order entered Sept. 12, 2024), p. 92 ("The arguments made by OCA in opposition to this

1. The WNA Is Symmetrical

OCA's and CAUSE-PA's primary opposition to the WNA is that historically customers have paid more charges to National Fuel under the WNA pilot than the Company has provided credits to customers.[156] They argue that this makes the WNA one-sided and asymmetrical and, therefore, unfair to customers. OCA and CAUSE-PA fail to recognize that this outcome is a function of the weather, not the mechanism itself.

While it is correct that the first two years of the WNA provided more charges than credits, in the third winter period customers received more credits than charges.[157] These differences were caused by warmer and colder weather.

The occurrence of more charges than credits in the first two years was the result of higher actual temperatures than the temperatures projected in setting the base rates in the Company's last base rate proceeding. In that case, the average of 15 years of degree days was used to set base rates.[158] This resulted in more degree days than were incurred in the first and second years of the WNA because there was warmer weather than the 15-year average. The Company requested that normal temperatures or degree days be set on the basis of a ten-year average in this case, which has lesser degree days than the previously used 15-year average.[159] No party has objected to this change. Using the lesser degree

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settlement term are arguments that can be made in opposition to *any* WNA.") (quoting Recommended Decision).

[156] *See* OCA MB, pp. 83-90; CAUSE-PA MB, pp. 55-60.

[157] National Fuel St. 19-R, p. 30.

[158] National Fuel St. 19-R, p. 28.

[159] National Fuel St. 19-R, p. 28.

days in the WNA going forward is likely to reduce the level of charges for customers going forward, and help to balance the charges and credits to customers.[160]

The WNA mechanism is symmetrical because it works both ways to refund charges to customers where HDDs are more than 3% colder than normal or charge customers when HDDs are more than 3% warmer than normal. Base rates set through each rate case are predicated on normal weather – any adjustment through the WNA aligns rates to what has been approved. The factor producing more charges to customers than credits is abnormal weather outside of the Company's control.

2. The WNA Does Not Charge Customers for Gas They Do Not Use

OCA and CAUSE-PA erroneously equate weather normalization to a revenue decoupling mechanism designed to recover lost revenues due to conservation and long-term usage trends.[161] The WNA only adjusts for deviations in weather, it does not and is not designed to insulate the Company from permanent reductions in usage due to conservation, efficiency, electrification, or customer behavior, all of which are reflected in future rate cases. The WNA provides no recovery mechanism for those lost revenues.[162]

3. The WNA Is Cost-Based

OCA and CAUSE-PA argue that the WNA is not cost based.[163] The parties fail to acknowledge that the Company's distribution system costs are fixed and must be paid regardless of the volumes of gas that are consumed, yet a substantial amount of these costs

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[160] National Fuel St. No. 19, p. 25; National Fuel St. No. 19-R, p. 35.
[161] *See* OCA MB, pp. 85-86; CAUSE-PA MB, pp. 61-63.
[162] National Fuel St. No. 19-RJ, p. 11.
[163] *See* OCA MB, pp. 91-92; CAUSE-PA MB, pp. 61-63.

are targeted for recovery in volumetric distribution charges.[164] The WNA adjusts the delivery billing determinant in a customer's bill to reflect usage under the normal weather conditions used to set rates, which provides the Company with a reasonable opportunity to recover the fixed costs embedded in its volumetric distribution rates.[165]

4. The WNA Does Not Undermine Conservation Efforts

OCA and CAUSE-PA continue to argue that the WNA discourages energy efficiency and conservation.[166] The WNA does not replace volumetric delivery rates or remove the linkage between usage and a customer's bill. Customers still pay for the gas they use, and they continue to benefit from conservation and efficiency through lower base rate volumetric charges and lower gas costs.[167] Contrary to OCA's and CAUSE-PA's assertions, customers still have an incentive to employ energy efficiency measures and will experience savings on their bills when they reduce consumption, even with a WNA.

5. The WNA Does Not Disproportionately Affect Low Income Customers

CAUSE-PA argues that the WNA disproportionately harms low-income customers.[168] On the contrary, the WNA treats all customers the same based upon their individual usage patterns and provides relief to low-income customers by reducing bills in colder than normal months when usage and bills are higher. This bill stabilization is a

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[164] *See* National Fuel St. No. 19, pp. 26-27.
[165] National Fuel St. No. 19-R, p. 35.
[166] OCA MB, pp. 91-92; CAUSE-PA MB, p. 64.
[167] National Fuel St. No. 19-R, p. 37.
[168] CAUSE-PA MB, p. 59.

benefit to low-income customers and CAUSE-PA's erroneous claims of disproportionate impact should be rejected.[169]

6. The WNA Uses a Transparent Formula

OCA argues that the WNA is too confusing for customers because it is formula-based.[170] While the WNA calculation is necessarily formula-based, it is no more nuanced than other tariffed riders that rely on objective inputs, and the result is transparent to customers because it is shown as a separate WNA line item on the bill.[171] Further, the reconnection fee example that OCA cites is not applicable or reasonably comparable to the WNA.[172] The calculation of a monthly surcharge is not comparable to a one-time reconnection fee, which can be established without using a formula or variable inputs.

7. Budget Billing Does Not Accomplish the WNA's Goals

Budget billing is not the same and does not accomplish the same goals as a WNA. The WNA mechanism stabilizes the effects of weather impacts on revenue. Budget billing spreads a customer's annual bill over a 12-month period. Budget billing does not recover revenues that are lost due to warmer than normal weather and does not credit customers for higher bills resulting from colder than normal weather. The purposes of the WNA and budget billing are not the same.[173] OCA's suggestion that the Company should encourage budget billing as opposed to adopting the WNA is not reasonable or relevant.[174]

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[169] National Fuel St. No. 19-R, pp. 36-37.
[170] OCA MB, pp. 93-94.
[171] National Fuel St. No. 19-R, p. 36.
[172] OCA MB, p. 94.
[173] National Fuel St. No. 19-R, p. 34.
[174] OCA MB, p. 93.

D. THE OTHER PARTIES' ALTERNATIVE WNA CONDITIONS SHOULD BE DENIED

OCA requests to exclude the months of October and May from the WNA,[175] and CAUSE-PA proposes removing the months of October, November, April, and May from the WNA.[176] I&E proposes to remove the month of May.[177] All of these Parties propose to change the deadband of 3% to 5%.[178]

The requests for removal of certain months are based in part on problems that other gas companies have incurred in "shoulder" months when there are lower amounts of degree days which may create unreasonable charges.[179] The Company has not experienced such problems in the shoulder months, as temperatures in the Company's service area are colder than temperatures of other gas companies in the Commonwealth.[180] In this regard, Company witness Hilliard conducted a regression analysis "to assess the statistical significance of heating degree days on heat load per account for May and October" which showed a statistically significant relationship of degree days and heating load in these months.[181]

The proposed reduction of the deadband from 3% to 5% also is not advisable. The deadband provides that the actual temperature variations in the first 3% or, if changed, 5%

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[175] *See* OCA MB, pp. 97-98
[176] CAUSE-PA MB, p. 76.
[177] I&E MB, p. 11.
[178] *See* OCA MB, pp. 98-99; I&E MB, p. 41.
[179] *See Pa. PUC v. Philadelphia Gas Works*, Docket Nos. R-2022-3034229, *et al.* (Order entered Sept. 21, 2023).
[180] National Fuel St. No. 13-R, p. 5; National Fuel Exhibit CEH-2R.
[181] National Fuel St. 13-R, p. 5, National Fuel Exhibit CEH-2R.

of expected degree days are not adjusted for charges or credits.[182] The primary benefit of the WNA to customers is credits when temperatures are colder than expected. In such a situation, like the 2025 to 2026 winter, when actual degree days were greater than the 15-year normal, a broader deadband of 5% would have reduced customer credits that were actually received by customers under the current 3% deadband.[183]

The Company believes that the 3% deadband provides greater protection for customers during cold weather and it should not be changed.

OCA also contends that the Company should use more weather stations to determine degree days for setting base rates and using the additional stations in the WNA data. This proposal should be rejected for the reasons explained in the Company's Main Brief.[184]

The Company requested in this case to make the WNA permanent. While other parties have offered unpersuasive criticisms of the WNA, these are policy-based arguments that could be raised about any WNA. The record in this case shows that the WNA is clearly working as intended and it may be improved by using 10-year average degree days going forward, as explained previously. The Company believes that the WNA should be made permanent as recommended in its filing. Alternatively, if the Commission disagrees with this course of action, in no event should the successful current WNA pilot be terminated; it should be continued until the conclusion of National Fuel's next general rate case proceeding, as was done in *Columbia 2025*.

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[182] *See* National Fuel St. No. 19, p. 24.
[183] National Fuel St. No. 19-RJ, p. 13.
[184] National Fuel MB, pp. 77-78.

XII. ENERGY EFFICIENCY PILOT

National Fuel's proposed EE Pilot will provide rebates for residential customers to encourage the installation of high-efficiency natural gas appliances and is projected to produce substantial gas and cost savings.[185]

No party challenges the projected benefits of the EE Pilot or claims that the design of the program is not cost-effective.[186] Rather, CAUSE-PA opposes approval of a voluntary NGDC EE&C plan without dedicated and proportionate low-income programming[187] and OCA challenges the proposed pilot's proposed cost recovery mechanism, not the program itself.[188] CAUSE-PA and OSBA also ask that the EE Pilot's scope be expanded to included dedicated programs for low-income and small business customers, respectively.[189] For the reasons below, and as more fully described in the Company's Main Brief, the Commission should approve the EE Pilot as filed.

A. THE LIMITED SCOPE OF THE COMPANY'S PROPOSED EE PILOT IS REASONABLE

CAUSE-PA and OSBA recommend expanding the scope of the EE Pilot to incorporate dedicated programs for low-income and small business customers, respectively.[190] The Company has intentionally designed a targeted, rebate-based residential EE program and has not budgeted for or designed the program suggested by

[185] *See* National Fuel MB, pp. 74-81.
[186] *See* OCA MB, p. 101; CAUSE-PA MB, pp. 79-82; I&E MB, p. 11; OSBA MB, pp. 15-17.
[187] CAUSE-PA MB, pp. 79-82.
[188] OCA MB, pp. 101-105.
[189] CAUSE-PA MB, pp. 82-84; OSBA MB, pp. 15-17.
[190] CAUSE-PA MB, pp. 82-84; OSBA MB, pp. 15-17.

OSBA or CAUSE-PA.[191] As noted below and explained in the Company's Main Brief, the pilot's limited scope is reasonable and the EE Pilot should be approved without modification.

B. CAUSE-PA'S POLICY-BASED OBJECTIONS TO THE EE PILOT SHOULD BE REJECTED

CAUSE-PA's policy-based opposition to the limited scope of the proposed EE Pilot does not justify modifying or denying the pilot. CAUSE-PA does not dispute the technical feasibility of the EE Pilot, the reasonableness of the proposed budget, the measures included, or the projected gas savings.[192] CAUSE-PA opposes approval of National Fuel's EE Pilot without a dedicated low-income programming to all customers at or below 150% of the FPIG.[193] CAUSE-PA does not identify any statute, regulation, or Commission order requiring a voluntary EE plan to include such a program as a condition of approval. Instead, CAUSE-PA concedes that Act 129's requirements do not directly apply to voluntary gas EE plans and that the Commission's approval of Columbia's voluntary EE program was not conditioned on the inclusion of a low-income program.[194]

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[191] OSBA MB, pp. 16-17.
[192] *See* CAUSE-PA MB, pp. 79-84.
[193] *See* CAUSE-PA MB, pp. 80-81.
[194] CAUSE-PA MB, pp. 80-81. As the Commission clarified in *Columbia 2025*: "Here, we recognize that Columbia's Phase II EE Plan is voluntary and that there are no statutory or regulatory requirements for an NGDC to fund specific energy measures for households at or below 150% of the Federal poverty guidelines. See contra 66 Pa.C.S. § 2806.1(b)(1)(i)(G) (pertaining to duties of EDCs). In the absence of such mandates or of any legislative intent to require voluntary EE&C plans to comply with Section 2806.1(b)(1)(i)(G) of the Code, we shall decline to do so." *See Columbia 2025*, p. 377.

CAUSE-PA unfairly characterizes the Company's use of some but not all of Act 129's framework for its pilot design as self-serving at the expense of low-income customers.[195] These claims reflect CAUSE-PA's narrow review of the EE Pilot and ignore the EE Pilot's thoughtful design. The Company's proposal incorporates the Commission's well-established total resource cost ("TRC") methodology because it offers statewide, industry-accepted standards for measuring costs, benefits, and energy savings.[196] Using this framework will allow the Company and stakeholders to benchmark the EE Pilot's performance against similar programs. Similarly, the Commission-approved rider model offers the Company a transparent and established method to recover and allocate pilot costs.[197] A rebate-based EE program must have a framework to evaluate and measure outcomes and appropriately recover costs. The Company reasonably used Act 129 as a model for these elements of its program.

The Company notes its continued disagreement with CAUSE-PA's unsupported claims that the EE Pilot will be inaccessible to low-income customers.[198] All residential customers are eligible for participation in the EE Pilot and customers who may be eligible for existing low-income no-cost weatherization programs will be directed to those resources through the EE Pilot.[199] In addition, the Company has agreed to implement I&E's

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[195] CAUSE-PA MB, p. 80.
[196] *See* National Fuel St. No. 18, pp. 6-10.
[197] *See* National Fuel St. No. 18-R, pp. 14-15.
[198] CAUSE-PA MB, pp. 79-82.
[199] National Fuel St. No. 18-R, pp. 3-7.

tracking recommendation, which will track low-income participation and referrals during the pilot period.[200]

For these reasons, CAUSE-PA's policy-based objections to the EE Pilot should be rejected.

C. THE COMPANY'S PROPOSED EE RIDER IS NOT SINGLE ISSUE RATEMAKING

For the first time in its Main Brief, OCA argues that the Company's proposed Rider D constitutes impermissible single issue ratemaking.[201] However, the Commonwealth Court has long held that single issue ratemaking "does not apply to surcharges under Section 1307 of the Code."[202] The Company's proposed Rider D is a reconcilable surcharge under Section 1307 of the Public Utility Code and, therefore, is not single-issue ratemaking.[203]

OCA alternatively claims that the Company's proposed Rider does not meet the requirements for a Section 1307(a) surcharge.[204] Section 1307(a) of the Code permits utilities to establish a reconcilable rider to recover costs where expressly authorized by the General Assembly, or where an expense is easily identifiable and beyond the utility's

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[200] National Fuel St. No. 18-R, pp. 8-9.
[201] OCA MB, pp. 101-102.
[202] *Popowsky v. Pa. PUC*, 13 A.3d 583, 593 (Pa. Cmwlth. 2011) (citing *Pa. Indus. Energy Coalition v. Pa. PUC*, 653 A.2d 1336, 1350 (Pa. Cmwlth. 1995)).
[203] National Fuel St. No. 18, p. 6.
[204] OCA MB, pp. 102-104. OCA also appears to assert that the Company does not consider the rider a surcharge under 1307(a). This is incorrect. The passage cited by OCA in its MB relates to the interaction of the proposed mechanism with *revenue sources* from other Section 1307 surcharges. The Company accurately indicated there would be no such interaction. *See* National Fuel St. No. 18, pp. 16-17.

control.[205] The Company's proposed Rider clearly meets these requirements. The costs associated with the EE Pilot are easily identifiable, as OCA concedes.[206] The expenses are unique to the EE Pilot and must be tracked in order to evaluate the Pilot's cost-effectiveness. The expenses are also beyond the Company's control because they depend on customers' actual participation. The existence of projected budgets or participation levels does not bring customer participation under the Company's control. Therefore, these expenses are exactly the type of expenses that are appropriate for a 1307(a) surcharge.

OCA conveniently fails to acknowledge that all other utility energy efficiency programs recover costs through a 1307 surcharge.[207] In the case of Act 129 EDCs, the General Assembly expressly authorizes the use of a 1307 surcharge to recover EE&C program costs.[208] The Commission has also expressly authorized the use of a 1307 surcharge for voluntary EE programs, first through its Secretarial Letter[209] encouraging smaller EDCs to file voluntary EE&C Plans, which *requires* the use of a 1307 rider to recover costs,[210] and later by authorizing 1307 surcharges for voluntary NGDC EE&C programs for Columbia, UGI Gas, and Philadelphia Gas Works.[211] The Commission has repeatedly favored the use of a 1307 surcharge to recover EE program costs.

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[205] *Popowsky v. Pa. PUC*, 13 A.3d 583, 591 (Pa. Cmwlth. 2011).
[206] OCA MB, p. 103.
[207] OCA MB, pp. 101-104.
[208] *See* 66 Pa.C.S. § 2806.1(k).
[209] *See Re: Voluntary Energy Efficiency and Conservation Program,* Docket No. M-2009-2142851 (Dec. 23, 2009) ("EE&C Secretarial Letter").
[210] *Id.*, p. 2.
[211] *See Columbia 2025*, p. 381; *Petition of Philadelphia Gas Work for Approval of Demand-Side Management Plan for FY 2024-2026,* Docket No. P-2014-2459362 (Order entered

In addition to being the Commission's favored method to recover costs of EE&C programs, the Company's proposed Rider provides multiple benefits. A reconcilable mechanism prevents over or under recovery of program costs. A surcharge also increases transparency by allowing the Commission and stakeholders to track the costs of the program through annual reporting. A surcharge also enables easy and accurate allocation of costs to the appropriate customer class. Finally, a rider facilitates the evaluation of program costs and benefits, which is a core component of all EE plans. If the Company's proposed Rider D is denied, then the base rate revenue requirement will need to be grossed up to account for EE Pilot expenses not being recovered through the rider.

Through its EE Pilot, National Fuel hopes to incentivize *all* of its residential customers, including those designated as low-income, to utilize efficient equipment that will help control energy costs using the latest technology. The Company's EE Pilot should be approved as filed.

XIII. <u>UNIVERSAL SERVICE</u>

A. CUSTOMER ASSISTANCE PROGRAM

As explained in the Company's Main Brief, the Company recognizes the importance of CAP in assisting low-income customers through lower rates and debt forgiveness and National Fuel remains committed to the successful implementation and growth of the program.[212] Consistent with CAUSE-PA's proposals, in this proceeding the Company has

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Apr. 25, 2024); *Petition of UGI Utilities, Inc. – Gas Division for Approval of its Phase II Energy Efficiency and Conservation Plan*, Docket No. M-2024-3048418 (Order entered July 24, 2025).

[212] *See* National Fuel MB, pp. 86-95.

committed to taking the following actions to further improve CAP enrollment:

- Work with its USAC to develop a plan for proactive income screening with a reasonable timeline for implementation;
- Increase CAP recertification outreach to include both email and mail for customers who have consented to receive electronic communications;
- Expand outreach to customers who may be eligible for CAP based on DHS LIHEAP data to include a phone call to inform them of the availability of the program based on their reported income; and
- Recertify all CAP customers based on DHS data, regardless of their renewal date.

For the reasons explained in the Company's Main Brief, the Company believes that adopting these measures will help expand CAP outreach and enrollment without generating an unreasonable administrative burden.[213] For example, in its Main Brief, CAUSE-PA continues to ask the Commission to require the Company to contact customers via text message even though National Fuel has explained that it does not currently have a platform with this capability.[214] Requiring the Company to implement this proposal would require the Company first to identify, select, and incorporate a new platform for sending text messages and then notify customers and obtain their consent to receive communications through text.[215] National Fuel respectfully requests that the Commission carefully evaluate the impact that CAUSE-PA's proposals would have on existing staffing and systems.

B. LOW INCOME USAGE REDUCTION PROGRAM

CAUSE-PA incorrectly claims that not offering LIURP weatherization services to

[213] *See id.*
[214] *See, e.g.*, CAUSE-PA MB, pp. 52, 95, 97.
[215] National Fuel MB, p. 91.

mobile homes violates the Public Utility Code's prohibition on discrimination in rates and service.[216] CAUSE-PA fails to recognize that Section 1502 of the Public Utility Code does not prohibit treating customers within the same customer class differently; rather, the statute only prohibits "unreasonable" discrimination.[217] In full, Section 1502 of the Public Utility Code provides:

> No public utility shall, as to service, make or grant any unreasonable preference or advantage to any person, corporation, or municipal corporation, or subject any person, corporation, or municipal corporation to any unreasonable prejudice or disadvantage. No public utility shall establish or maintain any unreasonable difference as to service, either as between localities or as between classes of service, but this section does not prohibit the establishment of reasonable classifications of service.[218]

Consequently, a public utility can provide a reasonable preference or advantage to a person, corporation, or municipal corporation, as well as subject a person, corporation, or municipal corporation to a reasonable prejudice or disadvantage. National Fuel has provided justifiable reasons for treating customers living in mobile homes differently from other customers when offering LIURP weatherization services.[219]

A key function of LIURP programs is the provision of cost-effective weatherization

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[216] *See* 66 Pa.C.S. § 1502. CAUSE-PA also overstates the potential for LIURP eligibility for customers living in mobile homes. The 2024 National Fuel Gas LIURP Evaluation Final Report indicates that 5,745 of National Fuel customers who live in mobile homes are income eligible for LIURP. However, in order to qualify for LIURP, customers must also meet the usage requirements of the program, a factor that CAUSE-PA fails to acknowledge when discussing the potentially eligible customer population. *See* National Fuel St. No. 17-R, pp. 23-24.
[217] *See* 66 Pa.C.S. § 1502.
[218] 66 Pa.C.S. § 1502 (emphasis added).
[219] *See* National Fuel MB, p. 96.

measures that can reduce participants' energy usage and costs.[220] The Commission's LIURP regulations require utilities to evaluate whether the installation of specific program measures will be cost-effective and appropriate and to track whether LIURP program measures actually provide energy savings for customers.[221] Here, National Fuel has explained that mobile homes generally yield limited and insufficient energy consumption savings, which does not support cost-effective weatherization. For example, there is limited space available to add the proper amount of insulation in mobile homes, which hinders the savings impact that this routine LIURP measure can have on these dwellings.[222] Weatherizing mobile homes also presents practical obstacles, including underlying issues with construction and the need for more comprehensive structural repairs.[223]

Importantly, the Company continues to provide assistance to customers living in mobile homes through its other energy assistance programs. Of particular note is the Company's Emergency Repair and Replacement Program ("ERRP"), a component of National Fuel's LIURP. Through the ERRP, customers living in mobile homes are eligible for the emergency repair or replacement of natural gas heating and hot water heating equipment.[224] The Company maintains that not offering mobile homes LIURP weatherization services is reasonable because mobile homes offer a low potential for

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[220] *See e.g.*, 52 Pa. Code §§ 58.1, 58.11.
[221] *See* 52 Pa. Code §§ 58.11, 58.15a; *see also id.* § 58.2 (describing in the definition of "eligible customer" that the criteria for a public utility's LIURP is established through the public utility's USECP).
[222] National Fuel St. No. 17-R, p. 24.
[223] National Fuel MB, p. 96.
[224] National Fuel St. No. 17-R, p. 24.

realizing cost-effective energy savings through these program measures. Thus, the Company's justified restriction does not constitute unreasonable discrimination in service under Section 1502 of the Public Utility Code.

C. NEIGHBOR FOR NEIGHBOR HARDSHIP FUND[225]

National Fuel shares CAUSE-PA's concerns regarding funding for the Neighbor for Neighbor ("NFN") hardship fund and agrees that action is needed to ensure that the NFN funds remain available to customers in need.[226] However, unlike other Universal Service programs that the Company administers, NFN funding is dependent on voluntary contributions. In its Main Brief, the Company committed to increasing its annual shareholder contribution to the NFN fund by $30,000, which will bring it in line with the contribution benchmark cited by CAUSE-PA in its testimony.[227] The Company also released its scheduled shareholder contribution early in order to ensure the fund would remain available.[228] Because the Company cannot control other voluntary contributions, it continues to believe that making targeted revisions to the program's eligibility criteria, which are reasonably focused on the most appropriate fund recipients, is the most effective way to immediately address the budget shortfall.[229]

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[225] The Company notes that, for the first time in its Main Brief, OSBA proposes expanding eligibility for NFN grants to small business customers. OSBA has not presented any testimony in support of this proposal, so the record does not support granting the request. *See* OSBA MB, p. 18. In addition, the proposal should be rejected considering the budget issue NFN is currently experiencing.

[226] *See* National Fuel MB, pp. 98-100.

[227] National Fuel MB, p. 100.

[228] National Fuel MB, p. 98.

[229] *See* National Fuel MB, pp. 98-100.

1. The Company's Proposed Modifications Are Reasonably Tailored to Address the Immediate Funding Shortfall

The Company's proposed modifications to NFN eligibility are reasonable. Specifically, the Company is evaluating the following changes to the NFN: (1) making income a mandatory criterion; applicants need to meet both the income requirement (0-200% FPL) and one other specified/current requirement to qualify, (2) limiting the program to only National Fuel Gas customers, and (3) introducing flexibility in the hardship fund grant amounts awarded based on demand.[230]

First, requiring that applicants meet both an income threshold (0–200% FPL) and one additional eligibility criterion is intended to ensure that the hardship fund remains a targeted, last-resort resource for customers facing hardship, consistent with the program's longstanding purpose. The proposed modification does not eliminate eligibility for low-income households; rather, it ensures that limited funds are directed to those experiencing both financial need and an additional qualifying hardship condition.[231]

Second, limiting NFN funds to National Fuel customers is intended to ensure that available hardship funds remain dedicated to individuals who have or have had a gas account with National Fuel and require last-resort assistance. Non-customer distributions totaled $25,576.95 in 2025, a sharp increase from $7,016.34 in 2024. This recent increase demonstrates that limiting eligibility to former and current National Fuel customers could have a meaningful impact on the fund's availability.[232]

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[230] National Fuel St. No. 17-R, p. 28.
[231] National Fuel St. No. 17-R, p. 28.
[232] National Fuel St. No. 17-R, pp. 28-29.

Third, introducing flexibility in the hardship fund grant amounts will allow the Company to continue operating the program and support customers consistently throughout the year.[233] Here, the Company is evaluating modifying the hardship fund program guidelines to allow: (1) the maximum grant amount to be adjusted downward during periods of elevated demand or reduced fund balances; and/or (2) the program administrator to adjust grant amounts based on overall program demand and available funding, with the goal of assisting a greater number of eligible customers over the course of the program year. Under these modifications, the hardship fund would continue to provide meaningful assistance to eligible applicants, but individual awards could be adjusted to help prevent premature depletion of the fund and avoid temporary program suspensions.[234]

Contrary to CAUSE-PA's dramatic characterizations, these moderate changes are designed to ensure that NFN hardship funds remain available in the face of a budget shortfall. The Company's proposal is appropriate and necessary, and demonstrates that National Fuel is performing its duties under its USECP, the Competition Act, and the Commission's regulations to maintain access to the hardship fund for customers in need.

2. Addressing the NFN Funding Issue in this Proceeding Will Allow the Company to Timely Address the Problem Before the Winter Heating Season

It is appropriate to consider these proposed modifications in this proceeding due to the ongoing budget shortfall. Recognizing the immediate need to address NFN funding,

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[233] National Fuel St. No. 17-R, p. 29.
[234] National Fuel St. No. 17-R, p. 29.

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the Company answered a CAUSE-PA discovery request that asked whether the Company was considering any programmatic changes to the NFN program as part of this proceeding.[235] The Company responded consistent with the proposal described above, and CAUSE-PA directly responded to and critiqued the Company's proposal throughout the course of this proceeding.[236] Multiple rounds of testimony have been exchanged regarding this issue, and it has been fully briefed. Thus, the Company's proposal is ripe for disposition.

CAUSE-PA's arguments against even considering the NFN proposal in this proceeding contrast sharply against its multitude of programmatic recommendations for National Fuel's other Universal Service programs, including the change to LIURP eligibility discussed above.[237] As noted in the Company's Main Brief, the Company agrees that some issues are best reserved for a USECP proceeding.[238] However, the NFN funding shortfall is an immediate issue and the Company believes that addressing it in this proceeding will provide the swiftest solution ahead of the winter heating season.

To be clear, the Company has not changed NFN eligibility and would not do so without Commission authorization. If the Commission determines that the Company's proposal must be addressed through a separate petition to amend its USECP, it will do so.

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[235] National Fuel MB, p. 99.
[236] *See* CAUSE-PA St. 1, pp. 45-50; CAUSE-PA St. 1-SR, pp. 13-14; CAUSE-PA MB, pp. 105-112.
[237] *See* CAUSE-PA St. 1, pp. 25-50; CAUSE-PA St. 1-SR, pp. 2-14; CAUSE-MB, pp. 84-112.
[238] National Fuel MB, p. 97.

3. The Commission Should Reject CAUSE-PA's Claims Regarding GECAC's Role in the NFN Fund

The Company strongly rejects CAUSE-PA's suggestions that the Company is disclaiming its duties under the Competition Act, including CAUSE-PA's criticism of the Company's partnership with the Greater Erie Community Action Committee ("GECAC") to help raise funds for NFN.[239] Here, CAUSE-PA misinterprets the Company's testimony regarding GECAC's role in NFN fundraising. Read in context, the relevant testimony explains that National Fuel is mindful that soliciting customers and community members for NFN funds directly could appear self-serving, as that revenue is ultimately returned to the Company. For this reason, the Company regularly works through GECAC to raise NFN funds.[240] GECAC's role in administering the NFN fund is explicitly stated in National Fuel's Commission-approved USECP.[241] Moreover, utilities routinely work with existing community agencies and organizations to administer universal service programs. National Fuel opposes changing its existing fundraising structure and does not agree that a new fundraising plan will adequately address the budget issue in a timely manner.

The real issue before the Commission is whether the Company's proposal offers a reasonable and immediate solution to the NFN budget shortfall. The Company maintains that it does.

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[239] CAUSE-PA MB, pp. 111-112.
[240] *See* National Fuel St. No. 17-R, pp. 30-31.
[241] *See National Fuel Gas Distribution Corporation's Universal Service and Energy Conservation Plan for 2022-2026 Submitted in Compliance with 52 Pa. Code § 62.4*, Docket No. M-2021-3024935 (Order entered May 3, 2022), p. 70.

XIV. CUSTOMER/QUALITY OF SERVICE ISSUES

A. ROOT CAUSE ANALYSIS

OCA did not address this recommendation in its Main Brief. The Company explains why this proposal should be rejected on pages 100 to 101 of its Main Brief.

B. PAYMENT AGREEMENT TRACKING

As explained in the Company's Main Brief, the Commission should reject OCA's additional tracking and reporting requirements for payment agreements.[242]

C. CALL CENTER PERFORMANCE/CUSTOMER SERVICE METRICS

No party recommended adjustments or proposals related to the Company's call center or other customer service metrics.[243]

XV. MISCELLANEOUS/OTHER ISSUES

A. LTIIP AND LPP REPLACEMENTS

National Fuel maintains that under the accelerated LPP replacement program, the Company will meet its LPP replacement target in 2039.[244]

B. RESTORATION COSTS

The Company and I&E agree that National Fuel should continue to control and track restoration costs as part of the Company's ongoing infrastructure investments. The Company maintains that its current cost tracking methods are appropriate and effective.[245]

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[242] National Fuel MB, pp. 101-102.
[243] *See* National Fuel MB, p. 102.
[244] *See* National Fuel MB, pp. 103-104.
[245] *See* National Fuel MB, pp. 104-106; I&E MB, p. 46.

C. TARIFF RULE 8

CAUSE-PA and National Fuel agree that "it is necessary for NFG to access gas equipment on customer premises, and to ensure the safety of its personnel."[246] The purpose of the Rule 8 amendments is to clarify for customers the conditions that prevent Company personnel from having this necessary access. The Company's proposal will provide clear, objective standards for customers to understand the Company's expectations. In this way, the added transparency in Tariff Rule 8 will benefit both customers and Company personnel. Given the proposal simply memorializes current Company policy and does not conflict with the customer protections regarding termination contained in the Public Utility Code and the Commission's regulations, the Tariff Rule 8 amendments should be approved without modification and without imposing additional reporting requirements.[247]

D. METHANE DETECTOR PROGRAM

As explained in the Company's Main Brief, National Fuel does not believe that implementing a pilot methane detector installation program is necessary because the Company is currently operating another methane detector pilot program in its New York division. National Fuel is accumulating valuable data and insights through the New York pilot that it can use to inform any deployment of meter detection technology in Pennsylvania.[248]

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[246] CAUSE-PA MB, p. 114.
[247] *See* National Fuel MB, pp. 106-108.
[248] *See* National Fuel MB, pp. 109-111.

XVI. CONCLUSION

For all of the foregoing reasons, National Fuel Gas Distribution Corporation respectfully requests that Administrative Law Judge Katrina L. Dunderdale and the Pennsylvania Public Utility Commission approve the rate increase and other proposals set forth in Supplement No. 294 to Tariff Gas – PA. P.U.C. No. 9 and reject the proposals of the other parties as explained in National Fuel's Main Brief and Reply Brief.

Respectfully submitted,

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Dated: July 1, 2026

Counsel for National Fuel Gas Distribution Corporation

APPENDIX E

National Fuel Gas Distribution Corporation
Pennsylvania Division
Fully Projected Future Test Year Ended October 31, 2027
Proof of Revenue Summary (Including PGC Revenue Excluding Rider I "OPEB")

	Average Customers	Sales (Mcf)	Current Revenue	Filed Proposed Revenue	Filed Change in Revenue	Percent Change	Percent of Total Rate Increase	Final Proposed Revenue	Final Change in Revenue	Percent Change	Percent of Total Rate Increase
Residential	197,825	18,958,326	$ 198,187,168	$ 213,590,704	$ 15,403,535	7.8%	78.3%	$ 210,889,999	$ 12,702,831	6.4%	78.5%
SCPA < 250	10,491	1,294,228	$ 12,829,261	$ 13,711,953	$ 882,692	6.9%	4.5%	$ 13,550,591	$ 721,331	5.6%	4.5%
SCPA > 250	4,453	2,201,607	$ 14,778,754	$ 15,683,365	$ 904,611	6.1%	4.6%	$ 15,518,171	$ 739,416	5.0%	4.6%
LCPA	1,535	6,255,510	$ 20,517,004	$ 21,858,868	$ 1,341,863	6.5%	6.8%	$ 21,617,208	$ 1,100,204	5.4%	6.8%
NGV	7	70,034	$ 529,199	$ 549,962	$ 20,763	3.9%	0.1%	$ 539,331	$ 10,132	1.9%	0.1%
SVIS	202	104,599	$ 807,299	$ 850,112	$ 42,813	5.3%	0.2%	$ 836,625	$ 29,326	3.6%	0.2%
IVIS	352	3,390,078	$ 8,051,092	$ 8,618,057	$ 566,965	7.0%	2.9%	$ 8,512,909	$ 461,816	5.7%	2.9%
LVIS	26	2,233,913	$ 2,959,571	$ 3,222,999	$ 263,427	8.9%	1.3%	$ 3,170,932	$ 211,360	7.1%	1.3%
LIS	10	3,703,251	$ 2,645,906	$ 2,884,257	$ 238,351	9.0%	1.2%	$ 2,842,576	$ 196,669	7.4%	1.2%
LIS Negotiated	10	9,037,676	$ 2,945,197	$ 2,876,862	$ (68,334)	-2.3%	-0.3%	$ 2,876,862	$ (68,334)	-2.3%	-0.4%
Total	214,911	47,249,221	$ 264,250,453	$ 283,847,139	$ 19,596,686	7.4%	99.6%	$ 280,355,204	$ 16,104,751	6.1%	99.5%
Other Operating Revenue			$ 1,273,368	$ 1,357,185	$ 83,817	6.6%	0.4%	$ 1,357,185	$ 83,817	6.6%	0.5%
Grand Total	214,911	47,249,221	$ 265,523,820	$ 285,204,324	$ 19,680,503	7.4%	100.0%	$ 281,712,389	$ 16,188,568	6.1%	100.0%

Final Annual

National Fuel Gas Distribution Corporation
Pennsylvania Division
Fully Projected Future Test Year Ended October 31, 2027
Bill Impacts (Including PGC Revenue)

	Current Average Bill	Proposed Average Bill	Change in Average Bill	Percent Change
Residential	$ 1,002	$ 1,066	$ 64	6.4%
SCPA < 250	$ 1,223	$ 1,292	$ 69	5.6%
SCPA > 250	$ 3,319	$ 3,485	$ 166	5.0%
LCPA	$ 13,367	$ 14,084	$ 717	5.4%
NGV	$ 75,600	$ 77,047	$ 1,447	1.9%
SVIS	$ 3,992	$ 4,137	$ 145	3.6%
IVIS	$ 22,862	$ 24,173	$ 1,311	5.7%
LVIS	$ 113,830	$ 121,959	$ 8,129	7.1%
LIS	$ 264,591	$ 284,258	$ 19,667	7.4%
LIS Negotiated	$ 294,520	$ 287,686	$ (6,833)	-2.3%

Final Monthly

Customer Class	**Average Usage per Month**		**Current Rates**	**Proposed Rates**	**($) Increase**	**(%) Increase**
Residential	80	ccf	$ 83.49	$ 88.84	$ 5.35	6.4%
SCPA < 250	103	ccf	$ 101.91	$ 107.64	$ 5.73	5.6%
SCPA > 250	412	ccf	$ 276.57	$ 290.41	$ 13.84	5.0%
LCPA	340	Mcf	$ 1,113.90	$ 1,173.64	$ 59.73	5.4%
IVIS	802	Mcf	$ 1,905.13	$ 2,014.41	$ 109.28	5.7%

National Fuel Gas Distribution Corporation
Pennsylvania Division
Fully Projected Future Test Year Ended October 31, 2027
Proof of Revenue Summary (Including Rider I "OPEB")

	Average Customers	Sales (Mcf)	Current Revenue	Filed Proposed Revenue	Filed Change in Revenue	Percent Change	Percent of Total Rate Increase	Final Proposed Revenue	Final Change in Revenue	Percent Change	Percent of Total Rate Increase
Residential	197,825	18,958,326	$198,187,168	$209,212,143	$11,024,974	5.6%	81.5%	$206,511,438	$ 8,324,270	4.2%	83.0%
SCPA < 250	10,491	1,294,228	$ 12,829,261	$ 13,577,958	$ 748,698	5.8%	5.5%	$ 13,416,597	$ 587,336	4.6%	5.9%
SCPA > 250	4,453	2,201,607	$ 14,778,754	$ 15,409,046	$ 630,291	4.3%	4.7%	$ 15,243,851	$ 465,097	3.1%	4.6%
LCPA	1,535	6,255,510	$ 20,517,004	$ 21,067,561	$ 550,557	2.7%	4.1%	$ 20,825,902	$ 308,898	1.5%	3.1%
NGV	7	70,034	$ 529,199	$ 549,962	$ 20,763	3.9%	0.2%	$ 539,331	$ 10,132	1.9%	0.1%
SVIS	202	104,599	$ 807,299	$ 844,837	$ 37,538	4.6%	0.3%	$ 831,350	$ 24,051	3.0%	0.2%
IVIS	352	3,390,078	$ 8,051,092	$ 8,385,924	$ 334,832	4.2%	2.5%	$ 8,280,776	$ 229,684	2.9%	2.3%
LVIS	26	2,233,913	$ 2,959,571	$ 3,054,187	$ 94,615	3.2%	0.7%	$ 3,002,120	$ 42,548	1.4%	0.4%
LIS	10	3,703,251	$ 2,645,906	$ 2,709,642	$ 63,736	2.4%	0.5%	$ 2,667,961	$ 22,054	0.8%	0.2%
LIS Negotiated	10	9,037,676	$ 2,945,197	$ 2,876,862	$ (68,334)	-2.3%	-0.5%	$ 2,876,862	$ (68,334)	-2.3%	-0.7%
Total	214,911	47,249,221	$264,250,453	$277,688,123	$13,437,670	5.1%	99.4%	$274,196,188	$ 9,945,735	3.8%	99.2%
Other Operating Revenue			$ 1,273,368	$ 1,357,185	$ 83,817	6.6%	0.6%	$ 1,357,185	$ 83,817	6.6%	0.8%
Grand Total	214,911	47,249,221	$265,523,820	$279,045,307	$13,521,487	5.1%	100.0%	$275,553,372	$10,029,552	3.8%	100.0%

Final Annual

National Fuel Gas Distribution Corporation
Pennsylvania Division
Fully Projected Future Test Year Ended October 31, 2027
Bill Impacts (Including Rider I)

	Current Average Bill	Proposed Average Bill	Change in Average Bill	Percent Change
Residential	$ 1,002	$ 1,044	$ 42	4.2%
SCPA < 250	$ 1,223	$ 1,279	$ 56	4.6%
SCPA > 250	$ 3,319	$ 3,423	$ 104	3.1%
LCPA	$ 13,367	$ 13,568	$ 201	1.5%
NGV	$ 75,600	$ 77,047	$ 1,447	1.9%
SVIS	$ 3,992	$ 4,111	$ 119	3.0%
IVIS	$ 22,862	$ 23,514	$ 652	2.9%
LVIS	$ 113,830	$ 115,466	$ 1,636	1.4%
LIS	$ 264,591	$ 266,796	$ 2,205	0.8%
LIS Negotiated	$ 294,520	$ 287,686	$ (6,833)	-2.3%

Final Monthly

Customer Class	**Average Usage per Month**		**Current Rates**	**Proposed Rates**	**($) Increase**	**(%) Increase**
Residential	80	ccf	$ 83.49	$ 86.99	$ 3.51	4.2%
SCPA < 250	103	ccf	$ 101.91	$ 106.57	$ 4.67	4.6%
SCPA > 250	412	ccf	$ 276.57	$ 285.28	$ 8.70	3.1%
LCPA	340	Mcf	$ 1,113.90	$ 1,130.67	$ 16.77	1.5%
IVIS	802	Mcf	$ 1,905.13	$ 1,959.48	$ 54.35	2.9%