BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	R-2025-3059428
Office of Consumer Advocate	:	C-2026-3060292
Office of Small Business Advocate	:	C-2026-3060354
CAUSE-PA	:	C-2026-3060437
	:	
v.	:	
	:	
National Fuel Gas Distribution Corporation	:	

<u>RECOMMENDED DECISION</u>

Before
Katrina L. Dunderdale
Administrative Law Judge

TABLE OF CONTENTS

I. INTRODUCTION

This Recommended Decision concerns the initial proposal of National Fuel Gas Distribution Corporation to increase its overall base rates by approximately $19.7 million[1] per year, or by 7.4%, to increase the residential fixed monthly charge from $14.00 to $19.00, or by 35.7%, for permanent approval of the Weather Normalization Adjustment, and for approval of the Energy Efficiency pilot program.

Initially, NFG proposed that its current rate for the typical residential customer, using 80 ccf, would have the monthly bill increase from $83.49 to $88.44 monthly, an increase of $4.95 or 5.9%. NFG also requested the typical Commercial customer, using 412 ccf, would have the monthly bill increase from $276.57 to $288.37, an increase of $11.80 or 4.3%, while the typical Industrial customer, using 340 Mcf, would have the monthly bill increase from $1,113.90 to $1,143.80, an increase of $29.89 or 2.7%. In addition, NFG proposed to increase the fixed monthly charge for residential customers from $14.00 to $19.00, or 35.7%.

This base rate decision recommends the Commission deny in part the request of National Fuel Gas Distribution Corporation to an overall base rate increase and to deny the request to increase the residential fixed monthly charge, because the natural gas distribution utility did not meet its burden of proving, by substantial evidence, that the proposed base rate revenue increase and the other proposed changes will result in just and reasonable rates, as required by 66 Pa.C.S. § 1301. This base rate decision recommends the Commission grant in part the request of National Fuel Gas Distribution Corporation for a base rate increase totaling $8,227,867, or 3.1%. This base rate decision

---

[1] During litigation, the Company adjusted the overall base rate request downward from $19.7 million to $16.2 million, in rebuttal testimony.

also recommends the Commission deny approval of the Weather Normalization Adjustment but grant approval of the Energy Efficiency pilot program.

The end of the statutory suspension period is October 29, 2026, and the last reasonable public meeting date before the end of the suspension period is October 1, 2026.

II. HISTORY OF THE PROCEEDING

A. Introduction

On January 28, 2026, National Fuel Gas Distribution Corporation (NFGDC, NFG, National Fuel or the Company) filed Supplement No. 294 to Tariff Gas Pa. P.U.C. No. 9 (Supplement No. 294) at Docket No. R-2025-3059428, with an effective date of March 29, 2026. NFGDC proposed to increase overall rates by approximately $19.7 million per year, or 7.4%, over present revenues. NFGDC's proposal, if approved, would increase the average residential customer's bill using 80 ccf per month from $83.49 to $88.44, or by approximately 5.9%. NFGDC also proposed to reinstate a tariff rider that would provide a refund of Other-Post Employment Benefits (OPEB) funds of approximately $6.2 million to all customers and provide a one-time bill credit of $30, totaling approximately $1.025 million, to confirmed Level 1 and Level 2 customers and Customer Assistance Program (CAP) customers.

Supplement No. 294 included a request seeking approval of two alternative rate mechanisms: permanent approval of the Weather Normalization Adjustment and approval of the Energy Efficiency pilot program.

On February 2, 2026, the Bureau of Investigation & Enforcement (BIE) filed a Notice of Appearance. Formal complaints arising from the instant base rate proceeding were filed: on February 4, 2026, by the Office of Consumer Advocate (OCA) at Docket No. C-2026-3060292; on February 9, 2026, by the Office of Small Business Advocate (OSBA) at Docket No. C-2026-3060354; and on February 10, 2026, by the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) at Docket No. C-2026-3060437. In addition, on February 9, 2026, Pennsylvania Weatherization Providers Task Force (Providers Task Force) filed a Petition to Intervene representing permission to intervene in the proceeding as a party. The formal complaints and petition to intervene were approved and/or consolidated into the instant proceeding by the presiding officer in the Prehearing Order dated February 27, 2026.

On February 19, 2026, the Commission suspended the implementation of Supplement No. 294 by operation of law, pursuant to 66 Pa.C.S. § 1308(d), until October 29, 2026, unless permitted by Commission Order to become effective at an earlier date, and instituted an investigation into the lawfulness, justness, and reasonableness of the rates, rules, and regulations proposed in Supplement No. 294.

Also, on February 19, 2026, the Office of Administrative Law Judge (OALJ) scheduled a prehearing conference to be conducted telephonically on February 26, 2026. Also, on February 23, 2026, the presiding officer issued the Prehearing Conference Order which provided procedural information for the prehearing conference.

On February 26, 2026, the presiding officer conducted a call-in telephonic prehearing conference with the following parties present and represented by counsel: NFGDC, BIE, OSBA, OCA, Providers Task Force and CAUSE-PA. The parties addressed procedural matters including the litigation schedule, public input hearings and discovery modifications.

Thereafter, on February 27, 2026, the presiding officer issued the Prehearing Order including establishing the litigation schedule, specifying procedural rules to include discovery, motions, resolving disputes, response times, and the scheduling of public input hearings. The Complaints filed by OCA, OSBA and CAUSE-PA were consolidated into the base rate proceeding, and the Petition to Intervene filed by Providers Task Force was granted.

On March 11, 2026, OALJ issued the In-person and Telephonic Public Input Hearings Notice which scheduled two in-person public input hearings to be conducted on March 31, 2026, at the Bayfront Convention Center, Erie, Pennsylvania, and two telephonic public input hearings to be conducted on April 2, 2026.

On March 16, 2026, OALJ issued the In-Person Evidentiary Hearings Notice which scheduled three days of in-person hearings on June 2, 2026, through June 4, 2026, in the Keystone Building, Harrisburg, Pennsylvania.

On March 17, 2026, the presiding officer issued the First Interim Order which provided the parties with requirements and guidance concerning the conduct of the upcoming public input hearings.

On March 30, 2026, the Company submitted a Motion for Protective Order, pursuant to 52 Pa.Code § 5.423(a), which was granted on April 23, 2026.

On March 31, 2026, at 1:00 p.m., the presiding officer conducted an in-person public input hearing at the Bayfront Convention Center, Erie, Pennsylvania, at which two witnesses testified. The presiding officer conducted a second in-person public input hearing at 6:00 p.m. on March 31, 2026, at which no individual appeared to testify.

On April 2, 2026, the Company filed proof of the publications concerning the public input hearings.

Also, on April 2, 2026, at 1:00 p.m., the presiding officer conducted a telephonic public input hearing at which two witnesses testified. The presiding officer conducted a second telephonic public input hearing at 6:00 p.m. on April 2, 2026, at which no individuals appeared to testify.

On April 16, 2026, written direct testimony was pre-served on the presiding officer and the parties by: BIE, OCA, OSBA, CAUSE-PA and Providers Task Force.

On May 12, 2026, written rebuttal testimony was pre-served on the presiding officer and the parties by: NFG, BIE, OCA, OSBA and CAUSE-PA.

On May 22, 2026, the OALJ issued an In-Person Evidentiary Hearing Notice which corrected the start time for the in-person evidentiary hearing on June 1, 2026, from 9:00 a.m. to 1:30 p.m.

On June 2, 2026, the presiding officer conducted the in-person evidentiary hearing in Harrisburg, Pennsylvania, at which the following parties appeared: NFG, BIE, OCA, OSBA, CAUSE-PA and Providers Task Force.[2] Two witnesses testified and the hearing concluded at 3:24 p.m.

---

[2] The evidentiary hearings scheduled for June 3, 2026, and June 4, 2026, were cancelled because the parties averred to the presiding officer that only two witnesses would be called to testify and, therefore, there was no need for the two additional hearing days.

On June 3, 2026, NFG filed the Objections of National Fuel Gas Distribution Corporation to the Admission of the Office of Consumer Advocate's Exhibits MWD-10 and MWD-11 (NFG Objections).

On June 10, 2026, OCA filed the Answer of the Office of Consumer Advocate to the Objections of National Fuel Gas Distribution Corporation to the Admission of the Office of Consumer Advocate's Exhibits MWD-10 and MWD-11 (OCA Answer to Objections).

On June 22, 2026, main briefs were filed by NFGDC, BIE, OCA, OSBA and CAUSE-PA. On July 1, 2026, reply briefs were filed by NFGDC, BIE, OCA, OSBA, CAUSE-PA and Providers Task Force.

On July 15, 2026, the presiding officer issued the First Post-Hearing Order which overruled and dismissed the objections of NFG to the admission of OCA's Exhibits MWD-10 and MWD-11.

The hearing record consists of 258 transcript pages and the above-referenced statements, exhibits, and documents. The presiding officer closed the hearing record on July 15, 2026. This matter is now ready for a Recommended Decision.

B. Public Input Hearings

The presiding officer conducted the first day of in-person public input hearings at the Bayfront Convention Center in Erie, Pennsylvania, on Tuesday, March 31, 2026, at 1:00 p.m., at which two people testified. Subsequently, another public input hearing was held on the same date and at the same location at 6:00 p.m., at which no one appeared to testify.

Gerald Servidio testified he is a customer of NFG who lives in Erie. He testified he does not oppose any increase for NFG, but he does oppose the size of the proposed increase. Mr. Servidio testified he wants the Commission to review the filing in the light of Generally Accepted Accounting Principles (GAAP) for the Earnings Per Share (EPS) for NFG. He averred he found NFG's dividend rates and amounts paid per share for NFG's shareholders to be too high, given the current economic environment. He acknowledged he spent time looking up information about NFG on its website and on the internet, but he knows the costs of everything are rising due to tariffs and the economy. Mr. Servidio noted he found several economic statistics for Erie County including that 18.1% of Erie County residents receive Supplemental Nutrition Assistance Program (SNAP) benefits, and 15.4% of Erie residents live below the poverty line. He averred he is retired and has sufficient income himself, but noted he knows of no one in the county who lives at or above the median income of $98,245.

Andrew Whiting testified he is a customer of NFG at his home and his business. Mr. Whiting noted he is the Chief Executive Officer (CEO) in the Erie Downtown Development Corporation, where he represents his small business enterprises and works with other business owners to support local small businesses. He testified about the struggles of small businesses in the area which must compete with large corporate businesses, resulting in small profit margins. He averred consumers and small businesses are at the mercy of a large corporate entity, such as a public utility, and especially sensitive to increases in pricing. Mr. Whiting testified even a small increase in NFG's base rate may greatly reduce or eliminate any profits by small businesses and local "mom and pop" shops. He pointed out first that the increase might be needed but the Commission should look at NFG's budget, line by line, and determine what value is received in comparison with the burden the increase for consumers. He noted competitors across the nearby state borders do not have the same burdens as the local Erie businesses. Second, he testified the increase penalizes local businesses that use alternative energy sources, especially solar energy, heat pumps and battery storage. The increase undermines these goals furthered by alternative energy sources if the ratepayers stay connected to NFG's system. He asked the Commission to issue long term regulatory signals that transition consumers away from natural gas and towards alternative forms of energy because more diversification is needed while the customer base continues to decrease. He also asked the Commission to investigate the base rate request to ensure the investments made by the utility, and by implication the customers, are prudent and lead to healthy results. On cross, Mr. Whiting noted he has a golf franchise in Pennsylvania and golf franchise in New York. He stated his PA golf franchise spends approximately $1,300 monthly for natural gas to heat the facility and cook food in the kitchen. He asserted, however, that his business is impacted by the cost of gas but also by other costs and the impact of tariffs. He acknowledged these increases in utility costs, other costs and tariffs can lead to an increase in the price consumers pay, which can then lead to a loss of customers.

On April 2, 2026, the first day of telephonic public input hearings convened at 1:00 p.m., with another hearing following at 6:00 p.m. on the same date. No one testified at the 1:00 p.m. hearing or at the 6:00 p.m. hearing.

III. <u>FINDINGS OF FACT</u>

1. National Fuel Gas Distribution Company (NFG, NFGDC, National Fuel or the Company) is a "public utility" and an "natural gas distribution company" as defined under the Public Utility Code, *see* 66 Pa.C.S. §§ 102 & 2202, serving customers within its certificated service territory and subject to the regulatory jurisdiction of this Commission.

2. On January 28, 2026, the Company filed Supplement No. 294 to National Fuel Gas Distribution Corporation Gas Tariff – PA P.U.C. No. 9 (Supplement

No. 294). In Supplement No. 294, National Fuel is seeking a base rate increase pursuant to 66 Pa.C.S. § 1308 of the Public Utility Code of approximately $19.7 million.

3. During the pendency of this proceeding, the Company updated the requested rate increase to $16.2 million based upon data for a fully projected test year (FPFTY), which adjustment was a decrease of $3.4 million, or a 17% decrease, of the initial proposal. National Fuel St. No. 1, pp. 5-6; National Fuel Main Brief, Appendix D.

4. The Company updated the requested rate increase in its Main Brief to 10.5% return on equity (ROE). National Fuel, Main Brief, p. 1.

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

6. NFG filed three requests for rate increases three times in the last twenty years: 2006, 2021 and 2026. National Fuel St. No. 1-R, p. 13; I&E St. No. 1, p. 7.

7. The Company's updated claim for rate base reflects the projected balance at the end of the FPFTY of $571.5 million and includes plant in service, depreciation reserve, cash working capital, gas storage inventory, deferred income taxes, materials and supplies inventory, customer deposits, and customer advances. National Fuel Exhibit A (Rebuttal Update), Sch. C-1.

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

9. The Company updated its rate base calculation to reflect customer advances and contributions in aid of construction (CIAC) as deductions from rate base totaling $86,000, in rebuttal, to include $25,000 in CIAC and $61,000 in customer advances for construction. National Fuel St. No. 6-R, p. 2; National Fuel Exhibit A (Rebuttal Update), Sch. C-8.

10. The Company's deductions were calculated using the 13-month average balance for these accounts ending September 30, 2025, consistent with the Company's method used to develop its other FPFTY amounts. National Fuel St. No. 6-R, p. 2.

11. CIAC and customer advances are collected when plant is placed in service to serve customers and it is appropriate to include the most recent 13-month balance because it matches plant that are included in Plant in Service. OCA St. No. 2-SR, p. 9.

12. OCA's deductions for these accounts are based on a 13-month average ending February 2026. OCA St. No. 2, pp. 10-11.

<u>Rate Base</u>

Plant in Service

13. The Company has provided natural gas service in Pennsylvania since 1902; its oldest assets still in service date back to 1883 and the average age of its gas plant is 19 years. OCA St. No. 4, p. 14.

14. The Company's claim for utility plant in service is $957.2 million for the FPFTY, with Future Test Year (FTY) and FPFTY plant additions derived from

the Company's five-year capital forecast. National Fuel Exhibit A (Rebuttal Update), Sch C-2; National Fuel St. No. 3, p. 4.

15. An increasing need to invest in rate base has been one of the primary reasons driving the Company's request for rate relief. National Fuel St. No. 1, p. 13.

16. The Company increased its projected investment in net plant by $141 million since 2006 through its investments to replace infrastructure, modernize systems and maintain the safety and reliability of the distribution system, as authorized in the Company's Amended Long Term Investment Improvement Program (LTIIP). National Fuel St. No. 1, p. 14; National Fuel St. No. 9, pp. 3-5.

17. The Company has eliminated over 371 miles of leak-prone bare steel and wrought iron pipeline as well as 7,337 base steel service since 2016, and it plans to engage in an accelerated replacement of all leak prone pipes by 2039. National Fuel St. No. 1, p. 14; National Fuel St. No. 9-R, pp. 2-3.

18. An increase in operating cost inflation is another of the primary reasons driving the Company's request for rate relief. National Fuel St. No. 1, pp. 15-16.

19. The Company's depreciation expense increased more than 24% over a five-year period, coinciding with a 30% increase to plant in service. OCA St. No. 4, p. 14.

Revenues

20. The Company did not indicate or provide convincing evidence about the proposed revenue requirement.

21. BIE proposed that the record evidence presented would support only a total revenue increase of $11.079,000. I&E St. No. 1-SR, p. 3; I&E Main Brief, Appendix A, Table I.

22. OSBA proposed that the record evidence presented would support only a total revenue increase of $10,800,000. OSBA Main Brief, Appendix A.

23. The Company's claim for gas inventory is $5.7 million. National Fuel St. No. 6, p. 11; National Fuel Exhibit A (Rebuttal Update), Sch. A-1.

24. The Company's claim for customer deposits for the FPFTY is $5.2 million. National Fuel Exhibit A (Rebuttal Update), Sch. C-7, line 17.

25. The Company's claim for operating sales and revenues in the FPFTY, at present rates, is $265.5 million. National Fuel Exhibit A (Rebuttal Update), Sch. D-1, line 5.

26. The Company's claim for gas supply and cost adjustment revenue in the FPFTY, at present rates, is $124.6 million. National Fuel Exhibit A (Rebuttal Update), Sch. D-1, line 1.

27. The Company's claim for Other Revenues of $1.3 million includes late payment charges (or forfeited discounts), rent from gas property and other gas revenues. National Fuel Exhibit A (Rebuttal Update), Sch. D-1, lines 1 & 3; National Fuel St. No. 14, p. 9.

28. The Company's claim for revenues from Rent From Gas Property is $100,000, with a projection based on the most recent intercompany rent amounts

of $8,258 per month, or $99,096 per year. National Fuel Exhibit A (Rebuttal Update), Sch. B-3, line 8; National Fuel St. No. 6, p. 11.

29. The Company's claim for Forfeited Discounts is $1.1 million, which reflects the late payment charges the Company anticipates collecting during the FPFTY at present rates. National Fuel St. No. 14, p. 9.

30. In the 2022 rate case, the Company did not include its amortization of the regulatory liability established for the Medicare subsidy of $921,649 in its revenue requirement calculation. National Fuel St. No. 12-R, p. 3.

31. The Company proposes amortizing the full regulatory liability balance over three years, resulting in a decrease to the revenue requirement of $307,216 each year over three years. National Fuel St. No. 12-R, p. 3.

32. The Company over-refunded the Tax Cuts and Jobs Act (TCJA) surcredit to its customers and it proposes to amortize this regulatory asset of $242,147, still on its books for the over-refunded TCJA surcharge, over three years which would result in an increase to the revenue requirement of $80,716 annually. National Fuel St. No. 2, p. 7.

Expenses

33. The Company claimed $1.03 million in rate case expense, normalized over a three-year period, while BIE proposed normalizing rate case expense over a five-year period because of the filing intervals of the Company's last three base rate cases. I&E St. No. 1, pp. 6-8.

34. The Company normalized the claim over a three-year period because the Company intends to file rate cases more frequently. National Fuel St. No. 3-R, pp. 9-10.

35. The Company has realized higher capital expenses in recent years as seen in the current Amended LRIIP and the Company's plan to continue spending at accelerated levels. National Fuel St. No. 3-R, pp. 9-10.

36. The competitive labor market has placed upward pressure on salaried and non-union employee wages, and has made attracting new employees, retaining current employees and offering competitive wages and benefits a critical issue for the Company. National Fuel St. No. 1, pp. 15-16; National Fuel St. 4, p. 6.

37. The Company claims $2.0 million for Office Employee Expenses, however, OCA proposes a downward adjustment of $64,000 because the Company used a compound annual growth rate (CAGR) which is inconsistent with zero-based budgeting. National Fuel Exhibit ATF-2, Sch. 2; OCA St. 2, p. 16.

38. The Company used the CAGR from FY 2023 to FY 2025 of 3/67% to develop the claim for Office Employee Expenses, include expenses primarily software, office equipment, employee training expenses and employee training expenses. National Fuel St. No. 3-R, p. 5.

39. The Company claims $1.5 million for Postage Expense, and it used a three-year CAGR to project postage expenses for the FPFTY, assuming a growth rate of 4.8% because the United States Postal Service (USPS) ordered a 4.8% increase in first-class stamps in July 2026. National Fuel Exhibit ATF-2, Sch. 7; OCA St. No. 2, p. 19.

40. In July 2026, the USPS increased the cost for a first-class stamp to $0.82. National Fuel St. No. 3-R, p. 6.

41. The Company did not prove it was correct to assume the USPS will continue to increase the cost of a first-class stamp in the next few years or prior to the end of the FPFTY at a 3-year compound annual growth rate of 9.14%, and the Company did not prove if it uses first-class stamps, or how often it uses first-class stamps. National Fuel St. No. 3-R, p. 6.

42. The Company proposes to an upward $156,000 adjustment of Other Expense – Line Hit Collection using a three-year historic average to normalize the collections received in the HTY of $449,000. National Fuel St. No. 3-R, pp. 6-7.

43. The primary cost associated with line hit collections is internal Company labor, which the Company annualized in its FPFTY projection. National Fuel St. No. 3-R, p. 6-7.

44. The Company's line hit collections totaled $232,000 in fiscal year 2023, $199,000 in fiscal year 2024, and $449,000 in fiscal year 2025, which is the HY. National Fuel Exhibit ATF-2, Sch. 4.

45. The Company's claim for operating expenses should be reduced by $156,000 to reflect a downward adjustment as the Company normalized line hit collection because the amount recovered during FY 2025 was unusually high in comparison to the two prior years. OCA St. No. 2, p. 16.

Membership Dues Expense

46. The Company pays the membership dues as expenses for its employees to participate in trade associations and industry organization which can provide benefits that are promotional, lobby-related or which are more advantageous to the Company and Company shareholders than to the ratepayers. National Fuel Exhibit ATF-1, Sch. 1; National Fuel St. No. 3-R, p. 8.

47. The Company claims an amount of $234,266 for Company Dues and Memberships, claiming the Company's support of chambers of commerce and economic development agencies may benefit ratepayers by promoting strong communities which hopefully retain and attract commercial and industrial use of natural gas. National Fuel Exhibit ATF-1, Sch. 1; National Fuel St. No. 3-R, p. 8.

48. OCA and BIE propose downward adjustments to the Company's Dues and Memberships expense claim of $17,000 and $21,968, respectively. National Fuel St. No. 3-R, p. 8.

49. The organizations listed by the Company – for which the Company paid the membership dues and expenses – are focused on employee development, related to utility operations or provide service to current ratepayers. OCA St. No. 2, pp. 20-21.

50. The Company did not provide sufficient evidence to prove membership dues will ensure energy infrastructure, safety, and reliability considerations are incorporated into local growth planning.

Customer Payment Transaction Costs

51. The Company requested recovery of customer payment transaction costs for those costs arising from the Company's chosen methods of collecting payments and conducting its business operations.

52. The Company encourages its customers to make electronic payments, and payment electronically is a popular payment method. OCA St. No. 5, p. 16.

53. The Company charges customers up to $2.95 in fees if the customer pays the Company using online or telephonic payments. OCA St. No. 5, pp. 15-16.

54. These additional payment fees paid by the Company's customers totaled $815,559 in 2024, and $930,384 in 2025. OCA St. No. 5, p. 16.

55. Peer natural gas distribution companies, such as Peoples Natural Gas Company or UGI Utilities, allow one-time credit or debit card payments online or by telephone with no fee charged. OCA St. No. 5, p. 16.

56. OCA proposed a downward adjustment totaling $930,000 in O&M expenses to reflect its recommendation the Commission should require the Company to transition to fee-free payments for residential customers and for the Company to absorb those costs for the purpose of encouraging more customers to adopt online payment methods. OCA St. No. 2, p. 21; OCA St. No. 5, p. 17.

Depreciation Expense

57. The Company's depreciation reserve as of the end of the FPFTY was calculated by Gannett Fleming Valuation and Rate Consultants, LLC (Gannett Fleming) and was projected generally using the straight-line remaining life method, with the Equal Life Group (ELG) procedure, and performed a service life study to establish the estimated service lives of the Company's property. National Fuel St. No. 8, pp. 4-7; National Fuel Exhibit C, pp. IV-1-8; National Fuel St. No. 8-R, p. 4.

58. The Company is in an accelerated investment period that will result in an increase to rate base and revenue requirement. OCA St. No. 4, p. 3; NFG St. No. 1, p. 21.

59. For the ELG procedure, a group of property is subdivided into groups having equal service lives, where the size of the equal life groups is based on the estimated survivor characteristics of the account. National Fuel St. No. 8-R, pp. 3-4.

60. Depreciation is calculated for each equal life group based on the straight-line method which is when an equal amount of the group's service value is recorded as depreciation expense in each year of service. National Fuel St. No. 8-R, pp. 3-4.

61. The total depreciation for an account is the summation of the calculated depreciation for each equal life group and, based on the survivor curve estimate for an account, the ELG procedure estimates the life for each unit in the account and depreciates each unit over its expected life. National Fuel St. No. 8-R, pp. 3-4.

62. Depreciation reserve is subtracted from utility plant to calculate net plant in service. National Fuel Exhibit A (Rebuttal Update), Sch. C-1, line 3.

63. Depreciation reserve is the book reserve brought forward from the book reserve approved by the Commission in the 2006 base rate proceeding, the Company's book depreciation reserve is $320.6 million. National Fuel St. No. 8, p. 5; Natural Fuel Exhibit A (Rebuttal Update), Sch. A-1.

64. The Company's current claim for accrued depreciation herein is made on the same basis as the claim the Company made in the last two rate cases. National Fuel St. No. 8, p. 4.

65. OCA proposed changing the depreciation method from the ELG procedure to the Average Service Life (ASL)[3] procedure, which if allowed by the Commission would result in a $4.67 million adjustment to depreciation expense. OCA St. No 2, p. 22; OCA ST. No. 4, p. 3.

66. The ASL procedure depreciates each asset within an account over the average life of the entire account versus the ELG procedure which calculates depreciation for each equal life group. National Fuel St. No. 8-R, pp. 3-4.

67. If the Commission allows the Company's claim for utility plant and its accumulated depreciation (based on the Company's use of the ELG procedure) the Company's net plant in service is $636.7 million. National Fuel Exhibit A (Rebuttal Update), Sch. C-1, line 3.

68. Under the ELG procedure, the survivor curve determines the percentages of the property account in each equal life group which allows for the calculation of annual accrual for the entire property group, while the ASL procedure, in contrast, calculates the depreciation expense for all property in the account based on the average service life of the entire group. National Fuel St. No. 8-R, pp. 7-8.

69. ASL results in higher customer rates over time than ELG as the costs of a higher rate base will be paid for by future customers, and ASL serves as an intergenerational subsidy to current customers at the expense of other generations of customers. National Fuel St. No. 8-R, p. 16.

[3] The ASL procedure is also known as the Average Life Group (ALG) procedure.

70. ELG leads to higher depreciation expenses in the short term, but it results in lower revenue requirements over the long term. National Fuel St. No. 8-R, p. 17.

71. Both the ELG and the ALG procedures ensure full cost recovery and differ in how the timing of the cost recovery is allocated amount generations of customers. OCA St. No. 2-SR, pp. 2, 9.

72. The Company proved the ELG procedure appropriately matches cost recovery to service consumption of the asset, and it better ensures that current customers pay for the assets in use. National Fuel St. No. 8-R, pp. 4-5.

73. The Company's claim for depreciation expense totals $25.3 million. National Fuel Exhibit A (Rebuttal Update), Sch. B-2.

Other Expense Adjustments

74. The Company's claim for gas inventory is $5.7 million. National Fuel St. No. 6, p. 11; National Fuel Exhibit A (Rebuttal Update), Sch. A-1.

75. The Company averaged 440.3 FTE's but assumed 444 employees in FTY and 450 employees in FPFTY in future labor expenses in its revenue requirement. OSBA St. of Farr, p. 13, Table JBF-2.

76. OSBA proposed a downward adjustment to headcount of 9.67 full time employees (FTE), a $525,364 decrease in the overall revenue requirement, based on the difference between the projected headcount for the FPFTY and the average headcount for the twelve months ending January 31, 2026. National Fuel St. No. 3-R, p. 2.

77. The Company's proposed headcount (450 FTEs) is based on the Company's actual headcount as of September 30, 2025 (436 FTEs), with 23 forecasted additions by the end of the FPFTY, for a total headcount of 459 employees before the vacancy adjustment. National Fuel St. No. 3-R, p. 3.

78. The Company claimed $1.6 million for materials and supplies initially but updated that claim in rebuttal to $6.7 million. National Fuel St. No. 6, p. 11; National Fuel Exhibit A (Rebuttal Update), Sch. C-4, line 14.

79. Cash Working Capital (CWC) is the capital requirement calculated between the lag in the receipt of revenue in exchange for rendering service and the lag in the payment of cash expenses incurred to provide that service to customers. National Fuel St. No. 6, pp. 6-7.

80. OCA proposes the Company's claim for CWC should be decreased by $1,184,000. OCA St. No. 2, p. 9; OCA Exhibit LKM-4A.

81. In its Main Brief, the Company accepted OCA's adjustment to remove non-cash expenses (i.e., incentive compensation expenses) from the lead-lag study when determining the final CWC allowed. OCA ST. No. 2, p. 9; OCA St. 2-SR, p. 8; LKM-4A-SR, p. 4, lines 2-4.

82. The Company's CWC claim includes prepaid expenses as a component of CWC because it represents cash outlays made in advance of the period in which the related costs are recognized in expense. National Fuel St. No. 6-R, p.3.

83. In rebuttal, the Company updated its lead-lag study to remove $2,732,664 in prepaid O&M expenses from "Other Expenses" so prepaid expenses are

reflected only one time in CWC. National Fuel St. No. 6-R, p. 4; Exhibit A (Rebuttal Update), Sch. C-4, p. 2.

84. OCA proposes the Company refund to ratepayers, over a three-year period, a regulatory liability related to insurance settlement proceedings, in the amount of $936,314, from an account the Company continues to reduce as it processes environmental expenses against the company. OCA St. No. 2, p. 15; National Fuel St. No. 3-R, p. 11.

85. OCA proposes the Company's operating expense claim should be reduced by $312,000 to reflect a 3-year flowback of environmental proceeds from an insurance settlement received by the Company. OCA St. No. 2, pp. 14-15; OCA Exhibit LKM-9A.

86. On April 27, 2026, the balance on the account was $847,444. National Fuel St. No. 3-R, p. 11.

87. The Company accepted OCA's recommended 0.02% adjustment to the uncollectible factor, resulting in a 1.53% uncollectible factor. OCA St. No. 2, p. 18.

Taxes

88. The total accumulated deferred income taxes (ADIT) in the Company's rate base calculation is $73.9 million. National Fuel St. No. 6, p. 12; National Fuel Exhibit A (Rebuttal Update), Sch. C-6.

89. OCA proposed a downward adjustment to the Company's Corporate Income tax line but, in rebuttal, accepted the Company's use of a 7.49% rate. OCA St. No. 2-SR, p. 22.

90. The Company's FPFTY claim for Taxes Other Than Income Taxes is $2.5 million, not including the proposed downward adjustment by BIE to payroll taxes associated with any adjustments to incentive compensation. National Fuel Exhibit A (Rebuttal Update), Sch. B-5; I&E St. No. 1, p. 14.

Rate of Return

Capital Structure

91. The Company requested a capital structure consisting of 56.4% common equity and 43.6% debt. National Fuel St. No. 10, p. 55.

92. BIE proposes a capital structure of 55% equity and 45% debt. I&E St. No. 2, p. 15.

93. OCA proposes a hypothetical capital structure of 50% long-term debt and 50% equity. OCA St. No. 3, p. 6.

94. The Company's capital structure of 56.4% common equity and 43.6% long-term debt is its projected actual capital structure as of October 31, 2027, the end of the FPFTY. National Fuel St. No. 10, p. 54.

95. The Company's common equity ratio of 56.40% exceeds recent average authorized equity ratios for regulated gas utility including: 52.45% in 2023; 52.52% in 2024; and 51.63% in 2025. OCA St. No. 3-SR, pp, 5-6.

96. BIE's proxy group has a range of experienced five-year average common equity ratios for natural gas distribution companies ranging from 36.62% to 60.47%. I&E St. No. 2, p. 16.

97. Equity is more expensive than debt because shareholders require higher returns than creditors and dividends are not tax deductible. OCA St. No. 3-SR, p. 5.

98. Equity is a more expensive form of capital and by using a higher equity ratio the utility increases the total rate of return customers must pay. OCA St. No. 3-SR, pp. 5-6.

Return on Common Equity

99. The Company used three methods to determine the cost of equity: the Discounted Cash Flow (DCF) model, the Capital Asset Pricing Model (CAPM) and the Bond Yield Plus Risk Premium modes (Risk Premium). National Fuel St. No. 9, p. 4.

100. The Company proposes the results of the three models provide a range of 10.3% to 11.30% for a cost of equity. National Fuel St. No. 9, p. 4.

101. The Commission recently accepted the DCF model as the primary model to establish the cost of equity in a recent case based on current dividend yields five-year projected earnings. *Columbia 2025*, p. 216; National Fuel St. No. 10-R, p. 12.

102. The Company calculated a 10.65% mean DCF results, while BIE calculated a 10.47% DCF cost of equity and OCA calculated a range of 10.48% to 10.61% using the constant growth DCF (EPS Growth). National Fuel St. No. 10-R, p. 12; I&E St. No 2, p. 32; OCA St. No. 3, p. 49.

103. The Company initially requested a ROE of 11.25%, comprised of a base ROE of 11.00% with an added 25-basis point premium for exceptional management performance and efficiency. National Fuel St. No. 10, pp. 3-4; OCA St. No. 3-SR, p. 15.

104. In its Main Brief, the Company adjusted downward its for ROE to 10.5% based on its downward adjustment for the total rate increase. National Fuel, Main Brief, p. 1.

105. The Company's proposed base ROE of 11.00% is high compared to the authorized ROE's from recent rate cases for companies of similar risk included in the proxy group, is 125 basis points above the median approve ROE for the proxy group and exceeds the industry average. OCA St. No. 3, p. 69; OCA St. No. 3-SR, p. 2.

106. The Company was wrong to inflate its ROE recommendation by adding a "size risk adder" based on the premise that the Company's relatively small size warranted additional investor compensation. OCA St. No. 3, pp. 57-58.

107. The Company, as a subsidiary of a substantially large parent company with diversified operations and access to capital markets, is not a standalone company and hold less risk than other smaller companies. OCA St. No. 3, pp. 58-59.

108. The impact on revenue requirement if the Commission accepts OSBA's proposal to use the median ROE for the proxy group of 9.75%, would reduce the Company's as-filed revenue requirement by $5,560,798.

109. OCA proposes an ROE of 9.74% with an imputed capital structure of 50% common equity and 50% debt for ratemaking purposes, and an overall 7.66% weighted rate of return. OCA St. No. 3, pp. 3-6.

110. The average authorized ROE for natural gas utilities nationally in 2025 was 9.70%. OCA St. No. 3, p.69.

Management Performance

111. The Company offers an incentive-based compensation (Annual Cash Bonus Program) to employees if certain organizational goals are achieved each fiscal year, and a stock-based compensation program with time-vested restricted stock based upon financial results. National Fuel St. No. 4, pp. 13-14.

112. The Company's executive cash bonus program includes initiatives favoring financial performance, safety, reliability, customer service, emissions reduction, diversity and inclusion. National Fuel St. No. 5-R, p. 3.

113. The Company's incentive compensation proposal includes claims for $182,075 in non-executive restricted stock and $290,746 in executive restricted stock. National Fuel St. No. 5-R, p. 9.

114. The Company's shares of restricted stock vest over three equal annual installments and do not rely on achieving financial goals or performance conditions. National Fuel St. No. 4, p. 6.

115. The Company's proposal includes a claim for $957,138 in executive performance shares, which have a retention element and operate on a performance cycle of three years. National Fuel St. No. 5-R, p. 5-R, p. 10.

116. The Company did not prove with sufficient proof that its 25-basis point management premium is clearly defined, has measurable standards, is objective and not subjective, and/or benefits ratepayers in customer service, safety and/or reliability.

117. OSBA's adjustment to revenue requirement totaled a reduction of $1,517,718 in FPFTY 2027 and suggested the removal of the FPFTY stock-based

compensation expense, minus 5% identified as being issued historically from December 2022 to December 2024, based on ESG criteria. OSBA, Direct Testimony of Farr, p. 6, Table JBF-1.

118. BIE's adjustment recommended the Commission disallow $379,731 out of the Company's $855,597 claim for executive cash bonuses, as well as related payroll taxes totaling $22,679. I&E St. No. 1, pp. 11-13.

119. The impact on the Company's revenue requirement will be reduced by $1,191,103 if the 25-basis point management premium is disallowed. OSBA, Direct Testimony of Farr, Exhibit JBF-4.

Rate Structure and Rate Design

120. Rate structures with a high proportion of a customer's monthly bill in the fixed customer charge undermine consumers' ability to mitigate rate unaffordability through conservation, usage reduction, and adoption of energy efficiency measures. CAUSE-PA St. No. 1, pp. 51-53; OCA St. No. 1, p. 74.

Allocated Cost of Service Study (ACOSS) and Revenue Allocation

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

122. An allocated cost of service study is modeling that reconciles utility costs and revenues across different customer classes, and the goal of an ACOSS is to evaluate the cost of providing service and revenue responsibility for each customer class. OCA St. No 1, p. 43.

123. ACOSS results are used to estimate class-specific rates of return and can serve as a guidepost for class revenue responsibilities and rates. OCA St. No. 1, p. 43.

124. The Company used special cost studies to allocate meters, services and regulators that align with cost causation principles. National Fuel St. No. 19, p. 12.

125. The Company proposed to increase rates by class as guided by the result of the Class Cost of Service study, and the Company proposed an increase of 0.67 times the system increase for rate classes with revenue-to-cost parity ratios above 1.5. National Fuel St. No. 19, p. 21.

126. OSBA proposes the Company's revenue allocation proposal reasonably balanced moving class revenue recovery in the direction of cost causation and maintained gradualism.

127. The Company proposes to allocate all (100%) costs associated with demand related distribution main investments based on peak day demands. OCA St. No. 1, p. 58.

128. Class specific revenue responsibilities are established by allocating the system wide revenue deficiency to classes that are under earning relative to their ROR. OCA St. No. 1. at 63.

129. Allocating the overall system-wide revenue deficiency entirely on a full cost of service basis can result in a very significant and adverse rate impact for certain under-earning classes and the assignment of revenue responsibilities to various customer classes should be tempered to meet a set of broad ratemaking policy goals, such

as rate gradualism, continuity, affordability and understandability. OCA St. No. 1, pp. 56, 64.

130. A cost parity ratio standardizes various class revenue to cost ratios against the overall quality system revenue to cost ratio. OCA St. No. 1, p. 66.

131. The Company's customer classes with a cost parity ratio greater than 1.0 but less than 1.5 at current rates, will receive an increase equal to 90 percent. OCA St. No. 1, p. 66.

132. Classes with cost parity ratios greater than 1.5 at current rates will receive an increase equal to 67 percent to recover the remaining requested increase. OCA St. 1 at 65.

133. The Company proposes a 14.38 percent system wide average basis. OCA St. No. 1, p. 67.

134. The Company's residential customers would receive a basis equal to 1.10 times this average or 15.82 percent. OCA St. No. 1, p. 67.

135. The increase for the Company's residential customers is much higher than the increase for the large commercial and public authority customers who would receive a 9.65 percent increase in rates. OCA St. No. 1, p. 67.

136. The Company's proposed revenue apportionment process results in rate increases that are inconsistent with rate gradualism. OCA St. No. 1, pp. 67-68.

137. Rate gradualism refers to the general understanding that sound rate design should prevent significant rate increases for any customer group that may cause rate shock. OCA St. No. 1, pp. 67-68.

Rate Impacts

138. The Company estimated its residential heating customers have the lowest average total bills with the lowest average delivery charges of all major natural gas distribution companies in the Commonwealth, and the Company proposed its customers will continue to have the lowest average total bills with the lowest average delivery charges even if the proposed rate increase is granted. National Fuel St. No. 1, pp. 8-12.

139. The Company estimated it has the lowest rate base per customer of all major natural gas distribution companies in the Commonwealth. National Fuel St. No. 1-R, p. 13.

140. If the Company's initial rate increase was approved in its entirety, the residential customer charge would comprise 21% of a monthly bill for a customer using 80 Ccf per month. CAUSE-PA St. No. 1, p. 4.

141. The Company's claim for base customer charge revenue in the FPFTY, at present rates, inclusive of Distribution System Improvement Charge (DSIC) revenue, is $139.7 million. National Fuel Exhibit A (Rebuttal Update), Sch. D-1, line 1.

142. If the Commission allows the customer charge as initially requested ($19), then 41% of distribution revenues would be recovered through the monthly customer charge and 59% of distribution revenues would be recovered through volumetric distribution rates. National Fuel St. No. 19-R, p. 27.

Other Post Employee Benefits (OPEB)

143. The Company proposed reinstatement of an OPEB surcredit to refund OPEB funds totaling approximately $6.2 million to all customers during the first year new rates are in effect. National Fuel St. No. 14, p. 14.

144. The Company also proposed a one-time bill credit of $30, totaling approximately $1.025 million, to approximately 34.000 Customer Assistance Program, Level 1 and Level 2 customers, or approximately 15% of residential accounts. National Fuel St. No. 14, p. 14.

145. At OCA's request, the Company adjusted its proposal to add that the credit would be distributed during the December 2026 billing period. National Fuel St. No. 14-R, p. 2.

146. Since 2021, the Company has refunded $50 million in OPEB funds back to ratepayers, which totaled a $7.7 million reduction in rates annually. National Fuel St. No. 1-R, p. 14.

Weather Normalization Adjustment (WNA) Pilot

147. The Company requests Commission approval to make the WNA a permanent feature of its tariff. National Fuel St. 1, p. 18.

148. The Company's stated purpose for the WNA pilot is to moderate the bill impacts of unusually warm or cold weather, provide customers with greater stability and align billed revenues more closely with its revenue requirement, as approved by the Commission in a previous proceeding. National Fuel St. No. 19, pp. 23-24.

149. The current WNA pilot was approved by the Commission pursuant to a settlement agreement in the Company's 2022 rate increase request and is set to continue through the heating season of October 2028. *Pa. Pub. Util. Comm'n v. National Fuel Gas Dist. Corp.*, Docket No. R-2022-3035730 (April 13, 2023), Joint Petition for Settlement at ¶¶41-43.

150. The WNA Pilot mechanism applies a formula using the ratio of normal heating degree days (NHDDs) to average heating degree days (AHDDs) and applies that ratio to each customer's heating-related usage to generate either a credit or a surcharge on the customer's bill. OCA St. No. 1, p. 29.

151. The WNA Pilot is limited to weather-related usage changes, applies to residential and commercial/public authority customer classes and uses a three-percent deadband to prevent minor weather variations from triggering bill changes. OCA St. No. 1, p. 29.

152. Warmer winters and volatility in heating degree days (HDDs) have had an impact year to year on the Company's throughput and revenues. National Fuel St. 1, p. 16.

153. The weather in Pennsylvania has been on a consistent, long-term warming trend that is predicted to continue, rising approximately 1.2 degrees Fahrenheit between 2000 and 2023, and is projected to rise another 6.7 degrees Fahrenheit by mid-century. CAUSE-PA ST. No. 1, p. 57; NFG St. No 19, p. 26.

154. The Company modified its volumetric forecasting approach to use a 10-year average of HDDs data published by NOAA as observed at the Erie (Pennsylvania) International Airport from 2015 to 2024. National Fuel St. 1, p. 16.

155. The Company distributed $2.6 million in net WNA credits to customers during the 2025-2026 heating seasons. National Fuel St. No. 19-R, pp. 30-31.

156. The Company provided WNA credits to customers in six out of twenty-three months that the WNA pilot has been in operation. NFG St. No. 1-R, p. 9, Table 1.

157. The WNA pilot resulted in more surcharges of significant size than surcredits of significant size during the time the WNA pilot has been in operation. NFG St. No. 1-R, p. 9, Table 1; OCA St. No. 1-0SR, p. 6.

158. As Pennsylvania's weather continues to warm, fewer Heating Degree Days (HDDs) will occur over time, and the warming trend will result in the Company's WNA imposing more charges on customers' bills than yielding bill credits. CAUSE-PA St. No. 1, p. 57; NFG St. No. 19, p. 26.

159. Since its implementation in October 2023 through April 2026, the Company's WNA pilot resulted in net additional charges of approximately $6.5 million on the residential customer class that customers would not have otherwise been charged based on usage. CAUSE-PA St. No. 1-SR, p. 23.

160. The Company's WNA confuses the connection between revenue and cost causation by charging customer more when the customer's usage is lower than normal and charging less when the customer's usage is higher than normal. CAUSE-PA St. No. 1, Appendix C; Exhibit Geller C-2, p. 1.

161. NFG's WNA pilot has worked to the detriment of customers and to the benefit of NFG.[4]

162. NFG's WNA distorts the connection between revenue and cost causation by charging customers more when their usage is lower than normal and less when their usage is higher than normal.[5]

163. NFG's WNA inverts the relationship between capacity utilization and customer charges by crediting customers when weather is colder than normal and more of the Company's fixed capacity is utilized, and charging customers when weather is warmer than normal and less of the Company's fixed capacity is utilized.

Energy Efficiency Pilot (EEP)

164. The Act 129 mandate – to develop Energy Efficiency and Conservation Programs – is not applicable to Pennsylvania natural gas distribution companies, and statutory penalties would not be imposed if a natural gas distribution company did not meet the stated goals.

165. The Company proposed implementing a rebate-based five-year pilot, the Energy Efficiency Program, starting in October 2026, which would provide rebate incentives to residential customers, regardless of income. National Fuel St. No. 18, p. 5.

166. The Company's stated purpose for the EEP is to incentivize customers to purchase efficient natural gas appliances. National Fuel St. No. 18, p. 5.

---

[4] *Id.*

[5] CAUSE-PA St. 1, App. C, Ex. Geller C-2 at 1.

167. The Company's New York division has run an energy efficiency program for 17 years that includes both residential and non-residential programs, and which provides rebates in the non-residential program that will replace some appliances with new, energy efficient models. National Fuel St. No. 18, Direct Testimony of Solomon, p. 4.

168. NFG proposes the EEP will provide rebates to encourage the purchase and installation of high-efficiency natural gas appliances including space heating rebates for high-efficiency furnaces and boilers, upgrading high-efficiency water heaters and tankless water heaters, and ENERGY STAR® certified natural gas clothes dryers. National Fuel St. No. 18, p. 5.

169. The Company estimates the five-year budget for the EEP is approximately $3.5 million, or approximately $700,000 annually. National Fuel St. No. 18, p. 6.

170. The Company proposes to recover all reasonable and prudently incurred costs directly associated with administration, marketing, customer rebates and evaluation activities of the program through a dedicated rider (Rider D) applied to all residential customers. National Fuel Exhibit F, proposed Rider D.

171. The Company used the Total Resource Cost (TRC) established under Act 129 for Energy Efficiency and Conservation Plans, to calculate the savings and benefits of the EEP over five years. National Fuel St. No. 18, p. 8; 2026 Total Resource Cost Test, Docket No. M-2024-3048998 (Final Order entered Nov. 7, 2024).

172. Using the TRC test, the Company estimates 10,000 customers will participate, producing 56,255 Mcf in natural gas savings, $497,300 in energy savings and a TRC benefit-cost ratio of 1.02. National Fuel St. No. 18, pp. 6-9.

173. The Company proposes including in the EEP referral-based coordination between the EE Pilot, Low Income Usage Reduction Program (LIURP), the Emergency Repair and Replacement Program (ERRP), and other assistance programs to connect eligible customers to programs with deeper, no-cost weatherization services available. National Fuel St. No. 18-R, pp. 6-7.

Universal Service Plan

174. The Company's next USECP filing is due on September 1, 2028. CAUSE-PA St. No. 1, p. 24.

175. The Company did not make a proposal to modify its universal service program in this proceeding. CAUSE-PA St. No. 1, p. 24.

Customer Assistance Program (CAP)

176. The Company has established processes to identify low-income customers during contacts with the Company and to make regular referrals to assistance programs when a customer's reported income indicates eligibility. National Fuel St. No. 17-R, p. 5.

177. The Company's processes are implemented during points of contact if a customer contacts the Company related to an inability to pay a bill, to ask about a termination notice, to ask about a payment arrangement or to request an extension of time to pay a bill. The Company refers these customers to the Universal Service programs, including CAP. National Fuel St. No. 17-R, p. 5.

178. The Company identifies customers as low-income when the Company receives LIHEAP, CRISIS or Supplemental payments from the Department of Human Services (DHS) for a customer. National Fuel St. No. 17-R, p. 5.

179. The data provided to the Company from DHS, through the LIHEAP data sharing program, indicates the customers who are eligible for CAP and who have indicated affirmatively that they (the customers) want help from the Company to enroll in rate assistance programming. CAUSE-PA St. No. 1, p. 34; CAUSE-PA St. No. 1-SR, p. 10.

180. The Company has enrolled 19% of the customers the Company contacted after it received DHS' LIHEAP data indicating the customers wanted help enrolling in rate assistance. CAUSE-PA St. No. 1, p. 34.

181. The Company updates a customer's income information as needed when discussing eligibility for a new payment arrangement, to reverify income for CAP enrollment or to re-enroll in CAP. National Fuel St. No. 17-R, p. 5.

182. The Company uses bill inserts to notify customers about available Universal Service programs. National Fuel St. No. 17-R, p. 5.

183. The Company's claim includes hiring three new employees to ensure appropriate staffing to cover its current CAP program and call center needs, and it plans to hire three additional FTEs to support its CAP program work when the Company moves its CAP administrative work in-house rather than relying on a third-party vendor. National Fuel St. No. 3-R, p. 3; National Fuel St. No. 17-R, p. 9.

184. In January 2025, the Company launched an online application so customers can apply for CAP and apply for CAP recertification online in desktop and mobile formats. National Fuel St. No. 17-R, pp. 9, 12-14.

185. Between July 2025 and January 2026, the Company increased its CAP enrollment by 698 customers. National Fuel St. 17-R, p. 12.

186. The Company reaches out to customers up for recertification by email or mail depending on a customer's stated communication preference, and provides a self-addressed, stamped envelope to customers who are sent a paper recertification application that provides information for how to recertify online. National Fuel St. 17-R, pp. 13-14.

187. The Company does not track data regarding the total or average dollars in debt for its CAP participants. CAUSE-PA St. No. 1, p. 37.

188. The Company agreed in rebuttal to CAUSE-PA's recommendation to track and report additional data related to CAP to its USAC, including the number of applications and recertifications, the total number of CAP accounts with arrears, the total dollar amount in debt for CAP customers, and the average amount of debt for CAP customers. National Fuel St. No. 17-R, pp. 17-18.

189. The Company routinely reviews customer complaints to check for compliance with Company policies and Commission regulations, identifying underlying trends and addressing the issues with all Company personnel involved through group refresher training. National Fuel St. No. 17-R, p. 33.

190. The Company provides extensive training for employees to offer reasonable payment agreement terms to customers and uses early intervention for effective arrearage management. National Fuel St. No. 17-R, p. 33.

191. The Company's current tracking shows that Total Dollars in Debt of customers on payment arrangements rose from 38.6% in 2022, to 46.8% in 2024. National Fuel St. No. 17-R, p. 35.

192. As of December 2025, there were 6,217 customers enrolled in the Company's CAP. CAUSE-PA St. No. 1, pp. 13-21.

193. As of January 2026, the Company's customers who are confirmed to be low income and who are not enrolled in CAP make up 9.6% of the residential customer class and carry 52% of residential customer debt. CAUSE-PA St. No. 1, pp. 17-19.

194. In 2025, the Company involuntarily terminated the service of 1 in 10 confirmed low income customers, and involuntarily terminated the service of 4 in 100 customers in the overall residential class. CAUSE-PA St. No. 1, pp. 18-19.

195. The Company's customers who are confirmed low income households and are not enrolled in CAP are more than seven times more likely to face involuntary termination than households enrolled in CAP. CAUSE-PA St. No 1, Appendix B.

196. More than half of the customers removed from the Company's CAP in 2025 were removed because the customers did not respond to the Company's recertification outreach. CAUSE-PA St. No. 1, p. 34.

197. The Company does not collect data on whether a termination notice is avoided when a customer makes a payment or enters a payment plan. OCA St. 5 at 13.

Low Income Usage Reduction Program (LIURP)

198. The Company provides low income customers with no-cost weatherization services through its LIURP with annual funding set at $1.4 million. I&E St. No. 1-R, p.5.

199. The Company's LIURP budget rolls forward each year, and in 2025, the Company had carryover dollars of $1,450,879.24. National Fuel St. No. 17-R, p. 23.

200. The Company does not provide assistance to customers living in mobile homes through LIURP, but the Company does offer assistance to those customers through its Emergency Repair and Replacement Program (ERRP), which provides assistance with the emergency repair or replacement of natural gas heating and hot water heating equipment. National Fuel St. No. 17-R, p. 24.

201. The Company offers its Low Consumption LIURP (LC-LIURP) pilot as a means to identify and assist households with moderate consumption (where annual consumptions range from 900 Cubic Feet (Ccf) to 1,300 Ccf). National Fuel St. No. 17-R, pp. 25-26.

202. The Company currently partners with the Greater Erie Community Action Committee ("GECAC") to help raise funds for its Neighbor for Neighbor ("NFN") Hardship Fund. National Fuel St. No. 17-R, pp. 30-31.

203. NFG did not expend its LIURP budget in any year since 2018 and has not performed the number of LIURP jobs it estimated it would complete in each year of its current USECP. CAUSE-PA St. No. 1, p. 40.

204. The Company excludes low income mobile home residents from participation in LIURP. CAUSE-PA St. No. 1, p. 44; CAUSE-PA St. No. 1-SR, p. 12.

Service Quality and Customer Service

205. NFG has approximately 15,109 small business customers. Over the last three years, approximately 1624 to 2375 accounts had late payments each year and approximately 2 to 53 commercial accounts were disconnected or had service terminated, each month, due to late payments or non-payments. Exhibit OSBA-2; National Fuel Answer to OSBA 1-4 Interrogatory, Attachment OSBA-I-01.4; National Fuel Answer to OSBA 1-5 Interrogatory, Attachment OSBA-I-01.5.

206. With regards to customer service representatives' knowledge and courtesy, the Company's performance is slightly under the 2024 industry's average of 91%. OCA St. No. 5, p. 8.

207. With regards to customer satisfaction surveys, the Company averaged 88.6% in 2022, 88.4% in 2023, and 87.6/% in 2024. OCA St. No. 5, p. 10.

208. The Company has seen year-over-year increases in service outages over the last three years with 379 outages in 2022, 465 outages in 2023, and 478 outages in 2024. OCA St. No. 5, p. 10.

209. In 2024, the percentage of the Company's residential meters that were not read by the Company or the customer within six months was the highest of its peers in 2022, 2023 and 2024. OCA St. No. 5, p. 10.

210. While other gas utilities averaged close to zero percentage of unread meters, the Company's percentage averaged slightly above one percent. OCA St. No. 5, p. 10.

211. In 2025, the Company's meter reading performance remained relatively flat compared to prior year's performance. OCA St. No. 5, p. 10.

212. With regards to customer complaints informally appealed to the Commission's Bureau of Consumer Services (BCS) and presented in the 2024 and 2025 UCARE filings, the Company's performance shows an increase in the volume of payment arrangement disputes from 2024 to 2025. OCA St. No. 5, p. 11.

213. Based on the 262 complaints from the first three quarters of 2025, the average of 26 complaints per month projects a year-end total of approximately 340 complaints. OCA St. No. 5, p. 11.

214. The 2024 customer satisfaction results for field representatives regarding overall satisfaction with the way a premises visit was handled decreased over the past three years, ranking below other natural gas providers. OCA St. No. 5, p. 12.

215. The Company's response time to residential customers' complaints is above the industry average for 2021, 2022, and 2023. OCA St. No. 5, p. 12.

216. The Company's call center performance is average relative to other NGDCs. OCA St. No. 5, p. 7.

217. The Company's customers experience issues getting into the queue to speak to a customer service representative. OCA St. No. 5, p. 8.

218. The Company had a busy out rate of 4.9% in 2022, 5.1% in 2023, 1.8% in 2024 and a 1.2% busy out rate in 2025 compared to a 0% busy out rate of other gas distribution companies for each of the three years referenced. OCA St. No. 5, p. 7.

<u>Miscellaneous and Other Issues</u>

Long Term Investment Improvement Program (LTIIP) and Leaking Pipe Program (LPP) Replacements

219. The Company's accelerated leak prone pipe (LPP) replacement program is projected to replace all remaining LPP in the Company's system by 2039. National Fuel St. No. 9-R, pp. 2-3.

220. The Company has increased its capital expenditures for distribution and transmission plant since 2023, spending $129.5 million between 2023 to 2025 for the replacement of mains, services, and measurement and regulation stations. National Fuel St. No. 9, p. 3.

221. Between 2016 and 2024, the Company eliminated 371 miles, or 31%, of its leak prone bare steel and wrought iron pipelines, plus 7,337 or 34% of its bare steel services. National Fuel St. No. 9, p. 7.

222. Under the Amended LTIIP, National Fuel will continue to increase capital spending, with a planned total spending of approximately $253.4 million over the five-year period. National Fuel St. No. 9, p. 3.

223. The increased spending resulted from the Company's accelerated LPP replacement schedule, projected higher average distribution LPP replacement costs per mile, and projected higher average transmission and high-pressure steel pipeline replacement costs per diameter-inch mile. National Fuel St. No. 9, pp. 4-6; National Fuel St. No. 9-R, pp. 2-3.

224. The Company tracks and analyzes replacement costs, including restoration costs, which pipeline replacement work is completed using contractor crews selected through competitively bid contracts awarded on a per project basis or by geographical region. National Fuel St. No. 9-R, p. 4.

225. These contracts use a unit price basis for bid items, which includes all restoration, material, labor, and equipment to complete a specific construction task but, since those costs are rolled into the unit price for each bid item, a breakdown of those costs is not available. National Fuel St. No. 9-R, p. 4.

226. The project planning phase includes measures to reduce and control costs by gathering and reviewing as-built information for existing gas and other utilities, designing one-call and mark out of existing utilities, conducting a field review of the proposed project to determine the best method for construction, minimizing impact to environmental and other natural resources, coordinating landowner issues, and minimizing or avoiding other potential conflicts. National Fuel St. No. 9-R, pp. 4-5.

227. After a bid project is complete, a post investment analysis (PIA) is submitted by the project engineer. The PIA includes a breakdown and comparison of the estimated versus actual costs as well as a comparison of the estimated versus actual construction schedule, including an explanation for any major variances. National Fuel St. No. 9-R, pp. 4-5.

228. These variances are summarized and reviewed with Engineering and Operations management on a semi-annual basis to identify potential cost savings and improvements for future project planning.[6] National Fuel St. No. 9-R, pp. 4-5.

Tariff Rule 8

229. The Company's personnel sometimes must enter a service address to inspect gas systems and appliances, which are often located in basements or enclosed areas that can present serious health and safety risks, including unsanitary conditions, sewage exposure, accumulated refuse, and mold infestations. National Fuel St. No. 16, p. 29; National Fuel St. No. 16-R, p. 2.

230. Under the Company's current procedures, when health or safety issues prevent safe access to Company- or customer-owned equipment, the Company requires the customer to provide free access and, if needed, to correct these issues before employees can enter or work on the premises, to protect Company employees and ensures work can be performed in a safe environment, in accordance with the Company's safety protocols. CAUSE-PA St. 1, Appendix B.

231. The Company proposes to amend its Tariff Rule 8 to add that "free access" to a service address means Company personnel may not be denied physical access to its facilities in service address and also that personnel must not be subject to unsafe or hazardous conditions while performing their duties to check the utility's facilities. National Fuel St. No. 16, p. 29.

232. The Company proposes to define unsafe conditions as including "aggressive or uncontrolled animals, insect or rodent infestation, display, use or

[6] National Fuel St. No. 9-R, pp. 4-5.

brandishing of firearms or other weapons in a threatening or intimidating manner, presence of excrement, debris or other rubbish, or any other circumstance that may reasonably pose a threat to the health or safety of Company employees or agents." National Fuel St. No. 16, p. 29; National Fuel Exhibit F.

233. If amended, Tariff Rule 8 does not provide residents with prior notice of terminations or of a need to correct a potentially unsafe condition, and it does not provide for protections for tenants and residents who may lack control over the potentially unsafe condition. CAUSE-PA St. No 1, p. 49.

234. Under the Company's current tariff and existing protocols when health and/or safety conditions may be a concern, personnel are sufficiently protected when faced with concerns at a service address. CAUSE-PA St. No. 1, pp. 70-71.

Methane Detector Program

235. The Company currently operates another methane detector pilot program in its New York division which is designed to evaluate the feasibility, operational requirements, costs and potential risks of methane detector technologies. National Fuel St. No. 16-R, p. 8.

236. BIE proposes the Company should implement a pilot methane detector installation program using Smart Remote Methane Detection (SRMD) in a geographic region and consider using Advanced Metering Infrastructure (AMI) technology or other communication network technology for the notification methodology in the proposed pilot. I&E St. No. 4, pp. 16-26.

237. While the Company agreed the technologies would be beneficial and help to mitigate risk, the Company disagreed that the time of this proceeding was an appropriate time to implement the pilot program. National Fuel St. No. 16-R, p. 8.

238. BIE did not present sufficient evidence to prove that the implementation of the pilot was a prudently incurred and reasonable cost at this time.

IV. <u>DISCUSSION</u>

A. Summary of Issues and Arguments

The Discussion Section that follows is divided into eleven major sections, based on the common base rate briefing outline requested by the parties: Rate Base, Operating Sales and Revenue, Operating Expenses, Taxes, Rate of Return, Rate Design with Revenue Allocations and Class Cost of Service, Weather Normalization Adjustment, Energy Efficiency Pilot, Universal Service, Customer/Quality of Service Issues, and Miscellaneous Issues. Some of those sections are further divided into major categories.

Attached to this Recommended Decision, and marked as Appendix A, are Tables which contain the calculations and the result of the individual decisions of the presiding officer, and how those decision impact the recommended rate base and revenue requirement.

B. Burden of Proof

In a rate case, it is axiomatic that the burden of proof to demonstrate the rates sought are just and reasonable lies squarely on the utility proposing the rates rather than a party challenging the implementation of those rates.[7] Public utilities have the burden to establish the justness and reasonableness of every element of its rate increase in all proceedings conducted under Section 1308(d) of the Public Utility Code. Moreover, "[p]ursuant to Section 102 of the [Public Utility] Code, a public utility's rates include, *inter alia*, <u>every individual charge that utility demands for any service offered, rendered, or furnished by the utility, whether received directly or indirectly</u>." *Metro. Edison Co. v. Pa. Pub. Util. Comm'n*, 22 A.3d 353, 359 (Pa. Cmwlth. 2011) (underline added for emphasis) (*citing* 66 Pa.C.S. § 102).

The standard of proof, which a public utility must meet, is set forth in Section 315(a) of the Public Utility Code (Code), 66 Pa.C.S. § 315(a), which specifies that, "[i]n any proceeding upon the motion of the Commission, involving any proposed or existing rate of any public utility, or in any proceeding upon complaint involving any proposed increase in rates, the burden of proof to show that the rate involved is just and reasonable shall be upon the public utility." Pennsylvania's Commonwealth Court has upheld this standard of proof and has applied it in base rate proceedings,[8] even when the question concerning an element of the base rate increase request was raised by a party instead of the public utility.[9]

In this proceeding, the burden of proof lies squarely with the Company because it is the public utility which seeks permission from the Commission to increase its base rate and change some elements of rate base. The burden of proof did not shift to

---

[7] *See* 66 Pa.C.S. § 315(a); *see also, Lower Frederick Twp. v. Pa. Pub. Util. Comm'n*, 409 A.2d 505, 507 (Pa. Cmwlth.1980); *Brockway Glass v. Pa. Pub. Util. Comm'n,* 437 A.2d 1067 (Pa. Cmwlth. 1981).

[8] *Lower Frederick Twp. v. Pa. Pub. Util. Comm'n.*, *supra*. *See also Brockway Glass v. Pa. Pub. Util. Comm'n*, *supra*.

[9] *See Pa. Pub. Util. Comm'n. v. National Fuel Gas Distribution Corp.*, 1994 Pa. PUC LEXIS 134 *5 (1994); *Pa. Pub. Util. Comm'n v. Breezewood Telephone Company*, 74 Pa. PUC 431 (1991); and *Pa. Pub. Util. Comm'n v. Equitable Gas Co.,* 57 Pa. PUC 423, 471 (1983).

any statutory party or individual challenging the requested rate increase. Instead, the utility's burden, to establish the justness and reasonableness of every component of its rate request, is an affirmative one and remains with the public utility throughout the course of the rate proceeding.[10]

Under the Public Utility Code, rates charged by public utilities must be just and reasonable and cannot result in unreasonable rate discrimination. 6 Pa.C.S. §§ 1301, 1304. As indicated above, the public utility seeking a general rate increase has the burden of proof to establish the justness and reasonableness of every element of the rate increase request.[11]

C. Concerning Rate Base

1. National Fuel Gas Distribution Corporation

NFGDC notes its updated claim for rate base reflects the projected balance at the end of the FPFTY of $571.4 million and includes plant in service, depreciation reserve, cash working capital, gas storage inventory, deferred income taxes, materials and supplies inventory, customer deposits, and customer advances.[12]

---

[10] *See also* 66 Pa.C.S. §1501, requiring a utility to have reasonable rules governing service. There is no similar burden placed on parties which challenge a proposed rate component. *See Berner v. Pa. Pub. Util. Comm'n*, 116 A.2d 738, 744 (Pa. 1955).

[11] 66 Pa.C.S. § 315(a); *Pa. Pub. Util. Comm'n v. Aqua Pa., Inc.*, Docket No. R-00038805, 236 PUR 4th 218, 2004 Pa. PUC LEXIS 39 (Aug. 5, 2004).

[12] National Fuel Exhibit A (Rebuttal Update), Sch. C-1.

a. Utility Plant

The Company contends its claim for utility plant in service is $957.2 million for the FPFTY.[13] FTY and FPFTY plant additions are derived from the Company's five-year capital forecast.[14] Plant additions and retirements are provided in Exhibit A (Rebuttal Update), Schedule C-2, and details regarding the claim are provided in National Fuel St. No. 6, pages 4-6. The Company's utility plant has increased since its prior rate case proceeding in 2022 due primarily to investments in system modernization and leak prone pipe replacement as authorized by the Commission through the Company's Amended LTIIP.[15] No party recommended adjustments to the Company's utility plant claim and, therefore, it should be approved without modification.

b. Accumulated Depreciation

The Company asserts its depreciation reserve[16] as of the end of the FPFTY was calculated by Gannett Fleming Valuation and Rate Consultants, LLC ("Gannett Fleming") and was projected generally using the straight-line remaining life method, with the Equal Life Group ("ELG") procedure.[17] The Company further asserts its book depreciation reserve is $320.6 million.[18] Importantly, the Company argues its current claim for accrued depreciation in this proceeding is made on the same basis as it has been for over thirty years.[19]

---

[13] *See* National Fuel Exhibit A (Rebuttal Update), Sch. C-2.

[14] National Fuel St. No. 3, p. 4.

[15] *See* National Fuel St. No. 9, pp. 3-5.

[16] The depreciation reserve is the book reserve brought forward from the book reserve approved by the Commission in National Fuel's last base rate proceeding. National Fuel St. No. 8, p. 5.

[17] National Fuel St. No. 8, pp. 4-5; National Fuel Exh. C, pp. IV-1-8.

[18] National Fuel Exhibit A (Rebuttal Update), Sch. A-1.

[19] National Fuel St. No. 8, p. 4.

NFG contends the only proposed adjustments to its accrued depreciation reserve are with respect to OCA's proposed $4.67 million of depreciation expense resulting from OCA's proposal to change the Company's depreciation method from the ELG procedure to the Average Service Life (ASL) procedure.[20] NFG argues OCA's proposed adjustment to National Fuel's plant additions is improper and, therefore, the related adjustment to the Company's depreciation reserve should be rejected.

c. Net Plant In Service

NFG asserts net plant in service is determined by subtracting the depreciation reserve from utility plant. National Fuel claims its net plant in service is $636.7 million,[21] if the Commission accepts the Company's undisputed claim for utility plant and its accumulated depreciation based on the Company's ELG method.

d. Gas Inventory

National Fuel notes its claim for gas inventory is $5.7 million,[22] and further noted no party challenged the claim for an addition to rate base for gas inventory. NFG contends the claim should be approved without modification

e. Accumulated Deferred Income Taxes

NFG asserts that accumulated deferred income taxes (ADIT) generally are a reduction to rate base, and asserts the total ADIT set forth in the Company's rate base

---

[20] OCA St. No. 2, p. 22.

[21] National Fuel Exhibit A (Rebuttal Update), Sch. C-1, line 3.

[22] National Fuel St. No. 6, p. 11; National Fuel Exhibit A (Rebuttal Update), Sch. A-1.

calculation is $73.9 million.[23] The Company notes no party challenged the Company's claim for a reduction to rate base for ADIT and, therefore, it should be approved without modification.

f. Customer Deposits

National Fuel asserts its claim for customer deposits is used to offset the need to provide further capital, and notes the actual balances for customer deposits were recorded and provided on Schedule C-7. In the FTY and the FPFTY, the Company notes it used the last known historical values for the respective months, and its claim for customer deposits for the FPFTY is $5.2 million.[24] The Company further notes no party challenged the Company's claim for a reduction to rate base for customer deposits and, therefore, the Company's claim should be approved without modification. In rebuttal, the Company updated its rate base calculation to reflect customer advances and contributions in aid of construction ("CIAC") as deductions from rate base totaling $86,000.[25] The Company asserts this deduction includes $25,000 in CIAC and $61,000 in customer advances for construction,[26] and contends these deductions were appropriately calculated using the 13-month average balance for these accounts ending September 30, 2025, consistent with the Company's method used to develop its other FPFTY amounts.[27] The Company argues the Commission should reject OCA's proposed deductions for these accounts, which are based on a 13-month average ending February 2026, because OCA's methodology is inconsistent with that method used to

---

[23] National Fuel St. No. 6, p. 12; National Fuel Exhibit A (Rebuttal Update), Sch. C-6.

[24] National Fuel Exhibit A (Rebuttal Update), Sch. C-7, line 17.

[25] National Fuel Exhibit A (Rebuttal Update, Sch. C-8.

[26] National Fuel St. No. 6-R, p. 2.

[27] National Fuel St. No. 6-R, p. 2.

develop the Company's other FPFTY amounts.[28] For these reasons, NFG contends the Commission should accept the Company's deductions for CIAC and customer advances

g. Materials and Supplies

NFG notes its claim for materials and supplies is $1.6 million,[29] and no party challenged the Company's claim. Therefore, NFG contends this claim should be approved without modification.

h. Cash Working Capital

NFG asserts its claim for cash working capital (CWC) is $6.7 million,[30] and the Company contends the Commission should accept the CWC claim with one adjustment to the lead-lag study. The Company accepts OCA's position - that non-cash expenses should be removed from the lead-lag study when determining the final CWC allowance approved in this proceeding, in line with Commission precedent.[31] However, the Company contends the Commission should reject all other adjustments to the proposed CWC claim.

The Company notes its CWC claim includes prepaid expenses as a component of working capital because they represent cash outlays made in advance of the period in which the related costs are recognized in expense, consistent with the

---

[28] *See* OCA St. No. 2, pp. 10-11.

[29] National Fuel St. No. 6, p. 11; National Fuel Exhibit A (Rebuttal Update), Sch. A-1. CWC is the capital requirement calculated between (1) the lag in the receipt of revenue for rendering service and (2) the lag in the payment of cash expenses incurred to provide such service to National Fuel's customers. National Fuel St. No. 6, pp. 6-7.

[30] National Fuel Exhibit A (Rebuttal Update), Sch. C-4, line 14.

[31] *See* OCA St. 2SR, p. 8; LKM-4A-SR, p. 4, lines 2-4. 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.

methodology previously accepted by the Commission.[32] NFG asserts the Commission should reject the recommended adjustments of BIE and OCA to the CWC based on their respective recommended adjustments to O&M expenses and recommended capital structures.[33] The Company argues these adjustments should be rejected for the same reasons the Company explained various of the proposed adjustments from BIE and OCA to expenses and capital structure. In addition, the Company contends OCA's CWC adjustments are flawed because they fail to properly incorporate prepaid expenses.[34]

NGS points out that, in rebuttal, it updated the lead-lag study to remove $2,732,664 in prepaid O&M expenses from "Other Expenses" so that prepaid expenses are reflected only once in working capital.[35] The Company contends that this adjustment addressed OCA's concerns that the Company had double counted prepaid expenses.[36]

NFG asserts that, in surrebuttal, OCA accepted the Company's inclusion of prepaid expenses as a component of working capital and made updates to its proposed CWC adjustments.[37] However, NFG contends OCA's updates contain two errors. First, NFG claims OCA increased the amount of prepaid expenses removed from the lead-lag study to $9,455,000,[38] which is the sum of the *entire* FPFTY O&M expenses for

---

[32] National Fuel St. No. 6-R, p. 3.

[33] *See* I&E St. No. 1, pp. 23-24; OCA St. No. 2, p. 9; National Fuel St. No. 6-R, p. 4.

[34] OCA St. No. 2, pp. 9-10; OCA St. No. 2-SR, pp. 7-8.

[35] National Fuel St. No. 6-R, p. 4; Exhibit A (Rebuttal Update), Sch. C-4, p. 2. This update does not remove prepaid expenses from CWC altogether, only from the lead-lag study.

[36] National Fuel St. No. 6-R, p. 4.

[37] OCA St. No. 2SR, p. 8 ("I will accept the approach used by NFG, in its rebuttal filing, which includes prepayments in rate base, but removes prepaid expenses from the lead/lag study.").

[38] OCA St. 2SR, p. 8.

insurance, PUC assessments, AGA dues, and IT services,[39] while NFG argues that only the prepaid amounts of these O&M expenses should be removed from the lead-lag study ($2,732,664).[40] Second, the Company contends OCA's recommended downward CWC adjustment of $1,195,000 is inconsistent with prior OCA statements that OCA "will accept the approach used by NFG, in its rebuttal filing, which includes prepayments in rate base, but removes prepaid expenses from the lead/lag study."[41] As evident on pages 1 and 4 of OCA Exhibit LKM-4A-SR, OCA's recommended CWC adjustment does not include prepaid expenses in the final calculation and does not remove them from the lead-lag study.[42] NFG contends that if prepaid expenses were included, which total $1,080,000, OCA's CWC adjustment to rate base would be considerably less than $1,195,000.[43] As such, the Company argues OCA's proposed CWC adjustments are flawed because they fail to properly incorporate prepaid expense

2. Bureau of Investigation and Enforcement

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

---

39 *See* National Fuel Exhibit ATF-1 (showing the full expense amounts for the FPFTY that are used in Mr. Deupree's calculation of prepaid expenses).

40 *See* National Fuel St. No. 6-R, p. 4 (explaining that the Company's rebuttal update to the prepaid expenses reflected in the cash working capital removes the prepaid expenses from the "Other Expenses" category so that the O&M expenses and payment days align methodologies); *compare* National Fuel Exhibit ATF-1, Sch. 1 with OCA Exhibit LKM-4B-SR, p. 4 (showing that OCA witness Deupree's adjustments to prepaid expenses are equal to the total O&M expenses for the FPFTY amount for the categories "Other Insurance," "Regulatory Assessment," and "Information Services"); and *compare* I&E Exhibit 1, Sch. 4, p. 3 with OCA Exhibit LKM-4B-SR, pp.3-4 (showing that OCA witness Deupree's adjustment to prepaid expenses for AGA Dues is simply the Company's claim for all AGA dues in the fully projected test year).

41 OCA St. No. 2SR, p. 8.

42 OCA Exhibit LKM-4A-SR, pp. 1 and 4.

43 National Fuel Exhibit A (Rebuttal Update), Sch. C-4, p. 5.

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

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

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

a. Utility Plant

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

b. Accumulated Depreciation

BIE did not submit any testimony regarding the accumulated depreciation issue. I&E took no position on this issue. BIE asserts the Commission weighed in on this issue in the last *Columbia Gas* base rate case.[44]

c. Net Plant In Service

Regarding BIE's requested FPFTY reporting requirements, BIE recommends that the Company be required to provide BIE and OCA with an update to NFG Exhibit A - FTY, Schedule C-2 ,no later than February 1, 2027, under this docket number. BIE further recommends the update should include actual capital expenditures, plant additions, and retirements by month for the twelve months ending September 30, 2026.[45] Additionally, BIE recommends that the Company be required to provide an update to NFG Exhibit A - FPFTY, Schedule C-2, for actuals through October 31, 2027, no later than February 1, 2028.[46]

BIE asserts there is value in determining how closely NFG's projected investments in future plant align with the actual investments that are made by the end of the FTY and FPFTY.[47] BIE contends that determining the correlation between NFG's projected and actual results will help inform the Commission and the parties in NFG's

---

[44] See *PA. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2025-3053499, Recommended Decision Entered Oct. 3, 2025, pp. 137-151; OPINION AND ORDER Entered Dec. 9, 2025, pp. 97-111.

[45] I&E St. No. 3, pp. 3-4.

[46] *Id.*

[47] *Id.*, p. 4.

future rate cases as to the validity of NFG's projections.[48] BIE notes the Company agreed it would provide the updates, if directed.[49]

d. Gas Inventory

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

e. Accumulated Deferred Income Taxes

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

f. Customer Deposits

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

g. Materials and Supplies

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

---

48 *Id.*

49 I&E St. No. 3-SR, p. 3, citing NFG St. No. 6-R, p. 5.

h. Cash Working Capital

Regarding the Company's claim for its cash working capital expense, BIE notes that cash working capital includes the amount of funds necessary to operate a utility during the interim between the rendition of service, including the payment of related expenses, and the utility's receipt of revenue in payment of services rendered.[50] BIE notes NFG calculates its cash working capital by using a lead/lag study which BIE does not oppose.[51] BIE contends a lead/lag study measures the differences in time between: (1) the time services are rendered until payment of those services is received; and (2) the time between the point when a utility has incurred an expense and the actual payment of the expense.[52]

BIE recommends an allowance of $6,643,822 or a decrease of $111,005 ($6,754,827 - $6,643,822) to the Company's claim,[53] based on BIE's adjustments to O&M expenses, as discussed in BIE's testimony and BIE's recommended cost of long-term debt ratio of 45%.[54] BIE notes that cash working capital is not a final recommendation because all adjustments to the Company's claims must be continually brought together in the ALJ's Recommended Decision and again in the Commission's Final Order.[55] This process, known as iteration, effectively prevents the determination of a precise calculation until all adjustments have been made to the Company's claims.[56]

---

50 I&E St. No. 1, pp. 21-22.
51 *Id.*, p. 22.
52 *Id.*
53 *Id.*, p. 23, citing I&E Exhibit No. 1, Schedule 5, p. 1.
54 *Id.*, citing I&E Exhibit No. 2, Schedule 1.
55 I&E St. No. 1-SR, p. 21.
56 *Id.*

3. Office of Consumer Advocate

a. Utility Plant

OCA did not address this issue in its testimony.

b. Accumulated Depreciation

OCA did not address this issue in its testimony.

c. Net Plant In Service

OCA did not address this issue in its testimony.

d. Gas Inventory

OCA did not address this issue in its testimony.

e. Accumulated Deferred Income Taxes

OCA did not address this issue in its testimony.

f. Customer Deposits

OCA notes NFG has certain Customer Advances for Construction on its books which it has not reflected as a reduction to rate base.[57] OCA asserts these are advances by customers for construction which are to be refunded either wholly or in part

[57] OCA St. 2 at 11.

by the utility at a later date. OCA points out that the Company has use of the customer advances for the construction project to offset its costs while these funds are held by the Company.[58] OCA contends that, for ratemaking purposes, the value of the investments not incurred by the utility, because they are funded by customer advances, represent cost free capital to the utility and the utility is not entitled to receive a return on the avoided cost of the investment.[59] OCA recommends an adjustment to reduce rate base by $54,000 which represents the value of the 13-month average balance in the Customer Advances account.[60]

g. Materials and Supplies

OCA did not address this issue in its testimony.

h. Cash Working Capital

OCA asserts that, for utility ratemaking purposes, the working capital allowance is composed of two categories of funds that are captured in rate base dedicated to acquiring certain goods and services and day-to-day operations.[61] The two categories are the Allowance for Cash Working Capital and Prepayments (e.g., Materials & Supplies Inventory, Prepaid Insurance, Prepaid, etc.). Furthermore, for most utilities, the Allowance for Cash Working Capital is calculated based on a lead/lag study – an in-depth analysis that measures the difference between the lapse of time when a company receives

---

58 *Id.*

59 *Id.*

60 *Id.*, *see*, OCA Exh. LKM-5A-SR; *see also*, OCA St. 2SR at 9 (regarding use of the historic test year for customer advances).

61 *Id.* at 8.

revenue for the provision of service and the lapse of time when a company pays for the costs of providing that service.[62]

OCA witness Morgan recommended an adjustment to NFG's cash working capital claim, in part, to adjust the lead/lag study to reflect adjustments related to operating expenses he recommends, as well as the interest expense adjustment related to his adjustments to rate base and OCA's recommended capital structure.[63] Mr. Morgan also recommended an adjustment to NFG's cash working capital claim because there are a number of amortizations and accrued expenses that are reflected in the operating expenses that do not require the use of cash and should be removed from the lead/lag study.[64] The combined effect of these adjustments result in a decrease in rate base of $1,184,000.[65]

Furthermore, Mr. Morgan recommended that NFG's claim for prepaid expenses also be adjusted. Prepaid expenses represent the payment of expenses prior to the period in which the goods or service are used and means the Company loses the ability to use the cash for other purposes.[66] As Mr. Morgan explained:

> The Company is entitled to the time value of the funds during the period before the goods or services have been used but the expenses that are recognized during the accounting period cannot also be included in the lead/lag study where an allowance for cash working capital is provided while simultaneously including the related prepaid expense in rate base.[67]

---

62 *Id.*
63 *Id.* at 9.
64 *Id.*
65 *Id.*; OCA Exh. LKM-4A-SR.
66 *Id.* at 10.
67 *Id.*

OCA recommends an adjustment to remove prepaid expenses from rate base, causing a decrease in rate base of $1,080,000 which was claimed by NFG,[68] to prevent this double counting of cash working capital related to prepaid expenses. OCA notes NFG disagreed with OCA's adjustment to remove prepayments from rate base because NFG has done so in the past.[69] Mr. Morgan accepted the approach used by NFG in its rebuttal filing which includes prepayments in rate base but removes prepaid expenses from the lead/lag study.[70] However, Mr. Morgan disagreed with the quantification of the prepaid expenses removed from the lead/lag study because NFG did not capture all of the expenses.[71] NFG did not address Mr. Morgan's adjustment to remove non-cash expenses from the lead/lag study which Mr. Morgan continues to support.[72] Finally, Mr. Morgan continues to recommend his O&M adjustments despite NFG's opposition. Overall, the adjustment to cash working capital reduces rate base by $1,195,000.[73]

4. Office of Small Business Advocate

OSBA did not take a position on rate base.

5. CAUSE-PA

CAUSE-PA did not take a position related to rate base.

---

68 *Id.*
69 NFG St. 6-R at 3.
70 OCA St. 2SR at 8.
71 *Id.*
72 *Id.*
73 *Id.*, *citing*, OCA Exh. LKM-4A-SR.

6. Providers Task Force

Providers Task Force did not take a position on this issue.

7. Presiding Officer's Recommendation

a. Utility Plant

The presiding officer agrees that the Company should be permitted to claim $957.2 million for utility plant in service for the FPFTY,[74] due to an increase in utility plant since the last rate proceeding in 2022. The presiding officer notes no party recommended adjustments to this claim, and the ALJ recommends the claim be approved without modification. However, the presiding officer recommends the Commission approve BIE's request to require NFG to submit reports concerning the fully projected future test year.

b. Accumulated Depreciation

The presiding officer recommends the Commission approve NFG's proposal to use the Company's depreciation method, the ELG procedure, in place of changing the depreciation to use the Average Service Life (ASL) procedure, as recommended by OCA.[75] The presiding officer notes that the Public Utility Code does not require that a utility's currently utilized depreciation procedure for certain plant must be accepted indefinitely. In fact, the Commission's regulations provide:

> (c) In subsequent ratemaking proceedings, the most recent annual depreciation report or service life study approved or

---

[74] *See* National Fuel Exhibit A (Rebuttal Update), Sch. C-2.

[75] OCA St. No. 2, p. 22.

> 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.[76]

The Commission is not bound by any particular methodology or procedure in determining annual depreciation expense, and the Commission must provide for the computation of a utility's accumulated depreciation and annual depreciation expense on a reasonably consistent basis. In this proceeding, OCA asserted other regulatory commissions have started moving away from use of the ELG procedure, in favor of the ALG method, to achieve more reasonable rates. Herein, OCA argued the ALG procedure produces just and reasonable rates, because the ELG is a form of accelerated depreciation that overcharges current customers for service that will be enjoyed by future customers.

The presiding officer notes that the Commission recently considered these two depreciation procedures in *Columbia Gas 2025*, wherein the Commission stated:

> Depreciation impacts customer rates in two ways. First, depreciation expense is a direct component of the revenue requirement; however, accumulated depreciation is also a reduction to rate base. Second, a higher level of accumulated depreciation results in a lower rate base, lower return on rate base, and therefore, lower customer rates when compared to a lower level of accumulated depreciation.
>
> Upon review, we find that the alleged benefit of the ASL procedure proposed by the OCA's witness, Mr. Garrett, 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. As argued by the Company's witness, Mr. Spanos, over

76 52 Pa. Code § 73.9(c) (emphasis added).

> time, the depreciation rates generated by the ASL procedure will result in a higher rate base and a higher overall cost to customers in comparison to the continued use of the ELG procedure . . .
> [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. Therefore, adoption of the ASL procedure would serve as an intergenerational subsidy to current customers at the expense of other generations of customers.[77]

I agree with NFG that OCA's argument and evidence do not support forcing the Company to depart from the ELG procedure, and adopting the ALG procedure, at this time. While OCA offers a reasonable argument, it did not provide sufficient evidence that rose to a level that supports making such a change and outweighs the contrary evidence from the Company. Accordingly, I conclude that NFG was correct to use the ELG procedure.

c. Net Plant In Service

The ALJ recommends the Commission accept NFG's claim that its net plant in service is $636.7 million,[78] if the Commission accepts the Company's undisputed claim for utility plant and its accumulated depreciation based on the Company's ELG method.

In addition, the ALJ recommends the Commission accept BIE's request for additional reporting requirements on NFG. BIE requested FPFTY reporting requirements and the Commission should require the Company to provide the Commission, BIE and OCA with an update to NFG Exhibit A - FTY, Schedule C-2, no later than

---

[77] *Columbia Gas 2025*, pp. 108-109.
[78] National Fuel Exhibit A (Rebuttal Update), Sch. C-1, line 3.

February 1, 2027, under this docket number. BIE contends that determining the correlation between NFG's projected and actual results will help inform the Commission and the parties in NFG's future rate cases as to the validity of NFG's projections.[79] I agree with BIE's assertion that there is value in determining how closely NFG's projected investments in future plant align with the actual investments that are made by the end of the FTY and FPFTY.[80] Knowing these results will increase confidence in the validity of the investments but, just as importantly, show the need for the investments.

BIE further recommended the updates should include actual capital expenditures, plant additions, and retirements by month for the twelve months ending September 30, 2026.[81] Additionally, BIE recommends that the Company be required to provide an update to NFG Exhibit A - FPFTY, Schedule C-2, for actuals through October 31, 2027, no later than February 1, 2028.[82]

The presiding officer concludes that BIE's request for future reports and information is a reasonable and adequate requirement, intended to provide the Commission and ratepayers with information about the correlation between NFG's projected result versus its actual results, and will go to prove or disprove the validity of NFG's projections. I note NFG agreed to provide the updates, if directed,[83] and I conclude the updates will inform and assist the Commission and parties in future rate cases.

---

79 *Id.*
80 *Id.*, p. 4.
81 I&E St. No. 3, pp. 3-4.
82 *Id.*
83 I&E St. No. 3-SR, p. 3, citing NFG St. No. 6-R, p. 5.

d. Gas Inventory

The presiding officer notes NFG's claim for gas inventory is $5.7 million,[84] and no party challenged NFG's claim for an addition to rate base for gas inventory. The presiding officer concludes the Commission should approve NFG's claim without modification.

e. Accumulated Deferred Income Taxes

The ALJ notes no party challenged the Company's claim for a reduction to rate base for ADIT and, therefore, it should be approved without modification. NFG took the accumulated deferred income taxes (ADIT) as a reduction to rate base, and the total ADIT set forth in the Company's rate base calculation is $73.9 million.[85] The ALJ concludes the Commission should accept the recommendation of NFG.

f. Customer Deposits

No party challenged the Company's claim for a reduction to rate base for customer deposits, and the presiding officer concludes the Company's claim should be approved without modification. In the FTY and the FPFTY, the Company notes it used the last known historical values for the respective months, and its claim for customer deposits for the FPFTY is $5.2 million.[86]

---

[84] National Fuel St. No. 6, p. 11; National Fuel Exhibit A (Rebuttal Update), Sch. A-1.

[85] National Fuel St. No. 6, p. 12; National Fuel Exhibit A (Rebuttal Update), Sch. C-6.

[86] National Fuel Exhibit A (Rebuttal Update), Sch. C-7, line17.

The Company updated its rate base calculation in rebuttal to reflect customer advances and contributions in aid of construction ("CIAC") as deductions from rate base totaling $86,000.[87] The Company asserted the deduction included $25,000 in CIAC and $61,000 in customer advances for construction.[88] The Company and OCA used two different methodologies to calculate the deductions. NFG calculated using the 13-month average balance for these accounts ending September 30, 2025, consistent with the Company's method used to develop its other FPFTY amounts.[89] OCA calculated using a 13-month average balance for these accounts ending in February 2026 with a method that was inconsistent with NFG's other FPFTY amounts.[90]

The ALJ concludes the Commission should accept the Company's deductions for customer deposits, CIAC and customer advances.

g. Materials and Supplies

No party challenged the Company's claim. The ALJ concludes NFG's claim for materials and supplies, totaling $1.6 million,[91] should be approved.

h. Cash Working Capital

Cash working capital includes the amount of funds necessary to operate a utility during the interim between the rendition of service, including the payment of

---

87 National Fuel Exhibit A (Rebuttal Update, Sch. C-8.

88 National Fuel St. No. 6-R, p. 2.

89 National Fuel St. No. 6-R, p. 2.

90 *See* OCA St. No. 2, pp. 10-11.

91 National Fuel St. No. 6, p. 11; National Fuel Exhibit A (Rebuttal Update), Sch. A-1. CWC is the capital requirement calculated between (1) the lag in the receipt of revenue for rendering service and (2) the lag in the payment of cash expenses incurred to provide such service to National Fuel's customers. National Fuel St. No. 6, pp. 6-7.

related expenses, and the utility's receipt of revenue in payment of services rendered.[92] NFG calculates its cash working capital by using a lead/lag study.[93] A lead/lag study measures the differences in time between: (1) the time services are rendered until payment of those services is received; and (2) the time between the point when a utility has incurred an expense and the actual payment of the expense.[94]

Based on the evidence presented, the presiding officer concludes the Commission should allow the Company's claims, consistent with this Recommended Decision and the Commission's Final Order. The ALJ notes that CWC is not a final recommendation because all adjustments to the Company's claims must be brought continually together in the Commission's decisions in a process known as iteration. Accordingly, the ALJ concludes OCA's recommendation - to adjust cash working capital and reduce rate base by $1,195,000[95] - should not be allowed.

D. Concerning Operating Sales and Revenues

1. National Fuel Gas Distribution Corporation

NFG notes its claim for operating sales and revenues in the FPFTY at present rates is $265.5 million,[96] and was developed based on testimony provided by NFG witnesses Mann and Hilliard.[97]

---

[92] I&E St. No. 1, pp. 21-22.
[93] *Id.*, p. 22.
[94] *Id.*
[95] OCA St. No. 2-SR, *citing*, OCA Exh. LKM-4A-SR.
[96] National Fuel Exhibit A (Rebuttal Update), Sch. D-1, line 5.
[97] *See* National Fuel St. No. 13, pp. 3-10; National Fuel St. No. 14, pp. 5-13.

a. Customer Sales and Revenues

NFG's claim for base customer charge revenue in the FPFTY at present rates, inclusive of DSIC revenues, is $139.7 million.[98] No party has opposed the Company's claim, and it should be accepted,

b. Gas Supply Revenue

The Company's claim for gas supply and cost adjustment revenue in the FPFTY at present rates is $124.6 million.[99] No party has opposed the Company's claim, and it should be accepted.

c. Other Revenues

National Fuel's claim for Other Revenues of $1.3 million ,[100] includes late payment charges (or "forfeited discounts"), rent from gas property, and other gas revenues.[101] OCA recommends adjustments to the Company's claims for Rent from Gas Property and Forfeited Discounts.

The Company argues the Commission should reject OCA's proposed $12,000 adjustment to Rent From Gas Property, which is based on an annual growth

---

98 National Fuel Exhibit A (Rebuttal Update), Sch. D-1, line 1.

99 National Fuel Exhibit A (Rebuttal Update), Sch. D-1, line 1.

100 National Fuel Exhibit A (Rebuttal Update), Sch. D-1, line 3.

101 LPCs are included in FERC account 487 (forfeited discounts) and account for most of the forecasted Other Operating Revenues. Rent from gas property includes rents received for the use by others of land, buildings, and other property devoted to gas operations by the utility. Other gas revenues include any revenues derived from gas operations not includible in any other revenue accounts – primarily capacity release revenues and marketer billing charges. National Fuel St. No. 14, p. 9.

pattern of 6.03%.[102] The Company asserts its claim for revenues from Rent From Gas Property is $100,000,[103] and NFG contends its projection aligns with the most recent intercompany rent amounts of $8,258 per month, or $99,096 per year.[104]

The Company also argues that its claim for Forfeited Discounts is $1.1 million,[105] which amount reflects the late payment charges the Company anticipates collecting during the FPFTY at present rates.[106] NFG notes OCA recommended an adjustment to Forfeited Discounts to account for the increased late payment charges associated with a rate increase,[107] which adjustment would be calculated by applying a forfeited discount ratio of 0.503%, based on a three-year average, to the rate increase granted.[108] The Company argues that, if the Commission determines that an additional adjustment to Forfeited Discounts is appropriate, the Commission should determine that: (1) the forfeited discount ratio be based on a more accurate trailing 12-month weighted average; and (2) the adjustment reflects the final revenue increase approved by the Commission in this proceeding.[109]

---

102 OCA St. No. 2, p. 12; OCA St. No. 2SR, pp. 5-6.

103 National Fuel Exhibit A (Rebuttal Update), Sch. B-3, line 8.

104 National Fuel St. No. 6, p. 11; National Fuel Exhibit A (Rebuttal Update), Sch. A-1.

105 National Fuel Exhibit A (Rebuttal Update), Sch. B-3, line 6.

106 National Fuel St. No. 14, p. 9.

107 OCA St. No. 2SR, pp. 4-5.

108 *See* OCA Exhibit LKM-1A-SR, page 1; OCA Exhibit LKM-6A-SR, line 15.

109 National Fuel St. No. 14-SR, p. 3.

d. Revenue Increase

NFG contends the Commission should adopt the Company's $281.7 million claim for FPFTY revenues,[110] and the Company's updated requested revenue increase is $16.2 million.[111]

2. Bureau of Investigation and Enforcement

a. Customer Sales and Revenues

BIE asserts the revenue requirement formula used in base rate cases is:

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

Where:

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

BIE points out that, in the above formula, the rate of return is expressed as a percentage, and the calculation of that percentage is independent of the determination of the appropriate rate base value for ratemaking purposes. As such, BIE asserts the

110 National Fuel Exhibit A (Rebuttal Update), Sch. D-1, line 5.
111 *See* Appendix D.

appropriate total dollar return is dependent upon the proper computation of the rate of return and the proper valuation of the Company's rate base.

b. Gas Supply Revenue

BIE did not present any record evidence or make any recommendations regarding this issue and BIE took no position on this issue.

c. Other Revenues

BIE did not present any record evidence or make any recommendations regarding this issue and BIE took no position on this issue.

d. Revenue Increase

BIE asserts its total recommended revenue requirement for the Company is $276,603,000. BIE contends this recommended revenue requirement represents an increase of $11,079,000 to the Company's updated claimed present rate revenues of $265,524,000.[112]

3. Office of Consumer Advocate

a. Customer Sales and Revenues

OCA did not address this issue.

---

112 I&E St. No. 1-SR, p. 3.

b. Gas Supply Revenue

OCA did not address this issue.

c. Other Revenues

Concerning Forfeited Discounts, OCA asserts the Commission should increase NFG's claim for Other Revenues by $21,000 in consideration of the adjusted Forfeited Discounts claim.[113] OCA contends forfeited discounts are additional charges, such as late fees, imposed on customers because of the failure of customers to pay their utility bills on or before a specified date.[114] OCA asserts that, because the rate increase to be decided in this proceeding will result in higher bills, the forfeited discount will increase as well since it is based on a percentage of the utility service bill, which, according to OCA, necessitates a $21,000 adjustment.[115]

OCA notes that NFG disagrees with its adjustments due to the magnitude of the adjustments and due to the use of the three-year average. First, OCA argues NFG's disagreement over the magnitude of the adjustment is misplaced because NFG misunderstands that the reason for the adjustment is to recognize that, as service revenues increase, there will be a corresponding increase in forfeited discounts because forfeited discounts are assessed based upon the outstanding customer bill.[116] Plus OCA contends NFG's disagreement results from NFG's failure to recognize the relationship between service revenues and forfeited discounts. Second, OCA argues NFG's disagreement – that the use of a three-year average for the forfeited discount factor because the Fiscal

113 OCA St. 2 at 12, *see*, OCA Exh. LKM-6A-SR.
114 *Id.*.
115 *Id.*
116 OCA St. 2SR at 4-5.

Year 2024 late payment charges were abnormally high[117] – is precisely the reason for using a three-year average because the average recognizes the year-to-year fluctuations.[118]

Concerning Rent From Gas Property, OCA asserts NFG's revenue claim should be increased by $12,000 in consideration of the Rent From Gas Property.[119] OCA notes that NFG indicated Rent From Gas Property was flat for the FTY and FPFTY, but OCA contends that, in the three most recent years, the Company experienced a 6% average annual growth which OCA contends should be reflected in the FPFTY projection of the revenues in this account for the FPFTY.[120]

OCA notes NFG argued that there are no known or measurable changes to support an additional increase in Rent From Gas Property,[121] however, OCA contends it presented NFG's own data which OCA argues reveals a clear pattern and trend of annual increase in Rent From Gas Property. OCA further argues NFG has not provided any persuasive data that refutes OCA's recommended adjustment.

d. Revenue Increase

OCA did not address this issue.

---

117 NFG St. 14-R at 3.

118 OCA St. 2SR at 5. Mr. Mann also disagreed with Mr. Morgan's exclusion of transportation revenue when calculating the forfeited discount factor. This exclusion was inadvertent and Mr. Morgan revised his calculation as such.

119 OCA St. 2 at 12; OCA Exh. LKM-7A-SR.

120 *Id.*, *citing*, NFG Response to Section 53.53 III-H.5.

121 NFG St. 14-R at 3-4.

4. Office of Small Business Advocate

OSBA did not take a position on this issue

5. CAUSE-PA

a. Customer Sales and Revenues

CAUSE-PA did not take a position related to rate base.

b. Gas Supply Revenue

CAUSE-PA did not take a position related to rate base.

c. Other Revenues

CAUSE-PA did not take a position related to rate base.

d. Revenue Increase

CAUSE-PA opposes any revenue increase but, should the Commission determine that any increase is warranted, in balancing the interests of the utility and the public, CAUSE-PA argues the Commission should approve the lowest reasonable rate increase that allows NFG the opportunity to earn a fair rate of return on its investment while ensuring that it can maintain safe and reliable service to the public.[122] CAUSE-PA contends that amount of revenue increase should not exceed $4,305,000, as OCA

---

[122] *See e.g.*, *Federal Power Comm'n v. Hope Nat'l Gas Co.*, 320 U.S. 591, 603 (1944) ("[T]he fixing of 'just and reasonable' rates, involves a balancing of the investor and consumer interests.").

recommended in its testimony, at its recommended overall rate of return of 7.66% and at its adjusted 50% equity and 50% debt capital structure.[123]

CAUSE-PA argues NFG did not meet its burden of proving it is entitled to its revised revenue request of $18,475,000.[124] CAUSE-PA contends there is insufficient evidence in the record to support an increase of this size where substantial evidence exists that a much lower revenue increase would be sufficient and fair. CAUSE-PA further argues that if the Commission grants an increase higher than that recommended by OCA, that increase would unreasonably tip the scale in favor of NFG's shareholders at the expense of NFG's customers.

CAUSE-PA asserts the Commission must determine whether NFG's existing and proposed rates coupled with its terms and conditions of service are just and reasonable.[125] CAUSE-PA asserts that NFG, as a public utility, is a natural monopoly that is subject to regulation "designed as a substitute for the disciplining forces that would be found in competitive markets that prevent an industry from using its unfettered monopolistic powers to set prices and conditions of service."[126] CAUSE-PA requests that the Commission's regulatory oversight here be rigorous and designed to ensure that NFG charges no more than they would be able to charge in the presence of actual competition for their services. CAUSE-PA contends it is the Commission's core function to act as a proxy for competition and ensure that rates are not higher than necessary. CAUSE-PA asserts this principle is not new or novel but is foundational to the role of regulators. CAUSE-PA references to the Commission's reaffirmation of this principle in its Fully Projected Future Test Year Final Rulemaking Order when the Commission said: "[i]nherent in the 'cost of providing service' principle of ratemaking is the recognition

---

123 OCA St. 2-SR at 2; OCA St. 3-SR at 35.
124 NFG St. 2-R at 3.
125 *See supra* Section I.B.
126 OCA St. 1 at 7.

that public utilities are natural monopolies and that the PUC's oversight through cost-of-service ratemaking regulation serves as a proxy for a competitive market in appropriately restraining, or exerting downward pressure on, the profit-maximizing prices a monopoly could otherwise charge in the absence of price regulation."[127]

CAUSE-PA argues it is unreasonable for the Commission to assume that the component parts that comprise NFG's revenue requirement – an 11% ROE[128] and an equity rich capital structure[129] – would be awarded in a competitive market for a safe investment gas distribution utility with a monopoly service territory. As Vice Chair Kimberly Barrow remarked during the February 19, 2026 Public Meeting to express her concern regarding NFG's proposed rate of return (ROR), return on equity (ROE), and capital structure, "[d]eviations in each of these items translate into millions of dollars charged to customers of all rate classes."[130] CAUSE-PA notes NFG acknowledged that dropping its request for a 25 basis point management efficiency adjustment to the ROE was the "primary driver" of the $1.2 million decrease in NFG's requested revenue requirement between its initial rate filing and its rebuttal proposal, demonstrating how an excessive ROE extracts millions of dollars from customers each year.[131]

CAUSE-PA further argues that if gas utility customers could vote with their feet and choose another gas utility, they certainly would choose one that had a much lower profit margin than that which is sought by NFG in this case. CAUSE-PA also

---

[127] *Use of Fully Projected Future Test Year*, 52 Pa. Code Chapter 53, PUC Docket No. L-2012-2317273, Final Form Order at 4 (order entered Jan. 8, 2025), available at: https://www.puc.pa.gov/pcdocs/1874340.pdf

[128] NFG St. 2-R at 3. In rebuttal, NFG revised its requested ROE from 11.25% to 11% due to the removal of a management performance adder of 0.25%.

[129] NFG St. 11 at 4. NFG proposes a capital structure of 56.4% common equity and 43.6% long-term debt.

[130] *Statement of Vice Chair Kimberly Barrow Re: Pa. Pub. Util. Comm'n v. National Fuel Gas Distribution Corporation*, Docket No. R-2025-3059428, Public Meeting (Feb. 19, 2026).

[131] NFG St. 1-R at 5.

points out that NFG's grossly inflated ROE request of 11% is a major driver of the Company's revenue requirement request.[132] At the gap of 126 basis points between OCA's recommended ROE of 9.74%[133] and NFG's recommended ROE of 11%, the reduction to the more reasonable, market-based ROE of OCA would save ratepayers millions per year. CAUSE-PA contends that if the Commission makes this one change in NFG's base rate request – while allowing NFG all of its claimed expenses – would allow NFG to undertake all the rate base additions and improvements that it sought in this case while still providing NFG with a fair opportunity to earn a reasonable return that is supported by record evidence.[134]

CAUSE-PA contends NFG's proposal would substantially increase its rates, and implement a series of tariff changes which would increasingly shift financial risk to NFG's customers, including a high fixed customer charge and a permanent WNA. CAUSE-PA asserts thousands of economically vulnerable NFG customers are already being priced out of being able to access NFG's services because of NFG's already high revenue requirement and resulting rates: 3,898 confirmed low income customers experienced payment trouble in January 2026[135] and 3,344 confirmed low income customers had service involuntarily terminated in 2025.[136]

CAUSE-PA opposes any rate increase above that recommended by OCA as NFG failed to meet its burden of proof to demonstrate that its proposed rates, associated revenue requirement, and associated terms and conditions of service are just, reasonable,

---

[132] *See* OCA St. 3-SR at 33, "[A]dopting a more balanced capital structure and a lower, market-supported ROE can reduce the revenue requirement without disallowing prudent investment."

[133] OCA St. 3-SR at 35. The OCA's primary recommendation is an ROE of 9.74% at a 50%/50% capital structure. The OCA's alternative recommendation is an ROE of 9.06% at NFG's proposed 56.40%/43.60% capital structure.

[134] *See* OCA St. 3 at 5-7; OCA St. 3-SR at 33-34.

[135] CAUSE-PA St. 1, App. B, NFG Response to CAUSE-PA 1-21, Attachment 1-21.

[136] CAUSE-PA St. 1 at 18.

and in the public interest. CAUSE-PA asserts that, to the extent the Commission authorizes NFG to increase its revenue requirement and associated rates in this proceeding, CAUSE-PA urges the Commission to implement robust reforms to NFG's programs, policies, and procedures so that NFG's struggling customers, particularly its low income customers, can access basic services necessary to their health and well-being.

6. Providers Task Force

Providers Task Force did not take a position on this issue.

7. Presiding Officer's Recommendation

a. Customer Sales and Revenues

The ALJ concludes the Commission should approve NFG's claim for base customer charge revenue in the FPFTY at present rates, inclusive of DSIC revenues, as \$139.7 million,[137] as NFG met its burden of proof and no party opposed the Company's claim,

b. Gas Supply Revenue

The Company's claim for gas supply and cost adjustment revenue in the FPFTY at present rates is \$124.6 million.[138] No party opposed the Company's claim, and the presiding officer concludes the claim should be accepted as the Company met the burden of proof.

---

[137] National Fuel Exhibit A (Rebuttal Update), Sch. D-1, line 1.
[138] National Fuel Exhibit A (Rebuttal Update), Sch. D-1, line 1.

c. Other Revenues

National Fuel's claim for Other Revenues is \$1.3 million ,[139] which includes late payment charges (or "forfeited discounts"), rent from gas property, and other gas revenues.[140] OCA recommended adjustments to the Company's claims for Rent from Gas Property and Forfeited Discounts.

Concerning Forfeited Discounts, the Company argued its Forfeited Discounts is \$1.1 million,[141] which amount reflects the late payment charges the Company anticipates collecting during the FPFTY at present rates.[142] OCA asserted the Commission should increase NFG's claim for Other Revenues by \$21,000 in consideration of the adjusted Forfeited Discounts claim.[143] OCA contended forfeited discounts are additional charges, such as late fees, imposed on customers because of the failure of customers to pay their utility bills on or before a specified date.[144] OCA asserts that, because the rate increase to be decided in this proceeding will result in higher bills, the forfeited discount will increase as well since it is based on a percentage of the utility service bill, which, according to OCA, necessitates a \$21,000 adjustment.[145]

The ALJ concludes OCA's adjustment is reasonable and recommends that the Commission require NFG to base the forfeited discount ratio on an accurate trailing

---

139 National Fuel Exhibit A (Rebuttal Update), Sch. D-1, line 3.

140 LPCs are included in FERC account 487 (forfeited discounts) and account for most of the forecasted Other Operating Revenues. Rent from gas property includes rents received for the use by others of land, buildings, and other property devoted to gas operations by the utility. Other gas revenues include any revenues derived from gas operations not includible in any other revenue accounts – primarily capacity release revenues and marketer billing charges. National Fuel St. No. 14, p. 9.

141 National Fuel Exhibit A (Rebuttal Update), Sch. B-3, line 6.

142 National Fuel St. No. 14, p. 9.

143 OCA St. 2 at 12, *see*, OCA Exh. LKM-6A-SR.

144 *Id.*.

145 *Id.*

12-month weighted average and make the adjustment, based on the final revenue increase approved by the Commission in this proceeding.[146]

d. Revenue Increase

NFG contended the Commission should adopt the Company's $281.7 million claim for FPFTY revenues,[147] and the Company's updated requested revenue increase is $16.2 million.[148] BIE asserted its total recommended revenue requirement for the Company is $276,603,000 which, if granted, would represent an increase of $11,079,000 to the Company's updated claimed present rate revenues of $265,524,000.[149]

CAUSE-PA argued NFG did not meet its burden of proving it is entitled to its revised revenue increase request of $18,475,000.[150] CAUSE-PA opposed any revenue increase but, conceded that, if the Commission approved any increase, the Commission should approve the lowest reasonable rate increase that allows NFG the opportunity to earn a fair rate of return on its investment while ensuring that it can maintain safe and reliable service to the public.[151] CAUSE-PA contended that amount of revenue increase should not exceed $4,305,000, as OCA recommended in its testimony, at its recommended overall rate of return of 7.66% and at its adjusted 50% equity and 50% debt capital structure.[152]

---

[146] National Fuel St. No. 14-SR, p. 3.
[147] National Fuel Exhibit A (Rebuttal Update), Sch. D-1, line 5.
[148] *See* Appendix D.
[149] I&E St. No. 1-SR, p. 3.
[150] NFG St. 2-R at 3.
[151] *See e.g.*, *Federal Power Comm'n v. Hope Nat'l Gas Co.*, 320 U.S. 591, 603 (1944) ("[T]he fixing of 'just and reasonable' rates, involves a balancing of the investor and consumer interests.").
[152] OCA St. 2-SR at 2; OCA St. 3-SR at 35.

The ALJ concludes NFG did not meet the burden of proving that a revenue increase of $16.2 million is just and reasonable. Based on the totality of the evidence, the ALJ recommends the Commission approve the adjustment of OCA, which recommended a revenue increase of $4.305 million. This recommendation assumes the Commission will also approve OCA's recommendation for an overall rate of return of 7.66% and at its adjusted 50% equity and 50% debt capital structure (to be discussed below).

E. Concerning Operating Expenses

1. National Fuel Gas Distribution Corporation

a. Company's Claimed O&M Expenses

NFG asserts its pro forma expense claim reflects projected expenses for the FPFTY and contends it fully described the basis for its forecasted O&M expense in testimony NFG sponsored through its witnesses Formato (O&M), Hawthorn (labor), Weidner (employee benefits), and Spanos (depreciation).[153] The Company acknowledges that certain expenses have been challenged by BIE, OCA, and OSBA

[153] *See* National Fuel St. Nos. 3, 4, 5, and 8.

b. Rate Case Expense

NFG makes a claim for rate case expense of $1.03 million to be normalized over a three-year period,[154] although NFG acknowledges BIE argued the expense should be normalized over a five-year period, based on the filing interval of National Fuel's last three base rate cases.[155] NFG contends the Commission should reject BIE's proposal.

National Fuel argues it used a three-year normalization period herein because the Company anticipates it will file more frequent base rate cases than it did previous because of continued inflationary pressures on labor and other operating expenses, coupled with accelerated infrastructure replacement and system modernization capital investments.[156] The Company contends its historic and forecasted spending in its current Amended LTIIP illustrates the higher capital expenses that have been realized in recent years as well as the Company's plan to continue spending at accelerated levels.[157] NFG argues two of the four data points BIE used in its calculation of the five-year normalization proposal are from over 20 years ago and are not indicative of the current business landscape.[158] The Company further argues the 16-year gap between the 2006 and 2022 filings should not carry as much weight as the roughly three years between the October 2022 filing and the Company's January 2026 filing. NFG contends this recent three-year gap is more indicative of its current operating model and its increased investment plan, and the three-year gap should be the basis for calculating rate case expense.[159]

---

154 National Fuel St. No. 3, p. 16; National Fuel Exhibit A (Rebuttal Update), Sch. D-6.
155 I&E St. No. 1, pp. 6-8.
156 National Fuel St. No. 3-R, pp. 9-10.
157 National Fuel St. No. 3-R, pp. 9-10.
158 National Fuel St. No. 3-R, p. 9.
159 National Fuel St. No. 3-R, p. 10.

NFG asserts that, while the Commission looks to the history of rate filings to determine normalization of rate case expense, there are exceptions. The Company contends that, in *PPL Electric 2012*, PPL Electric sought a two-year normalization of rate case expense, while BIE and OCA proposed a three-year period, based on recent rate case experience.[160] The Company asserts that the presiding officer therein accepted, but the Commission reversed the presiding officer[161] and noted PPL Electric's major capital improvement program to address aging infrastructure.[162]

The Company argues the same logic applies here because, while history can provide guidance on anticipated future conditions, history should not be the sole basis for determining revenue requirement, as this would defeat the purpose of using a FPFTY in setting rates. Therefore, National Fuel asks the Commission to approve its three-year normalization period for rate case expense.

c. Incentive Compensation Expense

NFG claims the Commission should reject the varying adjustments proposed by BIE, OCA, and OSBA, concerning the incentive compensation plans, for two reasons. First, National Fuel has demonstrated that its incentive compensation programs as a whole, including financial goals, provide material benefits to ratepayers. Second, National Fuel's restricted stock-based incentives are not tied to any financial goals but are focused on employee retention, which also benefits ratepayers.

---

[160] *Pa. Pub. Util. Comm'n v. PPL Electric Utilities Corp., Docket No. R-2012-2290597, at p. 26 (Order entered Dec. 28, 2012) ("PPL Electric 2012")*, pp. 44-45.
[161] *Id.*, pp. 45-46, 47-48.
[162] *Id.*, pp. 47-48.

NFG argues the Commission has reviewed and approved incentive compensation programs in numerous prior rate cases,[163] wherein the Commission established a bright line test for incentive compensation expense. NFG claims that bright line established that, if the incentive compensation programs of the utility are reasonable and provide a benefit to ratepayers, then they may be recovered in their entirety.[164] The Commission has reaffirmed this standard in recent cases.[165] NFG acknowledges that Commission recently disallowed portions of an incentive compensation plan tied to financial performance in Columbia's 2025 rate case,[166] National Fuel claims this case is distinguishable because in Columbia's 2025 rate case, the Commission found that Columbia had failed to demonstrate that its financial goals benefit ratepayers,[167] not that incentive compensation linked in part to financial goals is unrecoverable or that financial goals do not benefit ratepayers.

NFG argues its incentive compensation program benefits ratepayers because: (1) the program helps to attract and retain employees in a competitive market; (2) financial goals promote cost containment, operational efficiency, and help ensure access to cost-effective capital; and (3) the program is reasonable, prudently incurred, and is not excessive in amount. National Fuel contends it has a demonstrated track record of

---

163 *PPL Electric 2012*, p. 26; *Pa. Pub. Util. Comm'n v Aqua Pennsylvania, Inc.,* 2008 Pa. PUC LEXIS 50 (Order entered July 31, 2008) ("*Aqua 2008*"), at *20-26; *Pa. Pub. Util. Comm'n v. Duquesne Light Co.*, 63 Pa. P.U.C. 337, 1987 Pa. PUC LEXIS 342 (Order dated Mar. 10, 1987); *Pa. Pub. Util. Comm'n v. PPL Gas Utilities Corporation*, Docket No. R-00061398, 2007 Pa. PUC LEXIS 2 (Order entered Feb. 8, 2007); *Pa. Pub. Util. Comm'n v. Philadelphia Gas Works*, Docket No. R-2008-2073938, 2008 Pa. PUC LEXIS 32 (Order dated Dec. 19, 2008).

164 *See, e.g.*, *PPL Electric 2012*, p. 26.

165 *See Pa. Pub. Util. Comm'n v. UGI Utilities, Inc. – Electric Division*, Docket No. R-2017-2640058 (Order entered Oct. 25, 2018) ("*UGI Electric*"), pp. 73-74; *Pa. Pub. Util. Comm'n v. Aqua Pennsylvania, Inc.*, Docket No. R-2021-3027385 (Order entered May 16, 2022), p. 100 ("*Aqua 2022*").

166 *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa., Inc.*, Docket No. R-2025-3053499 (Order entered Dec. 9, 2025) (*"Columbia 2025*"), p. 123.

167 *Id.*

having the lowest natural gas delivery rates and residential bills in the Commonwealth along with the relative infrequency of its rate increase requests is tangible evidence that these incentives are producing positive benefits for ratepayers that have translated into sustainable affordability for its ratepayers over the long-term.[168]

1. Executive Cash Bonuses

NFG notes BIE recommended disallowing $379,731 out of the Company's $855,587 claim for executive cash bonuses, as well as related payroll taxes totaling $22,679,[169] on the basis that "financial goals do not assist in providing safe and reliable service to ratepayers."[170] NFG contends it demonstrated its executive cash bonus program, including its financial goals, provides significant benefits to ratepayers. This program includes a combination of financial performance, safety, reliability, customer service, emissions reduction, and diversity and inclusion initiatives.[171]

NFG argues these complementary goals are designed to incentivize Company leaders to effectively manage a business that can produce the best results for ratepayers.[172] NFG contends hitting the financial goals is one of many important aspects of the program because the Company must be able to access capital at reasonable costs in order to invest in and maintain infrastructure and attract the workforce needed to safely and effectively operate that infrastructure.[173] The Company asserts that these goals incentivize strong financial performance as critical to maintaining this cost-effective

---

168 *See* National Fuel St. No. 1-R, pp. 12-14; National Fuel St. No. 5-R, p. 10.
169 I&E St. No. 1, pp. 11-13.
170 I&E St. No. 1, p. 13.
171 National Fuel St. No. 5-R, p. 3.
172 National Fuel St. No. 5-R, p. 3.
173 National Fuel St. No. 5-R, p. 3.

access to capital, which benefits ratepayers through a lower revenue requirement and lower rates.[174]

2. Restricted Stock-Based Compensation

The Company's incentive compensation proposal includes claims for $182,075 in non-executive restricted stock and $290,746 in executive restricted stock. The Company acknowledges OCA and OSBA recommended disallowing the full amount of these claims but argues the Commission should approve NFG's restricted stock-based compensation for both executives and non-executives because these claims are necessary and effective to retaining employees and promoting longevity at the Company. The Company asserts the shares of restricted stock vest over three equal annual installments, the awards do not rely on achieving financial goals or performance conditions, and the claims provide an incentive for recipients to provide service to National Fuel for the requisite time. NFG argues these rewards are designed to help retain top talent, ensure stability within the Company's workforce, secure continued transfer of knowledge, and allow individuals to grow their expertise within the organization.[175]

NFG contends that attracting and retaining qualified employees remains critical to National Fuel's continued ability to provide safe, efficient and cost-effective service to ratepayers,[176] and employee retention is a key issue for the Company.[177] NFG argues a competitive compensation package encouraging retention and longevity, including time-vested restricted stock, is critical to the continued success of National Fuel and benefits ratepayers,[178] given the increasing operational complexities and regulatory

---

174 National Fuel St. No. 5-R, p. 3.
175 National Fuel St. No. 4, p. 6.
176 National Fuel St. No. 4, p. 6.
177 *See* National Fuel St. No. 5, pp. 6-9.
178 National Fuel St. No. 4, pp. 14-15.

requirements experienced by utilities and energy companies, and the expanded efforts to modernize pipeline and distribution systems.

3. Executive Performance

The Company proposed a claim for $957,138 in executive performance shares.[179] NFG notes that BIE and OSBA argue only 5% of the executive performance shares related to meeting emission reduction targets should be granted,[180] while OCA argue 100% of the Company's executive performance shares should be disallowed.[181] NFG contends the executive performance shares have a retention element and operate on a performance cycle of three years.[182] NFG claims this approach: fosters long-term perspectives and performance from management; encourages significant personal investment; and recognizes financial successes are achieved through continued focus and commitment on numerous factors.[183] National Fuel claims it is experiencing very little customer and load growth in its service territory, requires a culture of cost containment and a commitment to capital efficiency that is set and continuously reinforced by executive leadership, and it contends that maintaining affordable delivery rates is primarily achieved through the disciplined management of utility costs and finances over the long term. NFG argues the long-term nature and underlying focus on financial responsibility of the performance shares drive positive outcomes for ratepayers,[184] and asserts the Company has performed efficiently. NFG argues it has the lowest rates of any major natural gas distribution company in the Commonwealth and has had reasonable spacing of rate increase requests.[185] NFG claims that, without the incentives, it would

---

179 National Fuel St. No. 5-R, p. 10.
180 I&E St. No. 1, p. 17; OSBA St. No. 1, p. 9.
181 OCA St. 2, p. 14.
182 National Fuel St. No. 5-R, p. 5-R, p. 10.
183 National Fuel St. No. 4, p. 16.
184 National Fuel St. No. 5-R, p. 10.
185 *See* National Fuel St. No. 1-R, pp. 12-13.

have to offer increased base salaries to attract and retain employees,[186] but would not directly incentivize cost containment along with safety, reliability, customer service, emissions reduction and diversity and inclusion initiatives.[187]

d. Payroll Expense and Related

NFG disagrees with OSBA's proposal for a downward adjustment to headcount of 9.67 full time employees (FTE), a $525,364 decrease to the overall revenue requirement, based on the difference between the projected headcount for the FPFTY and the average headcount for the twelve months ending January 31, 2026.[188] NFG claims this adjustment should be rejected for three reasons. First, the Company asserts its proposed headcount (450 FTEs) already reflects a vacancy adjustment of 9 FTEs to account for the Company's actual headcount being below the budgeted headcount in recent years.[189] NFG argues an additional downward adjustment is not necessary. Second, NFG contends OSBA's position undermines the purpose of a forward-looking test period by solely looking at historic figures. The Company claims its proposed headcount is based on the Company's actual headcount as of September 30, 2025 (436 FTEs), with 23 forecasted additions by the end of the FPFTY, for a total headcount of 459 employees before the vacancy adjustment.[190] Third, as of April 2026, NFG claims the Company's headcount is 451 FTEs, meaning the Company has reached a total headcount in excess of the proposed FPFTY headcount.[191] For these reasons, the Company argues the Commission should reject OSBA's headcount adjustment and base the revenue requirement on a headcount of 450 employees.

---

186 National Fuel St. No. 5-R, p. 5.
187 *Id.*, p. 5.
188 National Fuel St. No. 3-R, p. 2.
189 *Id.*
190 *Id.*, p. 3.
191 *Id.*, p. 4.

e. Membership Dues Expense

NFG notes it claimed the amount of $234,266 for Company Dues and Memberships,[192] but both BIE and OCA proposed downward adjustments to the Company's Dues and Memberships expense claims of $17,000 and $21,968, respectively.[193] NFG argues these adjustments should be rejected because they fail to consider the overall impact these funds and the associated organizations have on the Company's ratepayers and their communities. The Company contends its limited support of various chambers of commerce and economic development agencies is intended to benefit ratepayers by promoting strong, resilient communities within its service territory.[194] In addition, NFG asserts economic growth helps retain and attract commercial and industrial use of natural gas, allowing fixed system costs to be spread over greater usage and helping to moderate upward pressure on rates.[195]

NFG claims its participation in these organizations ensures energy infrastructure, safety, and reliability considerations are incorporated into local growth planning which in term will reduce long term system risks and costs.[196] Finally, NFG argues that building stronger communities by supporting economic stability and affordable, reliable service over the long term benefits all stakeholders – including small businesses and the residents who live and work in these communities.[197] For these reasons, NFG contends the proposed adjustments to the Company's Dues & Memberships claim should be rejected.

192 National Fuel Exh. ATF-1, Sch. 1.
193 National Fuel St. No. 3-R, p. 8.
194 *Id*.
195 *Id*.
196 *Id*.
197 *Id*, pp. 8-9.

f. Customer Payment Transaction Costs

NFG notes OCA proposed the Company should transition to "fee-free payments" for its residential customers, with NFG absorbing the $930,000 increase to O&M expense to reflect this recommendation.[198] NFG requests the Commission reject OCA's proposal because there is no data supporting the accuracy of the $930,000 adjustment as an accurate forecast of the cost to transition to and implement a fee-free payment structure.[199] The Company notes the proposed adjustment is slightly less than the processing fees paid by customers in 2025.[200] NFG argues that absorbing payment process fees is a managerial decision that should be made by the Company and requires consideration of many factors, including negotiating a reasonable rate with the Company's third party vendor, performing any system changes required to implement the change, and anticipating any growth in the adoption of online payments by customers if fees are eliminated.[201]

g. Depreciation Expense

NFG notes its depreciation expense claim totals $25.3 million,[202] and that its calculation of annual depreciation expense and net salvage was prepared in accordance with standard procedures long accepted by this Commission.[203] NFG disagrees with OCA's recommendation – proposing a downward adjustment of $4.67 million to depreciation expense based on its proposal to recompute annual depreciation accruals

---

198 OCA St. No. 2, p. 21.
199 National Fuel St. No. 17-R, p. 37.
200 *See* OCA Exhibit LMW-3.
201 National Fuel St. No. 17-R, p. 38.
202 National Fuel Exhibit A (Rebuttal Update), Sch. B-2.
203 National Fuel St. No. 8-R, p. 2.

using the ASL procedure[204] – because the Company contends OCA overlooked several important factors in developing the depreciation expense recommendation and selectively followed only certain factors in its calculations.[205] The Company argues OCA's proposal to change long-standing precedent regarding the use of the ELG procedure in Pennsylvania is inappropriate and will shift costs to future customers that should be charged to current customers. The Company contends OCA's recommended change would create higher, and continually increasing, rate base in the future and will result in increased rates to customers over time compared to the continued use of the ELG procedure. Further, NFG contends continued use of the ELG procedure provides a more precise calculation of depreciation expense, and OCA's justification for the change – produce a short-lived reduction to rates – is insufficient justification and should be rejected.

1. Determination of Annual Depreciation Accruals

The Company asserts the unrecovered original cost of property (original cost less accrued depreciation) must be recovered over the life of the property as part of the cost of providing service. The Company contends it uses the straight line, remaining life depreciation method, with the ELG procedure, to allocate the unrecovered original cost to the annual revenue requirement to be borne by current and future customers.[206] National Fuel notes it engages the services of Gannett Fleming and its President, Mr. John Spanos – who has over 39 years of depreciation experience and has presented expert testimony before approximately 47 regulatory commissions[207] – in determining the service lives of National Fuel's various assets, and the resulting depreciation rates. The

---

204 OCA St. No. 4, p. 3. The ASL procedure is also known as the Average Life Group ("ALG") procedure.
205 National Fuel St. No. 8-R, p. 23.
206 National Fuel St. No. 8-R, p. 4.
207 National Fuel St. No. 8, p. 2.

Company asserts its contractor, Gannett Fleming, performed a service life study to establish the estimated service lives of the Company's property.

The Company contends the service life study herein consisted of: assembling and compiling historical data from the records related to the gas utility plant of the Company; statistically analyzing such data to obtain historical trends of survivor characteristics; obtaining supplementary information from management and operating personnel concerning Company practices and plans as they relate to plant operations; and interpreting the above data to form judgments of service life characteristics. Further, the Company asserts its contractor used Iowa type survivor curves to describe the estimated survivor characteristics of the mass property groups, where individual service lives were used for major individual units of plant, such as reservoirs and buildings that house offices and shops. The Company claims the life span concept was recognized by coordinating the lives of associated plant installed in subsequent years with the probable retirement date defined by the life estimated for the major unit.[208]

NFG points out that no party opposes the use of the straight-line remaining life method, although the Company notes OCA proposed NFG should switch from the ELG procedure to the ASL procedure. NFG disagrees with OCA's proposal. NFG claims OCA's proposal ignores the special handling of the net salvage recovery deferral in Pennsylvania; does not consider the remaining life versus whole life component; does not consider how close the theoretical reserve to book reserve variance is – which NFG asserts clearly shows the recovery of many years has been fair and reasonable based on the factors in place and the expected plant investment that has taken place over the past and forecasted into the future.[209]

---

[208] National Fuel St. No. 8, pp. 6-7.
[209] National Fuel St. No. 8-R, pp. 22-23.

2. Description of ELG and ASL Procedures

The Company argues the ELG procedure appropriately matches cost recovery to service consumption of the asset, and better ensures that current customers pay for the assets in use.[210] National Fuel asserts it provided a simple example of the merits of the ELG procedure,[211] that illustrates NFG's position relative to two assets in the same group and with the same cost ($1,000). The Company asserts its illustration shows how the two assets (Unit A with a 5 year service life and Unit B with a 15 year service life) are handled differently under the ELG procedure versus the ASL procedure. NFG argues its examples demonstrate that the ELG procedure better matches the cost recovery of both units with their varying service lives.

Citing to its hypothetical, NFG argues that, under the ELG procedure, Unit A is fully recovered when retired at the end of its life (year 5) while Unit B is one-third through its service life and has had one-third of its cost recovered. NFG contends this recovery example contrasts with the ASL procedure, in which accumulated depreciation is $0 at the end of year 5, even though the only unit remaining in service has consumed one-third of its service life. NFG argues the ELG procedure provides a better match regarding the consumption of the service value for the two units.[212]

The Company contends these same principles apply to large property groups with many units of property, where the survivor curve developed for each property account is used to divide an account into equal life groups. Under the ELG procedure, the survivor curve determines the percentages of the property account that is in each equal life group, which allows for the calculation of the annual accrual for the

---

210 To see a full description of the ELG and ASL procedures, see National Fuel St. No. 8-R, pp. 3-4.

211 National Fuel St. No. 8-R. pp. 4-5.

212 National Fuel St. No. 6-R, p. 6.

entire property group.[213] That Company contrast that procedure with the ASL procedure, in which the depreciation expense for all property in the account is calculated based on the average service life of the entire group.[214] In so doing, the Company argues the ASL procedure fails to take into account the reality of dispersion of retirements in a large group.

The Company asserts that, in actual utility operations, only a small percentage of a plant account will be retired at the average service life, and NFG provided a chart of the frequency curve for the 70-R2 Iowa survivor curve. The Company argues the frequency curve shows the percentage of property in this account that will be retired at each age, based on the estimated survivor curve, which percentage NFG claims is also the size of each equal life group.[215] NFG argues the survivor curve shows that only a small percentage, approximately 1.47%, of the assets will have a 70-year service life, while a majority of these assets will have a service life different than 70 years. The Company contends the ELG procedure allocates depreciation expense in a manner that approximates the actual life of each equal life group while, in contrast, the ASL procedure depreciates all assets as if they have the same life, even though the Company claims that process will be wrong over 98% of the time.[216]

3. OCA's Arguments to Switch from the ELG to the ASL Procedure Are Without Merit

NFG argues OCA's arguments – in support of its proposal to change from the use of the ELG procedure to the use of the ASL procedure – are without merit and should be rejected. NFG claims OCA's proposal contradicts over 40 years of

---

213 National Fuel St. No. 8-R, pp. 7-8.
214 National Fuel St. No. 8-R, p. 8.
215 National Fuel St. No. 8-R, p. 8.
216 National Fuel St. No. 8-R, p. 8.

Commission precedent to approve the use of ELG for ratemaking purposes,[217] including most recently in 2025 when the Commission expressly rejected the very same proposal OCA makes in this case.[218]

The Company avers OCA contends the ELG procedure causes current customers to pay more than future customers.[219] While NFG acknowledges OCA's argument is true only by comparing ELG and ASL depreciation rates at a spot in time, the Company argues the ASL procedure is harmful to customers in the longer term. The Company argues that a longstanding use of ELG depreciation rates resulted in a lower rate base than if ASL had been used. NFG also argues that the customers of today pay lower customer rates than if ASL had been used during the years since ELG's adoption and that it has been in customers' interest not only to use ELG but also to use it consistently. NFG contends that using ASL will result in higher customer rates over time than ELG, and if the Company were to switch from ELG to ASL, there would be a *short*-term benefit to current customers. The Company asserts this short term benefit to current customers would not be in customers' best interest in the long term, but only because current customers would benefit from both lower ASL depreciation rates <u>and</u> from the lower rate base that exists due to the longstanding use of ELG.[220]

The Company asserts that while ELG leads to higher depreciation expenses in the short term, ELG results in lower revenue requirements over the long term.[221] NFG provided evidence to support its position which involved preparing forecast of plant and depreciation reserve balances for National Fuel, over about 25 years, comparing and contrasting the result from using the ELG procedure or changing to the ASL procedure.

217 National Fuel St. No. 8-R, p. 2.
218 *See Columbia 2025*.
219 OCA St. No. 4-SR, p. 17.
220 National Fuel St. No. 8-R, p. 16.
221 National Fuel St. No. 8-R, p. 17.

NFG argues its forecast demonstrates that changing to the ASL procedure will result in higher rates over time than if NFG continues to use the ELG procedure:[222]

NFG also disagrees with OCA's assertions that ELG will result in intergenerational inequity for customers.[223] NFG argues that the continued use of the ELG procedure will not produce inequity because the nature of the ELG procedure more precisely calculates depreciation expense for assets with like-lives within a depreciable group, and sums that expense to develop an annual depreciation accrual rate applicable to the depreciable group. As a result, the Company contends the ELJ procedure more appropriately matches the recovery of the asset's cost to the period of time over which it is providing service to rate payers.[224]

NFG notes OCA asserts that most other jurisdictions use the ASL procedure, including National Fuel's operations in other jurisdictions.[225] NFG points out that ratemaking differences among jurisdictions are not unusual, and this Commission has never determined that it is bound by approaches used in other jurisdictions.[226] NFG asserts the relevant factor is, instead, that ELG is the predominant method used in Pennsylvania for gas, electric and water utilities, and has been used consistently for over 40 years.[227]

---

222 National Fuel St. No. 8-R, p. 17.
223 OCA St. No. 4-SR, p. 17.
224 National Fuel St. No. 8-R, pp. 20-21.
225 OCA St. No.4, pp.31-33.
226 *See Columbia 2025.*
227 National Fuel St. No. 8-R, pp. 1-2.

h. Other Expense Adjustments

1. Charge Off Customer Accounts/Receivables (A/R) Expense

The Company notes that while OCA originally challenged the Company's proposed $147,000 of Charge Off Customer A/R expense, OCA withdrew its proposed adjustment based on the Company's explanation in rebuttal that there is no cross over between this account and the Company's Uncollectible expense.[228] As such, the Company's claim should be accepted.

2. Office Employee Expenses

National Fuel claims it should be allowed the amount of $2 million for Office Employee Expense,[229] but OCA proposed a downward adjustment of $64,000 to the expense on the basis that the Company's use of a compound annual growth rate (CAGR) is not consistent with zero-based budgeting.[230]

The Company contends the Commission should accept the Company's use of the CAGR from FY 2023 to FY 2025 of 3.67% to develop the Office Employee Expenses claim.[231] NFG explains the Office Employee Expenses line item is primarily made up of software, office equipment, and employee training/travel expenses, all of which are subject to inflationary price increases.[232] As such, the Company argues OCA's adjustment is unreasonable because OCA assumes the prices for these line items will

---

[228] OCA St. 2SR, p. 12.
[229] National Fuel Exh. ATF-2, Sch. 2.
[230] OCA St. 2, p. 16.
[231] National Fuel St. No. 3-R, p. 5.
[232] National Fuel St. No. 3-R, p. 5.

remain flat through the FPFTY, even while OCA's own witness spends several pages of testimony discussing the ongoing impacts of elevated inflation.[233]

NFG also contends OCA's arguments related to zero-based budgeting should be rejected. NFG argues the actuals from the HTY (FY 2025) were the starting point for the O&M forecast used for both the FTY and the FPFTY, and the approved Company budget for FY 2026 was used as a reference for known and measurable adjustments that were made for the FTY and FPFTY figures.[234] The Company asserts it will develop a budget for this expense using a zero-based budgeting approach at the appropriate time and, given the nature of the expenses included in this line item, actual recent price increases (CAGR of 3.67%) were utilized to develop the forecasted expense for the FPFTY.[235] For these reasons, the Company argues its claim for Office Employee Expenses should be accepted.

3. Postage Expense

National Fuel claims an amount of $1.5 million for Postage Expense,[236] and notes OCA contests the three-year CAGR utilized by the Company to project postage expense for the FPFTY. NFG notes OCA recommends a $175,000 reduction,[237] but NFG argues OCA's proposed adjustment should be rejected.

NFG asserts OCA's recommended 4.8% growth rate for this expense is tied to the U.S. Postal Service's (USPS" planned 4.8% increase to first-class stamps scheduled for July 2026.[238] The Company points out that by July of 2026, a first-class

233 *See* OCA St. No. 1, pp. 10-13.
234 National Fuel St. No. 3, pp. 3-4.
235 National Fuel St. No. 3-R, p. 5.
236 National Fuel Exh. ATF-2, Sch. 7.
237 OCA St. No. 2, p. 19.
238 OCA St. No. 2, p. 19.

stamp, which was $0.60 in January 2023, will be $0.82.[239] The Company argues OCA's adjustment does not account for likely increases in January and July of 2027.[240] NFG contends its projection is based on the 3-year compound annual growth rate of 9.14% for postage rates for 1 ounce stamps between January 2023 ($0.60) and December 2025 ($0.78). The Company also notes the USPS still faces significant financial challenges and continues to warn of additional increases beyond July of 2026.[241] For these reasons, the Company argues its claim for Postage Expenses should be accepted.

4. Line Hit Collections

National Fuel's proposal includes a $156,000 adjustment to Other Expense - Line Hit Collections,[242] which line item accounts for the projected reimbursements the Company expects to receive in the FPFTY for line hit damages to its pipelines. The Company asserts it used a three-year historic average to normalize the higher than normal collections received in the HTY of $449,000.[243] The Company notes OCA proposed reversal of the Company's adjustment to reflect the elevated $449,000 HTY value.[244]

NFG requested the Commission reject OCA's proposed removal of the Company's adjustment because OCA incorrectly assumed that a period that exhibits high line hit collections, like the HTY, must also have higher repair expenses in that year such that the higher expense and higher collections act as a natural offset.[245] NFG disagrees with that assumption and asserted line hit collections have significant lag, and recovery from third parties routinely crosses over fiscal years due to the time it takes to resolve,

---

239 National Fuel St. No. 3-R, p. 6.
240 National Fuel St. No. 3-R, p. 6.
241 National Fuel St. No. 3-R, p. 6.
242 *See* National Fuel Exhibit ATF-2, Sch. 4.
243 National Fuel St. No. 3-R, pp. 6-7.
244 OCA St. No. 2, p. 17.
245 OCA St. No. 2, pp. 16-17.

inter alia, financial liability related to the repair.[246] Additionally, NFG contends the primary cost associated with line hits is internal Company labor, which cost NFG annualized in the Company's FPFTY projection and so does not reflect any corresponding bump related to higher line hit repair expense.[247] The Company notes its line hit collections totaled $232,000 in fiscal year 2023, $199,000 in fiscal year 2024, and $449,000 in fiscal year 2025 (the HTY).[248] Clearly, the HTY total is an outlier which was nearly double the 2023 total and more than double the 2024 total. The Company argues its proposed adjustment to Line Hit Collections appropriately normalizes the impact of an abnormal year and should be accepted.

5. Insurance Settlement Proceeds

NFG notes OCA recommended that a regulatory liability related to insurance settlement proceedings, in the amount of $936,314, should be refunded to ratepayers over a three-year period (i.e., $312,000 per year).[249] The Company argues the Commission should reject OCA's argument that the liability, which is regularly used to shield ratepayers from environmental expenses, should be passed back to ratepayers[250] because OCA's proposal is flawed for two reasons. First, NFG argues the balance in this account continues to be reduced, as the Company is processing environmental expenses against it. The Company asserts that, as of April 27, 2026, the balance in the account was down to $847,444.[251] Second, if a three-year pass-back was established, a normalizing adjustment would be needed to re-establish the O&M expense that ratepayers were shielded from because of this account. For example, in the HTY, environmental expense

---

246 National Fuel St. No. 3-R, p.
247 National Fuel St. No. 3-R,
248 National Fuel Exhibit ATF-2, Sch. 4.
249 OCA St. No. 2, p. 15.
250 National Fuel St. No. 3-R, pp. 10-11.
251 National Fuel St. No. 3-R, p. 11.

would have been $144,486 higher if not for this regulatory liability account.[252] The Company contends the Commission should allow the Company to continue its historic practice of using these proceeds to offset new environmental expenses that would otherwise be recovered through base rates. NFG argues both the current balance of the account and the normalizing adjustment for the HTY shielded expense would need to be considered, if OCA's proposal is accepted by the Commission herein.[253]

6. Uncollectible Expense

National Fuel notes it accepted a recommended 0.02% adjustment from OCA to the uncollectible factor, which NFG asserts has resulted in a 1.53% uncollectible factor.[254]

2. Bureau of Investigation and Enforcement

a. Company's Claimed O&M Expenses

BIE contends that a utility is entitled to recover its reasonably and prudently incurred expenses.[255] Bie asserts that operating and maintenance expenses, if properly and prudently incurred, are allowed as part of a overall base rate computation, and, as such, a public utility is entitled to recover all reasonable and normal operating and maintenance expenses incurred by providing regulated service.[256] To the extent that expenses are not incurred, imprudently incurred, or abnormally overstated during the test year, BIE contends the expenses should be disallowed and found not recoverable through

---

[252] National Fuel St. No. 3-R, p. 11.
[253] National Fuel St. No. 3-R, p. 11.
[254] OCA St. No. 2, p. 18.
[255] *UGI Corp. v. Pa. P.U.C.*, 410 A.2d 923, 932 (Pa. Commw. 1980).
[256] *Western Pennsylvania Water Company v. Pa. P.U.C.*, 422 A.2d 906 (Pa. Commw. 1980).

rates. BIE also notes the public utility requesting a rate increase and seeking to recover expenses has the burden of showing that the rate requested, including all claimed expenses, is just and reasonable.[257]

b. Rate Case Expense

Regarding rate base expense, BIE notes that NFG's claim for rate case expense is $344,000,[258] estimated its total rate case expense amount to be $1,032,000 and requested a normalization period of three years.[259] BIE contends this claim produced a normalized claim of $344,000 ($1,032,000 ÷ 3). BIE also notes the Company argued that the three-year normalization period was used as it aligns with the time interval between the Company's late base rate case and this proceeding.[260]

BIE recommends, however, that NFG's rate case expense should be normalized over a period of five years, or 60 months, resulting in an annual expense of $206,400 [($1,032,000 ÷ 60 months) x 12 months], or a reduction of $137,600 ($344,000 - $206,400) to the Company's claim.[261] BIE disagrees with NFG's claimed three-year recovery period because a three-year recovery period is not supported by the Company's historic filing frequency.[262]

c. Incentive Compensation Expense

Regarding the Company's stock-based compensation expense, BIE asserts the Company's stock-based compensation claim contains three parts, which are based on

---

257 66 Pa. C.S. § 315(a); *See also Cup v. Pa. P.U.C.*, 556 A.2d 470 (Pa. Commw. 1989).
258 I&E St. No. 1, p. 4, citing NFG Book V, Exhibit A - FPFTY, Schedule D-6.
259 *Id.*, p. 5, citing NFG Book V, Exhibit A - FPFTY, Schedule D-6.
260 *Id.*, citing NFG Statement No. 3, p. 16, lines 5-6.
261 *Id.*, p. 6.
262 *Id.*

a three-year average amount for each, with a total claim of $1.429,959.[263] BIE recommends an allowance of $520,678 for stock-based compensation, or a reduction of $909,281 ($1,429,959 - $520,678) to the Company's claim with a focus on the performance shares.[264] BIE notes that in one discovery response, the Company argued that the restricted stock are time vested stock where there is no other goals to be met other than the passage of time and that the performance shares are based on financial results with the exception of emission reduction targets which account for approximately 5% of performance shares issued.[265]

BIE now argues that, based on the Company's discovery responses, it is clear that performance shares in NFG's stock-based compensation expense claim are almost entirely focused on achieving financial goals and targets that benefit shareholders.[266] BIE contends the Company's claim - that the achievement of financial goals or targets benefits ratepayers - is speculative and unsupported because there are no measurable or quantifiable benefits accruing directly to ratepayers specifically attributable to performance shares.[267] Further, BIE argues the performance shares in the Company's stock-based compensation claim should not be funded by ratepayers.[268]

Therefore, BIE recommends disallowance of 95% of NFG's claim for performance shares or $909,281 ($957,138 x 95%),[269] which results in a recommended allowance of $520,678 for stock-based compensation, or a reduction of $909,281 ($1,429,959 - $520,678) to the Company's claim for stock-based compensation.[270]

---

263 I&E St. No. 1, p. 15, citing NFG Book III, Exhibit MPW-1, Schedule 2, p. 13.

264 *Id.*, p. 16.

265 *Id.*, citing I&E Exhibit No. 1, Schedule 3.

266 *Id.*, p. 17.

267 I&E St. No. 1-SR, p. 15.

268 *Id.*

269 I&E St. No. 1, p. 17.

270 *Id.*

d. Payroll Expense and Related

Regarding the Company's net labor expense, BIE notes that NFG's net labor expense claim is $40,592,056,[271] which includes labor from the Company as well as labor from its subsidiaries, primarily NFG's New York Division (NFG NY) and National Fuel Gas Supply Corporation.[272] BIE, however, recommends an allowance of $40,212,325 for net labor expense, or a reduction of $379,731 ($40,592,056 - $40,212,325) to NFG's claim.[273] BIE asserts its recommendation on net labor expense is based on the removal of the portion of the executive bonus that is attributable to achieving financial goals. BIE argued further that the Company's claim that the achievement of financial goals benefits ratepayers is speculative and unsupported because there are no measurable or quantifiable benefits accruing directly to ratepayers which are specifically attributable to financial goals.[274]

Further, I&E argues that allowing this claim in rates would result in higher rates and revenues at the expense of ratepayers, while providing a benefit to the parent company and shareholders' financial goals.[275] BIE contends it is not obvious how the portion of executive bonuses attributable to financial goals directly relates to providing safe and reliable service to ratepayers.[276] Therefore, all costs associated with executive bonuses related to financial goals should be paid for by shareholders, and not by ratepayers, as they are directly linked to the benefit of shareholders.[277]

---

271 I&E St. No. 1, p. 11, citing NFG Book III, Exhibit ATF-4, Schedule 1, p. 2.
272 *Id.*, citing NFG Statement No. 3, p. 5, lines 5-8.
273 I&E St. No. 1, p. 11.
274 I&E St. No. 1-SR, p. 11.
275 *Id.*
276 *Id.*
277 *Id.*

e. Membership Dues Expense

Regarding the Company's claim for a membership dues expense, BIE notes that the Company's claim for membership dues of $234,266[278] includes payments to industry organizations, civic and community organizations, trades, technical, and professional organizations, and other memberships.[279] BIE also notes the Company's claim was based on its HTY amount for membership dues.[280]

BIE recommends, however, an allowance of $212,298 for membership dues, or a reduction of $21,968 ($234,266 - $212,298) to the Company's claim.[281] BIE argues its recommendation is based on disallowing membership dues for civic and community organizations and other membership dues where the Company has not provided adequate support that the membership is necessary to provide safe and reliable service to the Company's ratepayers.[282]

f. Customer Payment Transaction Costs

BIE did not present any record evidence or make any recommendations regarding this issue and took no position on this issue.

g. Depreciation Expense

---

278 I&E St. No. 1, p. 18, citing NFG Book III, Exhibit ATF-1, Schedule 1.

279 *Id.*, p. 19, citing NFG Book II, SDR-RR-30 and NFG Book II, SDR-RR-31.

280 *Id.*, citing I&E Exhibit No. 1, Schedule 4.

281 *Id.*, p. 19.

282 *Id.*, citing I&E Exhibit No. 1, Schedule 4, p. 3.

BIE did not submit any testimony regarding the depreciation expense issue and took no position on this issue. BIE asserts the Commission weighed in on this issue in the last *Columbia Gas* base rate case.[283]

h. Other Expense Adjustments

BIE did not comply with the common brief outline and chose to discuss its position on Case Working Capital elsewhere.

3. Office of Consumer Advocate

OCA notes that the Company must affirmatively demonstrate by a preponderance of evidence that its expenses are reasonably necessary to provide services and are prudently incurred.[284] NFG has not affirmatively demonstrated by a preponderance of the evidence that the expenses the OCA has challenged in this case are reasonably necessary to provide services, or that they are prudently incurred. The Commission should exclude NFG's claimed expenses that are challenged by the OCA because those expenses are unreasonable and without merit.

a. Company's Claimed O&M Expenses

OCA did not address this issue.

b. Rate Case Expense

---

[283] See *PA. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2025-3053499, Recommended Decision Entered Oct. 3, 2025, pp. 137-151; OPINION AND ORDER Entered Dec. 9, 2025, pp. 97-111.

[284] *City of Lancaster Sewer Fund v. Pa. Pub. Util. Comm'n*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002); *Popowsky v. Pa. Pub. Util. Comm'n*, 674 A.2d 1149, 1154 (Pa. Cmwlth. 1996).

OCA did not address this issue.

c. Incentive Compensation Expense

OCA recommends that NFG's claim for incentive compensation expense should be adjusted to reduce operations and maintenance (O&M) expenses by $1.43 million.[285] OCA asserts that portions of incentive compensation tied to shareholder earnings goals have been disallowed where metrics lacked a sufficient nexus to ratepayer benefits, and instead the incentive compensation primarily advanced shareholder interests.[286] OCA contends that, only where an incentive compensation plan is reasonable, prudently incurred, not excessive, and a benefit to ratepayers, may a Company recover the expense of that program.[287] OCA further contends the Commission allowed incentive compensation expense because it was consistent with the Commission's "prior decisions approving incentive compensation programs that are focused on improving operational effectiveness,"[288] and the Commission has approved incentive compensation plans where employees eligible for the compensation "have direct responsibilities for customer service and regulatory compliance or are otherwise responsible for ensuring safe and reliable service to customers."[289]

---

285 OCA St. 2 at 14; OCA Exh. LKM-8A-SR.

286 *Pa. Pub. Util. Comm'n v. Columbia Gas of PA, Inc.*, R-2025-3053499 Order at 204-05 (Oct. 3, 2025).

287 *Pa. Pub. Util. Comm'n v. PPL Elec. Util. Corp.*, R-2012-2290597, Order (Dec. 28, 2012).

288 *Id.* at 26 (Dec. 28, 2012) *citing Pa. Pub. Util. Comm'n v. Aqua Pa., Inc.*, 2008 Pa. PUC LEXIS 50, *24; *Pa. Pub. Util. Comm'n v. Duquesne Light Co.*, 1987 Pa. PUC LEXIS 342 at *99-100.

289 *Pa. Pub. Util. Comm'n v. PAWC*, 2021 PA. PUC LEXIS 55 at *59 (Feb. 25, 2021).

OCA recommends an adjustment to remove the 2010 Equity Compensation Plan expense from the cost of service based upon the stated purpose of the plan to advance the interests of the Company and its stockholders.[290] OCA argues that as, “an investor-owned utility, the interests of the Company and its stockholders primarily depend on the Company remaining a going concern… [and] operating the Company is based upon a profit motive… the primary interests of the Company and its shareholders is to achieve earnings high enough to attract investors, achieve financing on good terms and improve shareholder value.”[291]

OCA further notes that these goals are primarily targeted toward increasing shareholder value and not necessarily consistent with the interests of NFG’s ratepayers.[292] Accordingly, OCA argues these costs are not properly recoverable from ratepayers for several reasons, including: 1) that the measures that achieve additional cost savings, increase revenue or otherwise improve financial results should generate the necessary income to cover the incentive plan payments, and 2) the payments are not tied to ratepayer benefits such as improved quality of service.[293] OCA notes that NFG disagreed with OCA’s claims that stock-based compensation is “solely for the benefit of shareholders,”[294] but OCA asserts it did not make such a claim but, rather, asserted shareholders are the primary beneficiaries of NFG’s plan.[295] OCA also points out it rejected NFG’s contention that a portion of the restricted stock awards are based on recipients’ continued service to the company over time by noting that NFG has indicated that a competitive total rewards package is needed to retain current workforce.[296] OCA argues that ultimately its challenge is not to the total employee rewards packages but to

290 OCA St. 2 at 13.
291 *Id.*
292 *Id.*
293 OCA St. 2 at 14.
294 NFG St. 5-R at 9.
295 OCA St. 2SR at 10.
296 OCA St. 2SR at 11, *citing*, NFG St. 5-R at 9.

who should bear the cost of those packages.[297] OCA contends it is important to determine whether the plan is primarily established in the interest of shareholders or ratepayers because those two interests do not always align or are otherwise compatible.[298]

d. Payroll Expense and Related

OCA did not address this issue.

e. Membership Dues Expense

OCA contends that NFG's claim - for $17,000 related to dues for membership in economic development organizations - should be removed from the cost of service.[299] OCA notes NFG included annual dues membership for the Erie Downtown Development Corporation, Penn-Northwest Development Corp. and the Clarion County Economic Development,[300] but OCA asserts that when its witness reviewed the websites for each of these organizations, he determined that "clearly, none of these organizations are focused on employee development or related to the utility operations."[301] In addition, OCA points out that membership in this organizations has little to do with providing service to current ratepayers and is more closely aligned with corporate image-building. Further, OCA argues that economic development is not a function of a public utility, so it is not appropriate to recover these costs from ratepayers."[302]

---

297 *Id.*

298 *Id.* (noting, for example, that a delay in expenditures may improve earnings and share value while degrading customer service).

299 OCA St. 2 at 20-21, *citing*, OCA Exh. LKM-15A-SR.

300 *Id.* at 20.

301 *Id.*

302 *Id.* at 21.

OCA notes NFG argued that economic growth helps to retain and attract commercial and industrial use of natural gas, and that participation in these organizations ensures energy infrastructure, safety and reliability considerations are incorporated into local growth planning.[303] OCA argues that local governments can perform these functions without NFG's membership in them, in part, because part of the functions of a utility's marketing department is to stay abreast of local development initiatives in order to capture new customers.[304] OCA contends NFG's economic development fees are more related to charitable contributions and less related to economic development, and the inclusion of these costs in the cost of service should be rejected.[305]

f. Customer Payment Transaction Costs

OCA asserts that NFG's operating expenses should be adjusted by $930,000 to reflect customer bill payment transaction fees that are absorbed by NFG for those customers who pay their bills by credit card, debit card, Venmo and PayPal.[306]

g. Depreciation Expense

1. Introduction

OCA asserts record evidence demonstrates the Commission should accept the adoption of the Average Life Group (ALG) procedure, over the Equal Life Group (ELG) procedure, when determining depreciation expense. OCA insists the Company would recover its original investment cost in depreciable plant <u>and</u> it would also afford

---

303 NFG St 3-R at 8.
304 OCA St. 2SR at 21-22.
305 *Id.* at 22.
306 OCA St. 2 at 21, *citing*, OCA Exh. LKM 16A; *see also*, OCA St 5 at 16.

NFG's rate payers significant rate relief.[307] OCA notes the public is entitled to demand, now more than ever, that no more money be exacted from the public than the reasonable worth of the services rendered.[308] However, OCA cautions that if the Commission permits NFG to continue using the ELG procedure, the Commission will by definition be permitting NFG to charge customer rates in its FPFTY which are excessive amounts beyond what is required to operate NFG's system, in accordance with the Public Utility Code, and earn a fair return on investment. OCA asserts NFG's proposal to continue use of the ELG procedure is atypical nationwide among other jurisdictions, atypical for what NFG's own witness, Mr. Spanos, usually recommends in rate cases in other jurisdictions, and atypical for NFG itself where NFG's other affiliates utilize the ALG procedure for depreciation.

OCA asserts the ALG procedure is a reasonable procedure used by a supermajority of states, including Pennsylvania, and should be adopted moving forward. OCA emphasizes that no state law, federal law, or prior Commission Order prohibits the Commission's adoption of the ALG procedure for NFG, and the unique circumstances of this proceeding establish that adopting the use of the ALG procedure will permit NFG to recover reasonable amounts charged to operating expenses for depreciation so that it is fully recovered, and the integrity of its investments maintained while ensuring that consumers pay no more than necessary. Through adoption of the ALG procedure, OCA contends the excess amounts charged in rates for depreciation expense will be removed.

OCA asserts the Commission should accept the following conclusions after reviewing NFG's proposal to continue using the ELG procedure:

---

[307] *Pennsylvania Power & Light Co. v. Pennsylvania Public Utility Com.*, 311 A.2d 151, 157 (Pa. Commw. 1973).

[308] Edi*son Light & Power Co. v. Driscoll*, 25 F.Supp. 192 (D. Pa. 1938), *rev'd on other grounds*, 307 U.S. 104, 59 S. Ct. 715, 83 L. Ed. 1134 (1939).

> 1. National Fuel filed a depreciation study based on plant balances for its Fully Projected Future Test Year (FPFTY) as of October 31, 2027, using the ELG procedure, and these depreciation rates will result in excessive and burdensome depreciation expense for National Fuel's customers.
>
> 2. National Fuel's total proposed 2027 depreciation expense of $23.4 million represents 8% of its proposed total $285.2 million revenue requirement.
>
> 3. National Fuel is in an accelerated investment period that will substantially drive an increase to rate base and revenue requirement.
>
> 4. The use of the ALG procedure can be used to mitigate the rate increases associated with National Fuel's accelerated investment to upgrade its infrastructure, because the ALG procedure equitably spreads the annual depreciation expense on rate base investment over the generations of customers that receive service from the investments.
>
> 5. The Commission should order National Fuel to use depreciation rates that are based on the ALG procedure.
>
> 6. The proposed test year depreciation expense should be reduced by $4.67 million if the ALG depreciation rates are utilized.
>
> 7. The Commission should approve the depreciation rates that are presented in OCA Exhibit BCA-2.[309]

2. Use of the ELG Procedure is Unfair to Ratepayers

OCA argues that NFG's rate request would have its customers experience a substantial increase in rates due to the Company's depreciation expense, and if unchanged, NFG customers will shoulder higher depreciation expenses because the Company is in a high investment period. With more gas plant coming online during the next several years, OCA contends NFG's ratepayers will be shouldering the cost for this

---

309 OCA St. 4 at 3.

period of high investment and accrue significantly higher charges up front under the ELG procedure.

OCA asserts that the investment in net plant in-service, for the FPFTY ended October 31, 2027, is projected to be $637 million. However, OCA notes that when the Company last requested a rate increase (for the FPFTY ended July 31, 2024), the Company's investment in net plant was approximately $496 million. OCA argues this $141 million increase in net plant resulted from continued investments necessary to enhance and maintain the safety and reliability of the Company's distribution system, including the replacement of aging gas plant infrastructure.[7] OCA also notes the Company eliminated over 371 miles of leak-prone bare steel and wrought iron pipeline and 7,337 base steel services in the last ten years and, at the current rate of replacement of 57 miles per year, NFG expects retirement of all leak-prone pipe by 2039.[310] OCA argues NFG will have continued increased spending for at least the next ten years.[311] OCA also explained how depreciable plant-in-service and the Company's calculated depreciation expense has jumped considerably and will continue to do so through the FPFTY, Table 2:

---

310 *Id*.

311 OCA St. 4 at 13-14. NFG St. 1 at 14. OCA witness Andrews acknowledged the Company's DSIC mechanism: "Although National Fuel implemented the Distribution System Improvement Charge ("DSIC") in January 2025, the DSIC is currently capped at 5% of distribution revenues, and the Company anticipates this cap will be met by the end of March 2026." OCA St. 4 at 14.

TABLE 2

National Fuel Annual Plant in Service and Depreciation Expense
($ Millions)

Description	Currently Approved 2023	Currently Approved 2024	Proposed Parameters 2025	Proposed Parameters 2026	Proposed Parameters 2027	2023 to 2027 Increase	Percent Increase
Total Depreciable Plant in Service	$ 733.78	$ 780.13	$ 823.36	$ 883.40	$ 955.94	$ 222.15	30.27%
Total Depreciation Expense	$ 18.88	$ 20.71	$ 20.59	$ 20.89	$ 23.43	$ 4.55	24.08%

Sources: Filing Requirement III-K.6 and Exhibit C

312

OCA contends this information shows that NFG's depreciation expense increased more than 24% over a 5-year period, largely coinciding with a 30% increase to plant-in-service. OCA examined NFG's plant-in-service portfolio and now asserts the oldest assets in NFG's portfolio that are still in service date back to 1883. OCA argues NFG has provided gas service in Pennsylvania since 1902, approximately 124 years, and yet the average age of the Company's gas plant, is 19 years old.[313] OCA contends this information confirms that this 124-year-old company using assets with an average age of 19 years has been in a higher-than-average investment cycle.[314]

OCA asserts this period of high investment come when more and more demands are being placed on the wallets of ratepayers. OCA opines that the "affordability of utility rates is of significant concern of regulators, credit agencies, and especially customers themselves. A recent poll by the Commonwealth Foundation found that rising energy costs are a top voter concern, claiming that "Eight in 10 voters say their household energy bills have increased over the past two years, and more than two-thirds (70%) say they're concerned about affording their family's energy needs. Rising energy costs (63%) top the list as the most prominent environmental issue in Pennsylvania."

312 *Id.* at 14.
313 *Id.*
314 *Id.*

OCA argues the high inflationary environment that has existed over the past few years is taking its toll on Pennsylvanians, but the switch to ALG depreciation rates will help alleviate the gas bill burden for National Fuel's customers.[315] OCA further argues that the Company's rates are overstated and unnecessarily burdensome for NFG's customers due to excessive depreciation expense and subsequent inflated revenue requirement.[316] In addition, OCA disagrees with National Fuel's reliance on the ELG procedure which, OCA claims, will result in depreciation rates that are front-loaded and will force unnecessary depreciation expense on current customers. OCA asserts the ELG procedure compounds the cost of the infrastructure asset in the early years of the asset's service life by increasing both the return on the asset (because undepreciated net plant cost is highest in the early years) and the annual recovery of the asset or depreciation expense.[317]

OCA asserts these periods of high investment amplify the discrepancy between the ALG and ELG procedures and result in excessive costs under the ELG procedure.[318] OCA also disagrees with NFG's claim that it has operated with the same same landscape for many rate case, and the ELG procedure was approved for use.[319] OCA contends NFG's statement is not correct, as evidenced by OCA's analysis that NFG is in a period of high investment,[320] a fact to which the Company's own witness

---

315 OCA St. 4 at 15 (internal citations omitted).

316 *Id*.

317 *Id.* 15-16.

318 *Id*.

319 NFG St. 8R at 24. Mr. Spanos' statement from his Rebuttal testimony was in response to Mr. Andrews presenting a case from the Indiana Utility Regulatory Commission. There will be additional discussion on jurisdictions moving from ELG to ALG further below.

320 OCA St. 4 at 14.

agreed,[321] and as evidenced by NFG filing for only three rate increases in the last twenty years.[322]

OCA asserts NFG's proposed rate increase, due to NFG's substantial increase to its rate base, can be mitigated without unreasonable adverse impact on the utility, if the Company depreciates its assets using rates determined using the ALG procedure.[323] OCA asks the Commission to approve the use of the ALG procedure herein, instead of the ELG procedure, because the ALJ procedure will allow National Fuel to recover properly the full cost of investments over the life of the assets, at a more affordable rate and, thereby, reduce the expense in the interest of consumers and allow for more just and reasonable rates.[324]

3. Adopting the ALG Procedure Provides Equitable Depreciation Rates

OCA disagrees with NFG's assertion that its customers will experience lower rates in the FPFTY and over the next decade by utilizing the ALG procedure.[325] OCA asserts an underlying principle for determining depreciation rates includes the principle of intergenerational equity.[326] OCA contends it is inequitable and economically unsound to expect and require a current generation of captive ratepayers to bear the cost of providing service to another generation of ratepayers.[327] OCA asserts the ALG procedure results in lower revenue requirements for NFG's customers for approximately

---

[321] *Id*. at 25.
[322] OCA St. 4SR at 15-16.
[323] OCA St. 4 at 26.
[324] *Id*.
[325] OCA St. 4SR at 13.
[326] OCA St. 4 at 24.
[327] *Re Minnegasco, Inc.*, 143 PUR4th 419, 426 (May 3, 1993); *Re Limerick Nuclear Generating Station*, 1982 Pa. PUC LEXIS 102, *65.

the next eleven years,[328] and eleven years of lower utility bills provides a substantial benefit to customers who are experiencing rate increases and facing affordability concerns today.[329]

OCA notes that, though eleven years is a remote time in the future, it is important to address the crossover point in approximately the year of 2037, when the revenue requirement is projected to increase.[330] OCA contends that that crossover point gets to the crux of evaluation the ALG procedure versus the ELG procedure. OCA acknowledges that both procedures ensure full cost recovery for the utility but the question to be answered is how the timing of that cost recovery is allocated among generations of customers.

OCA insists that the benefit for NFG ratepayers - by utilizing the ALG procedure - is firmly established at this present moment whereas the benefit to NFG ratepayers utilizing the ELG procedure is based on long-term projections. OCA further argues that long-range projections are based on speculative assumptions about plant activity, retirements, and rate of return extending 25 years into the future, and that the assumptions embedded in this forecast drive the result. OCA contends there is no way to verify whether those assumptions will prove accurate over a quarter-century time

---

328 OCA St. 4SR at 13-14.

329 OCA St. 4SR at 14.

330 NFG St. 8R at 17. The Commission considered the merits ALG vs. ELG in Columbia Gas' most recent rate and found OCA's advocacy for adoption of ALG to be incomplete because it did not adequately address the latter projections: "By ignoring the impact of depreciation expense on rate base, the OCA fails to acknowledge that any benefit to current customers from Mr. Garrett's proposal to use ASL depreciation rates only results from the change from the ELG to ASL procedure, not from the overall use of the ASL procedure itself." In this section and further below, the OCA will address concerns raised by the Commission regarding adoption of the ALG procedure and explain why this proceeding under these set of facts and the Public Utility Code merit adoption of the ALG method in this proceeding.

horizon while, in contrast, the near-term benefit of the ALG procedure is real and measurable.[331]

OCA asserts the known and measurable impact of the ALG procedure means there is a tangible benefit to its current ratepayers whereas the ELG procedure unfairly produces higher rates for current customers based off of a projected future scenario. OCA argues the use of a depreciation system that uses the ELG procedure in the test year is at odds with the traditional ratemaking principle that rates are set on a forward-looking basis based on test year expense and remains in effect until a future rate case. In addition, OCA points out the ELG procedure is an accelerated form of depreciation, which causes current customers to pay greater depreciation expense than future customers will pay for the same level of utility service.[332]

OCA further disagrees with NFG's claim that the ELG procedure is the better methodology to future inequities because it better matches an asset's cost to the period of time over which it is providing service,[333] but OCA asserts the utility will recover the full cost of its prudent investments to provide utility service over the life of the assets, whichever grouping procedure the utility uses.[334]

Speaking directly to criticism from NFG, OCA contends the following three reasons why NFG's comments against the ALG procedure are incorrect. First, OCA contends NFG's concern about customers paying for retired assets under ALG is addressed by the Remaining Life Technique, which OCA explains is self-correcting because any over-accumulations or under-accumulations due to the use of the average

---

331 OCA St. 4SR at 14 (emphasis added).

332 OCA St. 4 at 24.

333 NFG St. 8R at 20-21. The perceived accuracy of the ELG procedure will be discussed in the next section.

334 *Id.*

life are automatically spread over the remaining life of the account in subsequent depreciation studies. OCA asserts this self-correction means the theoretical concern about stranded cost recovery under ALG is mitigated through the regular updating of depreciation rates, which occurs on a regular basis for National Fuel.

Second, OCA contends NFG acknowledged that circumstances can change such that assets are retired earlier than expected," whether the ELG or the ALG procedures are applied. However, OCA argues that when assets are retired at times different than the survivor curve predicts, then the ELG procedure's allocation of cost among equal life groups will also be incorrect, and the claimed intergenerational equity advantage of ELG does not materialize in practice.

Third, OCA contends NFG's focus on the first form of intergenerational equity (paying for retired assets) overlooks the second form of intergenerational equity (front-loading depreciation expense) that the ELG procedure creates. OCA asserts that the ELG method assigns more depreciation expense to customers that take service early in the asset's service life and reduces the expense to customers toward the end of the asset's service life.[21] OCA further contends that NFG is in a higher-than-average investment cycle and the majority of its assets are relatively young (average age of 19.9 years for a company with a 70-year average service life for its largest accounts), and OCA argues the front-loading effect of ELG is particularly pronounced.[335] In addition, OCA asserts the strength of the dollar favors present customers because, due to inflation, the purchasing power of a dollar erodes over time.[336]

OCA argues that using the ALG procedure produces lower revenue requirements during the period when customers' dollars have the greatest purchasing

335 *Id.* at 16-17.
336 *Id.*

power, and the higher revenue requirements that NFG projects under ALG in later years are in dollars that are worth substantially less.[337] According to OCA, customers today are always more valuable than savings in the future, because the purchasing power of those future savings is diminished by inflation.[338] OCA contends it is unfair to withhold direct relief to customers *now* when there is a procedure to properly account for depreciation expenses that would allow them to pay lower utility rates and strengthen intergenerational equity for consumers. For those reasons, OCA asserts the Commission should reject NFG's proposal to continue utilizing the ELG procedure.

4. Certainty Ascribed to the ELG Procedure is Mirage

OCA points out NFG's contention that the ELG procedure is the mathematically correct procedure and using the ELG procedure a better match for the consumption of capital with service provided, in contrast to the ALG measure.[339] OCA explained the ELG procedure may be more precise mathematically. However, OCA argues the alleged precision does not exist in reality, the ELG procedure is extremely sensitive to the survivor curve - that is used to determine the depreciation rates - and the depreciation expense is only accurate if the utility property retires in exactly the manner dictated by the survivor curves used to calculate the ELG rates.[340]

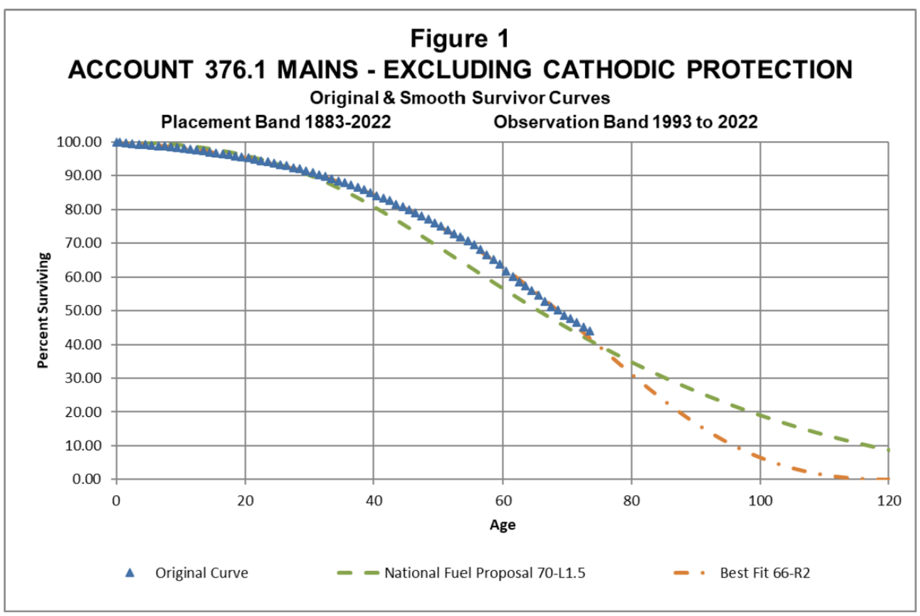
OCA provided an example through its witness, Mr. Andrews. Mr. Andrews explained the distribution mains account, Account 376.1, includes distribution mains of various materials (steel, plastic, etc.) and various sizes (1/2", ¾", 1", etc.), and each individual asset will retire in a different manner and at a different age. Mr. Andrews noted the ELG procedure assumes every asset will retire in a manner exactly like the

---

337 *Id.* at 15.
338 *Id.*
339 OCA St. 4 at 29 (internal citations omitted).
340 *Id.*

survivor curve, while the ALG procedure assumes the group of assets, on average, will retire in a manner consistent with the survivor curve. Mr. Andrews and OCA contends the ALG procedure is more appropriate herein because the precision of the ELG procedure does not match reality.[341]

OCA contends the Account 376.1 used in Mr. Andrews' example represents approximately $426.7 million, or 45%, of NFG's $955.9 million gas plant-in-service, and it represents 32% of NFG's proposed 2027 gas plant depreciation expense.[342] OCA points out NFG proposed the 70-L1.5 survivor curve for this account,[343] but Mr. Andrews presented Figure 1, to show NFG's original retirement data for Account 376.1 compared with the Company's proposed 70-L1.5 survivor curve:



[344]

341 *Id.*

342 OCA St. 4SR at 5-6.

343 *Id.*

344 *Id.* at 6.

OCA contends NFG's claim - that the ELG procedure is more accurate - is true only if property retires exactly as dictated by the survivor curve.[345] OCA argues the Figure 1 graph of Mr. Andrews demonstrates that the 70-L1.5 survivor curve proposed by NFG does not closely match the Company's actual retirement experience, particularly in the middle section of the curve, which OCA contends demonstrates that precision does not exist for National Fuel's largest account. OCA also contends the curve shows that the ELG procedure's allocation of cost among equal life groups will not match reality for nearly half of National Fuel's gas plant-in-service."[346]

OCA argues that where the ELG procedure may lack true precision, the ALG procedure corrects for fluctuations. OCA asserts all assets have an average life that is equal to the proposed survivor curve. OCA also acknowledges that assets will be retired either before the average service life, consistent with the survivor curve or after the average service life. Through its witness, OCA explains: "For each vintage of property within an account, the remaining life is determined based on the age of the property and the survivor curve selected for the account. The unrecovered cost for each vintage is spread over the remaining life of that vintage, yielding an annual accrual for each vintage. The vintage annual accruals are summed for the entire account, and the total of annual accruals is divided by the account balance to determine the depreciation rate.[347]

OCA contends that the expected degradation of plant-in-service deviates from original performance projections, almost *arguendo* as a law of nature,[348] and the ALG procedure is suited to adapt to the fluctuating realities of plant degradation that do not align with original estimates. OCA argues the ELG cannot adapt to these fluctuations

345 *Id*.
346 *Id*.
347 OCA St. 4 at 18-19.
348 *Id*.

due to its rigidity.[349] OCA argues, however, that NFG's reliance on that perceived accuracy is costing its ratepayers higher rates because current customers pay excessive depreciation costs. OCA recommends the Commission reject NFG's proposal - to continue using the ELG procedure for calculating deprecation – to benefit the interest of the Company's customers and the Company's ability to recoup plant-in-service costs.

5. OCA's position Overcome Concerns Raised by the Commission

OCA argues at length about the applicability of the Commission in Columbia Gas' most recent base rate case, wherein OCA contends the Commission affirmed several key tenets when evaluating competing deprecation proposals.[350] First, OCA points out the Commission is not bound by either procedure.[351] Second, OCA notes that past usage of a particular depreciation procedure neither justifies or limits what constitutes just and reasonable rates.[352] Third, OCA asserts it is generally recognized that accrued depreciation is a judgment figure which is based on all the evidence, and the weight to be given any particular estimate is for the Commission to determine and the Commission is not bound to accept any particular procedure of estimating accrued depreciation.[353]

Further, OCA contends the United States Supreme Court has held that while the public utility company "is entitled to recover depreciation expense to ensure the utility is whole and the integrity of its investment maintained, the utility bears the burden

349 *Id*.

350 *Pa. Pub. Util. Comm'n, et al. v. Columbia Gas of Pennsylvania, Inc.*, Docket Nos. R-2025-3053499, *et al*., Recommended Decision (Oct. 3, 2025) (*Columbia R.D.*).

351 *Id.* at 665.

352 *Id.* at 666.

353 *Id.*

of demonstrating that its claimed amounts to recover in expenses are not excessive."[354] In addition, OCA points out NFG, as a public utility company must make a convincing shows that the depreciation amounts charged to operating expenses were not excessive, and that burden is not met by merely proving the utility's general accounting system is correct, because the "calculations are mathematical, but the predictions underlying them are essentially matters of opinion."[355]

OCA asserts that in the recent *Columbia Order*, the Commission provided guidance for how a party can meet the rebuttal presumption in which a Company's depreciation methodology is considered reasonable for accounting purposes,[356] is a standard found in the Commission's regulations:

> In 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. [357]

OCA points out the Commission (in its *Columbia Order*) discussed a flaw in OCA's evidence, which hindered OCA's ability to overcome the Commission's "rebuttable presumption" as stated above. In its *Columbia Order*, the Commission found: "Mr. Garrett applied the ASL depreciation procedure but continued to use book reserve

---

[354] 66 Pa. C.S. § 315(a); *see Lindheimer v. Illinois Bell Tel. Co.*, 292 U.S. 151, 169 (1934) (*Lindheimer*); *Federal Power Commission v. Hope Natural Gas Co*., 320 U.S. 591, 606 (1944).

[355] *Lindheimer,* at 169.

[356] *Pa. Pub. Util. Comm'n, et al. v. Columbia Gas of Pennsylvania, Inc.*, Docket Nos. R-2025-3053499, *et al.,* Order at 106-111 (Dec. 4, 2025) (*Columbia Order*); 52 Pa. Code § 73.9(c).

[357] 52 Pa. Code § 73.9(c).

balances developed under the ELG procedure. As Mr. Spanos explained, in Pennsylvania, the standard procedure is to: (1) calculate depreciation for the HTY; (2) bring forward the reserve to the FTY; and then (3) bring that forward again to the FPFTY."[358]

OCA contends the Commission's critique does not apply herein. OCA points to its evidence in which it presented a reserve bring-forward of accumulated depreciation from September 30, 2025, to October 31, 2027, based on the ALG methodology.[359] OCA asserts its recommended annual depreciation expense and accumulated depreciation were calculated on a reasonably consistent basis, as required under Pennsylvania law.[360] OCA points out NFG did not challenge OCA's reserve bring-forward or identify any methodological inconsistency with the analysis, which OCA argues confirms there is a material difference between the evidence presented by OCA in *Columbia* and this current proceeding.

In addition, OCA points out that the Commission stated in its *Columbia Order* that the Commission has previously accepted the use of the ELG procedure, and specifically has accepted its use with Columbia, for decades.[361] OCA contends this current proceeding is distinguishable, because NFG's two most recent rate cases are from 2022 and 2006, in which both cases resulted in a settlement. OCA asserts the settlements resulted in the Commission not reviewing NFG's depreciation expense under contested conditions in over two decades.

OCA asserts that, although the Commission accepted NFG's use of ELG previously, the law is clear: a Company's use of a depreciation procedure previously is not dispositive as to whether the Commission should grant approval to continue using the

---

358 *Columbia Order* at 110.
359 OCA St. 4SR at 11.
360 *Id*.
361 *Columbia Order* at 110.

same procedure. OCA argues the Commission has not furnished a rule as to which depreciation methodology is required to be used when a utility files for rate increases, meaning adoption of ALG in this proceeding does not an overturn of any prior decision.

6. Supermajority of States Require the ALG Procedure

OCA points out that the Commission previously ruled the use of ALG in other jurisdictions is not relevant because other jurisdictions use other depreciation parameters,[362] and OCA acknowledges that decisions in other jurisdictions are not legally binding before the Commission. However, OCAed presents recent decisions from other jurisdictions for their persuasive value for three following reasons: 1) ALG is the deprecation procedure used by more than a supermajority of utility jurisdictions; 2) the trend across the nation is to shed ELG in favor of ALG; and, 3) in some cases, the facts are similar to this current proceeding. OCA provided examples from Indiana,[363] Kentucky and Arkansas which generally found a high investment period harms ratepayers in the immediate term, and that the "use of ELG in a higher than average investment cycle has the effect of unnecessarily increasing the near-term depreciation expense as compared to the use of ALG."[364] The Kentucky Public Service Commission (Kentucky PSC) shared the same rationale when it weighed ELG and ALG, finding that the ELG procedure "does not accurately match revenues and expenses, [and] is front-loaded, … [and determined] [r]egulatory accounting requires the proper matching of revenues and expense in order to produce fair, just and reasonable rates.[365] Lastly, OCA notes the Arkansas Public Service Commission (Arkansas PSC) also recognized that when a utility increases its plant-in-service, like NFG is here, the use of "ELG will

[362] *Columbia Order* at 110.
[363] OCA St. 4 at 32-33.
[364] *Id*.
[365] *Id.* at 31.

continue to result in higher depreciation rates and expense as long as a utility's plant continues to grow."[366]

OCA points out the Company attempted to downplay the Kentucky and Indiana cases by claiming those cases involved electric utility companies.[367] OCA argues NFG's argument should be given little weight considering no expert witness herein has presented testimony claiming one type of depreciation procedure is only applicable to certain types of utilities and not applicable to others.

OCA argues the scenarios from the three other jurisdictions are similar, but the current NFG case stands apart because NFG customers are struggling with growing and sustained unaffordability, and while not directly applicable authority with a direct legal impact on the Commission, OCA argues these cases help illustrate why the Commission should adopt the ALG procedure.

h. Other Expense Adjustments

1. Insurance Settlement Proceeds

OCA contends NFG's operating expense claim should be reduced by $312,000 to reflect a 3-year flowback of environmental proceeds from an insurance settlement received by the Company.[368] OCA points out NFG has $936,314 in a regulatory liability account on its books that have been deferred as a regulatory liability since the ratepayers paid for the premiums in the original policy.[369] OCA recommends

---

366 *Id.* at 33.
367 NFG St. 8R at 24.
368 OCA St. 2 at 14-15, *see*, OCA Exh. LKM-9A-SR.
369 OCA St. 2 at 15.

that the amount in the liability account (which NFG admits are ratepayer funds)[370] should be returned to customers since the insurance costs were paid by customers and the amount in the account are ratepayers' funds that they are entitled to have.[371] OCA argues the Company made vague statements that the funds in this account are used to pay claims as they arise but OCA argues this vague argument allows the Company to hold these funds and retain use of these funds on a cost-free basis.[372] OCA contends that if the Commission does not have these funds returned to NFG's ratepayers through lower rates, NFG's ratepayers will end up paying higher rates while the Company retains use of the funds on a cost-free basis.[373]

OCA insists these insurance settlement funds are ratepayers' funds to which the ratepayers are entitled but, if the Company continues to hold these funds, the Company has use of nearly $798,079 cost-free, while the Company's ratepayers lose the time value of these funds. OCA asserts this handling is unfair to NFG's ratepayers because the Company is not currently accruing any carrying charges.[374] OCA contends flowing back the insurance settlement proceeds would amount to rates that are $266,000 lower than proposed by NFG.[375] Furthermore, OCA contends that if the Commission does not accept OCA's adjustment to flow back the insurance settlement funds to customers, as a matter of fairness and equity, then the Commission should require NFG to accrue carrying charges because the Company has free use of these funds until they are exhausted.[376]

---

[370] Section 53.51 et seq of the Commission's Regulations, III-F.8, Page 2, Footnote 4.

[371] OCA St. 2 at 15.

[372] *Id.*

[373] *Id.*

[374] *Id.* at 17.

[375] *Id., citing*, OCA Exh. LKM-9A-SR.

[376] *Id.* at 18.

2. Office Employee Expenses

OCA contends NFG's operating expenses should be reduced by $64,000 to reflect an adjustment to Office Employee Expenses.[377] OCA notes NFG's proposal included an adjustment to increase Office Employee Expenses using a compound growth rate of 3.67%, based on the FY 2023 to FY 2025 period. OCA asserts the Commission should remove this increase because NFG's approach is inconsistent with the zero-based budgeting approach that NFG claims it uses for its operating budget.[378] OCA contends that applying a compound growth rate to historical costs is not consistent with zero-based budgeting and does not produce results that are representative of the cost that would be incurred in the FPFTY because there is no correlation of planned activities for the budget year and the underlying costs used to develop the budget.[379]

OCA notes NFG disagreed with OCA's adjustment, stating that the Office Employees Expense line item is made up of software, office equipment and employee training and travel expenses, which NFG claimed are subject to inflationary price increases.[380] OCA contends NFG's explanation is inaccurate because software, office equipment and employee training and travel expenses identified by NFG were not the same costs that were identified and escalated by a compound annual growth rate (CAGR).[381]

OCA disagrees with NFG's use of an inflation escalation for projecting the FPFTY expenses because a CAGR is not an inflation escalation rate and if NFG's intention was to capture inflation, the annual inflation rate should be used.[382] In addition,

---

377 OCA St. 2 at 16, *see*, OCA Exh. LKM-10A-SR.
378 *Id.*
379 *Id.* at 16.
380 NFG St. 3-R at 5.
381 OCA St. 2SR at 14.
382 *Id.*

OCA disagrees with the use of inflation escalation solely as the basis of determining the FPFTY level of expenses because inflationary adjustments are not known or measurable but are blanket cost increases.[383] Instead, OCA argues that costs should be based upon evidence or documentation that can be identified, supported and calculated with a degree of certainty, which the inflation escalation does not do.[384]

3. Line Hit Collections

OCA notes it disagrees with NFG's claim for operating expenses and OCA recommends the claim should be reduced by $156,000 to reflect adjustments to the claim for Other Expense -Line Hit Collections.[385] OCA asserts that line hit collections represent the amount recovered in reimbursements for damage to NFG's gas lines. OCA notes NFG normalized line hit collections because the amount recovered during FY 2025 was unusually high in comparison to the two prior years.[386] OCA asserts that the Other Expense account is an account that contains two interrelated components – one is an expense and the other is a reimbursement of expenses (expense offsets).[387] OCA noted that both components of the net cost to repair damaged lines should be normalized to fairly normalize the cost of repairs instead of only one component.[388] OCA contends that if the cost of the offsetting component (the reimbursements) is being normalized, then it is also appropriate to normalize the expenses incurred. Accordingly, OCA argues NFG's claim should be adjusted as OCA recommended.

---

[383] *Id.* at 14-15.
[384] *Id.* at 15.
[385] OCA St. 2 at 16-17, *see*, OCA Exh. LKM-11A-SR.
[386] *Id.* at 16.
[387] OCA St. 2SR at 3.
[388] OCA St. 2 at 17.

OCA also asserts that NFG misunderstands this adjustment.[389] OCA asserts that the intent of the adjustment is not to move away from a 3-year normalization concept and OCA did not assume that a period that experienced high line hit collections would also have higher repair expenses in the same year to act as a natural offset.[390] Rather, OCA contends the adjustment is meant to recognize that the Company is attempting to normalize an expense account that contains two interrelated components.[391] OCA contends that NFG's approach, in contrast, is one-sided. In addition, OCA contends NFG's argument - that the line hit collections have a significant lag such that recovery from third parties routinely crosses over fiscal years from the events themselves - supports OCA's adjustment because the lag increases the probability that expenses recorded in the account could be higher than normal.[392] Likewise, OCA contends NFG's argument - that the primary cost being recovered is labor warrants denying the adjustment - ignores the costs associated with materials, overheads, contractors, permits, etc.[393] OCA recommends the Commission accept this adjustment.

4. Uncollectible Expense

OCA recommends that NFG's claim for uncollectible expenses should be reduced by $73,000 to reflect removal of a 0.02% management adjustment by the Company that is not appropriate.[394] OCA points out NFG calculated an uncollectible factor of 1.53% based on the three-year uncollectible ratio that was calculated from the historical data, and then NFG added a 0.02% management adjustment to derive a total uncollectible factor of 1.55%.[395] OCA notes that NFG stated the management adjustment

---

[389] NFG St 3-R at 7.
[390] OCA St 2SR at 19-20.
[391] *Id.* at 20.
[392] *Id.*
[393] *Id.*
[394] OCA St. 2 at 18, *see*, OCA Exh. LKM-13A-SR.
[395] *Id.*

was made to account for the dynamic that the uncollectible expense would likely rise because of higher customer bills stemming from NFG's proposed rate increase.[396] OCA disagrees with this approach because the revenue gross up factor includes a component for uncollectible expenses and, as a result, the calculated revenue increase is grossed up to reflect the value of higher uncollectible accounts resulting from the rate increase.[397] OCA notes that NFG did not address this adjustment in its rebuttal testimony.

5. Postage Expense

OCA recommends that NFG's claim for postage expense should be decreased by $175,000 to remove the compound annual growth rate applied by the Company.[398] OCA contends NFG's adjustment - that represents future increases in first class postage - is backward looking during a period when the US Postal Service implemented frequent rate increases that are likely not to be repeated based on statements by the US Postal Service.[399] OCA asserts that, among other things, the US Postal Service announced that price changes for 2026 would not be for first class postage. Accordingly, OCA argues NFG's 9% projected postal price increase is speculative and not known or certain.[400] OCA asserts it calculated postage expense to reflect the 4.8% scheduled postage rate increase.[401]

OCA points out that NFG argued in response that neither OCA nor the Company can predict future postage rates and NFG asserted OCA's adjustment stops short without including likely increases in January and July of 2027.[402] OCA disagrees

---

396 *Id.*, *citing*, NFG Response to OCA 14-12.
397 *Id.* at 18.
398 *Id.* at 19, *citing*, OCA Exh. LKM-14A-SR.
399 *Id.* at 19 (citation removed).
400 *Id.*
401 *Id.*
402 NFG St. 3-R at 6.

with NFG's approach because NFG depends on speculation of a future postage rate increase which is unknown or uncertain, and that it would also be inappropriate to use historical price increases to forecast future postal increases.[403]

6. Interest Synchronization

OCA asserts that, to determine the tax deductible interest expense for ratemaking, OCA multiplied its recommended rate base by the weighted cost of debt included in the capital structure recommended by OCA's witness to synchronize the interest expense deduction for tax purposes with the interest component of the return on rate base to be recovered from ratepayers.[404] As a result, OCA contends the Commission should increase the interest expense deduction by $2,153,000 to a total of $16,042,000, and it further contends the state and federal income taxes should be decreased by $150,000 and $421,000, respectively.[405]

4. Office of Small Business Advocate

a. Company's Claimed O&M Expenses

OSBA did not take a position on this issue.

b. Rate Case Expense

OSBA did not take a position on this issue.

403 OCA St. 2SR at 15-16.
404 OCA St. 2 at 23, *citing*, OCA Exh. LKM-18A-SR.
405 *Id.*

c. Incentive Compensation Expense

OSBA notes National Fuel implemented an Annual Cash Bonus Program, which is an incentive-based compensation paid if certain organizational goals are achieved during each fiscal year. OSBA also noted National Fuel offers a stock-based compensation program, in the form of time-vested restricted stock.[406] OSBA points out that, with a small exception of stock shares issued for Environmental, Social, and Governance ("ESG") criteria, "all performance shares are based on financial results."

OSBA argues it is not appropriate to award incentives for programs tied to financial performance, because the responsibility for funding such awards rests most appropriately with shareholders. OSBA contends its revenue requirement 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.[407] OSBA asserts this adjustment would reduce the revenue requirement by $1,517,718 in FPFTY 2027.

d. Payroll Expense and Related

OSBA notes that the Company started with the actual headcount of 436 employees (as of September 30, 2025) and then the Company added 17 budgeted employees for the Future Test Year (FTY) with another six (6) positions for the FPFTY, for a total of 450 and 459 employees, respectively.[408] OSBA further notes the Company reduced the budgeted headcount by nine (9) employees in both the FTY and FPFTY,

---

[406] National Fuel Statement No. 4, Direct Testimony of Valerie L. Hawthorn Wagner, p.p. 13-14.

[407] OSBA St. No. 1, p. 6, Table JBF-1.

[408] Supplemental Data Request, Question No. RR-20, NFG Respondent: Formato, p. 1 of 1.

recognizing that normal vacancies occur because of terminations and retirements. After this adjustment, OSBA points out the Company assumes 444 employees in FTY and 450 employees in FPFTY in its derivation of future Labor Expense.

OSBA recommends adjusting National Fuel's salaries and wages to reflect the staffing level for the most recent 12-month period for which information is available because National Fuel consistently reported actual employee counts below its budgeted staffing levels.[409] OSBA points out that, during the last 12 months for which data has been provided, National Fuel averaged 440.3 FTE's, which is approximately ten less FTE's than the Company is requesting to include in its revenue requirement.[410]

OSBA asserts this adjustment simply maintains labor expenses to be recovered through customer rates at a realistic level because customers should not be required to pay rates based on an employee count that exceeds the Company's most recent actual experience. As reported in Table JBF-1[411], OSBA asserts this adjustment would reduce the revenue requirement by $525,364 in FPFTY 2027.

e. Membership Dues Expense

OSBA asserts the Commission should deny recovery of the Company's membership dues because such expenses do not directly contribute to the provision of safe, adequate, and reliable utility service. OSBA contends that membership in trade associations and industry organizations often provide benefits that are promotional, lobby-related, or otherwise primarily advantageous to the Company and its shareholders, rather than ratepayers. OSBA argues Small Business consumers should not be required to fund costs that are not necessary for utility operations. Accordingly, OSBA requests

---

409 OSBA St. No. 1, p.7, Chart.
410 OSBA St. No. 1, p. 13, Table JBF-2.
411 OSBA St. No. 1, p.6, Table JBF-1.

the Commission exclude these expenses from rates to ensure that customers pay only for costs that are prudent, reasonable, and directly related to providing utility service.

f. Customer Payment Transaction Costs

OSBA requests that the Commission should disallow recovery of customer payment transaction costs to the extent those costs arise from the Company's chosen methods of collecting payments and conducting its business operations. OSBA asserts such expenses are administrative and discretionary in nature and should be managed efficiently by the Company rather than automatically passed on to customers. OSBA contends that allowing recovery of these costs reduces the company's incentive to control expenses and shifts ordinary business risks onto ratepayers. At a time when Small Businesses are struggling with rising costs, OSBA asserts NFG's customers should not be required to bear additional charges that are not essential to the provision of safe and reliable utility service.

g. Depreciation Expense

OSBA did not take a position on this issue.

h. Other Expense Adjustments

OSBA did not take a position on this issue.

5. CAUSE-PA

a. Company's Claimed O&M Expenses

CAUSE-PA did not take a position related to this issue.

b. Rate Case Expense

CAUSE-PA did not take a position related to this issue.

c. Incentive Compensation Expense

CAUSE-PA did not take a position related to this issue.

d. Payroll Expense and Related

CAUSE-PA did not take a position related to this issue.

e. Membership Dues Expense

CAUSE-PA did not take a position related to this issue.

f. Customer Payment Transaction Costs

CAUSE-PA strongly supports OCA's recommendation that the Commission should require NFG to transition to a fee-free payment system that enables customers to pay their bills through a broad range of payment options, including online payments, without a payment fee.[412] CAUSE-PA notes that NFG's customers who make a payment - by any means other than mailing a check or automated payment from a customer's checking account - must pay a fee that is added on top of their bill amount.[413] CAUSE-PA asserts that those payment fees added $815,559 to customers' bills in 2024 and $930,384 in 2025.[414] CAUSE-PA these fees are especially burdensome for low

412 OCA St. 5 at 16.
413 *Id.*
414 *Id.*

income customers, who often need to make last-minute payments to avoid having their service terminated.[415] CAUSE-PA argues that if these fees were eliminated, customer might increase the use of the online payment methods, which in turn could lead to operational benefits, such as reduced billing costs, improved payment timeliness, and lower collection-related expenses.[416] CAUSE-PA contends the Commission should require NFG to transition to a fee-free payment system with the effective date of rates in this proceeding.

g. Depreciation Expense

CAUSE-PA did not take a position related to this issue.

h. Other Expense Adjustments

CAUSE-PA did not take a position related to this issue.

6. Providers Task Force

Providers Task Force did not take a position on this issue.

7. Presiding Officer's Recommendation

a. Company's Claimed O&M Expenses

NFG is entitled to recover its reasonably and prudently incurred expenses,[417] and its normal operating and maintenance expenses, if properly, reasonably

---

415 *Id.*
416 OCA St. 5-SR at 13.
417 *UGI Corp. v. Pa. P.U.C.*, 410 A.2d 923, 932 (Pa. Commw. 1980).

and prudently incurred, are allowed as part of an overall base rate computation for providing regulated service to its customers.[418] To the extent that expenses are not incurred, are imprudently incurred, or are abnormally overstated during the test year, the Commission must disallow those expenses and not permit a public utility to recover those expenses through rates. The burden of proving that those expenses are just and reasonable lies squarely with the public utility.[419]

NFG asserted its pro forma expense claim reflected projected expenses for the FPFTY and contended it fully described the basis for its forecasted O&M expense in testimony NFG sponsored through its witnesses Formato (O&M), Hawthorn (labor), Weidner (employee benefits), and Spanos (depreciation).[420]

b. Rate Case Expense

NFG made a claim for rate case expense of $1.03 million, to be normalized over a three-year period.[421] BIE argued the expense should be normalized over a five-year period, based on the filing interval of National Fuel's last three base rate cases.[422] NFG argued it used a three-year normalization period because NFG expects to file more frequent base rate cases than previously because of continued inflationary pressures on labor and other operating expenses, coupled with accelerated infrastructure replacement and system modernization capital investments.[423]

---

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

419 66 Pa. C.S. § 315(a); *See also Cup v. Pa. P.U.C.*, 556 A.2d 470 (Pa. Commw. 1989).

420 *See* National Fuel St. Nos. 3, 4, 5, and 8.

421 National Fuel St. No. 3, p. 16; National Fuel Exhibit A (Rebuttal Update), Sch. D-6.

422 I&E St. No. 1, pp. 6-8.

423 National Fuel St. No. 3-R, pp. 9-10.

Based on the evidence and arguments presented, the ALJ concludes the Commission should approve BIE's recommendation and allow NFG's claim for rate case expense of $344,000,[424] based on its estimate that the total rate case expense amount is $1,032,000 and, using a normalization period of five years,[425] not three years. Using NFG's historical data, the Company's requested normalization period of three years is supported. The Company's claim that it wants to file rate cases more frequently does not care as much weight as looking at the Company's own history. Accordingly, the ALJ recommends the Commission accept BIE's recommendation - that the rate case expense should be normalized over a five year period - which results in an annual expense of $206,400 [($1,032,000 ÷ 60 months) x 12 months], or a reduction of $137,600 ($344,000 - $206,400) from the Company's claim.[426]

c. Incentive Compensation Expense

The Commission has approved incentive compensation programs of public utility in their entirety if the program is reasonable and provides a benefit to ratepayers.[427] NFG argued its incentive compensation program benefits ratepayers because: (1) the program helps to attract and retain employees in a competitive market; (2) financial goals promote cost containment, operational efficiency, and help ensure access to cost-effective capital; and (3) the program is reasonable, prudently incurred, and is not excessive in amount.

Concerning Executive Cash Bonuses, NFG claimed $855,587 for Executive Cash Bonuses, for a program that includes a combination of financial performance, safety, reliability, customer service, emissions reduction, and diversity and inclusion

---

[424] I&E St. No. 1, p. 4, citing NFG Book V, Exhibit A - FPFTY, Schedule D-6.
[425] *Id.*, p. 5, citing NFG Book V, Exhibit A - FPFTY, Schedule D-6.
[426] *Id.*, p. 6.
[427] *See, e.g.*, *PPL Electric 2012*, p. 26.

initiatives,[428] that provide significant benefits to ratepayers. NFG argued the program incentivized Company leaders to effectively manage a business that can produce the best results for ratepayers.[429]

On Stock-based compensation, NFG proposed incentive compensation claims for $182,075 in non-executive restricted stock and $290,746 in executive restricted stock, because these claims are necessary and effective to retaining employees and promoting longevity at the Company. BIE argued that Executive Performance Shares were almost entirely focused on achieving financial goals and targets that benefit shareholders,[430] that the Company's claim of ratepayer benefits realized through the achievement of financial goals was speculative and unsupported, and that NFG's ratepayers should not have to fund the Company's stock-based compensation claim.[431] BIE recommended disallowance of 95% of NFG's claim for performance shares or $909,281 ($957,138 x 95%),[432] which results in a recommended allowance of $520,678 for stock-based compensation, or a reduction of $909,281 ($1,429,959 - $520,678) to the Company's claim for stock-based compensation.[433]

Concerning Executive Performance, NFG proposed a claim for $957,138 in executive performance shares.[434] NFG contended the executive performance shares have a retention element and operate on a performance cycle of three years,[435] which NFG claims fosters long-term perspectives and performance from management, encourages significant personal investment, and recognizes financial successes are achieved through

---

428 National Fuel St. No. 5-R, p. 3.
429 National Fuel St. No. 5-R, p. 3.
430 *Id.*, p. 17.
431 *Id.*
432 I&E St. No. 1, p. 17.
433 *Id.*
434 National Fuel St. No. 5-R, p. 10.
435 National Fuel St. No. 5-R, p. 5-R, p. 10.

continued focus and commitment on numerous factors.[436] BIE argued the performance shares in the Company's stock-based compensation claim should not be funded by ratepayers and should be reduced, or disallowed, by 95% which would produce a reduction of $909,281 on this claim.[437]

OCA recommended NFG's claim for incentive compensation expense should be adjusted to reduce operations and maintenance (O&M) expenses by $1.43 million.[438] OCA asserted portions of incentive compensation tied to shareholder earnings goals have been disallowed where metrics lacked a sufficient nexus to ratepayer benefits, and instead the incentive compensation primarily advanced shareholder interests.[439] OCA noted the Commission has approved incentive compensation plans where employees eligible for the compensation "have direct responsibilities for customer service and regulatory compliance or are otherwise responsible for ensuring safe and reliable service to customers,"[440] but noted NFG did not prove that these incentives would ensure or improve customer service or reliable service.

OSBA argued there should be a revenue requirement adjustment that removed the FPFTU stock-based compensation expense, less the 5% portion of the expense that NFG identified as being issued historically from December 2022 to December 2024. OSBA asserted the adjustment would reduce the revenue requirement by $1,517,718 in FPFTY 2027.

---

436 National Fuel St. No. 4, p. 16.

437 *Id.*

438 OCA St. 2 at 14; OCA Exh. LKM-8A-SR.

439 *Pa. Pub. Util. Comm'n v. Columbia Gas of PA, Inc.*, R-2025-3053499 Order at 204-05 (Oct. 3, 2025).

440 *Pa. Pub. Util. Comm'n v. PAWC*, 2021 PA. PUC LEXIS 55 at *59 (Feb. 25, 2021).

The ALJ concludes, based upon the evidence and positions of the parties, that NFG failed to provide sufficient proof that the following programs and amounts should be approved as requested: Executive Cash Bonuses and Executive Performance. These programs may benefit the employees and stockholders, but NFG did not provide sufficient evidence to meet its burden of proving that the programs, at the amounts requested, will improve customer service, safety or reliability. NFG's proposal is supposed to benefit the ratepayers but, if the claim is allowed, NFG's ratepayers will pay to cover the costs for programs that bring benefits to stockholders but do not bring benefits to ratepayers. However, NFG did meet its burden of proving the claim concerning Restricted Stock-Based Compensation should be allowed because a program that is effective to retaining employees and promoting longevity at the Company is a program that will benefit the employees who provide services to ratepayers over time.

The ALJ recommends the Commission accept the recommendation of BIE to disallow $379,731 of the Executive Cash Bonuses and, also, accept the recommendations of BIE and OSBA to disallow $909,281 of the Executive Performance Shares. The ALJ further recommends the Commission accept the claim of NFG of $472,821 on the Restricted Stock-Based Compensation.

d. Payroll Expense and Related

OSBA asserted an adjustment to recover labor expenses through customer rates at a more realistic level because customers should not be required to pay rates based on an employee count that exceeds the Company's most recent actual experience. As reported in Table JBF-1,[441] OSBA asserted this adjustment would reduce the revenue requirement by $525,364 in FPFTY 2027. OSBA made this adjustment because NFG

[441] OSBA St. No. 1, p.6, Table JBF-1.

consistently reported actual employee counts below the budgeted staffing levels.[442] OSBA points out that, during the last 12 months for which data has been provided, National Fuel averaged 440.3 FTE's, which is approximately ten less FTE's than the Company is requesting to include in its revenue requirement.[443] As a result, OSBA had recommended adjusting National Fuel's salaries and wages to reflect the staffing level for the most recent 12-month period for which information is available.[444]

BIE, however, recommended an allowance of $40,212,325 for net labor expense, or a reduction of $379,731 ($40,592,056 - $40,212,325) to NFG's claim,[445] based on BIE's recommendation to remove the portion of the executive bonus that is attributable to achieving financial goals. Regarding the Company's net labor expense, BIE notes that NFG's net labor expense claim is $40,592,056,[446] which includes labor from the Company as well as labor from its subsidiaries, primarily NFG's New York Division (NFG NY) and National Fuel Gas Supply Corporation.[447]

NFG disagreed with OSBA's proposal for a downward adjustment to headcount of 9.67 full time employees (FTE), a $525,364 decrease to the overall revenue requirement, based on the difference between the projected headcount for the FPFTY and the average headcount for the twelve months ending January 31, 2026.[448] NFG made three claims to justify rejecting this adjustment: (1) its proposed headcount (450 FTEs) reflected a vacancy adjustment of 9 FTEs to account for the Company's actual headcount being below the budgeted headcount in recent years;[449] (2) the adjustment solely looks at

---

442 OSBA St. No. 1, p.7, Chart.
443 OSBA St. No. 1, p. 13, Table JBF-2.
444 OSBA St. No. 1, p.7, Chart.
445 I&E St. No. 1, p. 11.
446 I&E St. No. 1, p. 11, citing NFG Book III, Exhibit ATF-4, Schedule 1, p. 2.
447 *Id.*, citing NFG Statement No. 3, p. 5, lines 5-8.
448 National Fuel St. No. 3-R, p. 2.
449 National Fuel St. No. 3-R, p. 2.

historic figures, but NFG claimed its proposed headcount is based on the Company's actual headcount as of September 30, 2025 (436 FTEs), with 23 forecasted additions by the end of the FPFTY, for a total headcount of 459 employees before the vacancy adjustment;[450] and (3) NFG claimed its headcount, as of April 2026, was 451 FTEs, meaning the Company has reached a total headcount in excess of the proposed FPFTY headcount.[451]

Based on the evidence and arguments presented, the ALJ is persuaded by OSBA's adjustment because it will bring more consistency and reduce charging ratepayers to pay for speculative thinking by the Company. The historical data shows what NFG has done and is the best predictor of what NFG will do. Accordingly, the ALJ recommends the Commission should approve OSBA's downward adjustment of $525,364 to the overall revenue requirement.

e. Membership Dues Expense

NFG claimed $234,266 for Company Dues and Memberships,[452] but both BIE and OCA proposed downward adjustments to the Company's Dues and Memberships expense claims of $17,000 and $21,968, respectively.[453] NFG argued these funds and the associated organizations provide limited support of various chambers of commerce and economic development agencies that are intended to benefit ratepayers, and NFG asserted economic growth helps retain and attract commercial and industrial use of natural gas, allowing fixed system costs to be spread over greater usage and helping to moderate upward pressure on rates.[454]

---

450 National Fuel St. No. 3-R, p. 3.
451 National Fuel St. No. 3-R, p. 4.
452 National Fuel Exh. ATF-1, Sch. 1.
453 National Fuel St. No. 3-R, p. 8.
454 National Fuel St. No. 3-R, p. 8.

BIE claimed the Company's claim for membership dues of $234,266[455] includes payments to industry organizations, civic and community organizations, trades, technical, and professional organizations, and other memberships,[456] and the claim was based on NFG's HTY amount for membership dues.[457] BIE recommended an allowance of $212,298 for membership dues, or a reduction of $21,968 ($234,266 - $212,298), based on disallowing membership dues for civic and community organizations and other membership dues where the Company did not provide adequate support for why the memberships are needed to provide safe and reliable service to ratepayers.[458]

OCA proposed removing NFG's claim - for $17,000 related to dues for membership in economic development organizations - from the cost of service,[459] because NFG included annual dues for organizations that are not focused on employee development or related to the utility operations,[460] providing service to current ratepayers, and are more closely aligned with corporate image-building than benefitting ratepayers. OCA also argued economic development is not a function of a public utility, and it is not appropriate to recover these costs from ratepayers."[461]

OSBA recommended the Commission deny recovery of dues because such expenses do not directly contribute to the provision of safe, adequate, and reliable utility service. OSBA argued membership in trade associations and industry organizations provide benefits advantageous to NFG and its shareholders, rather than ratepayers. OSBA requests the Commission exclude these expenses from rates to ensure that

455 I&E St. No. 1, p. 18, citing NFG Book III, Exhibit ATF-1, Schedule 1.
456 *Id.*, p. 19, citing NFG Book II, SDR-RR-30 and NFG Book II, SDR-RR-31.
457 *Id.*, citing I&E Exhibit No. 1, Schedule 4.
458 *Id.*, citing I&E Exhibit No. 1, Schedule 4, p. 3.
459 OCA St. 2 at 20-21, *citing*, OCA Exh. LKM-15A-SR.
460 *Id.*
461 *Id.* at 21.

customers pay only for costs that are prudent, reasonable, and directly related to providing utility service.

Based on the evidence and arguments presented, the ALJ is persuaded by the claims of the parties that the membership dues claim does not benefit ratepayers or improve safety and reliability. The ALJ concludes these expenses are a form of employee benefit that produces goodwill for the Company but does not benefit ratepayers. Accordingly, the ALJ recommends the Commission remove all membership dues expenses from rates, because dues in civic and local organizations do not benefit ratepayers sufficiently, or improve the safety and reliability of providing natural gas service sufficiently to justify requiring ratepayers to pay for costs that do not benefit them.

f. Customer Payment Transaction Costs

NFG requested the Commission reject OCA's proposal because absorbing payment process fees is a managerial decision for NFG to make, after considering many factors, including negotiating a reasonable rate with a third party vendor, performing any system changes required to implement the change, and anticipating any growth in the adoption of online payments by customers if fees are eliminated.[462] NFG also argued OCA provided no data supporting the accuracy of the $930,000 adjustment.[463] The Company noted the proposed adjustment is slightly less than the processing fees paid by customers in 2025.[464]

OCA recommended NFG's operating expenses should be adjusted by $930,000 to reflect customer bill payment transaction fees that are absorbed by NFG for

---

[462] National Fuel St. No. 17-R, p. 38.
[463] National Fuel St. No. 17-R, p. 37.
[464] *See* OCA Exhibit LMW-3.

those customers who pay their bills by credit card, debit card, Venmo and PayPal.[465] OCA proposed the Commission should require NFG to transition to fee-free payments for residential customers.

OSBA recommended the Commission disallow recovery of customer payment transaction costs to the extent those costs arise from the Company's chosen methods of collecting payments and conducting its business operations. OSBA argued these expenses are administrative and discretionary in nature, and NFG should manage these costs more efficiently rather than automatically passed the cost to customers. OSBA contended that allowing recovery of these costs reduced the company's incentive to control expenses and shifts ordinary business risks onto ratepayers.

CAUSE-PA strongly supported OCA's recommendation - to require NFG to transition to a fee-free payment system that enables customers to pay their bills through a broad range of payment options, including online payments, without a payment fee.[466] CAUSE-PA asserted those payment fees added $815,559 to customers' bills in 2024, and added $930,384 in 2025.[467] CAUSE-PA argued the fees are especially burdensome for low income customers, who often need to make last-minute payments to avoid having service terminated,[468] but if these fees were eliminated, customers might increase the use of the online payment methods, which in turn could lead to operational benefits, such as reduced billing costs, improved payment timeliness, and lower collection-related expenses.[469] CAUSE-PA contended the Commission should require NFG to transition to a fee-free payment system with the effective date of rates in this proceeding.

---

465 OCA St. 2 at 21, *citing*, OCA Exh. LKM 16A; *see also*, OCA St 5 at 16.
466 OCA St. 5 at 16.
467 *Id.*
468 Id.
469 OCA St. 5-SR at 13.

Based on the evidence and arguments presented, the ALJ is persuaded by the claims of OCA, OSBA and CAUSE-PA. The ALJ recommends the Commission disallow $930,000 in recovery of customer payment transaction costs and, in addition, the Commission should require NFG to transition to fee-free payments for residential customers within six months of the effective date of rates in this proceeding.

g. Depreciation Expense

NFG's depreciation expense claim totals $25.3 million,[470] and its calculation of annual depreciation expense and net salvage was prepared in accordance with standard procedures long accepted by this Commission.[471] NFG disagreed with OCA's recommendation to propose a downward adjustment of $4.67 million to depreciation expense based on its proposal to recompute annual depreciation accruals using the ASL procedure.[472] The Company used the straight line, remaining life depreciation method, with the ELG procedure, to allocate the unrecovered original cost to the annual revenue requirement to be borne by current and future customers. NFG disagreed with OCA's recommendation to change from using the ELG procedure in favor of using the ASL procedure because OCA's proposal is without merit and contradicts over 40 years of Commission precedent to approve the use of ELG for ratemaking purposes,[473] including most recently in 2025 when the Commission expressly rejected the very same proposal OCA makes in this case.[474]

---

470 National Fuel Exhibit A (Rebuttal Update), Sch. B-2.

471 National Fuel St. No. 8-R, p. 2.

472 OCA St. No. 4, p. 3. The ASL procedure is also known as the Average Life Group ("ALG") procedure.

473 National Fuel St. No. 8-R, p. 2.

474 *See Columbia 2025*.

OCA asserted the Commission should adopt the Average Life Group (ALG) procedure, over the Equal Life Group (ELG) procedure, when determining depreciation expense, because the ALG procedure will permit NFG to recover reasonable amounts charged to operating expenses for depreciation so that expense is fully recovered, and the integrity of its investments will be maintained while ensuring that consumers pay no more than necessary. Through adoption of the ALG procedure, OCA contended the excess amounts charged in rates for depreciation expense will be removed.

Based on the evidence and arguments presented, the ALJ is persuaded by the claims of NFG, and recommends the Commission approve recovery of the unrecovered original cost of property (original cost less accrued depreciation) over the life of the property as part of the cost of providing service. While OCA's proposal may appear reasonable, OCA did not provide sufficient evidence to rebut the contrary evidence from NFG – that the ALG procedure is a better procedure that benefits ratepayers, NFG and the public when handling these expenses.

h. Other Expense Adjustments

Concerning Charge Off Customer Accounts/Receivables Expenses

NFG noted OCA withdrew its proposed adjustment based on the Company's explanation in rebuttal that there is no cross over between this account and NFG's Uncollectible expense.[475] Accordingly, the Company's claim should be accepted.

Concerning Office Employee Expenses

NFG claimed the Commission should approve $2 million for Office

[475] OCA St. 2SR, p. 12.

Employee Expense,[476] and disagreed with OCA's proposed downward adjustment of $64,000 which had argued NFG's use of a compound annual growth rate (CAGR) is inconsistent with zero-based budgeting.[477] NFG noted this line item is comprised of software, office equipment, and employee training/travel expenses, all of which are subject to inflationary price increases.[478] Due to the impacts of elevated inflation current, NFG asked the Commission to accept its use of the CAGR from FY 2023 to FY 2025 of 3.67% to develop the Office Employee Expenses claim.[479]

OCA proposed an adjustment of $64,000 in reduction of NFG's operating expenses because NFG proposed an adjustment to increase Office Employee Expenses using a compound growth rate of 3.67%, based on the FY 2023 to FY 2025 period. OCA asserted the Commission should remove this increase because NFG's approach is inconsistent with the zero-based budgeting approach that NFG claims it uses for its operating budget.[480] OCA argued costs should be based upon evidence or documentation that can be identified, supported and calculated with a degree of certainty, which the inflation escalation does not do.[481]

Concerning Postage Expense

NFG claimed $1.5 million but disagreed with OCA's recommendation for a $175,000 reduction. OCA's proposal recognized a 4.8% growth rate because the U.S. Postal Service's planned 4.8% increase to first-class stamps scheduled for July 2026.[482] NFG argued OCA's proposal did not account for likely increases in January and July of

---

476 National Fuel Exh. ATF-2, Sch. 2.
477 OCA St. 2, p. 16.
478 National Fuel St. No. 3-R, p. 5.
479 National Fuel St. No. 3-R, p. 5.
480 *Id.*
481 *Id.* at 15.
482 OCA St. No. 2, p. 19.

2027,[483] while NFG contended its projection assumed a 3-year compound annual growth rate of 9.14% for postage rates for 1 ounce stamps between January 2023 ($0.60) and December 2025 ($0.78).

OCA recommended NFG's claim for postage expense should be decreased by $175,000 to remove the compound annual growth rate applied by the Company.[484] OCA contended NFG's adjustment - that represents future increases in first class postage - is backward looking during a period when the US Postal Service implemented frequent rate increases that are likely not to be repeated based on statements by the US Postal Service.[485] OCA asserted the US Postal Service announced that price changes for 2026 would not be for first class postage. OCA argued NFG's 9% projected postal price increase is speculative and not known or certain.[486]

Concerning Line Hit Collections

NFG's proposal included a $156,000 adjustment to Other Expense - Line Hit Collections,[487] which NFG based on a three-year historic average to normalize the higher than normal collections received in the HTY of $449,000.[488] NFG noted OCA proposed a reversal of NFG's adjustment to reflect the elevated $449,000 HTY value.[489] NFG noted its line hit collections totaled $232,000 in fiscal year 2023, $199,000 in fiscal year 2024, and $449,000 in fiscal year 2025 (the HTY), [490] and argued the HTY total is an outlier. The Company argued its proposed adjustment to Line Hit Collections

483 National Fuel St. No. 3-R, p. 6.
484 *Id.* at 19, *citing*, OCA Exh. LKM-14A-SR.
485 *Id.* at 19 (citation removed).
486 *Id.*
487 *See* National Fuel Exhibit ATF-2, Sch. 4.
488 National Fuel St. No. 3-R, pp. 6-7.
489 OCA St. No. 2, p. 17.
490 National Fuel Exhibit ATF-2, Sch. 4.

appropriately normalizes the impact of an abnormal year and should be accepted.

OCA recommended the Commission reduce NFG's claim for operating expenses by $156,000 to reflect adjustments for amount recovered in reimbursements for damage to NFG's gas lines. OCA contended NFG's argument - that the line hit collections have a significant lag such that recovery from third parties routinely crosses over fiscal years from the events themselves - supported OCA's adjustment because the lag increases the probability that expenses recorded in the account could be higher than normal.[491] OCA also contended NFG's argument - that the primary cost being recovered is labor warrants denying the adjustment - ignored the costs associated with materials, overheads, contractors, permits, etc.[492] OCA recommended the Commission accept this adjustment

Concerning Insurance Settlement Proceeds

NFG disagreed with OCA's proposal to refund to ratepayers over a three-year period (at $312,000 per year), the amount of $936,314 which was a regulatory liability related to insurance settlement proceedings.[493] NFG argued the liability is used regulatory to shield ratepayers from environmental expenses and denied it needed to be passed back to ratepayers. NFG contended the Commission should allow the Company to continue its historic practice of using these proceeds to offset new environmental expenses that would otherwise be recovered through base rates.

OCA argued NFG had $936,314 in a regulatory liability account on its books that have been deferred as a regulatory liability since the ratepayers paid for the

491 *Id.*
492 *Id.*
493 OCA St. No. 2, p. 15.

premiums in the original policy.[494] OCA recommended the amount in the liability account (which NFG admits are ratepayer funds)[495] should be returned to customers since the insurance costs were paid by customers and the amount in the account are ratepayers' funds that they are entitled to have.[496] OCA contended NFG had use of nearly $798,079 cost-free, while ratepayers lost the time value of these funds and NFG was not currently accruing any carrying charges.[497] OCA recommended the Commission approve OCA's adjustment because NFG's handling of these funds was unfair to NFG's ratepayers.

Concerning Uncollectible Expenses

NFG noted it accepted a recommended 0.02% adjustment from OCA to the uncollectible factor, which NFG asserted resulted in a 1.53% uncollectible factor.[498] OCA's recommendation was that NFG's claim for uncollectible expenses should be reduced by $73,000 to reflect removal of a 0.02% management adjustment by the Company that is not appropriate.[499] OCA pointed out NFG calculated an uncollectible factor of 1.53% based on the three-year uncollectible ratio that was calculated from the historical data, and then NFG added a 0.02% management adjustment to derive a total uncollectible factor of 1.55%.[500]

ALJ's Recommendation

The ALJ concludes, based upon the evidence and positions of the parties,

---

494 OCA St. 2 at 15.

495 Section 53.51 et seq of the Commission's Regulations, III-F.8, Page 2, Footnote 4.

496 OCA St. 2 at 15.

497 *Id.* at 17.

498 OCA St. No. 2, p. 18.

499 OCA St. 2 at 18, *see*, OCA Exh. LKM-13A-SR.

500 *Id.*

that NFG failed to provide sufficient proof that its adjustments would lead to rates that are just and reasonable, for the following programs and, further, the ALJ recommends the Commission allow the following adjustments:

- OCA's proposed downward adjustment of $64,000 in Office Employee Expenses;
- OCA's proposed downward adjustment of $175,000 to remove the compound annual growth rate applied by NFG;
- OCA's proposed downward adjustment of $156,000 in operating expenses to reflect adjustments for amount recovered in reimbursements for damage to NFG's gas lines; and
- OCA's proposed adjustment to refund to ratepayers the sum of $936,314 over a three-year period (at $312,000 per year), to reflect a regulatory liability related to insurance settlement proceedings.

The ALJ acknowledges that, in two issues, NFG and OCA agreed on a recommendation from OCA in the following programs:

- Charge Off Customer Accounts/Receivables, and
- Uncollectible Expense.

F. Concerning Taxes

1. National Fuel Gas Distribution Corporation

a. Income Taxes

Though OCA initially challenged the Company's Pennsylvania Corporate Income Tax rate,[501] NFG pointed out OCA accepted the Company's use of a 7.49% rate,[502] and, as such, the proposed Pennsylvania Corporate Income Tax rate is no longer in dispute and should be accepted. NFG also noted that no party proposed a disallowance of Income Tax expense, other than as related to their respective other adjustments to rate base, expenses and return.

b. Taxes Other Than Income Taxes

National Fuel notes its FPFTY claim for Taxes Other Than Income Taxes is $2.5 million,[503] and the only proposed adjustments to this claim are to payroll taxes associated with BIE's proposed incentive compensation adjustments.[504] NFG argues the adjustments to labor and incentive compensation should be denied, as explained in Section VI.C of NFG's brief, and, therefore, the proposed payroll tax adjustments also should be denied.

c. Tax and Amortization Issues

National Fuel notes its amortization of the regulatory liability established

---

501 OCA St. No. 2SR, p. 22.
502 OCA St. No. 2SR, p. 22.
503 National Fuel Exhibit A (Rebuttal Update), Sch. B-5.
504 *See* I&E St. No. 1, p. 14.

for the Medicare subsidy of $921,649 was not included in the revenue requirement calculation in the Company's 2022 Rate Case. Herein the Company proposes amortizing the full regulatory liability balance over three years, which would result in a decrease to the revenue requirement of $307,216 annually over the three-year period.[505] NFG asserts no party objected to the Company's proposed treatment and, therefore, the Company requests that this methodology be approved.

The Company points out it also proposed to amortize a regulatory asset for the over-refunded Tax Cuts and Jobs Act ("TCJA") surcharge of $242,147. The Company explains it over-refunded the TCJA surcredit to customers and has this regulatory asset remaining on its books. The Company proposes amortizing the full regulatory balance over three years, which results in an increase to the revenue requirement of $80,716 annually over the three-year period.[506] NFG notes no party objected to the Company's proposed treatment and, therefore, the Company requests that this methodology be approved.

2. Bureau of Investigation and Enforcement

a. Income Taxes

BIE did not present any record evidence or make any recommendations regarding this issue and took no position on this issue.

b. Taxes Other Than Income Taxes

---

[505] National Fuel St. No. 12-R, p. 3.

[506] National Fuel St. No. 2, p. 7.

BIE did not present any record evidence or make any recommendations regarding this issue and took no position on this issue.

c. Tax and Amortization Issues

BIE did not present any record evidence or make any recommendations regarding this issue and took no position on this issue.

3. Office of Consumer Advocate

a. Income Taxes

OCA notes that Pennsylvania recently passed legislation which instituted a multi-year phasedown of the corporate income tax rates from 9.99% in 2023 to 4.99% in 2031.[507] OCA asserts that NFG used the 2026 tax rate of 7.49% to determine the revenue requirement but OCA argues that, for the majority of the FPFTY, the tax rate will be at the 2027 rate of 6.99%.[508] Therefore, OCA contends it used the correct tax rate (6.99%) for the 2027 tax in its determination in the recommended change in revenues, noting that NFG is allowed to recover or refund any difference in tax expense related to change in tax rates so the Company does not run the risk of under recovering its state income tax expense for the FPFTY.[509] OCA notes that NFG explained that, because of NFG's fiscal year, the Company will not be subject to the 2027 tax rate of 6.99% until December 1, 2027.[510] OCA notes, therefore, that it revised the tax calculation and the revenue gross-up factor to reflect the 7.49% instead of the 6.99%.[511]

---

507 *Id.* at 22.
508 *Id.*
509 OCA St. 2 at 23.
510 NFG St. 12-R at 2-3.
511 OCA St. 2SR at 22.

b. Taxes Other Than Income Taxes

OCA did not address this issue.

c. Tax and Amortization Issues

OCA did not address this issue.

4. Office of Small Business Advocate

OSBA did not take a position on this issue.

5. CAUSE-PA

CAUSE-PA did not take a position on this issue.

6. Providers Task Force

Providers Task Force did not take a position on this issue.

7. Presiding Officer's Recommendation

a. Income Taxes

NFG pointed out OCA accepted the Company's use of a 7.49% rate,[512] and, as such, the proposed Pennsylvania Corporate Income Tax rate is no longer in dispute and should be accepted. NFG also noted that no party proposed a disallowance of

[512] OCA St. No. 2SR, p. 22.

Income Tax expense, other than as related to their respective other adjustments to rate base, expenses and return. NFG asserted no party objected to the Company's proposed tax rate, and NFG requested the proposal be approved.

b. Taxes Other Than Income Taxes

NFG noted its FPFTY claim is $2.5 million,[513] and only BIE proposed an adjustment to payroll taxes associated with incentive compensation adjustments.[514] NFG argued the adjustments to labor and incentive compensation should be denied, and the proposed payroll tax adjustments also should be denied. BIE did not present any record evidence on this issue.

c. Tax and Amortization Issues

NFG noted its amortization of the regulatory liability established for the Medicare subsidy of $921,649 was not included in the revenue requirement calculation in the Company's last rate case, in 2022. NFG proposed amortizing the full regulatory liability balance over three years, which would result in a decrease to the revenue requirement of $307,216 annually over the three-year period.[515] NFG asserted no party objected to the Company's proposed treatment, and NFG requested the treatment be approved.

In addition, NFG proposed to amortize the full regulatory balance over three years because it over-refunded the Tax Cuts and Jobs Act ("TCJA") surcharge of $242,147 to customer and had this regulatory asset remaining on the books. NFG proposed amortizing the full regulatory balance over three years, which results in an

---

513 National Fuel Exhibit A (Rebuttal Update), Sch. B-5.
514 *See* I&E St. No. 1, p. 14.
515 National Fuel St. No. 12-R, p. 3.

increase to the revenue requirement of $80,716 annually over the three-year period.[516] NFG noted no party objected to the proposed treatment, and NFG requested the methodology be approved.

ALJ's Recommendation

The ALJ recommends the Commission approve: (1) NFG's use of the Pennsylvania Corporate Income Tax rate of 7.49%; (2) approve NFG's handling of the Taxes Other Than Income Taxes; and (3) approve NFG's handling of the Tax and Amortization Issues.

G. Concerning Rate of Return

1. National Fuel Gas Distribution Corporation

a. Rate of Return

The Company pointed out it has a long-term program to modernize its distribution system and to replace at risk pipe in its Pennsylvania service area, which program the Company asserts it is accelerating. The Company asserts its significant capital expenditures place pressure on cash flows and credit metrics.[517] NFG contends that its accelerated pipeline investments going forward in the FPFTY must be supported by a reasonable return to continue to attract capital. The Company argues it must continue to be able to raise the capital necessary to finance these investments.

NFG asserts the Commission must demonstrate that Pennsylvania remains

---

516 National Fuel St. No. 2, p. 7.
517 National Fuel St. No. 10, p. 43.

a constructive and supportive regulatory environment, through a fair rate of return. The Company reminds the Commission of its observations in *PPL Electric 2012*:

> Furthermore, we note that the setting of the proper return on equity is even more critical in this proceeding as our Pennsylvania jurisdictional utilities implement plans to accelerate the greatly needed replacement of aging infrastructure. Attracting capital to Pennsylvania at reasonable rates to accomplish this infrastructure replacement has never been more important to PPL, its customers and the Commonwealth of Pennsylvania.[518]

The Company argues OCA's positions on equity ratio and ROE in this case are insufficient to support ongoing infrastructure investment, and BIE's 9.81% ROE recommendation is also deficient. As explained in detail below, the Company contends its proposed use of its actual capital structure is necessary and in accordance with precedent. The Company contends its ROE should be set within the range of 10.3% and 10.7%.

1. Standards for Rate of Return

The Company asserts a public utility, whose facilities and assets have been dedicated to the service of the public, is entitled to an opportunity to earn a fair rate of return on its investment. The Company also notes those standards, the Commission must use when determining what return rate is fair, are well-established and were set forth by the United States Supreme Court in *Bluefield Waterworks and Imp. Co. v. Pub. Ser. Comm'n of W. Va. ("Bluefield")*[519] over 100 years ago, namely, that rates - which are not sufficient to yield a reasonable return on the value of the property at the time it is used to render service - are unjust, unreasonable and confiscatory, and their enforcement deprives

---

[518] *PPL Electric 2012* at p. 81.
[519] 262 U.S. 679, 690 (1923).

the public utility of its property in violation of the Fourteenth Amendment. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties.[520] These principles have been adopted and applied by the appellate courts of Pennsylvania in numerous cases.[521] The return allowed to investors must be commensurate with the risk assumed, as the Supreme Court has stated in three landmark opinions. The Company asserts *Bluefield* requires that the rate of return reflect:

> . . . a return on the value of the [utility's] property which it employs for the convenience of the public equal to that generally being made at the same time on investments in other business undertakings which are attended by corresponding risks and uncertainties. . .[522]

The Company asserts that, twenty-one years after *Bluefield*, the Supreme Court reiterated that standard in *Federal Power Comm'n v. Hope Natural Gas Co.*,[523] as follows:

> From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock. By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its

---

520 *Bluefield*, p. 693.

521 *See, e.g., Riverton Consolidated Water Co. v. Pa. Pub. Util. Comm'n*, 186 Pa. Super. 1, 140 A.2d 114 (1958); *City of Pittsburgh v. Pa. Pub. Util. Comm'n*, 182 Pa. Super. 376, 126 A.2d 777 (1956); *Lower Paxton Twp. v. Pa. Pub. Util. Comm'n*, 13 Pa. Cmwlth. 135, 317 A.2d 917 (1974) ("*Lower Paxton Twp.*").

522 *Bluefield*, p. 692.

523 320 U.S. 591, 603 (1944) ("*Hope*").

credit and to attract capital.

Later, in reaffirming *Hope*, the Supreme Court, in *Duquesne Light Co. v. Barasch*[524] observed that "[o]ne of the elements always relevant to setting the rate under *Hope* is the return investors expect given the risk of the enterprise."
The determination of a fair rate of return thus requires the review of many factors, including: (1) the earnings that are necessary to assure confidence in the financial integrity of the company and to provide a reasonable credit profile to permit access to capital markets on reasonable terms, and (2) the amount of the investment, the size and nature of the utility and, its business and financial risks, in comparison to other enterprises.[525] Moreover, the Commission's findings must be based upon substantial and competent evidence on the record before it, not upon speculation or hypothesis.[526]

2. Components of Rate of Return

The Company asserts the Commission uses the weighted average cost of capital method when determining the overall rate of return. The Company notes that using this method the Commission determines the percentages of long-term debt and common equity in the Company's capital structure, and then the Commission determines the cost rate of capital for each component and weighs it by multiplying the percentages of each class of capital by the applicable cost rate.

The Company notes its updated proposed cost of capital, using a 10.5% median of the cost of equity range of 10.3 to 10.7%, is as follows:

---

[524] 488 U.S. 299, 109 S. Ct. 609, 102 L. Ed. 2d 646, 661 (1989).

[525] *Pa. Pub. Util. Comm'n v. Pa. Gas and Water Co. - Water Division*, 341 A.2d 239 (Pa. Cmwlth. 1975); *Lower Paxton Twp., supra*.

[526] *Ohio Bell Telephone Co. v. Pub. Util. Comm. of Ohio*, 301 U.S. 292 (1937); *United States Steel Corp. v. Pa. Pub. Util. Comm'n*, 390 A.2d 849 (Pa. Cmwlth. 1978); *Octoraro Water Co. v. Pa. Pub. Util. Comm'n*, 391 A.2d 1129 (Pa. Cmwlth. 1978).

Type of Capital	Ratio	Cost Rate	Weighted Cost Rate
Long-Term Debt	43.6%	5.58%	2.43%
Common Equity	56.40%	10.5%	5.92%
Total			8.35%

NFG notes no party challenged the Company's claimed cost rates for long-term debt and further notes the issues in dispute involve the proxy group, the Company's capital structure ratio, and cost rate of common equity.

3. Proxy Group

The Company notes the proxy group should be a group of publicly traded companies that are comparable to NFG, when evaluating the capital structure and determining the required ROE, and NFG asserts data for the proxy group provides market information, particularly for investors' required ROE. National Fuel explained how it developed the proxy group,[527] which composition OCA accepted, including Spire, Inc. (Spire).[528] The Company points out BIE proposed NFG should remove Spire because it is in a transaction plus remove Southwest Gas, and add Chesapeake Utilities.[529] NFG disagrees with BIE's proposal because it asserts Spire's market data is stable and should be included. NFG notes BIE objected to Southwest Gas because it has 48.42% revenues from regulatory activities and does not surpass BIE's 50% cut off point.[530] The Company points out it explained the reasons for maintaining the full proxy group with Southwest Gas included,[531] and asserts the percentage of net operating income is more

527 National Fuel St. No. 10, pp. 23-27.
528 OCA St. 3, p. 28.
529 I&E St. No. 2, pp. 12-14.
530 I&E St. No. 2, p. 12.
531 National Fuel St. No. 10-R, pp. 34-37.

representative of the risks faced by National Fuel and its investors than is the percentage of regulated revenue that BIE used to screen the proxy group. On that basis, National Fuel asserts it is similar to Southwest Gas, and the Southwest Gas should be included in the proxy group.[532]

b. Capital Structure

The Company acknowledges both OCA and BIE challenged the Company on capital structure. The Company contends BIE proposed a slightly different capital structure of 55% equity and a 45% debt,[533] while OCA proposed a hypothetical capital structure of 50% long-term debt and 50% equity.[534] The Company argues OCA's and BIE's use of hypothetical capital structures - instead of using the Company's actual capital structure - is unreasonable, contrary to precedent, and should be rejected by the Commission.

The Company asserts its capital structure - of 56.4% common equity and 43.6% long-term debt - is its projected actual capital structure, as of October 31, 2027 which is the end of the FPFTY.[535] To support its capital structure, National Fuel asserts common equity ratio is within the range of actual common equity ratios of the proxy group of gas companies used in this proceeding.[536] The Company points out that, in *Columbia 2025*, the Commission allowed Columbia an equity ratio of 54.40%, where the equity ratio range was 35.96% to 60.16%.[537] The Company contends its equity ratio of 56.4 % is well within the equity ratios of the operating companies of its proxy group for

532 National Fuel St. No. 10-R, p. 34.
533 I&E St. No. 2, p 15.
534 OCA St. No. 3, p. 6.
535 National Fuel St. No. 10, p. 54.
536 National Fuel St. No. 11-R, p. 3.
537 *Columbia 2025*, pp. 209-10.

2022 to 2024.[538]

The Company points out that the Commission has determined that a utility's actual capital structure is to be used, absent circumstances where the actual capital structure is atypical for the type of utility service being offered.[539] To determine if the claimed capital structure is atypical, NFG asserts the Commission has compared the capital structure used by the utility to the range of capital structures employed by the barometer group of companies considered in the rate of return analysis. However, NFG notes that, if a utility's capital structure is within a reasonable range of similar risk barometer group companies, then the utility's capital structure should be used and not a hypothetical capital structure.

The Company references the Commission decision in *Pa. Pub. Util. Comm'n v. ALLTEL Pa., Inc.*(ALLTEL), as authority for the use of a utility's stand-alone capital structure, wherein the Commission stated:

> The ALJ recommended use of the Company's stand-alone capital structure since it met the following characteristics of an appropriate capital structure: (1) It was within a reasonable range of similar risk barometer group companies. (2) It reflected the Company's actual capital structure and projected near term capital structure. (3) It is consistent with the Company's apparent capital structure goal. (R.D., p. 28).
>
> We concur with the recommendation of the ALJ, particularly for the reason that the Company's actual capital structure falls within a range employed by similar risk barometer group companies, described by Mr. Shiavo as

---

538 National Fuel St. No. 10-R, p. 18; National Fuel Exh. JCN-10.

539 *See Pa. Pub. Util. Comm'n v. City of Lancaster – Water*, 1999 Pa. Pub. Util. Comm'n Lexis 37 at *17; *Pa. Pub. Util. Comm'n v. City of Bethlehem*, 84 Pa. P.U.C. 275, 304 (1995); *Carnegie National Gas Co. v. Pa. Pub. Util. Comm'n*, 433 A.2d 938, 940 (Pa. Cmwlth. 1981).

> commensurate with capital ratios employed by other independent telephone operating companies.[540]

The Company contends this same analysis was reaffirmed by the Commission in *PPL Electric 2012*, in which PPL Electric proposed to use its actual capital structure, but BIE and OCA proposed to use a hypothetical capital structure. BIE had argued in favor of a hypothetical capital structure based upon a calculated industry average. OCA had proposed a hypothetical capital structure that was based on an average of PPL Electric's capital structure for a recent five-year period, and had attempted to support its proposal by reference to the average common equity ratio of the barometer group sponsored by PPL.[541] NFG asserts the Commission rejected BIE's and OCA's contentions and adopted PPL's proposed capital structure, concluding:

> Absent a finding by the Commission that a utility's actual capital structure is atypical or too heavily weighted on either the debt or equity side, we would not normally exercise our discretion with regard to implementing a hypothetical capital structure. *See, Pa. PUC v. City of Lancaster – Water*, 1999 Pa. PUC Lexis 37 at *17; *Carnegie Natural Gas Co. v. Pa. PUC*, 433 A.2d 938, 940 (Pa. Cmwlth. 1981). With regard to these factors, we are persuaded by the arguments of PPL that its actual capital structure is not atypical, is with a range of reasonableness, and, pursuant to precedent, provides no basis to employ a hypothetical capital structure. Also, we are further swayed by PPL's assertion that it requires an equity ratio near the high end of the historic range employed by the barometer group companies to support its expanded infrastructure replacement program and its credit rating.[542]

NFG asserts the Commission reaffirmed these prior decisions on capital structure in three

---

[540] *Pa. Pub. Util. Comm'n v. ALLTEL Pa., Inc.,* Docket Nos. R-942710 *et al*., Pa. PUC LEXIS 53, *106-107, (Order entered May 24, 1985) ("*ALLTEL*").

[541] *PPL Electric 2012*, pp. 63-65.

[542] *PPL Electric 2012*, p. 68.

recent decisions: *Aqua 2022*, *PAWC 2024*, and *Columbia 2025*.[543]

The Company argues BIE and OCA failed to demonstrate that the proposed capital structure used by the Company is atypical. NFG contends OCA offered no evidence to support a conclusion that the Company's proposed capital structure is atypical, requiring the use of a hypothetical capital structure, other than OCA's contention that the Company's equity ratio exceeds the average of the proxy group. NFG disputes that contention and asserts the average proxy group capital structure is not the standard employed to determine if a Company's actual capital structure is atypical, but rather asserts the standard is whether the Company's actual capital structure is atypical, as measured by the barometer group range. NFG also contends OCA asserts a lower equity ratio will produce lower cost for the Company,[544] but NFG argues OCA does not recognize the effects of higher debt costs created by more debt at higher rates to replace the equity.

NFG disagrees with OCA's contention that an above average equity ratio may be the result of the Company's parent using double leverage.[545] NFG defines double leverage as a situation where a parent company raises capital by issuing debt and provides funds from the debt issuance to its subsidiary as equity. NFG argues OCA incorrectly compares the parent's equity ratio in the historic test year of 53.9% parent equity to the projected equity of the Company in the FPFTY of 56.4%, because the projected equity ratio of the parent in the FPFTY is 62.5%, as compared to the 56.4% for the Company.[546]

---

[543] *See also Pa. Pub. Util. Comm'n v. Aqua Pennsylvania, Inc.*, Docket No. R-2021-3027385 (Order entered May 16, 2022) ("*Aqua 2022*"), pp. 138-41; *Pa. Pub. Util. Comm'n v. Pennsylvania-American Water Company*, ("*PAWC 2024*") Docket No R-2023-3043189 (Order entered July 22, 2024), pp. 157-60.

[544] OCA St. No. 3-SR, p. 7.

[545] OCA St. 3, pp. 24-25.

[546] National Fuel St. No. 11-R p. 5.

NFG argues BIE's proposal - to depart from actual equity ratio and to use 55% instead of 56.14% - relies incorrectly on 5 year averages of equity ratios, some projections, and some cost savings to customers to support this hypothetical equity ratio.[547] The Company contends that historic equity ratios do not properly reflect current market conditions and do not reflect the accelerated replacements planned by the Company. Further, the Company contends ultimately debt costs would rise as greater financial risk is created by less equity.[548] The Company argues its projected capital structure of 56.4% is well below the 60.16% high end of the range of equity ratios calculated for the proxy group of operating companies and is not atypical even as compared on a historic basis.[549]

The Company contends OCA and BIE want the Commission to reject the evidence of typical capital structures and instead to employ a process that would direct the use of a hypothetical capital structure any time the equity ratio exceeds the proxy group average. The Company disagrees with the use of this approach. The Company argues that using such a standard would mean the Commission would adopt hypothetical capital structure ratios in many rate cases, contrary to long-established precedent.

NFG argues significant consequences would result from using hypothetical equity ratios that, in the immediate term, would result in a substantial under recovery of its actual weighted average cost of capital because the Company would be earning the return of the current embedded debt cost of 5.58% for a substantial portion of its equity. NFG contends that, to correct this, the utility would look for ways to reduce its equity ratio through increased leverage, which would carry additional debt service costs, or by returning capital to equity holders that is otherwise currently being recycled back into the

547 I&E St. No. 2, pp. 15-19.
548 National Fuel St. No. 10-RJ, p. 10.
549 National Fuel St. No. 10, pp. 54-55.

business to fund capital expenditures (*i.e.*, retained earnings) The Company argues this is an extraordinary change in the structure of how the Company finances infrastructure replacements, which is currently based on years of precedents and practice made by the Commission to support replacements of aging pipelines. The Company asserts the vast majority of stockholders' equity is retained earnings, which earnings are not provided to shareholders but are reinvested in the Company's facilities.[550] NFG argues its ability to continue to retain earnings to finance pipeline replacements would have to be reevaluated, and any significant increase in the debt ratio would negatively impact the Company's credit risk and raise interest rates on debt issuances and refinancings going forward.[551]

NFG argues OCA cannot show that the Company's capital structure is outside the norm for comparable gas companies and, having failed to do so, OCA impermissibly attempts to interfere in the management discretion of the Company to determine the capital structure the Company believes is necessary.[552] NFG asserts the Commission has recognized the importance of an above average equity ratio when accelerated pipeline replacement program is underway, and OCA failed to demonstrate the Company's actual capital structure is atypical or that the use of a hypothetical capital structure is appropriate.

NFG asserts it has acted prudently to replace aging plant to maintain reliable service, has maintained a financial profile that will enable it to obtain the necessary financing, and the financial profile is within the range of capital structure ratios

---

550 Book II, Question RR-01, p. 3.

551 *See* National Fuel St. No. 10-RJ, p. 10.

552 *Aqua 2022,* pp. 138-39 ("The use of an actual capital structure represents the Company's decision, in which it has *full discretion*, on how to capitalize its rate base" (emphasis added)).

of the proxy groups presented. NFG requests the Commission reject OCA's and BIE's hypothetical capital structures.

c. Debt Cost Rate

The Company asserts there is no dispute concerning the debt cost rate to be used in determining the rate of return.

d. Return on Common Equity

The Company asserts it used three methods to determine the cost of equity: the Discounted Cash Flow (DCF) model; the Capital Asset Pricing model (CAPM); and the Bond Yield Plus Risk Premium model (Risk Premium). Using the three methods, NFG argues it determined the cost of equity ranged from 10.3% to 11.30%.[553] After updating the result of the models to reflect the rising cost of capital due to inflation, NFG argues the range - of 10.3% to 11.30%, stayed the same.[554]

The Company contends the Commission has used the DCF model as the primary model for establishing the cost of equity,[555] and further contends the use of the DCF model, based upon current dividend yields and analysts' 5-year projected earnings, provides a strong basis for determining the cost of equity during the period that the rates set in this proceeding will be in effect. NFG argues it calculated a 10.65% mean DCF result based on analysts' projections of earnings.[556]

The Company notes BIE calculated a 10.47% DCF cost of equity based

---

553 National Fuel St. No. 9, p. 4.
554 National Fuel St. No. 9-R, pp. 12, 29.
555 *Columbia 2025*, p. 216.
556 National Fuel St. No. 10-R, p. 12.

upon analysts' projections,[557] while OCA calculated a range of 10.48% to 10.61% for the constant growth DCF (EPS Growth).[558] The Company argues the closeness of BIE's and OCA's results shows the clarity of results that are useful to investors and explains the Commission's reliance on the DCF method. NFG also notes that OCA relied on a sustainable growth DCF approach, wherein OCA started with a projected 10.35% ROE for its proxy group and, through retained growth adjustments, OCA converted the proposed earned return to a 9.87% to 10.03% allowed ROE.[559] The Company argues the proxy group used is highly expected to earn the expected return of 10.35% if the ROE is set between 9.87% and 10.3%. NFG also notes the Commission has rejected the use of a sustainable growth rate DCF when determining the allowed ROE in prior cases.[560]

The Company contends the Commission's primary reliance on the DCF using earnings per share (EPS) Growth has served the Commission and the Commonwealth well and should be continued. NFG notes that in *Columbia 2025*, the Commission concluded the CAPM is a useful tool in setting the ROE.[561] The Company agrees the CAPM can provide useful information if it is properly applied using a "projected risk free" rate and forward-looking estimates of market return.[562] NFG also notes that application of the CAPM with forward-looking estimates produces a ROE range 10.59 to 11.77%,[563] and, with reasonable adjustments and inputs to OCA's CAPM, the CAPM would produce a 10.55% ROE.[564]

---

557 I&E St. No. 2, p. 32.

558 OCA St. No. 3, p. 49.

559 National Fuel St. No. 10-R, p. 64.

560 *See Columbia 2025*, pp. 219, 225; *Aqua 2022*, pp. 145, 153-55; *Pa. Pub. Util. Comm'n v. Columbia Water Co.*, Docket Nos. R-2023-3040258, *et al.* (Order entered Jan. 18, 2024), pp. 90-91, 105.

561 *Columbia 2025*, p. 226.

562 National Fuel St. No. 10-R, p. 41.

563 National Fuel St. No. 10-R, p. 52.

564 National Fuel St. No. 10-R, p. 75.

While noting the models and results provided by other parties, the Company contended that, while it is reasonable to review other ROEs as a check, there are many differences in regulation of utilities in other states. NFG points to the eastern and midwestern states which NFG asserts have older facilities, require greater replacements and much of the ROE allowances reflect dated market data. NFG noted in the *Columbia 2025* case, the Commission determined that the cost of equity was 10.22%, but reduced it to 10.00% (because of reduced regulatory lag of filing cases nearly every year).[565] The Company notes the Commission arrived at a 10.22% ROE in a period when the average was 9.7%. NFG points out OSBA also used an average of other ROEs in different states to estimate the ROE,[566] but NFG contends the averages of ROEs determined in other states do not provide the bases for an ROE in Pennsylvania.

The Company contends the Commission should consider the use of the Risk Premium method in reaching a ROE, and contends this method indicates a cost of equity of 10.44%. The Company argues this model is important because of its connection of interest rates and inflation through utility bond rates and recognizes that risk premiums change inversely as interest rates change.[567]

Lastly, the Company disagrees with OCA's proposal for an alternative ROE of 9.06% if the Commission declines to accept its hypothetical capital structure.[568] The Company argues the alternative ROE provides for the same revenue requirement reduction as would be made by adopting OCA's proposed hypothetical capital structure but OCA's alternative ROE is not market based and a misuse of the Hamada model.[569]

---

565 *Columbia 2025*, pp. 235-38.
566 OSBA St. No. 1, pp. 12-13.
567 National Fuel St. No. 10-R, pp. 19, 51, 72-26.
568 OCA St. No. 3-SR, p. 3.
569 National Fuel St. No. 10-R, pp. 75-76.

The Company requests the Commission disallow OCA's proposal to bypass its precedents on capital structure by reducing the ROE.

e. Management Performance

NFG initially proposed a management efficiency adder of .25% to the ROE because it asserted it demonstrated positive outcomes for ratepayers in a challenging environment.[570] However, during the litigation process, the Company withdrew its request for the ROE adder, and asserts this action is consistent with NFG's other, similar initiatives that demonstrate its recognition of the affordability concerns currently impacting customers.

f. Conclusion as to Rate of Return

NFG asserts it runs its business consistently and successfully, it remains sensitive to customer affordability concerns and it demonstrated its sensitivity through multiple initiatives. It argues and requests the Commission should support NFG's efforts to maintain a financial profile that will enable the Company to attract capital on reasonable terms and to continue infrastructure replacement and service to its customers.[571] The Company argues an ROE equal to 10.50% with a strong equity ratio will achieve this balance.

---

570 *See, e.g.*, National Fuel St. No. 1, pp. 6-18.

571 OCA witness Reno requests that the Commission reduce the determined ROE if the Commission does not accept OCA's hypothetical capital structure. OCA St. 3, p 8. This would not be reasonable. The ROE and the Equity ratio affect the return, These components should be determined separately based on the record National Fuel St. No. 10-R, pp. 75-76.

2. Bureau of Investigation and Enforcement

a. Rate of Return

1. Standards for Rate of Return

Regarding the overall rate of return herein, BIE argues its rate of return analysis led to BIE's conclusion[572] that the Company should receive the following rate of return.[573] I&E recommends the following rate of return for the Company:[574]

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

BIE argues its recommended return on equity totaling 9.81% is based on a calculation of the average of the DCF method; the average of two variations of the

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

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

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

CAPM method; and the recent national average authorized return on equity for rate cases involving natural gas distribution utilities as shown below:[575]

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

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

2. Proxy Group

Regarding the proxy group NFG used in the rate of return calculations, BIE points out a proxy group is a set of companies with similar traits when compared to the subject utility.[576] BIE notes this group of companies acts as a benchmark for determining the subject utility's rate of return in a base rate case,[577] and a proxy group's cost of equity is used as a benchmark to satisfy the long-established guideline of utility regulation that seeks to provide the subject utility with the opportunity to earn a return similar to that of companies with corresponding risks and uncertainties.[578]

575 I&E St. No. 2, p. 7.
576 I&E St. No. 2, p. 8.
577 *Id.*
578 *Id.*

BIE points out that it included the following companies in its proxy group:[579]

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

BIE notes NFG's proxy had five companies in common with BIE's proxy group, but BIE included one company that NFG did not include, and NFG included two companies that BIE did not.[580] Specifically, BIE points out it excluded Southwest Gas Holdings, Inc. (SWX) and Spire, Inc. (SR) from its proxy group.[581]

b. Capital Structure

Regarding NFG's capital structure, BIE notes its capital structure represents how a utility has financed its rate base with different sources of funds.[582] BIE asserts the primary funding sources for NFG are long-term debt and common equity,[583] and, while a capital structure may also include preferred stock and/or short-term debt, BIE asserts that NFG utilizes neither.[584] BIE contends the Company's proposed capital structure is Long-

579 *Id.*, p. 11.
580 *Id.*
581 *Id.*, p. 12.
582 I&E St. No. 2, p. 14.
583 *Id.*
584 *Id.*

Term Debt totaling 43.60%; and Common Equity totaling 56.40% for a total of 100.00%.[585]

In this proceeding, BIE recommended using a capital structure of 55% common equity and 45% long-term debt,[586] because BIE argues the Company's proposed capital structure is unreasonable for ratemaking purposes. BIE contends the Company's proposed capital structure falls close to the highest end of the range of 2024[587] capital structures in BIE's proxy group, where the most recent five-year average range contains individual company capital structure ratios ranging from 39.53% to 58.23% long-term debt and 36.62% to 60.47% equity, with an overall five-year average of 50.40% long-term debt and 48.70% common equity.[588]

BIE argues that limiting a company's capital structure from becoming too equity heavy is reasonable and necessary for a fair ratemaking process.[589] Implementing a capital structure that is closer to 50% long-term debt and 50% common equity is commonly considered optimal when trying to balance the financial integrity of a utility and its impact on ratepayers.[590] While BIE acknowledged it is not always possible to have a capital structure that is exactly 50/50, BIE argues implementing a limit helps to strike a balance between rewarding the company for carrying more equity while also reducing the costs that would be passed over to ratepayers.[591] For that reason, BIE argues the Company's capital structure should not exceed 55% equity.[592]

---

585 *Id.*
586 *Id.*, p. 15.
587 BIE notes 2024 is the most recent data available.
588 *Id.*, pp. 15-16, citing I&E Exhibit No. 2, Schedule 4.
589 *Id.*, p. 16.
590 *Id.*
591 *Id.*
592 *Id.*

c. Debt cost Rate

Regarding NFG's cost of long-term debt,[593] BIE notes the Company's claimed long-term debt cost rate is 5.58% for the FPFTY.[594] BIE recommends using the Company's claimed long-term debt cost rate.[595]

d. Return on Common Equity

Regarding the cost of common equity, BIE first looked at the common methods used to calculate the cost of common equity for public utilities.[596] Then BIE presented its cost of common equity findings using the discounted cash flow method (DCF),[597] the capital asset pricing model (CAPM),[598] the national average authorized ROE data[599] relied on to make its recommendation. Through its witness, BIE included extensive critiques and rebukes of the Company's rate of return and cost of common equity testimony and proposals. BIE's final cost of common equity recommendation for NFG was 9.81%.[600]

BIE contends various voices have raised concerns regarding utility bill affordability, including statements by certain PUC Commissioners,[601] and concerns raised by Governor Shapiro in a recent letter to Pennsylvania Utility Leaders regarding higher utility costs and enormous profits earned by utilities in 2024.[602] BIE contends

---

593 I&E St. No. 2, p. 21.
594 *Id.*, p. 21, citing NFG Statement No. 11, p. 8, lines 4-6.
595 *Id.*, p. 21.
596 I&E St. No. 2, pp. 22-30.
597 *Id.*, pp. 30-32.
598 *Id.*, pp. 32-37.
599 *Id.*, pp. 37-38.
600 I&E St. No. 2, p. 29; I&E St. No. 2-SR, p. 26.
601 *Id.*, p. 26, citing I&E Exhibit No. 2, Schedules 4 and 5.
602 *Id.*, citing I&E Exhibit No. 1-SR, Schedule 2, pp. 1-4.

these concerns highlight the importance of utility companies only requiring ratepayers to pay rates to fund costs that are necessary for the safe and reliable provision of natural gas service. BIE argues its recommendations herein allow NFG to earn a fair return while considering the overall cost to ratepayers. Given the current economic climate, BIE asserts it is important ratepayers only be required to pay rates to fund costs that are absolutely necessary for the safe and reliable provision of natural gas service.

Consequently, BIE analyzed and critiqued the testimony of the NFG rate of return witness,[603] and contends herein the Company's DCF analysis is flawed.[604] Specifically, BIE argues NFG included two companies in its proxy group that NFG should have excluded.[605] BIE rejects NFG's reliance on the Bond Yield Risk Premium approach,[606] and rejects NFG's use of the 30-year Treasury bond to determine the risk-free rate. BIE asserts it supports the use of the 10-year Treasury bond.[607] BIE further rejects NFG's assertion of claimed uncertainties in the capital markets to request an increased ROE,[608] as well as rejecting NFG's assertion of a claimed risk due to NFG's capital investment or expenditure plans.[609] BIE rejects NFG's assertion of a claimed risk based on company size,[610] and it rejects NFG's assertion of a risk due to potential loss of customers or customer concentration risk.[611]

---

603 I&E St. No. 2, pp. 38-49; I&E St. No. 2-SR, pp. 14-26.
604 I&E St. No. 2, pp. 39-41.
605 *Id.*
606 *Id.*, pp. 41-42; I&E St. No. 2-SR, pp. 20-21.
607 *Id.*, pp. 42-43; *Id.*, pp. 15-20.
608 *Id.*, pp. 43-45.
609 *Id.*, pp. 45-46; *Id.*, p. 22.
610 *Id.*, pp. 46-48; *Id.*, p. 23-25.
611 *Id.*, pp. 48-49; *Id.*, pp. 25-26.

e. Management Performance

Regarding NFG's request for management performance points, BIE noted NFG proposed that 25 basis points be added to the calculated cost of equity - in recognition of the Company's management performance.[612] BIE disputed NFG's arguments and asserted many reasons alleged by the Company – to justify its request - fall within the categories of reliability, customer satisfaction, and safety. BIE contends these categories are required of every public utility company, under 66 Pa. C.S. § 1501.[613] BIE argues the Company can pass capital expenditures to its ratepayers via base rates, or it can utilize the DSIC for capital expenditure recovery.[614] BIE also argues that, if the Company is effective at controlling operating and maintenance costs, those savings should flow through to ratepayers and/or investors, not to the Company through increased base rates.[615] Lastly, BIE argues the proposed 25-basis point increase to the cost of equity for management performance would add $1,120,163 directly to the Company's revenue requirement – an amount that is borne by the ratepayers.[616]

BIE contends it does not support NFG, or any utility, being gifted additional basis points for doing what they are required to do - to provide adequate, efficient, safe, and reasonable service under 66 Pa. C.S. § 1501.[617]

612 *Id.*, p. 49, citing NFG St. No. 10, p. 4.
613 I&E St. No. 2, p. 50.
614 *Id.*
615 *Id.*
616 *Id.*, pp. 52-53.
617 *Id.*, p. 53.

f. Conclusion as to Rate of Return

Overall, BIE recommends that the Commission afford the Company an opportunity to earn an overall rate of return of 7.91%.[618] BIE asserts its recommended overall rate of return is comprised of a weighted average of a 2.51% rate of return on long-term debt, and a 5.40% rate of return on common equity,[619] with its calculated return on common equity of 9.81%.[620]

3. Office of Consumer Advocate

a. Rate of Return

OCA notes NFG originally requested an 11.25% ROE, which included a 25-basis point management efficiency adjustment that was later rescinded.[621] However, OCA argues NFG's subsequent proposal - of an 11% ROE - is clearly excessive. OCA contends no other public utility in Pennsylvania has been awarded an ROE as high as 11%, and OCA disputes NFG's claim - that the Company requested an 11% ROE in furtherance of affordability - is reasonable.[622]

In addition, OCA disputes NFG's proposal for a capital structure of 56.4% common equity and 43.6% debt for its operations, which structure OCA argues is significantly weighted towards equity. OCA contends that, as a result, this structure will lead to NFG's ratepayers paying even higher rates.[623] OCA argues NFG's proposed return on equity and capital structure should be rejected as that structure is not supported

---

618 I&E St. No. 2-SR, p. 26.
619 I&E St. No. 2, pp. 6-7.
620 *Id.*, p. 7.
621 OCA St. 3 SR at 15.
622 *Id.* at 2.
623 OCA St. 3 at 22.

by substantial evidence, and implementation of that structure would result in unjust and unreasonable rates. OCA recommends the Commission find the following to be just and reasonable: (1) an overall ROR of 7.66%; (2) an ROE of 9.74%; and an imputed capital structure of 50% common equity and 50% debt for ratemaking purposes.[624]

OCA recommends that, if the Commission decides to approve NFG's proposed capital structure, an alternative ROE of 9.06% with a resulting ROR of 7.54% would be appropriate, just and reasonable.[625] OCA points to its witness' recommendations which make proper use of accepted financial theory and realistically reflect the current capital cost environment. OCA also contends its proposed adjustments to the Company's ROE and capital structure result in an overall 7.66% weighted ROR.[626]

OCA contends that, by adopting OCA's recommended adjustments to ROE and capital structure, there would result a reduction in the revenue requirement of $3.094 million.[627] Alternatively, OCA recommends, if the Commission uses NFG's capital structure, OCA's alternative ROE would result in a revenue requirement reduction of $3.022 million.[628] In recognition of the facts and analysis presented below, OCA recommends the Commission reject NFG's requests and adopt OCA's cost of capital recommendations.

b. Capital Structure

OCA notes NFG proposed a capital structure consisting of 56.4% common equity and 43.6% long-term debt.[629] OCA contends it demonstrated that this equity-

624 *Id.* at 6.
625 OCA St. 3SR at 3, 25.
626 OCA St. 3 at 6.
627 OCA Ex. LKM-1A-SR.
628 OCA Ex. LKM-1B-SR.
629 OCA St. 3 at 22.

heavy capital structure is unreasonable, inconsistent with industry trends, and unnecessarily increases customer costs.[630] Accordingly, OCA recommends the Commission should reject NFG's proposal and adopt OCA's recommended hypothetical capital structure of 50.0% common equity and 50.0% long-term debt for ratemaking purposes.[631]

In explanation, OCA notes the purpose of establishing a ratemaking capital structure includes replicating a utility's actual capitalization for ratemaking purposes, but more importantly to ensure that rates are just and reasonable.[632] OCA points out that equity is more expensive than debt because shareholders require higher returns than creditors, and dividends are not tax deductible.[633] OCA notes, consequently, excessive equity financing increases the overall cost of capital which cost is borne by ratepayers.[634] OCA explains that authorizing an equity-rich capital structure requires customers to pay both a higher return and a higher associated tax burden.[635] OCA also points out that NFG's proposed equity ratio substantially exceeds industry benchmarks.[636]

OCA explained that NFG's proposed 56.40% equity ratio exceeds recent average authorized equity ratios for regulated gas utilities, including 52.45% in 2023, 52.52% in 2024, and 51.63% in 2025. OCA notes NFG's proposed equity ratio also exceeds the proxy group expected average of 48.00% and median of 45.00% for 2026. OCA contends that, because equity is the more expensive form of capital, using a higher equity ratio increases the total rate of return customers must pay.[637] OCA further

---

630 *Id.* at 23-26.
631 *Id.* at 6.
632 OCA St. 3SR at 5.
633 *Id.*
634 *Id.*
635 *Id.*
636 *Id.* at 5-6.
637 *Id.*

contends that the reasonableness of its recommendation is demonstrated by regulatory precedent,[638] in that there were more than forty state commission-approved decisions and settlements utilizing a 50.0% common equity ratio, including natural gas utility proceedings involving Southwest Gas, Northern Illinois Gas, Northwest Natural, and Puget Sound Energy.[639] OCA argues these decisions reflect the same ratemaking principle applicable here, namely, that utilities should be provided sufficient equity to maintain financial integrity and attract capital, but customers should not be required to fund unnecessarily expensive equity capital.[640]

OCA also points out it identified concerns arising from NFG's financing relationship with its parent company, National Fuel Gas Company (NFGC).[641] OCA notes that NFG is not publicly traded and obtains financing through NFGC.[642] OCA explained that parent-company financing arrangements raise concerns regarding double leverage because debt issued at the parent level may ultimately be reflected as equity in the regulated subsidiary, thereby increasing customer costs.[643] OCA notes that, while NFG disputed whether double leverage is present, NFG did not rebut the broader concern that NFG's financing relationship with its parent remains relevant when evaluating whether customers should be required to support an excessive equity ratio.[644]
Further, OCA asserts that precedent recognizes that the capital structure for companies that are wholly-owned subsidiaries, like NFG, is not limited to an actual capital structure, and the Commission may make adjustments where circumstances may be unfair to customers. OCA argues the capital structure of utilities that are wholly-owned

---

638 *Id.* at 6.
639 *Id.*; OCA Ex. MLR-1-SR: Schedule MLR-1-SR.
640 OCA St. 3SR. at 6.
641 *Id.* at 12-14; OCA St. 3 at 24-25.
642 *Id.* at 13.
643 OCA St. 3 at 25.
644 OCA St. 3 SR at 12-13.

subsidiaries may not be one which it would maintain if it were obliged to obtain its debt and equity financing on the open market rather than from a parent company:

OCA asserts that, when conducting its analysis, it did not ignore NFG's actual capital structure, and considered the Company's historical capitalization, its proposed future capitalization, recent industry-authorized equity ratios, expected proxy group capital structures, and the resulting impact on customers.[645] OCA contends, after considering all relevant factors, it concluded that NFG's proposed equity ratio is unreasonable because it exceeds industry norms and imposes unnecessary costs on customers.[646] For these reasons, OCA recommends the Commission should reject NFG's proposed capital structure and adopt OCA's recommended 50.0% equity and 50.0% debt capital structure.

c. Debt cost Rate

OCA asserts the expected market rates for Moody's Aaa-rated and Baa-rated corporate bonds remain consistent with NFG's embedded debt cost and support the reasonableness of the Company's proposed debt component.[647] Accordingly, OCA does not oppose NFG's proposed 5.58% cost of long-term debt.

d. Return on Common Equity

1. Recommended ROE Using Constant-Growth DCF Analysis is Supported and Results in Just and Reasonable Rates

---

645 OCA St. 3 at 23-25.
646 *Id.*
647 OCA St. 3 at 26.

OCA recommends Commission should reject NFG's requested 11.00% ROE and adopt OCA witness Reno's recommended 9.74% ROE.[648] If the Commission approves NFG's proposed capital structure, it should instead adopt Ms. Reno's alternative 9.06% ROE.[649]

OCA contends its recommendation is grounded in the standards established by *Bluefield* and *Hope*.[650] Under those decisions, OCA avers a utility is entitled to earn a return comparable to investments of similar risk and sufficient to maintain financial integrity and attract capital on reasonable terms.[651] OCA asserts its DCF analysis, which examines projected earnings growth, dividend growth, book-value growth, and sustainable growth measures, together, provides a balanced measure of expected growth that more accurately reflects how investors actually assess utility stocks.[652] OCA contrasts the strength of its recommendation against NFG's proposed 11.00% ROE, which OCA argues fails the *Bluefield* and *Hope* standards because it substantially exceeds the returns currently required by investors for comparable natural gas utilities by applying a growth rate that almost exclusively relies on earnings-growth projections and disregards other indicators investors often use to evaluate future returns.[653]

OCA asserts it used a Discounted Cash Flow (DCF) analysis[654] as the primary basis for the ROE recommendation and used the Hamada version of Capital

---

648 OCA St. 3SR at 33.
649 *Id.* at 35.
650 *Bluefield Water Works & Improvement Co. v. Public Service Commission*, 262 U.S. 679 (1923); *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944).
651 *Id.*
652 OCA St. 3 at 44-45; OCA St. 3SR at 16.
653 OCA St. 3 at 3-6, 45-46; OCA St. 3SR at 18.
654 See OCA St. 3 at 41-50 for Ms. Reno's full Constant-Growth and Sustainable-Growth Discounted Cash Flow analyses.

Asset Pricing Model (CAPM)[655] as a check on reasonableness.[656] OCA contends it used the Hamada version of the CAPM to check for reasonableness because the DCF does not directly incorporate the impact of the capital structure on ROE.[657] Using the DCF analysis, OCA contends the analysis produced a range of 8.88% to 10.61%, with a midpoint of 9.74%.[658] OCA is recommending the midpoint because it appropriately reflects NFG's risk profile and investors' current expectations regarding utility equity investments without introducing subjective bias into the overall recommendation by choosing another point in her range.[659]

OCA asserts its CAPM analysis produced a range of 7.43% to 10.55%, with a midpoint of 8.99%.[660] OCA points out the CAPM midpoint is seventy-five basis points below the DCF midpoint and OCA contends that result confirms the reasonableness of the recommended 9.74% ROE.[661]

OCA states the DCF model is a widely accepted method for estimating the return investors require on utility common equity,[662] and OCA used the Constant-Growth DCF model to form the basis of its 9.74% ROE recommendation.[663] OCA asserts that, under the constant-growth DCF model, an investor's expected return is equal to the expected dividend yield plus the expected long-term growth rate in dividends.[664] The model is based on the principle that the value of a stock reflects the present value of

---

655 See Id. at 50-57 for Ms. Reno's full Capital Asset Pricing Model analysis.
656 *Id.* at 41.
657 *Id.* at 25; *see* OCA St. 3 at 63-65 for Ms. Reno's full Hamada analysis.
658 *Id.* at 49.
659 *Id.* at 6.
660 *Id.* at 7, 50.
661 *Id.* at 7.
662 *Id.* at 68.
663 *Id.* at 41.
664 OCA St. 3SR at 17.

future dividends and that investors require compensation both for current income and future growth.[665]

OCA notes that while both OCA and NFG employed a constant-growth DCF model, they differed significantly in their estimation of the growth component.[666] OCA contends that difference is critical because growth expectations are a primary driver of DCF results,[667] because higher assumed growth rates produce higher estimated returns on equity, while lower and more realistic growth rates produce lower ROE estimates.[668]

OCA asserts it developed the growth estimates using multiple indicators of long-term utility growth.[669] First, OCA claims it calculated expected earnings growth using the average of analyst forecasts from three independent and widely recognized sources—Value Line, S&P Market Intelligence, and Zacks—which resulted in an average expected earnings growth rate of 7.92%, with median DCF results of 10.48% and 10.61%.[670] Second, OCA recognized that investors are concerned with earnings growth <u>and</u> dividend and book value growth, so OCA contends it adjusted the DCF results by averaging Value Line's dividends per share and book value per share estimates with the previously estimated growth rate result, weighted equally, which produces the growth rate used by OCA's witness Reno of 5.45% with median DCF results of 8.88% and 9.03%.[671] By considering several indicators, OCA asserts it methodology reduces the risk that any single forecast will distort the resulting ROE estimate,[672] and contends it approach reflects the reality that investors evaluate a company's growth prospects using

[665] *Id.*
[666] OCA St. 3 at 44-46.
[667] *Id.* at 45-46.
[668] *Id.* at 49-50.
[669] *Id.* at 44-45.
[670] *Id.* at 44.
[671] *Id.* at 44-45.
[672] *Id.*

numerous financial metrics rather than relying exclusively on analysts' earnings projections.[673]

As part of this analysis, OCA asserts it also employed a sustainable growth approach.[674] OCA points out the sustainable growth approach measures the rate at which a company can grow over time through internally generated earnings while maintaining its existing capital structure and dividend payout practices.[675] OCA asserts that, rather than relying solely on external analyst forecasts, the sustainable growth model derives growth from fundamental financial characteristics such as earnings retention, dividend payout ratios, and expected returns on equity.[676] Because it is grounded in the Company's underlying financial fundamentals, OCA contends the sustainable growth approach provides an important check on potentially optimistic analyst earnings projections and helps ensure that growth assumptions remain economically realistic.[677]

OCA contrasts its analysis with NFG's which relied predominantly on projected earnings growth rates in developing DCF results.[678] OCA contends that analyst earnings forecasts frequently exceed actual long-term growth and can be subject to optimism bias.[679] As a result, OCA asserts that a DCF model that relies primarily on projected earnings growth tends to produce inflated ROE estimates.[680]

OCA argues it demonstrated that its methodology is more consistent with actual utility growth experience and that, by incorporating dividend growth, book-value

---

673 *Id.*
674 *Id.* at 46-49.
675 *Id.*
676 *Id.*
677 *Id.*
678 *Id.* at 53.
679 *Id.* at 5; OCA St. 3SR at 18.
680 *Id.*

growth, and sustainable growth measures in addition to earnings forecasts, OCA's analysis produces a balanced estimate of investor expectations and avoids overstating the growth prospects of the proxy companies.[681] OCA argues the Commission should accord greater weight to OCA's DCF analysis, noting that OCA's growth assumptions are supported by multiple objective indicators and provide a more reliable measure of investors' long-term expectations than the forecasted earnings-growth-focused approach employed by NFG.[682] Because the difference between the parties' ROE recommendations is driven largely by their treatment of growth, OCA further argues the Commission should adopt OCA's DCF analysis as the more reasonable and better-supported estimate of NFG's cost of equity.

OCA contends its recommendation is fully consistent with recent regulatory outcomes. According to S&P Global Market Intelligence, OCA states the average authorized ROE for natural gas utilities nationally in 2025 was 9.70%.[683] OCA points out that its recommended 9.74% ROE is four basis points above that average.[684] By contrast, OCA notes that NFG's proposed 11.00% ROE significantly exceeds the industry average and would represent an outlier among authorized utility returns both in Pennsylvania and nationally.[685] OCA asks the Commission to adopt OCA's recommended 9.74% ROE as it is supported by substantial evidence and would result in just and reasonable rates.

2. Commission Should Accept Alternative ROE of 9.06% if Commission Accepts NFG's Capital Structure

681 OCA St. 3 at 44-45.
682 *Id.* at 44-46.
683 OCA St. 3 at 69.
684 *Id.*
685 *Id.*

OCA argues that if the Commission approves NFG's proposed capital structure, the Commission should not also approve the OCA's primary ROE recommendation, but instead, should approve OCA's alternative recommendation of 9.06%.[686]

OCA contends it demonstrated, through the Hamada adjustment framework,[687] that a utility operating with a lower-debt, higher-equity capital structure faces less financial risk.[688] OCA explains the Hamada adjustment framework isolates a firm's underlying business risk from the effects of financing decisions to reflect differences in capital structure, thereby allowing analysts to estimate how changes in debt and equity levels affect the required ROE under the CAPM.[689] OCA contends that, because NFG's proposed capital structure contains significantly more equity than the proxy group, its equity investors bear less leverage risk.[690] As a result, the appropriate ROE is lower. OCA asserts that, using the proxy group average capital structure in the Hamada analysis, it calculated an alternative ROE of 9.06%.[691] OCA asserts that, if the Commission adopts NFG's proposed 56.4% equity ratio, it should simultaneously adopt the lower 9.06% ROE, resulting in an overall ROR of 7.54%.[692]

e. Management Performance

OCA notes NFG initially sought a 25-basis-point management efficiency adder that increased its requested ROE from 11.00% to 11.25%.[693] During the course of

---

686 OCA St. 3SR at 25.
687 *See* OCA St. 3 at 63-65 for Ms. Reno's full Hamada analysis.
688 OCA St. 3SR at 25-26.
689 OCA St. 3 at 63-64.
690 OCA St. 3SR at 24.
691 *Id.* at 24-25.
692 *Id.* at 25.
693 OCA St. 3 at 59.

this proceeding, however, the Company withdrew that request.[694] OCA contends the withdrawal confirms OCA's conclusion that no management-performance premium is warranted in this case and reinforces OCA's affordability concerns. Moreover, OCA argues an 11% ROE is unreasonably high and NFG's averments that it prioritizes affordability now that it proposes an 11% ROE is unreasonable.

f. Conclusion as to Rate of Return

OCA contends the record demonstrates that NFG's proposed 56.4% equity ratio and 11.00% ROE are excessive and would impose unnecessary costs on customers.[695] OCA insists its recommendations are consistent with established financial principles, recent utility regulatory precedent, and the standards established by *Hope* and *Bluefield*. OCA asks the Commission: (1) adopt a capital structure consisting of 50.0% common equity and 50.0% long-term debt; (2) accept NFG's proposed 5.58% cost of long-term debt; (3) adopt OCA's recommended 9.74% ROE; and (4) approve an overall ROR of 7.66%.[696]

Alternatively, OCA contends that, if the Commission approves NFG's proposed capital structure, it should adopt OCA's alternative 9.06% ROE and resulting 7.54% overall ROR.[697] Under either approach, OCA argues the Commission should reject NFG's excessive ROE proposal and ensure that rates remain just, reasonable, and affordable for Pennsylvania consumers.

---

694 OCA St. 3SR at 15; NFG St. 10 at 21-22.

695 *Id.* at 33-34.

696 *Id.* at 3.

697 *Id.* at 25.

4. Office of Small Business Advocate

a. Rate of Return

OSBA notes National Fuel witness Nowak recommended a ROE of 11.25%, which ROE is comprised of a base ROE of 11.00% and a 25-basis point premium for exceptional management performance and efficiency[698] and a capital structure consisting of 56.4% common equity and 43.6% debt[699] and a capital structure consisting of 56.4% common equity and 43.6% debt.[700]

b. Capital Structure

OSBA did not take a position on this issue.

c. Debt cost Rate

OSBA did not take a position on this issue.

d. Return on Common Equity

OSBA asserts that NFG's recommended base ROE of 11.00% is high when compared to the authorized ROE's from recent rate cases for the companies of similar risk included in his proxy group. OSBA points out that NFG's proxy group includes seven companies that were included in the proxy group because they "possess a set of

---

[698] National Fuel Statement No. 10, Direct Testimony of Joshua C. Nowak, p.p. 3-4.

[699] National Fuel Statement No. 10, Direct Testimony of Joshua C. Nowak, p. 55.

[700] National Fuel Statement No. 10, Direct Testimony of Joshua C. Nowak, p. 55.

business and operating characteristics similar to the Company's (National Fuel's) natural gas utility operations, and thus provide a reasonable basis for estimating the Company's ROE"[701] based upon screening criteria that "reflect key risk factors that investors consider in making investments in natural gas utilities.[702]"

OSBA points out it provided a table, at OSBA Direct Testimony Table JBF-2,[703] which OSBA asserts shows both the utility requested ROE's as well as Commission authorized ROE's approved for subsidiaries of the companies in the proxy group since 2022, as reported by S&P Capital IQ. OSBA notes the median requested ROE for the proxy group was 10.85% and the median approved ROE for the proxy group was 9.75%. OSBA points out that National Fuel's requested base ROE of 11.00% is 125 basis points above the median approved ROE for the proxy group.

OSBA asserts the proxy group and the barometer group, used by the Commission's Bureau of Technical Utility Services, are very similar. OSBA notes the barometer group includes all the utilities in the proxy group plus Chesapeake Utilities Corporation. OSBA points out that, when Chesapeake is added to the proxy, the median authorized ROE is 9.73%. OSBA also points out that, when the sample size is expanded to include all natural gas distribution rate cases completed since January 1, 2022, the median authorized ROE drops to 9.65%, which OSBA asserts indicates a lower level or risk compared to companies included in the NFG proxy group, as reflected in OSBA's Exhibit JBF-6.[704]

---

701 National Fuel Statement No. 10, Direct Testimony of Joshua C. Nowak, p. 23.

702 National Fuel Statement No. 10, Direct Testimony of Joshua C. Nowak, p. 27.

703 OSBA St. No. 1, p. 13, Table JBF-2.

704 OSBA St. No. 1, Exhibit JBF-6.

OSBA contends the revenue requirement impact of setting National Fuel's allowed ROE equal to 9.75%, the median ROE for the proxy group, reduces the Company's revenue requirement by approximately $5,560,798 relative to the Company's filed case. OSBA asserts this adjustment is incremental to the OSBA adjustment to remove the proposed 25 basis point management ROE premium, and OSBA provided the impact OSBA Exhibit JBF-5.[705]

e. Management Performance

OSBA opposes the proposed 25-basis point management premium, because the Company's justification for the management premium relies on qualitative assertions regarding its performance across several areas, including safety, customer service, and operational efficiency. However, OSBA also asserts the Company did not establish:

- Objective criteria for what constitute "exceptional" management;
- A benchmark for comparison to peers; or
- A quantifiable linkage between those attributes and a specific 25-basis point increment.

OSBA argues that, without clearly defined and measurable standards, the proposed premium is inherently subjective, and this lack of rigor makes it unsuitable for inclusion in the determination of just and reasonable rates. OSBA contends that good management performance is not a separate risk factor warranting an additional premium return. Instead, OSBA asserts that good management performance is the standard expectation embedded in the regulatory compact. OSBA contends that disallowing the

[705] OSBA St. No. 1, Exhibit JBF-5.

25-basis point management premium would reduce the revenue requirement by $1,191,103 in FPFTY 2027,[706] as OSBA has shown in OSBA Exhibit JBF-4.[707]

f. Conclusion as to Rate of Return

OSBA contends that, when compared with companies deemed to be of similar risk, National Fuel's recommended ROE is 125 basis points higher, and OSBA argues a more reasonable ROE would be closer to the median.

5. CAUSE-PA

a. Rate of Return

CAUSE-PA notes that NFG's shareholders are allowed a return "on" capital expenses because the shareholders dedicated their money to this purpose as opposed to investing in something else. In essence, the shareholders have loaned money to NFG and its customers either in the form of borrowed funds (debt) or shareholder dollars (equity). CAUSE-PA asserts these two things taken together equal the rate of return (ROR) that a utility is allowed.[708] CAUSE-PA also notes that this rate of return must be adequate to cover the cost of capital, but CAUSE-PA points out a utility "has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures."[709]

---

706 OSBA St. No. 1, Exhibit JBF-4.

707 OSBA St. No. 1, Exhibit JBF-4.

708 OCA St. 3 at 21.

709 *Bluefield Water Works & Improvements Co. v. Public Service Comm. of West Virginia*, 262 U.S. 679, 692-93 (1923).

CAUSE-PA contends the most reasonable and well balanced representation of the cost of capital in this proceeding was presented by OCA witness Maureen L. Reno, and CAUSE-PA argues the Commission should adopt OCA's recommended return on equity (ROE) of 9.74% which, when blended at NFG's actual cost of debt of 5.58% at OCA's recommended capital structure of 50% equity and 50% debt would produce an overall ROR of 7.66%.[710]

CAUSE-PA agrees with OCA that NFG did not demonstrate – with substantial evidence – that NFG faces materially greater financial risk than its peers,[711] and OCA's recommended ROR is a far more reasonable return that balances the needs of NFG with its customers. CAUSE-PA also asserts OCA's recommended ROR is adequate to cover the cost of capital, in line with` the *Hope* and *Bluefield* standards, which "require a return comparable to returns available on investments of similar risk and sufficient to maintain financial integrity and attract capital on reasonable terms".[712]

CAUSE-PA argues that when comparing OCA's recommended with NFG's request, the rate of return sought by NFG of 8.78%, including its originally requested ROE of 11.25% - at its highly skewed capital structure which comprises of 56.4% equity and 43.6% long term debt[713] - would create a wealth transfer from NFG's customers to its shareholders, would exacerbate the affordability challenges that NFG's customers already face, and would needlessly enrich NFG's shareholders at the expense of NFG's customers. CAUSE-PA opposes NFG's attempts at extractive economics as its proposals are excessive and profoundly undercut the ability of NFG's customers to access

---

[710] OCA St. No. 3-SR at 3.

[711] *Id.*

[712] *Federal Power Comm'n v. Hope Nat'l Gas Co*., 320 U.S. 591, 603 (1944) ("[T]he fixing of 'just and reasonable' rates, involves a balancing of the investor and consumer interests"); *Bluefield Water Works & Improvements Co. v. Public Service Comm. of West Virginia*, 262 U.S. 679, 692-93 (1923). OCA St. 3-SR at 3: 10-11.

[713] NFG St. 10 at 55.

affordable rates.[714] CAUSE-PA urges the Commission to exercise its discretion to restrain NFG's attempts to impose an unreasonably high ROE at an equity-rich capital structure

b. Capital Structure

CAUSE-PA contends that NFG proposes an inequitable and distorted capital structure that would result in exceedingly high revenue requirements for its ratepayers, while needlessly and unreasonably exacerbating rate unaffordability for NFG's customers. CAUSE-PA asserts the Commission should impute the more reasonable 50/50 capital structure suggested by OCA for ratemaking purposes because, as explained by OCA Witness Ms. Reno, NFG's proposed capital structure exceeds both the average equity ratio approved by regulatory commissions in recent years and exceeds the proxy group average and median expected for 2026.[715]

CAUSE-PA notes the Commission has an abundance of discretion in determining whether NFG's proposed capital structure should be approved, and CAUSE-PA asserts the Commission should exercise that discretion to protect NFG's ratepayers from bearing excessive monthly bills which will result if the Company's inequitable capital structure is approved.[716] Specifically, CAUSE-PA argues that, while the Commission has recognized that it *may* modify a utility's capital structure where it is "atypical or too heavily weighted on either the debt or equity side,"[717] courts have directed the Commission *must* do so. CAUSE-PA points out that Pennsylvania Courts have held that the capital structure of utilities that are wholly-owned subsidiaries – like

---

714 *See* OCA St. 3-SR at 32-33.

715 OCA St. 3 at 24.

716 *See* OCA St. 3-SR at 33.

717 *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa.*, Docket No. R--2025-3053499 at 212 (Opinion and Order dated Dec. 9, 2025) (internal citations to authority omitted).

NFG[718] – may not be one which it would maintain if it were obliged to obtain its debt and equity financing on the open market rather than from a parent company.[719] The Court further explained:

> In such instances the actual capital structure may be weighted too heavily on the debt side or the equity side…The use of the actual capital structure in such peculiar circumstances might be unfair to either the utility or its customers, depending upon whether debt or equity is disproportionately high. *Under such circumstances the commission must make adjustments based upon substantial evidence in order to reach a fair result.*[720]

CAUSE-PA argues this proceeding is such a case, because NFG's capital structure is equity-skewed[721] at the expense of consumers and has the effect of artificially increasing the rate of return. Thus, CAUSE-PA urges the Commission to use its discretion to impute a more equitable capital structure which is not so heavily skewed towards equity and which swells NFG's revenue requirement.[722] Specifically, CAUSE-PA recommends that the Commission adopt the 50% debt, 50% equity capital structure recommended by OCA.[723]

CAUSE-PA notes Vice Chair Barrow acknowledged the inherent reasonableness of a 50-50% capitalization ratio: "On several occasions, regulated utilities have requested to be awarded common equity ratio and debt capital outside of the apparently reasonable 50% equity and 50% debt capital structure, along with their

---

718 OCA St. 3 at 25.

719 *Riverton Consol. Water Co. v. Pa. P.U.C.*, 140 A.2d 114, 121 (Pa. Super. Ct. 1958) (*Riverton)*.

720 *Riverton*, 140 A.2d at 121 (emphasis added).

721 OCA St. 3 at 23.

722 CAUSE-PA St. 1 at 16: 4-15.

723 OCA St. 3 at 25.

requested return on equity (ROE)."[724] CAUSE-PA notes that even in this proceeding, Vice Chair Barrow urged the parties to make a critical examination of NFG's requested ROR, ROE, and capital structure, highlighting that:

> Deviations in each of these items translate into millions of dollars charged to customers of all rate classes. Too often, the relationship between debt and ROE to cost of debt and capital is asserted as a general matter from basic economic principle alone. But, those relationships are not established empirically. That empirical relationship must periodically be re-established. Therefore, I believe a careful and detailed review of NFG's claimed capital structure and ROE is warranted.[725]

As such, the Commission "must make adjustments based upon substantial evidence in order to reach a fair result"[726] and exercise its discretion to protect NFG's captive ratepayers, including tens of thousands of categorically economically vulnerable customers, from NFG's proposals to inequitably skew its capital structure

c. Debt cost Rate

CAUSE-PA did not take a position on this issue.

---

[724] *Statement of Vice Chair Kimberly Barrow Re: Pa. Pub. Util. Comm'n V. PPL Electric Utilities Corporation*, Docket No. R-2025-3057164, Public Meeting (Oct. 23, 2025).

[725] *Statement of Vice Chair Kimberly Barrow Re: Pa. Pub. Util. Comm'n v. National Fuel Gas Distribution Corporation*, Docket No. R-2025-3059428, Public Meeting (Feb. 19, 2026).

[726] *Riverton*, 140 A.2d at 121.

d. Return on Common Equity

CAUSE-PA agrees NFG is entitled to a fair rate of return on its investment, but argues that rate of return may not be an excessive return.[727] CAUSE-PA asserts the Commission should disallow NFG's effort to impose on its ratepayers an 11% return on common equity[728] because it would be an exercise of a monopoly to extract an excessive return without regard to a customer's ability to pay. CAUSE-PA notes NFG allege its current rates would produce a return on equity at the end of the FPFTY of 6.87%, which NFG alleged was inadequate[729] because it argued it requires 1.6 times its current return, – or 11% return, on common equity (ROE).[730] However, CAUSE-PA argues NFG's requested ROE is also nearly two times higher than NFG's cost of debt.[731]

CAUSE-PA notes it did not make a recommendation related to a specific, lower ROE, CAUSE-PA asserts it is supportive of the ROE request set forth by OCA's witness Ms. Reno which was 9.74% at a 50/50 capital structure.[732] CAUSE-PA contends the Commission, when determining NFG's fair rate of return, should also ensure that this rate is as low as possible, so that ratepayers are not inequitably and unjustly impacted,[733] because granting any increase to NFG's ROE directly increases how much its customers must pay on their monthly bills.[734]

---

727 *Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679, 692-93 (1923).

728 NFG St. 2-R at 3. In rebuttal, NFG revised its requested ROE from 11.25% to 11% due to the removal of a management performance adder of 0.25%.

729 NFG St. 1 at 7.

730 NFG St. 10 at 3.

731 *Id.* at 55.

732 OCA St. 3-SR at 3.

733 *See* OCA St. 3-SR at 33.

734 OCA St. 3-SR at 33.

CAUSE-PA urges the Commission to reject NFG's proposed ROE, which will result in an unjust transfer of wealth from NFG's financially vulnerable customers to NFG's shareholders who are already financially well compensated. Instead, CAUSE-PA asserts the Commission should permit an ROE which is as low as possible, and fair not only to NFG's shareholders, but also its customers who already struggle to afford their monthly bills.[735]

e. Management Performance

CAUSE-PA contends the Commission should reject NFG's request for a 25 basis point adder to its ROE because the Company failed to put forward substantial evidence of management effectiveness.[736] CAUSE-PA acknowledges that NFG dropped its request for a 25 basis point adder based on management efficiency.[737] CAUSE-PA agrees with OCA witness LeeAnn M. Wise who explained that NFG's management performance is generally average, with customer service performance in specific areas at or below the average level of other NGDCs.[738] CAUSE-PA points out the CAP enrollment rate is a critical customer service performance metric, and the dramatic under-enrollment of NFG's CAP, with an enrollment rate of just 25% of confirmed low income customers,[739] amounts to a failure to provide customers with the most advantageous rate available[740] - underscoring the fact that a management efficiency adder is inappropriate here. Further, CAUSE-PA contends that such an adder would be duplicative, because as explained by OCA Witness Ms. Reno, the Company's base ROE proposal was already

---

735 *Id.*

736 OCA St. 3 at 60.

737 NFG St. 1-R at 5.

738 OCA St. 5 at 7-12.

739 CAUSE-PA St. 1 at 27.

740 66 Pa. C.S. § 1303 ("Any public utility, having more than one rate applicable to service rendered to a patron, shall, after notice of service conditions, compute bills under the rate most advantageous to the patron.")

based on market data from comparable companies, which "inherently reflect investor expectations regarding management quality, operational efficiency, and execution risk," and as such, an adder would double count a factor that is already accounted for.[741]

CAUSE-PA asserts the Commission should not authorize a 25 basis point adder based on NFG's management performance

f. Conclusion as to Rate of Return

CAUSE-PA asserts the Commission is the only check on the monopolistic tendencies of all regulated utilities in the Commonwealth, including NFG, and the Commission must exercise the authority it has to ensure that NFG does not extract from its customers more revenue than is necessary to recover NFG's expenses and earn a fair rate of return on its investments. CAUSE-PA contends there is substantial evidence in the record that supports OCA's recommended ROE of 9.74% at a 50/50 equity to debt capital structure as sufficient for NFG to attract capital and earn a reasonable and fair rate of return. CAUSE-PA asserts that enacting this authorized ROE would save ratepayers millions each year as compared to NFG's proposed ROE. CAUSE-PA urges the Commission to exercise its discretion to restrain NFG's excessive requests and impute an equitable ROE as proposed by OCA at a 50/50 capitalization ratio

6. Providers Task Force

a. Rate of Return

Providers Task Force did not take a position on this issue.

---

[741] OCA St. 3 at 61.

7. Presiding Officer's Recommendation

a. Rate of Return

1. Standards for Rate of Return

NFG asserted a public utility, whose facilities and assets have been dedicated to the service of the public, is entitled to an opportunity to earn a fair rate of return on its investment. The Company noted those standards the Commission must use when determining what return rate is fair, are well-established standards and were set forth by the United States Supreme Court in *Bluefield Waterworks and Imp. Co. v. Pub. Ser. Comm'n of W. Va. ("Bluefield"),*[742] that rates - which are not sufficient to yield a reasonable return on the value of the property at the time it is used to render service - are unjust, unreasonable and confiscatory, and their enforcement deprives the public utility of its property in violation of the Fourteenth Amendment. The return rate should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. The return allowed to investors must be commensurate with the risk assumed.[743] NFG noted no party challenged the Company's claimed cost rates for long-term debt and further noted the issues in dispute involve the proxy group, the Company's capital structure ratio, and cost rate of common equity.

2. Components of Rate of Return

The Company asserted the Commission uses the weighted average cost of

---

[742] 262 U.S. 679, 690 (1923).
[743] *Bluefield*, p. 693.

capital method when determining the overall rate of return, and using this method the Commission determines the percentages of long-term debt and common equity in the Company's capital structure. NFG noted that then the Commission determines the cost rate of capital for each component and weighs it by multiplying the percentages of each class of capital by the applicable cost rate.

The Company noted its updated proposed cost of capital, using a 10.5% median of the cost of equity range of 10.3 to 10.7%, is as follows:

Type of Capital	Ratio	Cost Rate	Weighted Cost Rate
Long-Term Debt	43.6%	5.58%	2.43%
Common Equity	56.40%	10.5%	5.92%
Total			8.35%

BIE argued its recommended return on equity totaling 9.81% is based on a calculation of the average of the DCF method; the average of two variations of the CAPM method; and the recent national average authorized return on equity for rate cases involving natural gas distribution utilities. BIE recommended the following rate of return for the Company:[744]

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

[744] I&E St. No. 2, p. 6-7; I&E St. No. 2-SR, p. 26.

Total	**<u>100.00%</u>**		**<u>7.91%</u>**

OCA recommended the Commission find the following to be just and reasonable: (1) an overall ROR of 7.66%; (2) an ROE of 9.74%; and an imputed capital structure of 50% common equity and 50% debt for ratemaking purposes.[745] OCA also contended that, if the Commission adopted its recommended adjustments to ROE and capital structure, there would result a reduction in the revenue requirement of $3.094 million.[746]

CAUSE-PA asserted it agreed with OCA that NFG did not prove with sufficient evidence that NFG faces materially greater financial risk than its peers, and CAUSE-PA agreed with OCA that OCA's recommended ROR is a far more reasonable return that balances the needs of NFG with its customers. CAUSE-PA argued that the rate of return sought by NFG of 8.78%, including its originally requested ROE of 11.25% - when at its highly skewed capital structure which comprises of 56.4% equity and 43.6% long term debt[747] - would create a wealth transfer from NFG's customers to its shareholders, would exacerbate the affordability challenges that NFG's customers already face, and would needlessly enrich NFG's shareholders at the expense of NFG's customers. CAUSE-PA recommended the Commission exercise discretion to restrain NFG's attempts to impose an unreasonably high ROE.

3. Proxy Group

NFG noted a proxy group should be comprised of publicly traded companies comparable to NFG, when evaluating the capital structure and determining the required ROE, and NFG asserted data for the proxy group provides market information,

---

745 *Id.* at 6.
746 OCA Ex. LKM-1A-SR.
747 NFG St. 10 at 55.

particularly for investors' required ROE. National Fuel explained how it developed the proxy group,[748] and noted OCA accepted the proxy group but BIE did not agree. NFG asserted the percentage of net operating income is more representative of the risks faced by NFG and its investors than is the percentage of regulated revenue that BIE used to screen the proxy group.

BIE noted a proxy group acts as a benchmark for determining the subject utility's rate of return in a base rate case,[749] and a proxy group's cost of equity is used as a benchmark to satisfy the long-established guideline of utility regulation that seeks to provide the subject utility with the opportunity to earn a return similar to that of companies with corresponding risks and uncertainties.[750] BIE noted NFG's proxy group included five companies in common with BIE's proxy group, but BIE included one company NFG did not include, and NFG included two companies BIE did not.[751] BIE disagreed with NFG's inclusion of the three companies on the basis the companies were not stable and due to the percentage of regulated revenue in those companies.

b. Capital Structure

Company asserted its capital structure - of 56.4% common equity and 43.6% long-term debt - is its projected actual capital structure, as of October 31, 2027 which is the end of the FPFTY.[752] To support its capital structure, National Fuel asserted common equity ratio is within the range of actual common equity ratios of the proxy group of gas companies used in this proceeding.[753] The Company pointed out that, in *Columbia 2025*, the Commission allowed Columbia an equity ratio of 54.40%, where the

---

[748] National Fuel St. No. 10, pp. 23-27.
[749] *Id.*
[750] *Id.*
[751] *Id.*
[752] National Fuel St. No. 10, p. 54.
[753] National Fuel St. No. 11-R, p. 3.

equity ratio range was 35.96% to 60.16%.[754] The Company contended its equity ratio of 56.4 % is well within the equity ratios of the operating companies of its proxy group for 2022 to 2024.[755] NFG requested the Commission reject OCA's and BIE's hypothetical capital structures, because NFG asserted it acted prudently to replace aging plant to maintain reliable service, has maintained a financial profile that will enable it to obtain the necessary financing, and the financial profile is within the range of capital structure ratios of the proxy groups presented.

BIE challenged the Company on capital structure and proposed a slightly different capital structure of 55% equity and a 45% debt.[756] BIE argued NFG's proposed capital structure is unreasonable for ratemaking purposes. BIE contends the Company's proposed capital structure falls close to the highest end of the range of 2024[757] capital structures in BIE's proxy group, where the most recent five-year average range contains individual company capital structure ratios ranging from 39.53% to 58.23% long-term debt and 36.62% to 60.47% equity, with an overall five-year average of 50.40% long-term debt and 48.70% common equity.[758] BIE recommended the Commission reject NFG's capital structure such that it would not exceed 55% equity.[759]

OCA proposed a hypothetical capital structure of 50% long-term debt and 50% equity,[760] and recommended the Commission reject NFG's proposed capital structure because NFG's proposed equity ratio is unreasonable, exceeds industry norms and imposes unnecessary costs on customers. OCA noted NFG's proposed 56.40% equity ratio exceeds recent average authorized equity ratios for regulated gas utilities,

---

754 *Columbia 2025*, pp. 209-10.
755 National Fuel St. No. 10-R, p. 18; National Fuel Exh. JCN-10.
756 I&E St. No. 2, p 15.
757 BIE notes 2024 is the most recent data available.
758 *Id.*, pp. 15-16, citing I&E Exhibit No. 2, Schedule 4.
759 *Id.*
760 OCA St. No. 3, p. 6.

including 52.45% in 2023, 52.52% in 2024, and 51.63% in 2025, and OCA further contended NFG's proposed equity ratio exceeds the proxy group expected average of 48.00% and median of 45.00% for 2026. OCA contends that, because equity is the more expensive form of capital, using a higher equity ratio increases the total rate of return customers must pay.[761] OCA argued utilities should be provided sufficient equity to maintain financial integrity and attract capital, but customers should not be required to fund unnecessarily expensive equity capital.[762] OCA recommended the Commission adopt OCA's recommended 50.0% equity and 50.0% debt capital structure.

CAUSE-PA argued NFG proposed an inequitable and distorted capital structure that would result in exceedingly high revenue requirements for its ratepayers, while needlessly and unreasonably exacerbating rate unaffordability for NFG's customers. CAUSE-PA asserts the Commission should impute the more reasonable 50/50 capital structure suggested by OCA for ratemaking purposes because NFG's proposed capital structure exceeds both the average equity ratio approved by regulatory commissions in recent years and exceeds the proxy group average and median expected for 2026.[763]

c. Debt cost Rate

NFG asserted there is no dispute concerning the debt cost rate to be used in determining the rate of return, and NFG proposed 5.58% cost of long-term debt. BIE supported NFG's position.

OCA asserted the expected market rates for Moody's Aaa-rated and Baa-rated corporate bonds remain consistent with NFG's embedded debt cost and support the

---

[761] *Id.*
[762] OCA St. 3SR. at 6.
[763] OCA St. 3 at 24.

reasonableness of the Company's proposed debt component.[764] OCA did not oppose NFG's proposed cost of long-term debt 5.58%.

d. Return on Common Equity

NFG asserted it used three methods to determine the cost of equity: the Discounted Cash Flow (DCF) model; the Capital Asset Pricing model (CAPM); and the Bond Yield Plus Risk Premium model (Risk Premium). Using the three methods, NFG argued it determined the cost of equity ranged from 10.3% to 11.30%,[765] and, after updating the result of the models to reflect the rising cost of capital due to inflation, NFG argued the range - of 10.3% to 11.30%, stayed the same.[766] NFG contended the Commission should consider the use of the Risk Premium method in reaching a ROE, and contends this method indicates a cost of equity of 10.44%, and disallow OCA's proposal to bypass precedents on capital structure by reducing the ROE.

OCA recommended the Commission reject NFG's requested 11.00% ROE and adopt OCA's recommendation for 9.74% ROE.[767] OCA also argued that, if the Commission approves NFG's proposed capital structure, it should instead adopt OCA's alternative 9.06% ROE.[768] OCA contended its recommendation is grounded in the standards established by *Bluefield* and *Hope*,[769] in that a utility is entitled to earn a return comparable to investments of similar risk and sufficient to maintain financial integrity and attract capital on reasonable terms.[770] OCA disagreed with NFG's proposed 11.00%

---

764 OCA St. 3 at 26.
765 National Fuel St. No. 9, p. 4.
766 National Fuel St. No. 9-R, pp. 12, 29.
767 OCA St. 3SR at 33.
768 *Id.* at 35.
769 *Bluefield Water Works & Improvement Co. v. Public Service Commission*, 262 U.S. 679 (1923); *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944).
770 *Id.*

ROE, which OCA argued fails the *Bluefield* and *Hope* standards because it substantially exceeds the returns currently required by investors for comparable natural gas utilities by applying a growth rate that almost exclusively relies on earnings-growth projections and disregards other indicators investors often use to evaluate future returns.[771]

OSBA asserted that NFG's recommended base ROE of 11.00% is high when compared to the authorized ROE's from recent rate cases for the companies of similar risk included in his proxy group. OSBA also noted the revenue requirement impact of setting National Fuel's allowed ROE equal to 9.75%, the median ROE for the proxy group, reduces the Company's revenue requirement by approximately $5,560,798 relative to the Company's filed case.

CAUSE-PA acknowledged NFG is entitled to a fair rate of return on its investment, but argued that rate of return may not be an excessive return.[772] CAUSE-PA recommended the Commission disallow NFG's effort to impose on its ratepayers an 11% return on common equity[773] because it would be an exercise of a monopoly to extract an excessive return without regard to a customer's ability to pay. CAUSE-PA noted NFG alleged its current rates would produce a return on equity at the end of the FPFTY of 6.87%, which NFG alleged was inadequate[774] because NFG argued it required 1.6 times its current return, – or 11% return, on common equity (ROE).[775] However, CAUSE-PA argued NFG's requested ROE is also nearly two times higher than NFG's cost of debt.[776] CAUSE-PA noted it did not make a recommendation related to a specific, lower ROE,

---

771 OCA St. 3 at 3-6, 45-46; OCA St. 3SR at 18.

772 *Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679, 692-93 (1923).

773 NFG St. 2-R at 3. In rebuttal, NFG revised its requested ROE from 11.25% to 11% due to the removal of a management performance adder of 0.25%.

774 NFG St. 1 at 7.

775 NFG St. 10 at 3.

776 *Id.* at 55.

but it is supportive of the ROE request set forth by OCA, which was 9.74% at a 50/50 capital structure.[777]

e. Management Performance

NFG asserted that, during the litigation process, the Company withdrew its request for the ROE adder.

f. Conclusion as to Rate of Return

NFG asserted it runs its business consistently and successfully, remains sensitive to customer affordability concerns and demonstrated its sensitivity through multiple initiatives. NFG argued and requested the Commission support NFG's efforts to maintain a financial profile that will enable the Company to attract capital on reasonable terms, to continue infrastructure replacement and maintain its service to its customers.[778] The Company argued an ROE equal to 10.50% with a strong equity ratio will achieve this balance.

BIE recommended the Commission afford the Company an opportunity to earn an overall rate of return of 7.91%,[779] comprised of a weighted average of a 2.51% rate of return on long-term debt, and a 5.40% rate of return on common equity,[780] with its calculated return on common equity of 9.81%.[781]

---

[777] OCA St. 3-SR at 3.

[778] OCA witness Reno requests that the Commission reduce the determined ROE if the Commission does not accept OCA's hypothetical capital structure. OCA St. 3, p 8. This would not be reasonable. The ROE and the Equity ratio affect the return, These components should be determined separately based on the record National Fuel St. No. 10-R, pp. 75-76.

[779] I&E St. No. 2-SR, p. 26.

[780] I&E St. No. 2, pp. 6-7.

[781] *Id.*, p. 7.

OCA argued NFG's proposal of an 11% ROE is clearly excessive, unreasonable, and an ROE that no other public utility in Pennsylvania has been awarded. OCA disputed NFG's proposal for a capital structure of 56.4% common equity and 43.6% debt because OCA argued that structure is significantly weighted towards equity, which OCA contended would result in NFG's ratepayers paying even higher rates. OCA argued the Commission should reject NFG's proposed return on equity and capital structure because that structure is not supported by substantial evidence, and implementation of that structure would result in unjust and unreasonable rates.

CAUSE-PA urged the Commission to exercise its discretion to restrain NFG's attempts to impose an unreasonably high ROE at an equity-rich capital structure. CAUSE-PA agreed with OCA's recommendation that the Commission should adopt OCA's recommended return on equity (ROE) of 9.74% which, when blended at NFG's actual cost of debt of 5.58% at OCA's recommended capital structure of 50% equity and 50% debt, would produce an overall ROR of 7.66%.[782]

The ALJ's Recommendation

Based on the record evidence and the enunciated positions of the parties, the ALJ agrees with OCA and CAUSE-PA. NFG did not meet the burden of proving with sufficient evidence that it faces materially greater financial risk than its peers, or that it justified the Company justified a ROR of 8.78% with an ROE of 11.00%. Granting NFG's claims here would transfer the cost burden from ratepayers to shareholders, would exacerbate affordability and would not be reasonable or just. OCA's recommended ROR is a more reasonable return that balances the needs of NFG with the needs of ratepayers. The ALJ recommends the Commission find the following to be just and

[782] OCA St. No. 3-SR at 3.

reasonable: (1) an overall ROR of 7.66%; (2) an ROE of 9.74%; and an imputed capital structure of 50% common equity and 50% debt for ratemaking purposes.

Based on the record evidence and the enunciated positions of the parties, the ALJ agrees with OCA on capital structure. The Company's requested capital structure should not be allowed because the equity ratio is unjust and unreasonable. The Company's claim would exceed industry norms and impose additional unnecessary costs on customers. NFG's claim is unjust and unreasonable because it is weighted towards equity and equity is the more expensive form of capital. By using a higher equity ratio, NFG will increase the total rate of return customers must pay. NFG must be allowed sufficient equity to maintain its financial integrity and attract capital, but customers should not be required to fund equity capital that is unnecessarily too high. The ALJ concludes the Company failed to meet its burden and recommends the Commission adopt OCA's recommended 50.0% equity and 50.0% debt capital structure.

Based on the record evidence and the enunciated positions of the parties, the ALJ agrees with NFG on debt cost rate and recommends 5.58% cost of long-term debt.

Based on the record evidence and the enunciated positions of the parties, the ALJ agrees with OCA on return on common equity because NFG's claim for 11% ROE is insufficiently supported, excessive and unreasonable and exceeds the ROEs ordered by the Commission to any other public utility in Pennsylvania. The ALJ recommends the Commission adopt OCA's recommendation for 9.74% ROE.

Based on the record evidence and the enunciated positions of the parties, the ALJ agrees with BIE on the overall rate of return and recommends the Commission afford NFG an opportunity to earn an overall rate of return of 7.91%,[783] comprised of a weighted average of a 2.51% rate of return on long-term debt, and a 5.40% rate of return on common equity,[784] with its calculated return on common equity of 9.81%.[785]

H. Concerning Rate Design, Revenue Allocation and Class Cost of Service

1. National Fuel Gas Distribution Corporation

a. Allocated Class Cost of Service Study

NFG argues there must be a process to determine how the various classes of customers' rates will be increased to recover the revenue increase once a revenue increase is determined. The Company contends the class cost of service study is performed to identify the allocation of preferred costs to customers by classes and current total revenues from the classes to assign the increase to the customer classes. NFG argues the primary issue in assigning costs to the customer classes is how to assign the costs of mains, and the allocated cost of service study (ACOSS) preferred by the Company assigns mains costs based on the customer demands to each class (Demand Study). The Company notes OCA and BIE proposed to allocate mains costs using 50% of peak demand and 50% annual throughout of gas deliveries (Peak and Avenue Study).[786]

---

[783] I&E St. No. 2-SR, p. 26.
[784] I&E St. No. 2, pp. 6-7.
[785] *Id.*, p. 7.
[786] National Fuel St. No. 19-R, p.4.

b. Revenue Allocation

The Company asserts, once the costs and current revenues are assigned to the classes, a comparison is made of the degree to which each class' revenues compare to allocated costs, and the increased revenues are assigned to the classes based upon the differences of assigned costs to current revenues for each class.[787] The Company disagrees with the proposed allocations by OCA and BIE because NFG contends these parties use the Peak and Average ACOSS. NFG argues the Demand ACOSS properly assigns the costs of mains and should be employed to assign costs to the classes.[788]

NFG notes OSBA submitted an alternative allocation in rebuttal testimony, (in Table JBF-2-R).[789] The Company acknowledges the OSBA proposal provides a midpoint among the parties' position and is similar to the Company, which NFG asserts has supported its allocation of costs based upon its preferred ACOSS. The Company contends that, in either case, any reduction of the allowed increase would be scaled back using the allocation percentage chosen.

NFG provided the chart below in its Main Brief which the Company asserts will show the resulting allocation proposal of the rate increase proposed by each party for each class in this proceeding:[790]

---

787 National Fuel St. No. 19-R, p. 5.
788 National Fuel St. No. 19-R, pp. 9-14.
789 OSBA St. No. 1-R, p. 8.
790 National Fuel St. No. 19-R, p. 5, Table 1.

Rate Classes	National Fuel	OCA	OSBA	I&E	Average OCA, OSBA, I&E
Residential Service	78.33%	71.00%	83.13%	66.36%	**73.50%**
Small Commercial & PA Service (LE 250)	4.49%	4.24%	4.15%	4.07%	**4.15%**
Small Commercial & PA Service (GT 250)	4.60%	5.88%	4.26%	7.12%	**5.75%**
Large Comm PA Service	6.82%	10.14%	4.57%	11.18%	**8.63%**
NGV	0.11%	0.11%	0.11%	0.13%	**0.12%**
SVIS	0.22%	0.28%	0.15%	0.00%	**0.14%**
IVIS	2.88%	4.29%	1.93%	5.85%	**4.02%**
LVIS	1.34%	1.99%	0.90%	2.75%	**1.88%**
LIS	1.21%	2.08%	0.81%	2.54%	**1.81%**
Total	100.00%	100.00%	100.00%	100.00%	**100.00%**

c. Rate Design

i. Summary of Proposed Rate Design

The Company asserts that once the amount of increase for each class is determined, rates to recover each class's assigned increase must be determined to recover the increased revenues. For most classes, customers pay a fixed customer charge (basic service charge) every month plus a volumetric charge for the amount of natural gas delivered.

ii. Residential Rate Design

NFG asserts it conducted a study to determine the costs of connecting and serving the customers and it found the cost associated with residential customers yielded a cost of $27.00 a month. NFG points out the current charge is $14.00 per month, but the Company proposed a $5.00 increase to $19.00 per month. NFG contends the remainder of revenue for the class will be recovered through an increase in volumetric delivery rates, once the customer charge increase has been determined.

The Company disagrees with the claims of OCA and BIE which oppose the increase in the residential customer charge because the increase is derived from the Demand ACOSS and the customer charges will discourage conservation.[791] The Company argues the cost of mains allocated by the different ACOSS studies do not include customer service costs and have no effect on the customer service costs.[792] In addition, NFG disagrees with claims by OCA and BIE that the residential customer charge should be increased only by the percent increase on rates generally to the class. NFG argues customer service costs should be recovered as fixed costs because fixed costs do not vary by usage, and the ratemaking process should follow costs.[793] The Company contends the current $14.00 customer charge recovers only about half of the $27.00 per month of customer service costs.

The Company also disagrees with the arguments of CAUSE-PA and PWPTF that increasing the customer service charge will harm low use and low income customers. NFG argues there are high use low income customers that are harmed by having fixed costs in volumetric delivery rates, placing an even greater effect on those customers, particularly in the winter months.[794] The Company also disagrees with the claims of CAUSE-PA and PWPTF that higher customer service charges will discourage low income customers from conserving.[795] NFG argues that with a $19.00 customer

---

[791] I&E St. No. 3, pp. 14-15; OCA St. No. 1, pp. 82-83. OCA recommends that, if the Commission increases the customer charge, the increase be proportional to the percentage rate increase class revenue requirement and subject to scalebacks. OCA St. No. 1, p. 79.

[792] National Fuel St. No. 19-R, pp. 23-24.

[793] National Fuel St. No. 19-R, p. 24.

[794] National Fuel St. No. 19-R, pp. 25-26.

[795] CAUSE-PA St. No. 1, p. 51; Task Force St. No. 1, p. 4.

charge, 59% of distribution revenues would continue to be recovered through volumetric distribution rates and customers can avoid these costs and gas supply costs as well by conserving.[796] For these reasons, the Company requests the Commission approve the proposed $19.00 residential customer charge.

iii. Non-Residential Rate Design

The Company noted there are no non-residential rate design issues in this proceeding.

d. Scale Back

The Company contends each classes' increase should be scaled back proportionately with regards to the rates that should be designed, if the revenue increase is lower than proposed by the Company. In addition, the Company contends, with regard to rate design, that the proposed customer charges should be retained for each class and the remainder of the increase to each class should be assigned to the volumetric rates of that class. The Company notes it provided the proposed revenue allocation at the initial filed rate increase of $19,681,000,[797] provided the proposed base service charges for each class,[798] and provided the proposed rates.[799]

e. OPEB Credit

The Company notes it provided an explanation on its proposed Rider I (OPEB Surcredit). The Company asserts it has $7.12 million of OPEB surcredits to

---

[796] National Fuel St. No. 19-R, p. 27.
[797] National Fuel St. No. 19, p. 23.
[798] National Fuel St. No. 14, p. 17.
[799] National Fuel St. No. 14

return to customers during the FPFTY, which the Company proposed to return to customers through a one-time $30.00 surcredit to confirmed low-income customers (approximately $1.025 million). At the request of CAUSE-PA, the Company has agreed to provide those credits to customers in the December 2026 billing period. The Company asserts that the remainder of the funds - approximately $6.2 million - will be provided under Rider I, and the amounts each class will receive will be the same allocation used in the 2021 OPEB dockets.[800] The Company contends the OPEB Rider I will offset a portion of any increase in rates approved in this proceeding during the FPFTY, and it will create a step up in the base rates established herein.

f. Summary and Alternatives

The Company contends its proposed revenue allocation and its proposed rates to recover the increase in revenues are based on the Demand ACOSS and a customer cost study. NFG argues that the allocation of the revenue increase will be changed, necessitating changes in the class rates, if the Commission uses a different ACOSS or a blend of the Demand and Peak and Average studies to allocate costs. NFG also points out the OPEB Rider will offset some of the increase in distribution rates and assist low-income customers by crediting $30 to each low-income customer's account early in the 2026-2027 winter season.

2. Bureau of Investigation and Enforcement

a. Allocated Class Cost of Service Study

Regarding allocated cost of service, BIE notes a utility provides service to a defined set of customer classes where each class is different in terms of demand and

[800] National Fuel St. No. 14, pp. 13-14.

usage patterns. BIE asserts an ACOSS allocates or assigns a utility's revenue requirement to each class based on those service differences,[801] or, stated differently, an ACOSS is a formalized analysis of costs that attempts to assign to each customer or rate class its proportionate share of the Company's total cost of service (i.e., the Company's total revenue requirement).[802]

BIE notes NFG performed two ACOSSs in this case.[803] The first, using the customer-demand method, is the ACOSS that the Company proposed to allocate costs in this case where the cost of mains are allocated as 61% customer-related and 39% as demand-related.[804] The second ACOSS performed by the Company was based on the Peak and Average method, with no customer component, and was provided for informational and comparison purposes.[805] BIE asserts it disagrees with the Company's customer-demand allocation proposal because that proposal is inconsistent with long-standing Commission precedent that was reaffirmed in the recent *Columbia Gas* order.[806] Instead, BIE recommends that the Commission allocate revenues and design rates based on the Peak and Average ACOSS provided by the Company.[807]

Also, BIE points out OSBA disagreed with BIE's use of the Peak and Average ACOSS methodology in rebuttal testimony, and recommended a hybrid ACOSS methodology which assigned 30.5% of the weight to customer-related costs and the

---

801 I&E St. No. 3, p. 7.
802 *Id.*, pp. 7-8.
803 *Id.*, p. 9.
804 *Id.*, citing National Fuel Statement No. 19, p. 12.
805 *Id.*, citing National Fuel Statement No. 19, p. 17.
806 I&E St. No. 3-SR, pp. 9-10, citing *Pa. Pub. Util. Comm'n v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2025-3053499, pp. 254-5 (Order Entered Dec. 9, 2025).
807 I&E St. No. 3, p. 10, noting the Peak and Average ACOSS was provided electronically in response to OCA-I-3 and summary page under present and proposed rates. *See* I&E Exhibit No. 3, Schedule 1.

remaining 69.5% allocated using the Peak and Average method proposed by the OCA.[808] BIE strongly opposes OSBA's recommendation because allocating any part of the cost of mains based on the number of customers is not reasonable. BIE requests the Commission reject OSBA's proposed hybrid methodology.[809]

BIE also notes that OCA, while agreeing with BIE's support for the Peak and Average ACOSS, continues to support the Peak and Average ACOSS that OCA submitted in direct testimony,[810] primarily due to a disagreement over BIE's position regarding allocation.[811]

In conclusion, while BIE continues to recommend the Peak and Average ACOSS as it proposed in direct testimony, BIE does not oppose the alternative ACOSS proposed by the OCA's witness, Mr. Deupree, because OCA's proposal is also based on the Peak and Average ACOSS.[812]

b. Revenue Allocation

Regarding revenue allocation, BIE notes the Company's proposed revenue allocation is based upon its customer-demand ACOSS.[813] BIE contends the Commission should reject the Company's proposed allocation based on the customer-demand model in favor of BIE's allocation based on the Peak and Average ACOSS, for the same reasons BIE recommended the Commission reject reliance on the proposed customer-demand ACOSS in favor of the Peak and Average ACOSS.[814] BIE set forth its proposed revenue

---

808 *Id.*, p. 10, citing OSBA St. No. 1-R, pp. 1-2.
809 I&E St. No. 3-SR, p. 10.
810 *Id.*, pp. 10-11, citing OCA Statement No. 1R, p. 11.
811 *Id.*, p. 11.
812 I&E St. No. 3-SR, p. 11.
813 I&E St. No. 3, p. 11.
814 *Id.*

allocation in the table on page 12 of its witness' direct testimony,[815] which proposal BIE argues is reasonable because it both moves each rate class towards a relative rate of return (ROR) of 1.0, based on the Peak and Average ACOSS, while also adhering to the concept of gradualism by not recommending an increase above 1.5 times the system average increase, or approximately 20% (1.5 x 14%).[816]

While BIE notes OCA disagreed with BIE's recommendation due to concerns regarding gradualism - claiming that BIE's allocation recommendation to limit the revenue allocations to 1.5 times the system average increase - is inconsistent with the concept of gradualism.[817] BIE points out OCA proposed capping the under-earning rate classes to no more than 1.15 times the system average increase.[818] BIE contends it disagrees with OCA's criticism and argues that 1.5 times the system average increase is considered consistent with the concept of gradualism.[819]

c. Rate Design

Regarding rate design and the proposed customer charges, BIE asserts the Company recommended increasing the basic service charges for each customer class (except for the LCPA, SVIS, and IVIS classes) consistent with the results of its customer cost analysis.[820] However, BIE points out the Company did not provide a separate customer cost analysis in its filing.[821] BIE notes NFG's claimed unit cost per customer of

---

815 *Id.*, p. 12.
816 *Id.*
817 I&E St. No. 3-SR, p. 13.
818 *Id.*, citing OCA Statement No. 1R, pp. 10-11.
819 I&E St. No. 3-SR, p. 13.
820 I&E St. No. 3, p. 14, citing National Fuel Statement No. 14, p. 17.
821 *Id.*, p. 13.

$27.17 is based upon the customer classification in the customer-demand ACOSS, and BIE argues NFG's claim is unreasonable.[822]

BIE asserts the Commission has determined consistently that the Peak and Average ACOS method is preferred over the customer-demand ACOS method.[823] Accordingly, BIE argues the Commission should reject the Company's claimed unit cost per customer of $27.17 because the claim is based upon the customer-demand ACOSS which is not reasonable.[824]

Further, BIE notes it was unable to perform a customer cost analysis based on the Peak and Average ACOS because the Company did not provide the required information to perform a customer cost analysis based on the Peak and Average ACOS.[825] Therefore, BIE recommends the Commission limit the percent increase in basic service charges proposed by the Company to approximately the same class percent increase unless, and until, the charges are supported by an appropriate customer cost analysis.[826] As an example, the residential class customer charge increase would be no more than approximately 13%, or to $15.80, which is the percent increase to the residential class that BIE notes it recommended based on the Peak and Average ACOSS.[827]

Finally, BIE contends the Commission must strike a balance between cost-based rates, gradualism, and customer conservation efforts when setting the basic service charge.[828] BIE argues that including the basic service charge in the scale back of rates

---

822 *Id.*, citing National Fuel Exhibit D, Schedule 7, p. 3.
823 *Id.*, p. 13.
824 *Id.*, pp. 13-14.
825 *Id.*, p. 14.
826 *Id.*, pp. 14-15; I&E St. No. 3-SR, p. 14.
827 *Id.*, p. 15.
828 *Id.*

represents movement towards cost-based rates while adhering to the concept of gradualism.[829] Further, BIE argues its recommendation is consistent with the Commission's decision in the recent *Columbia Gas* base rate proceeding, in which it reduced Columbia's proposed customer charge and then included that reduced customer charge in the scale back of rates.[830]

d. Scale Back

Regarding rate design and the proposed customer charges, BIE recommends that if the Commission grants less than the $19.7 million revenue increase requested by the Company, then the proposed rates, including the customer charges, should be scaled back proportionately based upon the cost-of-service study ultimately approved by the Commission.[831] BIE notes NFG argued scaling back the customer charge merely to match a reduced revenue requirement would disconnect the rate design from cost causation principles and potentially result in an under-recovery of fixed costs.[832] BIE argues, however, that NFG ignores the fact that they did not provide a Peak and Average cost of service study; the accepted concept of gradualism; and the recent focus on affordability.

e. OPEB Credit

BIE notes it did not present any record evidence or make any recommendations regarding this issue. BIE took no position on this issue.

---

[829] *Id.*

[830] *Id.*, p. 16, citing *Pa. Pub. Util. Comm'n v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2025-3053499, pp. 280-3 (Order Entered Dec. 9, 2025).

[831] I&E St. No. 3, p. 16; I&E St. No. 3-SR, p. 15.

[832] I&E St. No. 3-SR, p. 16, citing NFG St. No. 19-R, pp. 24-25.

f. Summary and Alternatives

BIE argues the Commission should reject reliance on the proposed customer-demand ACOSS in favor of the Peak and Average ACOSS. In addition, BIE contends the Commission should reject the proposed rate allocation based on the customer-demand model in favor of an allocation based on the Peak and Average ACOSS. Further, BIE argues the Commission should limit the percent increase in basic service charges proposed by the Company to approximately the same class percent rate increase unless, and until, the percent increase is supported by an appropriate customer cost analysis. Finally, BIE contends that if the Commission grants less than the $19.7 million revenue increase requested by the Company, then the proposed rates, including the customer charges, should be scaled back proportionately based upon the cost-of-service study ultimately approved by the Commission.[833]

3. Office of Consumer Advocate

a. Allocated Class Cost of Service Study

OCA disagrees with NFG's proposed allocated class cost of service study (ACOSS) because: (1) NFG's ACOSS overstates the influence of peak demand on the distribution mains costs incurred because it is based on an empirically flawed zero-intercept study (ZIS) approach; and (2) NFG's proposal to allocate 100 percent of costs

---

[833] For example, if the Commission grants BIE's recommended revenue increase of $11.08 million rather than NFG's requested $19.70 million, that would represent a 43.75% reduction in the requested rate increase that could then be applied to a scale-back calculation.

associated with demand related distribution main investments based on peak day demands.[834] OCA notes the Commission's previous determination that:

> distribution mains exist and are related to both annual demands and peak demands. Both annual and peak demands must be recognized in the allocation of distribution mains cost if the allocation is to be in accord with the principle of cost-causality. It is not reasonable to allocate distribution mains investment based solely on design peak day demands…[835]

OCA asserts NFG is not entitled to a rebuttable presumption as a matter of law as to the correctness of its chosen ACOSS methodology but, instead, bears the burden of proof, as in all other aspects of its rate increase request.[836] OCA argues NFG's reliance on the ZIS and use of peak demand cost allocation methodology should be granted little weight from the Commission, and OCA instead the Commission should assign greater weight to OCA's alternative proposed. OCA further contends NFG's reliance on its deficient ACOSS, for purposes of its revenue allocation, results in its allocation proposal improperly assigning costs to customer classes. By contrast, OCA points out its revenue allocation proposal recognizes the separate functions of serving both annual and peak demands in allocating revenue among the customer classes.

OCA asserts NFG argued distribution mains are installed to meet peak demand requirements and to connect customers to the system, and NFG had further argued the customer-related portion is allocated to customer classes based on the number of customers served, while the demand-related portion is allocated based on each class's contribution to peak day demand under system design conditions.[837] OCA states that,

---

[834] OCA St. 1 at 58.

[835] *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa., Inc.*, 2025 PA. PUC LEXIS 395, *162-63 (Order Dec. 9, 2025) (*Columbia 2025*).

[836] 66 Pa. C.S. § 315(a).

[837] *Id.* at 12.

using its ZIS, the Company determined the customer-related portion of distribution main investment to be 61 percent, while 39 percent is treated as demand-related.[838] OCA contends that an allocated cost of service study is a modeling approach that reconciles utility costs and revenues across different customer classes. OCA further contends the goal of an ACOSS is to evaluate the cost of providing service and revenue responsibility for each individual customer class, that ACOSS results are used to estimate class-specific rates of return and then can serve as a guidepost for class revenue responsibilities and ultimately rates.[839] Finally, OCA states the first step in designing rates is the selection of an appropriate ACOSS methodology, which is directly related to both the Commission's ratemaking policies and the design and buildout of NFG's distribution system.[840]

OCA argues NFG's ZIS is flawed because it deals with hypotheticals that do not and cannot exist in the real world. Specifically, OCA argues that a zero-diameter distribution main is a hypothetical construct that does not, and could not, exist in the real world, which makes the results of MSS and ZIS analyses difficult to verify.[841] OCA's witness relied on criticism of the ZIS methodology by Dr. James Bonbright, that Dr. Bonbright found "a lack of empirical support in academic literature for a causal relationship between distribution system costs and the number of customers."[842] In addition, OCA contends that the true driving factors of utility distribution system costs are complicated and depend on a host of factors, such as the size of a service territory and the population density within it.[843]

---

838 OCA St. 1 at 51-52; NFG St. 19 at 12.
839 *Id.* at 43.
840 *Pa. Pub. Util. Comm'n v. PECO Energy Co. – Gas Div.*, 2021 Pa. PUC LEXIS 241, * 117-18, 120 (Order June 22, 2021) (*PECO Gas 2021*).
841 OCA St. 1 at 54.
842 *Id.* at 55.
843 *Id.*

OCA notes that the overall area of the system along with the total customers served are important factors in ZIS studies, as the cost to construct the distribution system can vary immensely from an urban area serving more customers to rural area serving fewer.[844] In addition, OCA states the ultimate conclusion of a ZIS classification of cost as "customer-related, as the Company has done in the current proceeding, is 'clearly indefensible' due to the lack of a relationship between changes in the number of customers on a utility system and its distribution costs."[845]

Because NFG argued that it should allocate its cost of service more heavily towards its customers, 61 percent versus 39 percent, OCA conducted an independent analysis of the correlation between increases in NFG's distribution main investments and the increase in number of customers.[846] OCA found that "annual net additions in the Company's distribution mains are not correlated with annual changes in the Company's customer counts, nor is the annual growth rate of the Company's booked distribution mains investment correlated with the annual growth rate of the Company's customers." OCA contends there is a negative relationship between changes in the Company's customer counts and distribution mains investments as the Company made significant investments in its distribution mains system during years when it had slower than average growth.[847] OCA argues that allowing NFG to rely on the ZIS to allocate customer costs does not reflect the actual cost allocation, nor does it promote the setting of just and reasonable rates for the NFG customers.[848]

OCA notes that, in addition to relying on the ZIS model, NFG proposed to allocate 100 percent of costs associated with demand-related distribution mains

---

[844] James C. Bonbright, et al. *Principles of Public Utility Rates*, 1988 Edition. Arlington, VA: Public Utilities Reports, Inc., p. 491.

[845] OCA St. 1 at 56.

[846] *Id*. at 57.

[847] *Id*. (emphasis in original).

[848] *Id*. at 5, 26.

investments based on the relative customer class contribution to system peak day demands.[849] OCA argues that NFG's use of this methodology is a departure from past NFG practice, and OCA further contends this methodology does not promote the use of the same cost allocation for other Pennsylvania natural gas companies.[850] In contrast, OCA suggests using the Peak and Average (P&A) method incorporating weights based on the Company's test year system load factor.[851] Further, OCA recommends a method that would base weights on a ratio of peak day system requirements to average daily system requirements.[852] While a P&A method often uses a pure 50%/50% weighting for the energy and demand components, OCA asserts its proposal uses data that is specific to NFG for an allocation of mains costs. OCA provided the following table which compares the results of NFG's and OCA's respective recommended ACOSS results:

[849] *Id*. at 58.
[850] *Id*. 1 at 58, 60.
[851] *Id*. at 62.
[852] *Id*.

Comparison of OCA and NFG ACOSS Results, as Measured in Rate of Return (ROR) and Relative Rate of Return (RROR)*				
Rate	OCA P&A ACOSS ROR	OCA P&A ACOSS RROR	NFG PROPOSED ACOSS ROR	NFG PROPSEDACOSS RROR
Residential Service	6.43%	1.02	3.17%	0.50
Commercial Extra Small	10.17%	1.61	7.77%	1.23
Commercial Small	3.65%	0.58	8.74%	1.39
Commercial Large	6.78 %	1.08	22.50%	3.57
Industrial Small	14.12%	2.24	22.24%	3.53
Industrial Intermediate	6.87%	1.09	25.48%	4.04
Industrial Large	7.75%	1.23	34.99%	5.55
Industrial Extra Large	0.81%	0.13	25.82%	4.10
Total	6.30%	1.00	6.30%	1.00
*An RROR of 1.00 indicates that a class is earning its indicated cost of service, whereas an RROR of greater than 1.00 indicates that a class is over-earning and an RROR of less than 1.00 indicates that a class is under-earning.				

OCA argues the use of the ZIS model and 100 percent allocation of demand related distribution mains investment based on relative customer class contribution to peak demand is a clear deficiency in NFG's proposal because it does not reflect cost causation principles nor does it provide a more reasonable basis for allocating costs among customer classes.

OCA notes BIE also disagreed with the Company's methodology stating that the Company's proposal was inconsistent with long-standing Commission precedent, as most recently reaffirmed in the Commission's Order involving Columbia Gas of Pennsylvania, Inc.[853] OCA points out BIE further indicated that although distribution mains serve customers, it is throughput that determines the type of distribution main investment, and that, therefore, it is not reasonable to allocate costs associated with distribution mains investments on either a customer-demand basis or a 100 percent demand basis.[854] OCA points out that BIE disagreed with the Company's cost allocation, finding the Company's proposal to not adhere to long standing Commission precedent,[855] and BIE noted the Commission's findings from the Columbia Gas case that "although distribution mains serve customers, it is throughput that determines the type of distribution main investment, and that, therefore, it is not reasonable to allocate costs associated with distribution mains investments on either a customer-demand basis or a 100 percent demand basis."[856]

OCA argues that, because these are two distinct functions of a distribution system, the P&A method is superior in how it recognizes the difference between the annual and peak demand functions of a distribution system and is better suited to address

853 OCA St. 1R at 7; I&E St 3 at 9.

854 *Id., Pa. Pub. Util. Comm'n v. Columbia Gas of Pennsylvania, Inc., Docket No. R-2025-3053499, Opinion and Order at 255.*

855 I&E St. 3 at 9.

856 *Id.*

load diversity on a system as measured by the comparison of high and low load factor customers. OCA also contends that the premise that changes in the Company's customer count are a significant driver of distribution mains investment is outdated and unsupported by empirical evidence.[857]

OCA recommends the Commission select an ACOSS methodology that is not based on hypotheticals, select an ACOSS methodology which adheres to Commission precedent and is based on principles of cost causation, and give greater weight to OCA's recommendation that the Commission approve an alternative classification of distribution mains that incorporates P&A cost allocation method using weights based on the Company's test year system load factor.[858]

b. Revenue Allocation

OCA contends NFG's proposed revenue allocation is based on its faulty ZIS ACOSS, which OCA recommends the Commission reject in favor of the P&A allocation method, using weights based on the Company's test year system load factor. OCA recommends the Commission adopt its proposed revenue allocation because it is based on the P&A methodology for assignment of the costs of distribution mains, in addition to the gradualism constraints that OCA recommends be applied.

OCA notes that the Commission considers the results of cost of service studies to address ratemaking concerns such as unreasonable inter- and intra-class subsidization through revenue allocation.[859] Class specific revenue responsibilities are established by allocating the system wide revenue deficiency to classes that are under

---

[857] OCA. St. 1R at 8-9.
[858] OCA St. 1 at 5; OCA St. 1R at 11.
[859] *Lloyd v. Pa. Pub. Util. Comm'n*, 904 A. 2d 1010, 1020 (Pa. Cmwlth. 2006).

earning relative to their ROR.[860] OCA asserts this process includes policy considerations, and allocating the overall system-wide revenue deficiency entirely on a full cost of service basis can result in a very significant and adverse rate impact for certain under-earning classes. OCA contends that, to avoid such a result, regulators often temper the revenue responsibilities assigned to various customer classes to meet a set of broad ratemaking policy goals.[861] OCA states that the Commission must also consider non-cost factors when determining the appropriate cost of service for each class,[862] including rate gradualism, continuity, affordability, and understandability, among others.[863]

Furthermore, OCA argues NFG's proposed increase to the residential customer charge by $5.00, from $14.00 to $19.00 or 35.7%, is inconsistent with other residential customer charges for natural gas distribution companies in Pennsylvania, and accordingly, OCA recommends that the proposed customer charge increase should be rejected.

c. Rate Design

i. Summary of Proposed Rate Design

OCA states NFG claimed an attempt at balancing various criteria that relate to the design of utility rates when it determined revenue allocation,[864] and NFG used three factors to establish its rate design proposal: (1) cost of service, (2) class

---

860 OCA St. 1 at 63.

861 *Id*. at 64.

862 *Phila. Elec. Co. v. Pa. Pub. Util. Comm'n*, 470 A.2d 654, 658 (Pa. Cmwlth. 1984); *Hoover v. Pa. R.R.*, 27 A. 282, 283 (Pa. 1893) (it is appropriate to consider the conditions and circumstances of service when designing rates).

863 OCA St. 1 at 56.

864 *Id,* at 65.

contributions to present revenues, and (3) customer impacts.[865] OCA points out the Company proposed to limit the maximum increase for any customer class to a cost-parity ratio of 1.0 to 1.10 times the proposed system average increase.[866] OCA asserts a cost parity ratio standardizes various class revenue to cost ratios against the overall quality system revenue to cost ratio,[867] and OCA further contends NFG's proposal means NFG's customer classes with a cost parity ratio greater than 1.0 but less than 1.5 at current rates, will receive an increase equal to 90 percent,[868] and classes with cost parity ratios greater than 1.5 at current rates will receive an increase equal to 67 percent to recover the remaining requested increase.[869]

OCA notes the Company proposed a 14.38 percent system wide average basis,[870] residential customers would receive a basis equal to 1.10 times this average, or 15.82 percent.[871] OCA notes that increase for residential customers is much higher than the large commercial and public authority customers will pay, who are receiving a 9.65 percent increase in rates.[872] OCA disagrees with the Company's proposed apportionment of rates and argues these revenue allocations suffer from two major deficiencies: (1) proposal is based on the results of a faulty ACOSS that overstates the current rate of return the Company derives from its large commercial and industrial service customers while understating the rate of return the Company derives from its residential service customers; and (2) NFG's apportionment process results in rate increases that are inconsistent with rate gradualism, where rate gradualism refers to the general

---

[865] *Id*. at 65; NFG St. 19 at 20, 21.
[866] *Id*.
[867] *Id.* at 66.
[868] *Id*.
[869] OCA St. 1 at 65; NFG St. 19 at 20-21.
[870] *Id.* at 67.
[871] *Id*.
[872] *Id*.

understanding that sound rate design should prevent significant rate increases, leading to rate shock, for any customer group.[873] To illustrate its analysis, OCA provided this table:

Comparison of OCA and NFG Revenue Allocation Proposals, as Measured in Percentage Increase and Relative Increase at NFG Proposed Revenue Requirement[874]

Rate	OCA Proposed Increase	OCA Proposed Relative Increase	NFG Proposed Increase	NFG Proposed Relative Increase
Residential	14.34%	1.00	15.82%	1.10
Commercial Extra Small	12.22%	0.85	12.94%	0.90
Commercial Small	16.54%	1.15	12.94%	0.90
Commercial Large	14.34%	1.00	9.65%	0.67
Industrial Small	12.22%	0.85	9.65%	0.67
Industrial Intermediate	14.43%	1.00	9.65%	0.67
Industrial Large	14.34%	1.00	9.65%	0.67
Industrial Extra Large	16.54%	1.15	9.65%	0.67
Total	12.18%	1.00	14.38%	1.00

Based upon the analysis, OCA recommends the Commission adopt a more reasonable revenue apportionment method that is based on OCA's alternative ACOSS

[873] *Id.* at 67-68.
[874] OCA Exh. MWD-7, MWD-8.

results because OCA's alternative limits the rate increase compared to the Company's proposed revenue allocation method.[875] OCA argues the classes with current relative cost parity ratios below 0.95 should receive a rate increase equal to 1.15 times the system average increase, while classes with current relative cost parity ratios greater than 1.05 should receive a rate increase equal to 0.85 times the system average increase. In addition, OCA recommends that the remaining rate increase should be equally allocated to the remaining rate classes with current relative cost parity ratios of between 0.95 and 1.05.[876]

OCA notes that both BIE and OCA agree that NFG's basis of its revenue allocation on a flawed ACOSS leads to the revenue allocation being flawed, and that NFG's revenue allocation is inconsistent with rate gradualism, therefore, it is recommended that the Commission should reject NFG's proposal.[877]

OCA argues its proposed revenue allocation better addresses the needs of the entire customer base because its proposal produces a more even cost parity ratio among all NFG customer classes. OCA also contends its recommendation spreads any proposed rate increases across the entire customer base, rather than relying on residential customers to bear the brunt of the increase during a time of economic instability. OCA argues that NFG's revenue allocation significantly increases residential customer rates as compared to other NFG customer classes.

OCA contends the Commission should note the context of NFG's request within the current macroeconomic trends facing customers.[878] OCA asserts NFG proposed a $18.475 million increase in rates to its customers. OCA argues that the

---

[875] OCA St. 1 at 68.
[876] *Id.*
[877] OCA St. 1R at 10; I&E St. 3 at 11-12.
[878] *See generally*, OCA St. 1 at 7-19.

proposed increase herein, when seen within the context of the Company's last base rate case filed in 2022, if approved, would result in NFG's customers experiencing a total increase of more than 36.4 percent in three years, or a yearly increase in rates equal to 12.1 percent.[879] OCA argues that this increase in rates is unsustainable, given the larger affordability concerns facing NFG's customers today. OCA asks the Commission, when rendering its decision, to note that consumers today are faced with increased expenses for food, housing, transportation, and other necessities, which are especially acute for low-income consumers.[880]

To reach those conclusions, OCA notes that there is observed evidence of these macroeconomic trends in prices, and it refers to the Consumer Price Index (CPI) and U.S. Bureau of Labor Statistics in its analysis.[881] OCA asserts that, while the annual CPI has fallen since the 2020 pandemic, the CPI still remained high, at 3.3 percent, well above the Federal Reserve's target of 2.0 percent (as of April 2026).[882] OCA contends that, since January 2021, consumer prices have increased 24.3 percent overall and, when coupled with rapidly rising utility prices, NFG's ratepayers, and consumers generally, are left with burdens of unaffordability.[883] Specifically, OCA noted through its expert that wholesale electricity prices (in PJM's western hub) increased 48.8 percent on average from 2024 to 2025, and Pennsylvania citygate natural gas prices increased 2.8 percent from December 2024 to December 2025 on the back of a nearly 41.9 percent increase in wholesale natural gas prices during the same period.[884]

OCA asserts that market functions have not been the only contributing factor to the pinch felt by Pennsylvania consumers. OCA points to the recent conflict in

---

[879] OCA St. 1 at 8.
[880] *Id*.
[881] *Id*. at 10.
[882] *Id*.
[883] *Id*. at 11.
[884] *Id*. at 13-14.

the Persian Gulf which contributed to a rise in crude oil prices,[885] and, as of April 2026, crude oil was trading in excess of $100 per barrel, which amount is well above historic ranges of $60-$80.[886] OCA contends this increase shows how price shocks caused a conflict half a world away can filter through the larger macroeconomy.[887] OCA asserts that such events lead to restrictions which force consumers to turn to alternative supplies from the U.S. as stored supplies lessen, and as stored supplies lessen the wholesale price of natural gas will increase in the United States.[888]

Therefore, given the economic struggles facing consumers, including NFG's own customers, OCA recommends the Commission should reject the proposed rate increase because the increase will place the burden of a lion's share of the price increase onto residential consumers who are being hit already with increasing unaffordability in every facet of their lives.

OCA also recommends the Commission should reject NFG's proposed residential customer charge increase, because NFG's proposal is not supported by substantial evidence and is inconsistent with principles of cost causation, maintaining rate consistency, promoting conservation, encouraging affordability, and maintaining equity for low-income customers.[889] Rather, OCA contends NFG's proposal to increase the residential customer charge by $5.00, or 35.7 percent, from $14.00 to $19.00 recovers the majority of customer related costs through monthly customer charges.[890] Further, OCA argues the increased residential monthly customer charge will negatively impact the public policy goals touted by NFG's proposed energy efficiency rider, which NFG alleges will save consumers money and encourage them to purchase more energy efficient

---

885 *Id*. at 14.
886 *Id*. at 15.
887 *Id*.
888 *Id*. at 15-16.
889 66 Pa. C.S. § 315(a).
890 OCA St. 1 at 78.

appliances by recouping that money in a consistent monthly charge, and would burden low-use customers with greater than average increased charges.[891]

OCA argues that rate design is supposed to send appropriate price signals to customers to influence usage decisions, in addition to applying principles of cost causation, gradualism, and overall fairness.[892] However, OCA points out that fixed monthly customer charges represent a portion of customers' bills which customers cannot avoid regardless of household usage. OCA argues particular care must be taken when setting the monthly residential charges for those reasons. OCA asserts that, without reduction by the Commission, the residential rate class will see the largest increase in overall rates. This large rate increase, coupled with the increased unaffordability faced by the vast majority of consumers, will be exacerbated by a fixed monthly charge increase of 35.7 percent. Accordingly, PCA recommends the Commission should reject NFG's proposed increase in monthly customer charge.

ii. Residential Rate Design

OCA notes NFG proposed to allocate its cost of service more heavily towards its residential customers with 61 percent of the cost of distribution mains investment assigned to the residential classes. In addition, OCA points out the Company proposed a 14.38 percent system wide average increase, with a 15.82 percent increase for residential customers, or 1.10 times the system average increase.[893] OCA argues this increase is drastically more than the 9.65 percent increase NFG proposed to impose on non-residential NFG consumers. OCA further argues that, given the state of the current economic climate, the Company's proposed rate design for residential consumers should be rejected by the Commission in favor of the alternative proposed by OCA. OCA

---

[891] *Id.*
[892] *PECO Gas 2021* at *151.
[893] OCA St 1. at 67.

contends that, if the Commission determines some increase in rates is warranted, OCA requests the Commission approve the residential rate design proposed by OCA, as outlined in OCA's table, shown above. OCA contends an increase in rates can be accomplished without placing the burden of the increase squarely on the residential ratepayers.[894] However, OCA argues no increase in residential rates is warranted at this time, because NFG's ratepayers are facing significant challenges with affordability of general necessities like food, medication, and transportation costs. OCA contends that approving NFG's proposal with increased residential natural gas rates will only serve to worsen the already precarious situation faced by so many consumers and NFG's ratepayers specifically.

iii. Non-Residential Rate Design

OCA recommends that, if the Commission determines to impose a rate increase at this time, the Commission should effectuate the increase in a more even manner than as proposed by NFG, because NFG's proposed increase for residential customers is much higher than NFG's proposed increase for non-residential rate classes who will receive only a 9.65 percent increase in rates.[895] Specifically, OCA argues the Commission should reject NFG's argument - that it is just and reasonable to allocate its cost of service less heavily towards it non-residential classes, with only 39 percent of distribution mains investments paid by this class.

d. Scale Back

OCA recommends the Commission scale back proportionally NFG's revenue allocation and customer charge proposals if the Commission determines to grant

---

894 *See* OCA Exh. MWD 8.
895 *Id*.

rate relief to NFG but in an amount that is less than the amount requested by NFG. OCA argues that NFG's argument – that no scale back should apply to NFG's proposed customer charge[896]- fails to recognize that the cost of service for the residential customer class will decrease at a lower authorized revenue requirement than the per-unit cost calculation NFG included in its cost of service study. OCA points out that the Commission consistently included customer charges as part of the scale back of authorizing a revenue requirement at a level less than that requested by a utility.[897]

e. Other Post Employee Benefits Credit

Initially, OCA notes that, in 2021, NFG petitioned the Commission to establish its current Rider I, or Other-Post Employment Benefits (OPEB) Surcredit.[898] OCA points out the Commission approved NFG's proposal to refund $54 million in funds through 2026,[899] and those funds were passed back to consumers through a one-time bill credit to low income consumers. OCA notes the volumetric surcredit will end on September 30, 2026.[900] Herein, OCA points out that NFG proposed to refund $7.2 million during the FPFTY,[901] which refund includes a one-time bill credit of $30 to verified low-income consumers, with the remainder being credited through the existing Rider I.[902]

---

[896] NFG St. 19-R at 24-25.

[897] *See*, *e.g.*, *Columbia 2025* at *174 ("by this Opinion and Order, we are ultimately approving a lower revenue increase than that sought by the Company. Accordingly, Columbia's actual customer charge that results from the revenue increase of $ 55,627,800 that we shall approve in this Opinion and Order will be reduced as a result of the scale back that will be applied.").

[898] NFG St. 14 at 7 and 13.

[899] NFG St. 14 at 13.

[900] *Id*.

[901] *Id*. at 14.

[902] *Id*.

OCA asserts it does not oppose the Company's proposed continuance of the Rider I. However, OCA argues the use of these funds to provide a one-time credit of $30 for low-income consumers and continue surcredits, will do little to balance out the increases proposed by the Company herein. OCA argues consumers are faced with increasing unaffordability on all fronts,[903] and NFG's residential consumers especially, are faced with a 15.82 percent increase in rates if the Commission approves NFG's proposal,[904] while struggling in the face of current macroeconomic trends. OCA argues that as NFG already has excess funds, the Commission should reject the proposed rate increase by the Company in totality in order to provide consumers with the necessary relief from increased rates

f. Summary and Alternatives

OCA contends the Commission should reject NFG's proposed ACOSS because it is based on the empirically-flawed ZIS model and because NFG proposes to allocate 100 percent of the costs associated with demand related distribution main investments based on peak day demands. OCA asserts it proved through testimony and exhibits that the ZIS provides little to no value in setting just and reasonable rates.[905] In the alternative and if the Commission determines that a rate increase is justified in this matter, OCA argues the Commission should accept the alternative ACOSS presented by OCA and adopt the following recommendation:

> The Commission approve an alternative classification of distribution mains that incorporates a P&A cost allocation method using weights based on the Company's test year system load factor. These recommendations better reflect

903 *See generally*, OCA St. 1 at 7-19.
904 OCA St 1. at 67.
905 *Id*. at 81.

> cost causation principles and provide a more reasonable basis for allocating costs among customer classes.[906]

Further, OCA contends that basing the revenue allocation and rate design on the empirically flawed ZIS has led to a much larger increase in residential rates than the increase in any other class, and within the context of increased unaffordability of general living costs faced by the residential class. OCA contends that no increase in revenue is warranted, however, should the Commission determine that an increase is necessary, OCA argues the Commission should adopt OCA's alternative revenue apportionment as set forth below through its expert witness:

> I recommend the Commission adopt a more reasonable revenue apportionment method based on my alternative ACOSS results that also limits the rate increase compared to the Company's proposed revenue allocation method. First, I recommend that classes with current relative cost parity ratios below 0.95 receive a rate increase equal to 1.15 times the system average increase. Second, I recommend that classes with current relative cost parity ratios greater than 1.05 receive a rate increase equal to 0.85 times the system average increase. Finally, I recommend that the remaining rate increase be equally allocated to remaining rate classes with current relative cost parity ratios of between 0.95 and 1.05.[907]

In addition, OCA recommends the Commission should reject NFG's recommendation - that the monthly customer charge be increased from $14 to $19 – because the residential classes currently are recovering the majority of customer-related costs through monthly customer charges, and an increase in this charge would negatively impact the public policy goals of the NFG's proposed energy efficiency rider.[908] OCA

---

906 *Id.*
907 OCA St. 1 at 82.
908 *Id.*

notes NFG's consumers would face a 15.82 percent revenue increase if the Company's proposal is accepted, on top of facing a 35.7 percent increase in monthly charges.

OCA recommends the Commission should adopt OCA's alternative, as set forth below through its expert witness:

> I recommend that the Commission limit its increase in the Company's monthly customer charges to the percentage rate increase class revenue requirement. In the context of my proposed revenue apportionment this would be a 14.34 percent increase for residential customers at the Company's proposed overall requested rate increase. This would correspond to a roughly $2.00 increase in the monthly customer charge, or an increase from the current $14.00 per month to $16.00 per month. I further recommend that any increase in customer charges be subject to scalebacks to reflect changes in allocated class revenue increases pursuant to Commission Orders.[909]

OCA argues no increase in NFG's rates is warranted at this time, however, if the Commission determines that an increase is warranted, OCA recommends the Commission should adopt its recommendations.

4. Office of Small Business Advocate

a. Allocated Class Cost of Service Study

OSBA notes NFG used special cost studies to allocate meters, services, and regulators.[910] OSBA asserts it found National Fuel's cost allocation methods, as described by NFG witness Taylor, align with cost causation principles. Accordingly,

---

909 OCA St. 1 at 83.

910 National Fuel Statement No. 19, Direct Testimony of John D. Taylor, p. 12.

OSBA does not recommend any changes to the Company's cost allocation methods in this case.

b. Revenue Allocation

OSBA notes the Company recommends an approach in which class rate increases are guided by the results of the Class Cost of Service study, but without moving all classes to fully-cost-based rates in the interest of gradualism. OSBA also notes this approach applies to the SCPA-LL and SCPA-UL classes. In addition, OSBA points out that, for all other classes with revenue-to-cost parity ratios above 1.5, the Company proposes an increase of 0.67 times the system increase, which recovers the Company's remaining requested increase and applies to the LCPA, SVIS, IVIS, LVIS, and LIS classes.[911] OSBA asserts the Company's revenue allocation proposal reasonably balances moving class revenue recovery in the direction of cost causation, while adhering to the principle of gradualism. OSBA asserts that the proposed revenue allocation falls within the range of reasonableness.

c. Rate Design

i. Summary of Proposed Rate Design

OSBA did not take a position on the issue.

ii. Residential Rate Design

OSBA did not take a position on the issue.

---

[911] National Fuel Statement No. 19, Direct Testimony of John D. Taylor, p. 21.

iii. Non-Residential Rate Design

OSBA did not take a position on the issue.

d. Scale Back

OSBA did not take a position on the issue, except as stated in Summary and Alternatives, below.

e. OPEB Credit

OSBA did not take a position on the issue.

f. Summary and Alternatives

OSBA recommends that the Company's revenue allocation be used to establish each rate classes percentage share of the final base revenue requirement, to the extent the Commission does approve a revenue requirement that is lower than National Fuel's request. Specifically, OSBA asserts that each customer class' base rate revenue requirement should be adjusted by an equal percentage to recover the final approved revenue requirement. OSBA referenced its Table JBF-3[912] to show each class' rate increase that would result from incorporating the Company's proposed revenue allocation methodology and OSBA recommended adjustments to the proposed revenue requirement.

---

[912] OSBA St. No. 1, p. 18, JBF-3.

5. CAUSE-PA

a. Allocated Class Cost of Service Study

CAUSE-PA did not take a position on this issue.

b. Revenue Allocation

CAUSE-PA opposes any revenue increase, however, should the Commission determine that any revenue increase is warranted, CAUSE-PA supports the revenue allocation proposed by OCA, as set forth in its testimony.[913] CAUSE-PA asserts it agrees with OCA witness Mr. Deupree who explained revenue apportionment that is strictly based on a full cost of service basis can yield significant adverse rate impacts for under-earning customer classes, [914] and regulators often temper the revenue responsibilities of those customer classes to achieve policy goals, including fairness, gradualism, rate continuity, and the understandability of rates.[915] CAUSE-PA points out that, under the Company's proposed revenue allocation, base rates would increase by 14.38% on a system-wide basis, but would increase by 15.82% for the residential customer class and 9.67% for commercial and industrial customer classes.[916] CAUSE-PA notes, however, that OCA's proposed revenue allocation would produce a base rate increase of 14.34% for the residential, commercial, and industrial classes alike – promoting fairness and consistency with the principle of gradualism.[917] CAUSE-PA asserts the Commission should require NFG to adopt the OCA's recommended revenue allocation to promote these critical ratemaking policy goals.

---

913 OCA St. 1 at 68.
914 *Id.* at 64.
915 *Id.* at 64.
916 *Id.* at 67.
917 *Id.* at 68-69.

c. Rate Design

i. Summary of Proposed Rate Design

CAUSE-PA asserts that, to preserve customers' ability to mitigate the impact of any authorized rate increase through energy efficiency, usage reduction, and conservation, the Commission should reject NFG's proposal to increase its residential customer charge. CAUSE-PA contends, however, that should the Commission authorize any increase to the residential customer charge, the customer charge should be subject to scale back proportionally based on the cost of service study the Commission ultimately approves in this proceeding. In addition, CAUSE-PA contends the Commission should require NFG to post its one-time $30 other post-employment benefits (OPEB) refund credit to low income customers' bill during a winter billing cycle between the months of December through March. Lastly, CAUSE-PA asserts the Commission should require that NFG pair delivery of the OPEB refund credit with outreach to customers receiving it to explain the Company's universal service programs and provide instructions on how to apply for CAP

ii. Residential Rate Design

CAUSE-PA contends the Commission should reject NFG's proposed increase to its residential customer charge because, if approved, NFG's proposed residential customer charge would comprise an unreasonably large proportion of a customer's monthly bill that severely diminishes the ability of residential consumers to offset the impact of NFG's rate increase through efficiency and conservation. CAUSE-PA argues this negative impact would fall hardest on low income households that rely on conservation to help control costs and would exacerbate the already-pronounced affordability gap.[918] CAUSE-PA argues the proposed customer charge increase would undermine the Commission's policy promoting cost savings through energy efficiency and usage reduction by undercutting the goals of NFG's LIURP, as well as its proposed EE Pilot.[919]

CAUSE-PA contends NFG's residential customer charge should remain at its current level. CAUSE-PA notes NFG proposed to increase its residential customer charge by 35.7% – from $14 to $19 per month – and to increase its volumetric usage charge by 12.2% – from 34.064¢ to 38.233¢ per 100 cubic feet.[920] In addition, NFG proposes imposing a new Rider D on residential customers to recover approximately $0.7 million annually for its proposed EE Pilot.[921] CAUSE-PA notes that, according to the Company, the total bill increase for a residential customer using 80 Ccf of gas monthly would be $4.95 per month, but only until the one-year OPEB refund rider expires, after which residential customers would experience the full monthly bill increase of $6.79 per month – or $81.48 annually – over current rates.[922] CAUSE-PA asserts that, of this amount, 74% of the increase would be locked in through the $5 hike to the customer charge, and just 26% would be recovered through the volumetric charge – and therefore be mitigable through usage reduction. CAUSE-PA notes that, after the OPEB refund expires, a customer using 80 Ccf per month would have a monthly bill of $90.28, of which over one-fifth (21%) would be the residential customer charge.[923]

---

918 CAUSE-PA St. 1 at 51; CAUSE-PA St. 1-SR at 19-20.

919 CAUSE-PA St. 1 at 52-54; OCA St. 1 at 78; 52 Pa. Code § 58.1 "A reduction in energy usage creates the opportunity for cost savings, which can lessen the incidence and risk of customer payment delinquencies and the attendant public utility costs associated with uncollectible accounts expense, collection costs and arrearage carrying costs."

920 CAUSE-PA St. 1 at 50-51.

921 *Id.* at 61.

922 *Id.* at 4.

923 *Id.* at 4-5, [$19 ÷ $90.28 = 21%].

CAUSE-PA points out that, when setting just and reasonable rates, the Commission must weigh important ratemaking concerns including quality of service, rate gradualism, and rate affordability alongside consideration of the utility's cost of providing service. [924] CAUSE-PA contends the ability to control costs through effective conservation tools is a critical aspect of rate affordability, particularly for low income households.[925] CAUSE-PA argues that whether a rate design enables a customer to mitigate rate unaffordability through usage reduction is therefore central to evaluating that rate design's justness and reasonableness.

CAUSE-PA notes the Commission has acknowledged that rate designs with fixed charges comprising an unreasonably large proportion of customer bills "penalize those customers who have invested in energy efficiency and minimized their consumption" and are "an obstacle to financial stability" for low income households that rely on conservation to afford energy costs.[926] CAUSE-PA notes that, in Columbia Gas of Pennsylvania, Inc.'s 2025 rate increase request [*Columbia Gas 2025*], the company sought an increase to its customer charge, which comprised approximately 12.6% of a customer's bill before the rate proceeding, to an amount that would have resulted in a rate design with the customer charge comprising approximately 20.7% of a customer's bill.[927] CAUSE-PA points out the Commission rejected the company's proposal, and authorized instead a customer charge that comprised 14.9% of a customer's bill,[928] because the Commission found this "to be to be a reasonable compromise between the conflicting

---

924 *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa., Inc.*, Order, Docket No. R-2020-3018835, at 46-47 (order entered Feb. 19, 2021) (citing 66 Pa. C.S. §§ 523, 526(a); *Lloyd v. Pa. Pub. Util. Comm'n*, 904 A.2d 1010, 1019-21 (Pa. Commw. Ct. 2006); *Pa. Pub. Util. Comm'n v. Twin Lakes Util., Inc.*, 2020 Pa. PUC LEXIS 340, *46-54 (order entered Mar. 26, 2020).

925 *See* CAUSE-PA St. 1 at 53.

926 *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa., Inc.*, Opinion and Order, Docket No. R-2025-3053499 at 279 (Order entered Dec. 4, 2025).

927 *Id.* at 282.

928 *Id.*

objectives of moving towards cost-based rates, while reflecting gradualism and preserving adequate opportunity for customer savings due to conservation efforts."[929]

Here, CAUSE-PA contends that, under current rates, NFG's customer charge represents 16.8% of a customer's bill– an amount that already exceeds the proportion the Commission ordered in *Columbia Gas 2025*.[930] CAUSE-PA also asserts that under NFG's proposal, the customer charge would jump to 21% of a customer's bill – which is an even greater proportion than the Commission refused to authorize for Columbia.[931] CAUSE-PA contends that if NFG's rate increase were approved in full, to match the 14.9% proportion the Commission found to be a reasonable compromise in *Columbia Gas 2025*, NFG's fixed charge would in fact be reduced to $13.45 per month.[932] CAUSE-PA argues that, to preserve adequate opportunities for customer savings due to conservation efforts, the Commission should authorize no increase to NFG's residential customer charge in this case.[933]

CAUSE-PA argues that a rate structure with a high proportion of a customer's bill locked into fixed charges violates the Commission's policies encouraging energy efficiency and conservation, as it hinders customers' ability to reduce their bills through conservation or energy efficiency measures.[934] Every dollar that is locked into the customer charge undermines the ability of consumers to mitigate the rate increase through conservation, which – as noted – has a disproportionate impact on low and moderate income households that rely more heavily on the ability to reduce their bill

---

929 *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa., Inc.*, Opinion and Order, Docket No. R-2025-3053499 at 280 (Order entered Dec. 4, 2025).

930 CAUSE-PA St. 1 at 4, [$14 ÷ $83.49 = 16.8%].

931 *Id.* at 4.

932 [$13.45 ÷ $90.28 = 14.9%].

933 CAUSE-PA St. 1-SR at 20.

934 CAUSE-PA St. 1 at 51-53; OCA St. 1 at 74; WPTF St. 1 at 4-5.

through conservation.[935] As the Commission has recognized, "the ability of consumers (the most vulnerable of which are low income customers not enrolled in CAP) to save money on their distribution bills through energy efficiency investment or conservation is reliant on a bill structure that bases the recovery of costs on volumetric throughput."[936] But CAUSE-PA argues that, as a greater proportion of residential customer bills is shifted to the fixed charge, the achievable bill savings – and the corresponding impact on bill payment ability – will erode.[937]

Of particular concern to CAUSE-PA is that NFG's proposal undermines the explicit goals of the Company's Low Income Usage Reduction Program (LIURP) to help low income, high usage customers reduce their energy *bills* – not just their usage.[938] CAUSE-PA points out that low income households are disproportionately at risk of termination and often lack the ability to control usage due to poor housing stock and older, less efficient appliances. Thus, CAUSE-PA argues it is critical that ratepayers continue to have access to effective conservation tools capable of producing meaningful and lasting bill reductions.[939] CAUSE-PA asserts that, by reducing the bill savings achievable through LIURP, NFG's fixed charge proposal threatens the continued effectiveness of ratepayer investments in LIURP that are intended to reduce energy

---

[935] CAUSE-PA St. 1 at 51-53.

[936] *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa., Inc.*, Opinion and Order, Docket No. R-2025-3053499 at 279 (order entered Dec. 4, 2025).

[937] CAUSE-PA St. 1 at 53.

[938] CAUSE-PA St. 1 at 52; 52 Pa. Code § 58.1 ("A LIURP that meets the requirements of this chapter is intended to decrease a LIURP participant's energy usage *and* public utility bills or to improve health, safety and comfort levels of household members, or both. A reduction in energy usage creates the opportunity for cost savings, which can lessen the incidence and risk of customer payment delinquencies and the attendant public utility costs associated with uncollectible accounts expense, collection costs and arrearage carrying costs.") (emphasis added).

[939] CAUSE-PA St. 1 at 17-19, 53.

consumption, delinquencies, collections, and uncollectible costs – producing an unjust and unreasonable result.[940]

CAUSE-PA also notes the ability to achieve bill savings through energy efficiency and conservation measures is especially important for households with income above 150% but less than 200% of poverty,[941] because, in part, these households are ineligible for CAP or LIHEAP but are eligible for energy efficiency and conservation services through NFG's LIURP via the special needs exception and through the federal Weatherization Assistance Program (WAP) – both of which have income guidelines of up to 200% of the Federal Poverty Level (FPL).[942] CAUSE-PA asserts these customers must be allowed to retain the ability to reduce their monthly energy costs through adoption of comprehensive energy efficiency and conservation programming.[943]

Furthermore, CAUSE-PA asserts that any increase to the customer charge, by reducing the proportion of a customer's bill that is based on usage, undermines the ability of customers who choose to take part in NFG's proposed Energy Efficiency Pilot Program (EE Pilot) to experience bill savings from adopting energy efficiency measures through the pilot.[944] CAUSE-PA contends that NFG's proposal to hike the customer charge would make the EE pilot – already inaccessible to low income customers – even less accessible and less useful for consumers.[945] CAUSE-PA argues that achieving bill savings through usage reduction are critical to making participation in the pilot financially viable because the rebates NFG proposes to offer through the EE Pilot would

---

[940] CAUSE-PA St. 1 at 53-54; 52 Pa. Code § 58.1. (LIURP is intended to "decrease the incidence and risk of customer payment delinquencies and the attendant utility costs associated with uncollectible accounts expense, collection costs and arrearage carrying costs.").

[941] CAUSE-PA St. 1 at 53.

[942] *Id.* at 38-39, 53.

[943] CAUSE-PA St. 1 at 53.

[944] *Id.*

[945] *Id.* at 53; 62.

not cover the full incremental cost of choosing high efficiency equipment over baseline equipment.[946] CAUSE-PA contends that by reducing the proportion of a customer's bill attributable to usage would needlessly extend the payback period for eligible efficiency measures.

For all these reasons, CAUSE-PA submits that NFG failed to meet its burden of showing that its proposed fixed monthly residential customer charge is just and reasonable and, as such, this charge should not be increased.[947] The proposed increase to the customer charge – to a massive 21% of a customer's monthly bill – would represent a radical departure from Commission policy that rate design should encourage conservation and efficiency, disproportionately impacting low income customers and depriving all customers of the ability to reduce their gas distribution bill through usage reduction.

iii. Non-Residential Rate Design

CAUSE-PA did not take a position on this issue.

d. Scale Back

CAUSE-PA supports the recommendation of OCA and BIE – that any increase to the residential customer charge authorized in this proceeding – should be scaled back proportionally based upon the cost of service study the Commission ultimately approves.

---

946 *Id.* at 53.
947 CAUSE-PA St. 1 at 51-54; OCA St. 1 at 78; WPTF St. 1 at 4-5.

e. OPEB Credit

CAUSE-PA notes that it generally is supportive of NFG's proposal to distribute a one-time credit of $30 to customers with income at or below 250% FPL as part of its plan to refund revenue previously collected to fund other post-employment benefits.[948] However, CAUSE-PA asserts the Commission should require NFG to take certain actions to maximize the effectiveness of the credit as rate relief.[949]

CAUSE-PA contends the Commission should require NFG to distribute this credit during a winter month, between December through March, to maximize the credit's effectiveness as rate relief.[950] CAUSE-PA notes NFG indicated it agreed with CAUSE-PA's suggestion and agreed to distribute the credit in the December 2026 billing cycle.[951] Accordingly, CAUSE-PA supports NFG's plan to distribute the credit in the December 2026 billing cycle.

In addition, CAUSE-PA recommends that the Commission require NFG to conduct affirmative outreach by mail, email, telephone call, and text message to inform customers that the credit will be distributed,[952] and that NFG be required to include information about enrollment in NFG's universal service programs, including CAP, with its outreach materials.[953] CAUSE-PA asserts that the mailed outreach should include a CAP application, any email and text message outreach should include a link to apply for CAP online, and any phone call outreach should include a warm referral to NFG's CAP administrators to begin a CAP application.[954] CAUSE-PA contends NFG's universal

---

948 CAUSE-PA St. 1 at 68.
949 *Id.*
950 CAUSE-PA St. 1 at 69.
951 NFG St. 14-R at 2.
952 CAUSE-PA St. 1 at 69.
953 *Id.*
954 *Id.*

service programs are severely underenrolled, with just 10.8% of estimated low income customers or 25% of confirmed low income customers enrolled in CAP, undercutting the intent of the Choice Act to ensure that universal service programs are appropriately available.[955] CAUSE-PA asserts the Commission should require NFG to take affirmative steps to confirm the income of its low income customers and assist them with enrolling in the Company's universal service programs, including CAP,[956] and the Commission should require NFG to utilize delivery of the OPEB refund credit as a point of contact with its low income customers to facilitate improvement in universal service program participation.

f. Summary and Alternatives

CAUSE-PA strongly opposes NFG's proposal to increase its residential customer charge and contends no increase to the residential customer charge should be authorized in this proceeding. In the alternative, should the Commission authorize any increase to the residential customer charge, CAUSE-PA contends the customer charge should be subject to scale back based upon the cost of service study ultimately approved in this proceeding. CAUSE-PA also argues the Commission should require that NFG target delivery of the OPEB refund credit to low income customers in a winter month, between December through March, and require NFG to conduct outreach to customers receiving the credit to explain its universal service programs and provide instructions on how to apply for CAP. CAUSE-PA also asserts the Commission should require NFG to utilize the OPEB refund credit as a point of contact with low income customers to facilitate improvement in the Company's universal service program participation rates,

---

955 CAUSE-PA St. 1 at 27.
956 *See infra* Section XII.

helping effectuate the Choice Act's universal service standards and improve critical customer service standards

6. Providers Task Force

a. Allocated Class Cost of Service Study

Providers Task Force did not take a position on this issue.

b. Revenue Allocation

Providers Task Force did not take a position on this issue.

c. Rate Design

i. Summary of Proposed Rate Design

Providers Task Force did not take a position on this issue.

ii. Residential Rate Design

Providers Task Force took the position that it supports and joins in the positions, arguments and recommendations set forth by CAUSE-PA in its Main Brief..

iii. Non-Residential Rate Design

Providers Task Force did not take a position on this issue.

d. Scale Back

Providers Task Force did not take a position on this issue.

e. OPEB Credit

Providers Task Force did not take a position on this issue.

f. Summary and Alternatives

Providers Task Force did not take a position on this issue.

7. Presiding Officer's Recommendation

a. Allocated Class Cost of Service Study

NFG used the allocated cost of service study (ACOSS) to assign mains costs based on the customer demands to each class (Demand Study) and NFG proposed to allocate costs such that the cost of mains are allocated as 61% customer-related and 39% as demand-related.[957] NFG then performed a second ACOSS based on the Peak and Average method, with no customer component, and was provided for informational and comparison purposes.[958]

BIE disagreed with NFG's customer-demand allocation proposal because that proposal is inconsistent with long-standing Commission precedent which the

[957] *Id.*, citing National Fuel Statement No. 19, p. 12.
[958] *Id.*, citing National Fuel Statement No. 19, p. 17.

Commission recently reaffirmed in the *Columbia Gas* order.[959] Instead, BIE recommended the Commission allocate revenues and design rates based on the Peak and Average ACOSS provided by the Company.[960] BIE recommended the Commission continue to use the Peak and Average ACOSS.

OCA proposed to allocate mains costs using 50% of peak demand and 50% annual throughout of gas deliveries (Peak and Average Study). OCA argued NFG's reliance on the ZIS and use of peak demand cost allocation methodology should be granted little weight from the Commission, and OCA recommended the Commission should assign greater weight to OCA's alternative proposed. OCA further contended NFG's reliance on its deficient ACOSS, for purposes of its revenue allocation, resulted in its allocation proposal improperly assigning costs to customer classes. By contrast, OCA pointed out its revenue allocation proposal recognizes the separate functions of serving both annual and peak demands in allocating revenue among the customer classes. OCA recommended the Commission select an ACOSS methodology that is not based on hypotheticals, select an ACOSS methodology which adheres to Commission precedent and is based on principles of cost causation, and give greater weight to OCA's recommendation that the Commission approve an alternative classification of distribution mains that incorporates P&A cost allocation method using weights based on the Company's test year system load factor.[961]

OSBA asserted it found National Fuel's cost allocation methods, as described by NFG witness Taylor, align with cost causation principles.

---

[959] I&E St. No. 3-SR, pp. 9-10, citing *Pa. Pub. Util. Comm'n v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2025-3053499, pp. 254-5 (Order Entered Dec.9, 2025).

[960] I&E St. No. 3, p. 10, noting the Peak and Average ACOSS was provided electronically in response to OCA-I-3 and summary page under present and proposed rates. *See* I&E Exhibit No. 3, Schedule 1.

[961] OCA St. 1 at 5; OCA St. 1R at 11.

The ALJ's Recommendation

An ACOSS allocates or assigns a utility's revenue requirement to each class based on those service differences, or, stated differently, an ACOSS is a formalized analysis of costs that attempts to assign to each customer or rate class its proportionate share of the Company's total cost of service (i.e., the Company's total revenue requirement). Based on the record evidence and for all the reasons presented by the parties, the ALJ agrees with BIE and OCA that the cost allocation using the Peak and Average Study will lead to just and reasonable rates while NFG did not provide sufficient evidence to prove that the customer-demand allocation would lead to just and reasonable rates in this proceeding.

b. Revenue Allocation

NFG used the Demand ACOSS to determine the revenue allocation which NFG would allocate 78.33% to Residential. OCA and BIE both used the Peak and Average ACOSS and both disagreed with NFG's use of the Demand ACOSS. Both BIE and OCA arrive at different allocations for Residential. OCA would allocate 71.00% to Residential while BIE would allocate 66.36% to Residential.

BIE recommended the Commission reject NFG's proposed allocation because it was based upon the Demand ACOSS, not the Peak and Average ACOSS. BIE argued its proposed revenue allocation moves each rate class towards a relative rate of return of 1.0 and also adheres to the concept of gradualism by not recommending an increase above 1.5 times the system average, or approximately 20% (1.5 X 14%). OCA recommended the Commission use the Peak and Average ACOSS, using weights based on NFG's test year system load factor. OSBA agreed with NFG and asserted NFG's revenue allocation proposal reasonably balances moving class revenue recovery in the direction of cost causation, while adhering to the principle of gradualism, and falls within the range of reasonableness. CAUSE-PA opposed any revenue increase but, if the Commission determined to increase revenue, CAUSE-PA supported the revenue allocation as proposed by OCA.

The ALJ's Recommendation

NFG disagrees with the proposed allocations of BIE and OCA because NFG disagrees with their use of the Peak and Average ACOSS, instead of the Demand ACOSS. Having concluded that the Peak and Average ACOSS will lead to just and reasonable rates, while the Demand ACOSS will not, and based on the evidence presented by the parties, the ALJ recommends the Commission approve the recommendation from BIE for the allocation of revenue among the classes. The ALJ notes that BIE proposed 66.36% for Residential versus NFG's proposal of 78.33%, and BIE proposed a marked increase for the Large Commercial Service class (11.18%) versus NFG's proposal (6.82%).

c. Rate Design

i. Summary of Proposed Rate Design

Once the Commission determines the amount of increase for each class, the Commission must determine how each class' assigned allocation will recover the increased revenues. For most classes, customers will pay a fixed customer charge (basic service charge) every month plus a volumetric charge for the amount of natural gas delivered.

ii. Residential Rate Design

NFG pointed out the current customer charge is $14.00 per month while the customer service costs amount to $27.00 monthly, but the Company noted it proposed only a $5.00 increase, to $19.00 per month. NFG contends the remainder of revenue for the class will be recovered through an increase in volumetric delivery rates, once the customer charge increase has been determined. NFG disagreed with OCA and BIE that claimed the NFG's proposed customer charge increase was derived from NFG's use of the Demand ACOSS, discourages conservation and, if increased, the increase should be limited to the percent increase in rates generally. NFG argued that, with a $19.00 customer charge, 59% of distribution revenues would continue to be recovered through volumetric distribution rates and customers can avoid these costs and gas supply costs as well by conserving.

BIE noted it recommended the residential class customer charge increase should be no more than approximately 13%, or $15.80, which is the percent increase to the residential class that BIE recommended based on the Peak and Average ACOSS. BIE recommended the Commission limit the percent increase in basic service charges proposed by the Company to approximately the same class percent increase unless, and until, the charges are supported by an appropriate customer cost analysis.[962]

OCA recommended the Commission reject NFG's proposal and adopt a more reasonable revenue apportionment method based on OCA's alternative ACOSS results because OCA's alternative limits the rate increase compared to NFG's proposed revenue allocation method. OCA also recommended the Commission reject NFG's proposed residential customer charge increase, because NFG's proposal is not supported by substantial evidence and is inconsistent with principles of cost causation, maintaining

---

[962] *Id.*, pp. 14-15; I&E St. No. 3-SR, p. 14.

rate consistency, promoting conservation, encouraging affordability, and maintaining equity for low-income customers.

CAUSE-PA contended the Commission should reject NFG's proposed increase to its residential customer charge because NFG failed to meet its burden of showing the proposed fixed monthly charge is just and reasonable, and, if approved, NFG's proposed residential customer charge would comprise an unreasonably large proportion of a customer's monthly bill that severely diminishes the ability of residential consumers to offset the impact of NFG's rate increase through efficiency and conservation.

iii. Non-Residential Rate Design

OCA recommended that, if the Commission determines to impose a rate increase at this time, the Commission should effectuate the increase in a more even manner than as proposed by NFG, because NFG's proposed increase for residential customers is much higher than NFG's proposed increase for non-residential rate classes who will receive only a 9.65 percent increase in rates.[963] Specifically, OCA argues the Commission should reject NFG's argument - that it is just and reasonable to allocate its cost of service less heavily towards it non-residential classes, with only 39 percent of distribution mains investments paid by this class.

The ALJ's Recommendation

NFG proposed to increase its residential customer charge by 35.7% – from $14 to $19 per month – and to increase its volumetric usage charge by 12.2% – from

[963] *Id.*

34.064¢ to 38.233¢ per 100 cubic feet.[964] Based on the evidence presented by the parties, the ALJ recommends the Commission approve the recommendation from BIE for the Residential Rate Design and to limit the percent increase in basic service charges proposed by the Company to approximately the same class percent increase in rates generally, and the recommendation from BIE for the Non-Residential Rate Design.

d. Scale Back

BIE recommends that if the Commission grants less than the $19.7 million revenue increase requested by the Company, then the proposed rates, including the customer charges, should be scaled back proportionately based upon the cost-of-service study ultimately approved by the Commission.[965] NFG argued scaling back the customer charge merely to match a reduced revenue requirement would disconnect the rate design from cost causation principles and potentially result in an under-recovery of fixed costs. OCA recommended the Commission scale back proportionally NFG's revenue allocation and customer charge proposals if the Commission determines to grant rate relief to NFG but in an amount that is less than the amount requested by NFG. OCA pointed out the Commission consistently included customer charges as part of the scale back of authorizing a revenue requirement at a level less than that requested by a utility. CAUSE-PA supported the recommendation of OCA and BIE, based upon the cost of service study the Commission ultimately approves.

---

[964] CAUSE-PA St. 1 at 50-51.
[965] I&E St. No. 3, p. 16; I&E St. No. 3-SR, p. 15.

The ALJ's Recommendation

Based on the evidence presented by the parties, the ALJ recommends the Commission scale back proportionally the revenue allocation and customer charges, based upon the cost of service study approved by the Commission.

e. Other Post Employee Benefits Credit

NFG provided an explanation on its proposed Rider I (OPEB Surcredit) and claimed it had $7.12 million of OPEB surcredits to return to customers during the FPFTY. The Company proposed to return the surcredits to customers through a one-time $30.00 surcredit to confirmed low-income customers (approximately $1.025 million) during the December 2026 billing period, at the request of CAUSE-PA. The Company asserted that the remainder of the funds - approximately $6.2 million - will be provided under Rider I, and the amounts each class will receive will be the same allocation used in the 2021 OPEB dockets.[966]

OCA did not oppose the Company's proposed continuances of the Rider I, which the Commission established in 2021 as the Other-Post Employment Benefits (OPEB) Surcredit.[967] OCA pointed out the Commission approved NFG's proposal to refund $54 million in funds through 2026,[968] and those funds were passed back to consumers through a one-time bill credit to low income consumers. OCA noted the volumetric surcredit will end on September 30, 2026.[969] Herein, OCA points out that NFG proposed to refund $7.2 million during the FPFTY,[970] which refund includes a one-

966 National Fuel St. No. 14, pp. 13-14.
967 NFG St. 14 at 7 and 13.
968 NFG St. 14 at 13.
969 *Id*.
970 *Id*. at 14.

time bill credit of $30 to verified low-income consumers, with the remainder being credited through the existing Rider I.[971] OCA recommended that, since NFG already has excess funds, the Commission should reject the proposed rate increase by NFG in totality to provide consumers with the necessary relief from increased rates.

CAUSE-PA supported NFG's proposal to distribute a one-time credit of $30 to customers with income at or below 250% FPL as part of its plan to refund revenue previously collected to fund other post-employment benefits. CAUSE-PA further recommended the Commission require NFG to take other actions, such as distribute the credit in the winter, conduct affirmative outreach to inform customers that the credit will be distributed,[972] and include information about enrollment in NFG's universal service programs, including CAP, with its outreach materials.

The ALJ's Recommendation

Based on the evidence presented by the parties, the ALJ recommends the Commission approve the recommendation from NFG to distribute the OPEB surcredit in the December 2026 billing period, consistent with the Commission's earlier decision in 2021.

---

[971] *Id*.

[972] CAUSE-PA St. 1 at 69.

I. Concerning Weather Normalization Adjustment

1. National Fuel Gas Distribution Corporation

a. Introduction

The Company notes it was permitted in its last base rate case to establish a WNA to residential bills as a pilot. OCA and CAUSE-PA propose in this proceeding to end the WNA and I&E proposes to make changes to the WNA and continue it as a pilot. The rebuttal testimony of Company witness Taylor identifies the objections to the WNA and responds to each issue they raised.[973]

b. Parties Contending the WNA should be Terminated

The Company disagrees with assertions by OCA and CAUSE-PA that the WNA is a mechanism to avoid regulatory lag.[974] NFG contends the WNA provides for charges and credits when weather deviates from the degree days used to set base rates, which is not regulatory lag, and further contends the Public Utility Code specifically permits the Commission to authorize a WNA.[975]

NFG noted OCA argued the WNA should be eliminated because it is "asymmetric" and has produced net customer charges rather than balanced surcharges and credits.[976] The Company disagrees with OCA and argues the WNA is symmetrical

---

973 National Fuel St. No. 19-R, pp. 28-41.

974 Regulatory lag relates to increases in costs or investments that occur after base rates are set, but these costs or investments are not able to be deferred or recovered until reflected in a future base rate change. OCA St. No. 1, p. 30; CAUSE-PA St. No. 1, pp. 55-56.

975 66 Pa. C.S. § 1330.

976 *See* OCA St. No. 1, pp. 4, 27, 32, 38, 80.

by design because it can produce either surcharges or credits, which offset lower or higher volumetric delivery charges that occur when actual weather is warmer or colder than the normal weather embedded in rates. Further, the Company argues the fact that a historical period experienced more warmer-than-normal conditions than colder-than-normal conditions, or vice-versa, does not make the mechanism asymmetric but instead the WNA reflects the weather that occurred. The Company contends the WNA ensures neither the Company nor its ratepayers benefit or are harmed when weather-related consumption drives delivery revenues higher or lower than the base revenues authorized.[977] NFG avers that what it can do, and has done, is to improve the assumptions used in the mechanism so that the normal weather benchmark better reflects recent conditions. The Company points out it updated the weather normalization from a 15-year average to a more current 10-year average, and it asserts the expected result of using a more current normalization period is that the benchmark should better reflect recent weather conditions and support a more balanced pattern of customer surcharges and credits, depending on actual weather outcomes.[978]

c. Other Parties' Proposed Modifications of the WNA

The Company noted BIE proposed to remove the month of May from the WNA because BIE asserted the temperatures in the service territory are colder and continue longer into the calendar year in the service area, as compared to other areas in the Commonwealth, including Pittsburgh where Columbia primarily operates.[979] In addition, NFG noted BIE proposed to modify the WNA by expanding the deadband, in which the WNA will not apply, from 3% to 5%.[980] NFG points out BIE had asserted the $2.6 Million in credits the Company's customers received in the 2025-2026 winter would

977 National Fuel St. No. 19-RJ, p. 10.
978 National Fuel St. No. 19-RJ, pp. 10-11.
979 National Fuel St. No. 19-R, pp. 39-41.
980 I&E St. No. 3, p. 6.

have been reduced if the deadband was 5% because a greater portion of the weather deviations would have been within the expanded deadband.[981] NFG disagrees with BIE's proposals, specifically expanding the deadband, because expanding the deadband will increase risk and create additional opportunity for the volatility of weather to impact negatively both ratepayers and the Company in an equal fashion.[982] In contrast, NFG argues a lower deadband would enhance affordability by reducing volatility and increasing predictability of monthly bills for customers, and the Commission should reject BIE's proposals.[983]

The Company also noted OCA's proposal to exclude the months of October and May.[984] The Company argues it conducted a regression analysis to assess the "statistical significance of heating degree days on the heat load," and the Company contends it found the heat load was significant statistically to degree days for both October and May.[985] The Company argues the Commission should reject OCA's proposals to remove October and May from the WNA.

d. Effects of the WNA on Low Income Customers

The Company disagrees with concerns raised by CAUSE-PA about the effects of the WNA on low-income customers – that the WNA will increase costs to low-income customers[986] - arguing CAUSE-PA's concerns and arguments are based on projections that temperatures will always be warmer than normal. NFG disagrees temperatures will be warmer than normal but contends that, even if true, low-income customers would pay no more than the distribution charges for normal temperatures less

---

[981] National Fuel St. No. 19-R, p. 38.
[982] National Fuel St. No. 19-RJ, p. 13.
[983] National Fuel St. No. 19-R, pp. 36, 38.
[984] National Fuel St. No. 19-R, pp. 39-41.
[985] National Fuel St. No. 13-R, p. 5.
[986] CAUSE-PA St. No. 1, pp. 56-57.

the deadband. In addition, the Company argues customers would have lower gas supply costs.

The Company also disagrees with CAUSE-PA's concerns over applying the charge under WNA to CAP bills,[987] because NFG argues the charges and credits under the WNA will temper the CAP bills and reduce CAP bills in colder than normal weather. When temperatures are warmer than were expected in setting rates, NFG asserts customers will pay a charge, but they will be purchasing less natural gas. The Company argues its mechanism is clearly symmetric and OCA's contention - that the WNA is a one way surcharge mechanism - is simply incorrect. The Company argues that in the 2025 – 2026 winter heating season through March 2026, customers secured a net credit of $2.6 million.[988] The Company contends the Commission should not terminate this potential benefit.[989]

e. Use of the 10 Year Average Degree Days in WNA

The Company proposes using the most recent ten-year average of degree days to project usage for setting base rates,[990] and NFG notes no party opposes this proposal. In addition, NFG proposes to use the same average to calculate the charges and credits under the WNA because that is how the base rates were determined. NFG notes CAUSE-PA claimed a new 10-year average of degree days should be used each year in the WNA.[991] NFG disagrees with that claim because the Company asserts the purpose of the WNA is to adjust for the differences between degree days used for setting rates and actual degree days, with symmetrical adjustments based on actual temperatures. The

987 CAUSE-PA St. No. 1, p. 60.
988 National Fuel St. No. 19-R, p. 30.
989 National Fuel St. No. 19-R, pp. 37-38.
990 National Fuel St. No. 13, p. 7; National Fuel St. No. 19, pp. 25-26.
991 CAUSE-PA St. No. 1, pp. 58, 59.

Company argues purpose cannot be accomplished if the starting target of degree days moves up and down, and if base rates are also not changed.[992] Accordingly, NFG requests the Commission reject CAUSE-PA's proposed adjustment.

f. Proposal to Add Weather Stations to the WNA

The Company disagrees with OCA's proposal - that the Commission should use more weather stations in the WNA - because NFG argues the use of more weather stations in the WNA without changing the weather data for the Company's demand forecast removes the connection of the WNA to the forecast used to set base rates.[993] The Company asserts it demonstrated that the weather stations proposed to be added are not indicative of weather in the Company's service area, and NFG points out that Pittsburgh is one of the additional stations proposed but Pittsburgh, which is not in the Company's service territory, has significantly lower degree days than the stations within the Company's territory. In addition, NFG points out the Bradford and Dubois stations have significantly more degrees than Erie, yet Bradford and Dubois only represent 2.7% and 5.6%, respectively, of the Company's customers. NFG also notes these stations have spotty data reliability.[994] Accordingly, NFG requests the Commission reject OCA's proposal.

g. Terms of the WNA

The Company proposes the Commission should continue the WNA on a permanent basis because the program serves the Company and its customers well. If, in the alternative, the Commission opts to continue the WNA on pilot basis, the Company

---

[992] National Fuel St. No. 19-R, pp. 40-41.
[993] OCA St. No. 1-SR, p. 11; National Fuel St. No. 13-RJ, pp. 2-3.
[994] National Fuel St. No. 13-RJ, p. 4.

requests the term be extended to the end of NFG's next base rate case, so the WNA can be linked to the degree days embedded in base rates.

2. Bureau of Investigation and Enforcement

Regarding the Company's weather normalization adjustment program, BIE asserts NFG's existing WNA is a ratemaking mechanism that adjusts the delivery portion of customer bills so that they reflect usage under normal weather conditions rather than actual temperatures experienced during the WNA heating season.[995] BIE states NFG's WNA adjusts usage in customer bills based on deviations from normal weather by comparing actual Heating Degree Days (HDDs) to normal HDDs, based on a 15-year weather history and only during the heating season of October through May.[996] In addition, BIE notes NFG's existing WNA includes a 3% deadband,[997] that applies to all residential, commercial, and public authority customers.[998]

BIE does not oppose the Company's proposal to calculate its Normal HDDs based on 10-years of National Oceanic and Atmospheric Administration (NOAA) weather data instead of the current method of using 15-years.[999] BIE contends that the Company's proposal to calculate its Normal HDDs based on ten years of weather data is more reasonable because it more accurately reflects recent weather trends and is consistent with the Commission's Order in the recent *Columbia Gas* base rate case.[1000]

---

[995] I&E St. No. 3, pp. 4-5, citing National Fuel Statement No. 19, pp. 23-24.
[996] *Id.*, p. 5.
[997] *Id.*, citing National Fuel St. No. 19, pp. 23-25.
[998] *Id.*, p. 5.
[999] *Id.*, p. 6
[1000] *Id.*, p. 6, citing *Pa. Pub. Util. Comm'n v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2025-3053499, pp. 301-02 (Order Entered Dec. 9, 2025).

Finally, BIE recommends that the shoulder month of May be excluded from the calculation of the WNA and that the deadband be increased from 3% to 5%.[1001]

3. Office of Consumer Advocate

OCA requests the Commission deny NFG's request to turn its WNA Pilot into a permanent mechanism because NFG did not produce substantial evidence to support a determination that the WNA is equitable for NFG's customers or that the WNA satisfies the Commission's policy factors regarding alternative ratemaking mechanisms.[1002]

OCA contends that, if the Commission determines to approve NFG's proposed WNA, the Commission should condition approval on the following modifications: 1) allow it to continue as a pilot for an additional three years instead of allowing it to become permanent; 2) increase the deadband from three percent to five percent; 3) eliminate the months of October and May from NFG's proposed WNA's effective period;[1003] and 4) require NFG to add three additional weather stations in calculating its Average Heating Degree Days (AHDDs).[1004] OCA notes that, while the Commission *may* authorize the implementation of alternative ratemaking mechanisms,[1005] such as decoupling mechanisms like the proposed WNA, first NFG must provide substantial evidence[1006] that its specific mechanism[1007] would result in just and

[1001] I&E St. No. 3, p. 6; I&E St. No. 3-SR, pp. 5-6.
[1002] 52 Pa. Code § 69.3302(a); OCA Exh. MWD-1 at 1-2.
[1003] OCA St. 1 at 35.
[1004] OCA St. 1SR at 11.
[1005] 66 Pa. C.S. § 1330.
[1006] 66 Pa. C.S. § 315(a).
[1007] The OCA emphasizes here that the Commission's determination in this proceeding to approve NFG's request to implement a permanent mechanism must be supported by the record in this case and not based on the approval of prior WNA mechanisms, including NFG's existing WNA pilot. *Bell Atl. – Pa., Inc. v. Pa. Pub. Util.*

reasonable rates.[1008] OCA points out the Commission is *not mandated* to implement a proposed alternative ratemaking mechanism, *even if* the proposed mechanism is based on a pilot which was previously approved pursuant to a settlement agreement.[1009] OCA contends NFG must still support its proposal to satisfy the required burden of proof,[1010] must further demonstrate that its WNA proposal results in just and reasonable rates, and must be distinguishable from decoupling mechanisms which the Commission found did not meet its policy objectives.[1011] OCA argues NFG has failed to do so here.

A. The WNA symmetrical design produces inequitable results.

OCA describes NFG's proposed WNA as a pilot ratemaking mechanism that adjusts customer bills during the heating season (October through May) based on deviations from what the Company defines as "normal" weather. OCA asserts the WNA mechanism applies a formula using the ratio of normal heating degree days (NHDDs) to average heating degree days (AHDDs) and applies that ratio to each customer's heating-related usage to generate either a credit or a surcharge on the customer's bill. OCA notes a three-percent deadband is used to prevent minor weather variations from triggering bill

---

Comm'n, 672 A.2d 352, 354 (Pa. Cmwlth. 1995) (administrative agencies are not bound by the rule of *stare decisis*, but are, instead, tasked with rendering consistent opinions that affirm, overrule, or distinguish prior opinions).

[1008] 66 Pa. C.S. §1301.

[1009] Section 1330 does not waive the Public Utility Code's burden of proof requirements, or the Administrative Agency Law's requirement that decisions of Commonwealth agencies–including the Commission–be supported by substantial evidence. *See* 2 Pa. C.S. § 704 (providing that the decisions of Commonwealth agencies be supported by substantial evidence to survive review of an appellate court).

[1010] 66 Pa. C.S. § 315(a).

[1011] 66 Pa. C.S. § 1301; 52 Pa. Code §§ 69.3301-69.3302; *Bell Atl. – Pa.*, 672 A.2d at 354; *see Pa. Pub. Util. Comm'n v. Pa.-American Water Co.*, Docket Nos. R-2023-3043189 *et al*, Order at 307-28 (July 22, 2024) (*PAWC 2023*); *Pa. Pub. Util. Comm'n v. PECO Energy Co. – Gas Division*, 2024 PA. PUC LEXIS 355, *81-86 (Order Dec. 12, 2024) (*PECO Gas 2024*).

change, the WNA is limited to weather-related usage changes and applies to Residential and Commercial/Public Authority customers.[1012]

For context, OCA notes NFG collected approximately $2.2 million in net WNA revenues from customers in the 2024-2025 heating season.[1013] OCA asserts that, while NFG has provided estimated net WNA credits of $1.17 million as of April 2026 for the 2025-2026 heating season,[1014] those net credits could disappear when the final WNA amounts are calculated for the month of April and May.[1015] OCA contends, however, that the WNA pilot has cost NFG's customers an estimated $7.9 million since the beginning of the pilot in October 2023, even counting the net credits as of April 2026.[1016] OCA argues this high cost to customers is a result of NFG's WNA pilot only producing credits in six out of the 23 months the pilot has operated.[1017]

OCA contends the way NFG designed and applied the WNA has operated as a one-way ratchet, wherein it has imposed surcharges but has failed to provide meaningful refunds. OCA argues this result violates basic ratemaking principles of fairness and reciprocity between ratepayers and shareholders[1018] OCA asserts this lack of meaningful refunds becomes clear when examining NFG's data from the current WNA pilot, and OCA provided a chart to illustrate its point:

1012 OCA St. 1 at 29-30 (internal citations omitted). NFG proposed two changes in this filing: make its current pilot WNA mechanism, scheduled to expire in October 2028, a permanent program and utilize a 10-year instead of 15-year normal to calculating its NHDDs. NFG St. 19 at 23, 25.

1013 *Id*. at 32-33

1014 NFG St. 1R at 11-R at 38; OCA St. 1R at 4.

1015 OCA St. 1R at 4-5.

1016 *Id.* at 5.

1017 *See* NFG St. 1R at 9 Table 1.

1018 OCA St. 1 at 33-34.

Table 1: Heating Season by year	2023-2024	2024-2025	2025-2026	
OCT	$ 112,758	$ 347,315	$ 291,162	
NOV	179,872	1,051,095	(298,215)	
DEC	314,620	109,846	(1,198,284)	
JAN	1,010,020	(240,353)	(464,332)	
FEB	1,237,993	(310,213)	(2,015,891)	
MAR	2,361,861	580,910	1,129,912	
APR	702,191	608,196	1,381,702	*
MAY	1,078,972	48,505	Not Available	
Adjustments	(78,094)	(8,520)		
Total by Season	$ 6,920,194	$ 2,186,781	$ (1,173,946)	

*Estimated

[1019]

OCA asserts that revenue decoupling mechanisms, like NFG's proposed WNA,[1020] have traditionally resulted in more charges than credits, and more charges of significant size than credits of significant size.[1021] OCA argues NFG requests the Commission prolong the WNA because through the WNA NFG has been able to shift risk away from itself through rate filings and shift future weather related risk to customers, thus making NFG's ratepayers responsible for NFG's risk through additional surcharges and only crediting NFG's ratepayers when NFG's weather-related risk does not materialize, which has not been the case generally in this pilot program.[1022] OCA contends that whether the WNA mechanism operates as "intended"[1023] or not does not eliminate the inequity which results, and OCA asserts these results can be seen in the NFG data on the current WNA pilot above. Specifically, OCA asserts NFG's WNA pilot

---

1019 NFG St. 1R at 9, Table 1.

1020 66 Pa. C.S. § 1330(f)(1) ("A rate mechanism that reconciles authorized distribution rates or revenues for differences between the projected sales used to set rates and actual sales, which may include, but not be limited to, adjustments resulting from fluctuations in the number of customers served and other adjustments deemed appropriate by the commission.")

1021 OCA St. 1SR at 6.

1022 OCA St. 1 at 38-39.

1023 NFG St. 19R at 30.

has provided credits of over $1 million to customers only twice, while creating charges of over $1 million a total of seven times.[1024]

OCA argues NFG's proposed WNA is likely to produce inequitable results because its underlying assumptions are flawed and out-of-touch with actual customer behavior. First, OCA notes NFG's proposal - to transition from a 15-year to 10-year weather normal period when calculating the normal heating degree days to use when determining the WNA - may mitigate some of the volatility,[1025] but this proposal will not affect the likely inequity of the outcomes produced nor eliminate the concerns with the mechanism as designed.

Second, OCA asserts that NFG's WNA pilot charges customers for distribution service they did not receive. OCA points out that the WNA is designed to adjust customers' usage, based on the weather, by charging customers for more gas than the customers actually use when the weather is warmer than normal.[1026] OCA argues that NFG's argument to the contrary[1027] is not supported by the WNA calculation itself, because while the WNA is based on a customer's "actual metered usage,"[1028] the WNA's "recovery of authorized distribution revenues" occurs by decoupling a customer's metered usage from the metered usage NFG forecasted, as represented by the WNA's calculation of weather-adjusted usage.[1029] OCA points out, however, as the Commission stated in *PECO Gas 2024*, a utility "is not guaranteed a return on service that is not used."[1030]

1024 *See* NFG St. 1R at 9 Table 1.
1025 *Id.* at 31.
1026 *See* NFG St. 19 at 24-27 (explaining how the WNA is designed); NFG St. 19R at 28 (same); NFG St. 1 at 7.
1027 NFG St. 19R 34.
1028 *Id.* at 36.
1029 NFG St. 19 at 26; NFG St. 19R at 28.
1030 *PECO Gas 2024* at *81.

Third, OCA argues NFG's WNA pilot is fundamentally unfair by design because it shifts a traditional risk of natural gas distribution service from NFG to its customers by "guaranteeing recovery of authorized revenues regardless of actual customer consumption."[1031] OCA notes that NFG is already guaranteed adequate access to revenues between rate cases through its use of a fully projected future test year[1032] and through the use of a distribution system improvement charge.[1033] OCA disagrees with NFG's argument - that its WNA pilot does not affect regulatory lag because it "adjusts a weather-sensitive billing determinant,"[1034] – because NFG's position is inconsistent with the decoupling nature of the mechanism, which operates to guarantee a certain level of revenue and revenue consistency, which are risks associated with regulatory lag.[1035]

Finally, OCA contends NFG's claims about the purported benefits of the WNA – that customer may see bill credits at some point in the future during colder-than-normal weather in exchange for paying increased rates now - is an illusory benefit. OCA

[1031] OCA St. 1 at 27 ("As a result, the risk of revenue underperformance due to declining sales, conservation, economic conditions, or unseasonably warm weather is shifted entirely onto ratepayers. Importantly, the Company has not proposed any corresponding ratepayer protections such as earnings tests, revenue caps, or performance incentives. This asymmetric risk allocation leaves ratepayers exposed to upward rate adjustments without any assurance of offsetting benefits or improved utility performance.") *id.* at 27; *see also* OCA St. 1R at 7.

[1032] 66 Pa. C.S. § 315(e); *McCloskey v. Pa. Pub. Util. Comm'n*, 225 A.3d 192, 208 (Pa. Cmwlth. 2020) (providing that a fully projected future test year uses an end of test year methodology).

[1033] 66 Pa. C.S. § 1357(c) ("Utilities may file tariffs establishing a sliding scale of rates or other method for the automatic adjustment of the rates of the utility to provide for recovery of the depreciation and pretax return fixed costs of eligible property, as approved by the commission, that are completed and placed in service between base rate proceedings.")

[1034] NFG St. 19R at 32.

[1035] *See* OCA St. 1 at 27 ("The Company's proposals are designed to insulate the Company from fluctuations in usage and weather-related variability. By guaranteeing recovery of authorized revenues regardless of actual customer consumption, these mechanisms significantly reduce the Company's exposure to traditional business risks.").

points out that NFG's own data shows it took three heating seasons from when the WNA first took effect until customers saw a heating season with net credits.[1036]

OCA contends that these additional rates NFG took from customers could have been used for energy efficiency investments. Investments into energy efficiency project by residential customers would have left the customers better insulated from spikes in their bills before a colder winter came along. OCA argues the WNA – to the extent that it operates symmetrically – fundamentally deprives customers of the ability to choose to use their bill savings during warmer than normal winters in ways that make the most sense for their household, an ability which is especially critical during periods where customers face increasing affordability pressures.[1037] To residential and small commercial customers, the dollars they pay in a WNA charge this winter means much more than it does to NFG, because these customers do not have access to the same level of revenue, regulatory protections, or capital markets.

OCA contends the Commission reject NFG's request to review the symmetry of a design over the fairness of its results and, specifically, contends the Commission should reject the argument that the WNA is necessary for NFG to have a reasonable opportunity to recover its revenue requirement. OCA argues that the evidence presented about the WNA,[1038] establishes that even without the WNA, NFG would still have been close to recovering its revenue requirement.[1039] OCA points out that utilities are not guaranteed full recovery. OCA argues the law and regulations give utilities a reasonable opportunity at full recovery.[1040] OCA contends that, if NFG believes it does

---

1036 NFG St. 1R at 8, Table 1.

1037 OCA St. 1 at 7-19, 38 (describing the affordability pressures affecting NFG's customers).

1038 NFG St. 19R at 31, Figure 1.

1039 *Id.*

1040 *Pennsylvania Gas & Water Co. v. Pa. Pub. Util. Comm'n*, 341 A.2d 239, 251 (Pa. Cmwlth. 1975) (internal citations omitted).

not have a reasonable opportunity to recover its revenue through its established rates, the appropriate means to address any discrepancy would be through modifying NFG's billing determinants, as NFG has proposed here.[1041]

OCA further asserts that NFG's revenue requirement data shows that NFG can more easily bear the impact of any weather-related volatility stemming from warmer- and colder-than-normal heating seasons than its customers can bear. Specifically regarding the impact of NFG's WNA pilot, OCA contends that given the macroeconomic risks that have shifted already to customers - beyond direct utility rates - through increased prices due to tariffs, due to increased oil prices and due to rising utility rates, NFG's WNA goes directly <u>against</u> affordability concerns for ratepayers.[1042]

OCA also contends NFG has not been experiencing significant financial concerns due to the recent macroeconomic concerns, particularly due to the financial standing of its parent entity.[1043] OCA argues these are facts the Commission can look to when considering whether NFG's WNA pilot would result in just and reasonable rates.[1044]

OCA stresses that NFG's pilot WNA results in unjust and unreasonable rates, as seen by the extraction of ever $7.9 million in revenue beyond the rates established in NFG's most recent increase request.[1045] OCA contends the infrequency of

---

[1041] NFG Exh. CEH-1.

[1042] OCA St. 1 at 38.

[1043] *Id.* at 18-19.

[1044] *Id* at 33-34 (noting the basic ratemaking principles of fairness and reciprocity between ratepayers and shareholders); OCA St. 1R at 2.

[1045] OCA St. 1R at 5; *Pa. Pub. Util. Comm'n v. National Fuel Gas Dist. Corp.*, Docket No. R-2022-3035730 (June 15, 2023), Order at 2 (*NFG 2022*). The 2022 Joint Settlement granted NFG an increase of $23 million in annual revenue requirement. *Id.* NFG's WNA pilot netted $6.9 million, or 30 percent of that increase in its first year. *See* NFG St. 1R at 9, Table 1. NFG's WNA pilot netted $2.2 million or nine percent of that when customers benefit from rate credits is sufficient to undermine NFG's claims of a purported benefit.[1046] OCA argues the Commission should not approve a permanent, inequitable shift of weather-related risk traditionally borne by NFG to its customers, where NFG is better able to bear weather-related risk in intervening years between warmer- and colder-than-normal heating seasons. Accordingly, OCA respectfully requests that NFG's proposed WNA be denied.

B. The Commission's policy factors indicate that NFG's proposed WNA would not result in just and reasonable rates.

OCA notes the Commission developed 14 factors that are considered when determining "just and reasonable alternative distribution ratemaking mechanisms and rate designs that promote the purpose" of the Commission's policy and the policy laid out in Section 1330.[1047] OCA notes Section 1330 specifically states:

> "[i]t is the policy of the Commonwealth that utility ratemaking should encourage and sustain investment through appropriate cost-recovery mechanisms to enhance the safety, security, reliability or availability of utility infrastructure and be consistent with the efficient consumption of utility service."[1048]

---

increase in its second year. *See id.* The $7.9 million of revenue extracted by NFG's WNA pilot in its first three years represents 11 percent of NFG's granted increase ($69 million) over those same years. *See NFG 2022* at 2.

[1046] *See* NFG St. 1R at 9, Table 1.

[1047] 52 Pa. Code § 69.3302(a); *see* OCA Exh. MWD-1 at 1-2 (evaluating the WNA proposed under the Commission's 14 policy factors). This policy statement was enacted following the passage of Section 1330 of the Code, which permits the Commission to use alternative rate mechanisms to further policy objectives, including energy efficiency. 66 Pa. C.S. § 1330.

[1048] 66 Pa. C.S. § 1330(a)(2).

OCA also notes that, while no one factor is dispositive, the totality of all factors weigh against the authorization and implementation of NFG's proposed WNA.[1049] OCA notes its witness Deupree discusses the relevant policy factors and how the proposed WNA fails to satisfy the Commission's policy factors.[1050] Specifically, OCA asserts it addressed all policy factors but briefed the following factors: cost causation (#1; conservation and energy efficiency (#5 and #6); rate stability (#8); customer understandability (#13); and reliability (#14).[1051]

First, OCA asserts NFG's proposed WNA is not cost based because it charges customers for the distribution of natural gas that the customers do not consume, because of how the WNA is calculated. OCA notes the Commission agreed, in *PECO Gas 2024*, this issue was part of the reason for why the Commission denied the WNA proposed in that proceeding.[1052] OCA contends this Commission policy factor weighs against approval because the proposed WNA is designed to charge customers for the distribution of gas which is not consumed.[1053]

Second, OCA contends NFG's proposed WNA will interfere with the price signals embedded in NFG's volumetric distribution rate which are supposed to incentivize conservation and energy efficiency investment by consumers.[1054] OCA argues that NFG's WNA pilot design makes it more difficult to provide customers with

---

[1049] *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa., Inc.*, 2026 PA. PUC LEXIS 60, *75-80 (Order Denying Reconsideration Feb. 19, 2026) (wherein the Commission declined to consider its policy factors regarding alternative ratemaking mechanisms).

[1050] OCA Exh. MWD-1 at 1-2.

[1051] OCA notes it discussed the impact on regulatory lag (#10) and appropriate consumer protections (#12) in other sections of its brief.

[1052] *PECO Gas 2024* at *81 ("We find that the proposed WNA is not cost-based and shifts costs to customers.").

[1053] 52 Pa. Code § 69.3302(a)(1).

[1054] OCA Exh. MWD-1 at 1.

predictable and understandable price signals related to usage.[1055] OCA provides the example of a customer - who might contemplate an energy efficiency investment during a colder-than-normal winter - would see bills – which have been lowered under the WNA – as too low of a price signal to warrant or justify investment in improving energy efficiency. In a similar manner, OCA contends that, during a warmer-than-normal heating season, customers would see bills which may be too high to permit them the opportunity to make that investment.[1056] OCA notes the Commission's statements in *PECO Gas 2024*:

> The WNA affects the distribution charge on a customer's bill, while only commodity charges will be based on actual usage, thus muting the effect of consumers' efforts to conserve energy on their bill. Similarly, it will be difficult for consumers to gauge the return on investment for energy efficiency investments when their efforts to conserve energy are not clearly beneficial in reducing their costs.[1057]

OCA contends NFG's customers are deprived of both ability and understanding to make the best decisions regarding when to invest in energy efficiency for their household. Therefore, OCA argues the Commission's fifth and sixth policy factors weigh against approval of the proposed WNA.[1058]

Third, OCA argues the proposed WNA harms –not helps– NFG's customers' rate stability.[1059] OCA asserts customers may not have the same days in their billing cycle, same usage as adjusted for the weather, or base volumetric rate year-to-year, meaning that the proposed WNA would obscure, instead of clarify, customers' "normal" bill. OCA contends a "normal" bill is better provided through budget billing,

---

1055 OCA St. 1 at 38.
1056 OCA Exh. MWD-1 at 1.
1057 *PECO Gas 2024* at *81 (internal citations omitted).
1058 52 Pa. Code §§ 69.3302(a)(5)(6).
1059 OCA Exh. MWD-1 at 1.

which is an optional program under which a customer has their total annual bill averaged out over 12 equal payments per month, subject to reconciliation at the end of the applicable period, which provides bill certainty during the year, as opposed to year-to-year which may be more difficult to track.[1060]

OCA notes that, in *PECO Gas 2024*, the Commission found "that the budget billing program more effectively evens out bills for customers than the proposed WNA, and still allows customers to easily understand and predict their bills."[1061] OCA contends NFG's claim - that the budget billing program does not address weather-driven deviations from normal consumption, like the proposed WNA - is inapposite.[1062] OCA points out that a customer affirmatively chooses to enroll in budget billing to prevent bill volatility and to enable better budgeting, however, the proposed WNA deprives customers of the ability to elect to enroll, muting the purported benefits of the decoupling mechanism, and failing to provide actual bill stability in a way which is recognizable to NFG's customers.[1063] As a result, OCA argues the Commission's eighth policy factor weighs against approval of the proposed WNA.[1064]

Fourth, OCA argues the proposed WNA remains difficult to understand for customers. OCA points out that the proposed WNA is a complex, multivariate calculation that is not easily understood by consumers,[1065] especially since customers do not have access to all the information necessary to verify the accuracy of the WNA charges on their bills. OCA notes the Commission has previously found a proposed WNA to be unjust and unreasonable,[1066] in part because "a customer cannot easily look at

---

1060 OCA St. 1 at 30.
1061 *PECO Gas 2024* at *81.
1062 NFG St. 19-R at 36.
1063 *See* OCA St. 1 at 38.
1064 52 Pa. Code §§ 69.3302(a)(8).
1065 *See* NFG St. 19-R at 24.
1066 *PECO Gas 2024* at *83.

the multi-variable formula used to calculate the WNA and determine how their bill would be affected by their usage" and a "customer will not have access to all of the data used to complete the bill calculation"

OCA also notes a recent statement by Chairman DeFrank in regard to another utility's reconnection fee, that "customers must perform a calculation based upon their interpretation of two distant tariff provisions in an attempt to determine the reconnection fee. I find this to be convoluted."[1067]

OCA asserts that, though the proposed WNA is just one tariff provision, the proposed WNA is not that different from PGW's reconnection fee in that, to determine the applicable charge, the customer must independently attempt to source the applicable data and calculate their potential charge.[1068] OCA argues the proposed WNA is too convoluted, and the Commission's 13th policy factors weighs against approval of the proposed WNA.

Finally, OCA points out that NFG submitted <u>no testimony</u> to support the conclusion that the proposed WNA will assist NFG in meeting its reliability targets. OCA argues that if customers are subject to decoupling, they should be able to see commensurate benefit from the shifted risks associated with varying weather. OCA further contends that, instead, NFG's reliability performance is exactly the same as it would have been had the first WNA pilot not been in place, and reliability will not

---

[1067] *Witengier v. Phila. Gas Works*, Docket No. F-2025-3056500, Statement of Chairman DeFrank at 2 (issued June 4, 2026).

[1068] 52 Pa. Code § 56.15(12) ("A bill rendered by a public utility for metered residential public utility service must state clearly the following information: A statement that a rate schedule, *an explanation of how to verify the accuracy of a bill* and an explanation, in plain language of the various charges, if applicable, is available for inspection in the local business office of the public utility and on the public utility's web site.") (emphasis added).

improve if the proposed WNA is approved.[1069] OCA contends NFG is adequately compensated for its reliability-related investment between rate cases through its distribution system improvement charge, meaning that the proposed WNA will have no marginal safety- or reliability-related benefits for NFG or its customers, and NFG will not be worse off if the proposed WNA is denied.[1070] For these reasons, OCA asserts the weight of the Commission's policy factors indicate that the proposed WNA will not result in just and reasonable rates and NFG's modifications to the proposed WNA, as compared to its first WNA pilot, will not alleviate these concerns. Therefore, OCA respectfully requests that NFG's proposed WNA be denied.

C. Alternative, if the Commission does not deny NFG's WNA, NFG;s proposed WNA should be continued as a three-year pilot, be subject to a 5% deadband, should not apply during the months of October and May and should utility a total of four weather stations to determine its AHDDs.

OCA contends its primary position is that the Commission should deny NFG's proposed WNA,[1071] however, OCA asserts that if the Commission determines, contrary to the weight of evidence presented herein, that NFG's proposed WNA should

---

[1069] NFG Exh. JDT-3 at 5-6.

[1070] OCA St. 1 at 38 ("The WNA is also not required to address regulatory lag concerns of the Company given the Company's use of a FPFTY and DSIC.").

[1071] *Id.* ("I recommend that the Commission affirmatively discontinue the current WNA mechanism. The mechanism has failed to produce balanced outcomes for ratepayers, functioning as an asymmetric surcharge on customers' bills for the three full years the mechanism has been in operation, even though the mechanism was designed to symmetrically provide both surcharges and credits to customers. The WNA is also not required to address regulatory lag concerns of the Company given the Company's use of a FPFTY and DSIC. NFG's WNA impacts affordability as it makes it more difficult to provide customers with predictable and understandable price signals related to usage and could impede customer conservation efforts. It also shifts weather-related risks away from NFG and onto its customers. Given the macroeconomic risks that are already shifted to customers beyond direct utility rates through increased prices due to tariffs, increased oil prices due to wars in the middle east, and rising utility rates, NFG's WNA goes directly against affordability concerns for ratepayers.").

be approved, OCA recommends the WNA be approved only if subject to certain modifications. Specifically, OCA asserts the Commission's modifications to the WNA proposed in *Columbia 2025* should be applied to NFG's proposed WNA herein: (1) an increase in the deadband from three percent to five percent; (2) remove the months of October and May from the proposed WNA's applicable period;[1072] (3) disallow the WNA as a permanent mechanism but instead continue it as a three year pilot;[1073] and (4) require NFG use three additional weather stations in calculating its AHDDs in order to be more representative of the weather in NFG's service territory.[1074]

OCA notes that, in *Columbia 2025*, the Commission stated: "if the goal of the WNA is to improve stability and customer bills and Company revenues, a 5% deadband adequately captures what could be considered normal weather fluctuations in Pennsylvania."[1075] OCA notes the Commission in *Columbia 2025* adjusted not only the deadband but also removed the month of May from the period WNA's applicable period and transitioned the utility from a 20- to a 10-year weather normal.[1076]

OCA contends that, in light of the Commission's recent decision to make several significant structural changes to the WNA at the same time, NFG's argument that the transition from a 15- to 10-year normal alone – despite being less significant than the change in *Columbia 2025* from a 20- to a 10-year normal – is sufficient for this proceeding is an argument that falls flat.[1077] OCA asserts that, based on the record presented in this proceeding, "increasing the WNA deadband to five percent would

---

1072 OCA St. 1 at 34, 37.

1073 *Id.*

1074 *Id.* at 39; OCA St. 1R at 11.

1075 *Columbia 2025* at *186 "It also places more of the burden for calculating and forecasting weather variations back onto the Company as a normal part of doing business." *Id.*

1076 *Columbia 2025* at *186-88.

1077 NFG St. 11-RJ at 13.

provide for additional protection to ratepayers from minor deviations from normal weather."[1078] In addition, OCA contends NFG is wrong to rely on similar WNAs in Pennsylvania to indicate that its proposed WNA is understandable to customers[1079] and further asserts this claim by NFG is undermined if NFG customers are not given the same customer protections as other gas utilities' customers.

OCA contends NFG should be required to remove October and May from the proposed WNA's effective period because, by removing these months NFG's proposed WNA would be more similar to the WNA approved in *Columbia 2025*, which is effective between November and April.[1080] In addition, OCA points out that, over the past 15 years, October and May have had higher variations in the number of HDDs than the traditional heating months in Pennsylvania, indicating a higher likelihood that the WNA will shift weather-related risk onto ratepayers during those two months than other month.[1081] OCA further asserts that October and May represent a smaller portion of the heating degree days in and near NFG's service territory, meaning that removal of those months from the proposed WNA is unlikely to have significant impact to NFG while mitigating the potential harms of the proposed WNA that would be imposed on NFG's customers.[1082]

OCA argues the only question the Commission must answer is whether including these two months in the proposed WNA will result in just and reasonable rates.[1083] OCA contends including May and October will not result in just and reasonable

---

1078 OCA St. 1SR at 7.
1079 NFG Exh. JDT-3 at 4.
1080 *Columbia 2025* at *185, 186-87.
1081 OCA St. 1 at 36. NFG witness Taylor's averment that OCA witness Deupree's recommendation to remove October and May from the proposed WNA's effective period is based on "a uniform, statewide view" is thus incorrect. NFG St. 19 at 39.
1082 OCA St. 1SR at 7-8.
1083 NFG St. 19-RJ at 13.

rate because there is an inequitable shift in weather-related risk from NFG to its customers due to the high level of variability in HDDs in those months. Moreover, OCA contends any argument from NFG - that the Commission's decision in *Columbia 2025* is not relevant to consideration of modifications to the proposed WNA's deadband size and effective months - is inconsistent with NFG's testimony regarding approval of the proposed WNA.[1084] OCA referenced NFG witness Taylor who referenced the Commission's approval of a WNA pilot extension in *Columbia 2025* because the Commission "explicitly approved the continuation of Columbia's WNA mechanism 'to allow it a reasonable opportunity to earn up to its Commission-authorized requirement,'"[1085] but then disagreed with OCA's recommendations because "they rely heavily on the Commission's decision in the Columbia Gas proceeding"[1086] without recognizing that OCA had supported the recommended modifications with NFG-specific information. OCA contends that – without modifications - NFG's proposed WNA is more similar to the WNA proposal in *PECO Gas 2024*.[1087]

In sum, OCA argues the Commission should deny NFG's proposed WNA because that is the most just, reasonable, and equitable outcome in this proceeding. However, in the event the Commission decides to grant NFG's request, OCA argues NFG's proposed WNA should be continued only as a three-year pilot, it should not be made permanent, the deadband should be expanded from three percent to five percent,

---

1084 *See* NFG St. 19RJ at 12.

1085 NFG St. 19 at 39.

1086 NFG St. 19RJ at 12.

1087 *See PECO Gas 2024* at *81 ("We agree with the ALJs that PECO is not guaranteed a return on service that is not used. In addition, we note that PECO has proposed a revenue cap from the application of the WNA only for the month of May. As the OCA observed, there is no 'ceiling' for the revenue that PECO can collect through the WNA. PECO claims that the WNA will allow it to collect its Commission-approved rates. However, we agree with the OCA that this is not entirely accurate. PECO has not proposed a reconciliation mechanism for the WNA if the Company collects more in rates than it would have in the event of 'normal' weather.") (citations omitted).

and the WNA should no longer apply to bills rendered in October and May, consistent with the Commission's decision in *Columbia 2025*.[1088] Finally, to better reflect the actual weather experienced by its ratepayers, the Commission should require NFG to begin utilizing three additional weather stations to calculate HDDs for the WNA calculations. Therefore, OCA respectfully requests that the Commission grant its requested alternative relief.

4. Office of Small Business Advocate

OSBA took the position that the program should be continued as a pilot.

5. CAUSE-PA

CAUSE-PA contends the Commission should reject NFG's proposal -to make its pilot WNA into a permanent aspect of its rate design - and should end the WNA with the effective date of rates in this proceeding.[1089] CAUSE-PA asserts NFG's WNA is a lopsided mechanism that shields the Company from revenue fluctuations due to warming weather trends by inappropriately shifting the risk of weather variability onto consumers, which has resulted in residential customers paying surcharges of approximately $6.5 million. CAUSE-PA asserts this money is net additional revenue from Residential Sales customers based on *hypothetical service that customers did not use, but were merely projected to use.*[1090] CAUSE-PA also notes that, besides proposing to make it permanent, the only adjustment NFG proposes to the design of its WNA is to change the current 15-year historical weather average to a 10-year historical average.[1091] CAUSE-PA argues that, by protecting the Company at consumers' expense, NFG's

---

1088 *See Columbia 2025* at *186-88.
1089 CAUSE-PA St. 1 at 59.
1090 CAUSE-PA St. 1-SR at 23; CAUSE-PA St. 1 at 57, 59; OCA St. 1 at 32.
1091 CAUSE-PA St. 1 at 55.

WNA produces unjust and unreasonable results and the Commission should not permit it to continue.

CAUSE-PA points out that no party, except for NFG, supports the WNA that NFG proposes to make permanent – and OCA and CAUSE-PA actively oppose it.[1092] CAUSE-PA also points out that, while the burden of proof does not fall on the opposing parties to prove proposed rates are unjust or unreasonable, the overwhelming weight of the evidence in this case shows that this alternative rate proposal, if allowed to continue, will produce unjust and unreasonable rates and, as such, CAUSE-PA asserts the Commission should deny NFG's WNA proposal should be denied.

CAUSE-PA notes that NFG's request for approval of its WNA in this proceeding is distinct from the Commission's approval of a WNA mechanism in its recent Columbia base rate proceeding. In the Columbia base rate proceeding, the Commission found that Columbia should be permitted to continue its WNA,[1093] and the Commission permitted Columbia to continue its WNA mechanism on a pilot basis until the company's next rate case – with the Commission requiring Columbia implement a range of additional customer protections, including implementation of a 5% deadband and elimination of the shoulder month of May for the purposes of WNA calculation.[1094] CAUSE-PA contrasts the Columbia base rate with NFG's base rate case in which NFG requests to convert its pilot Weather Normalization Adjustment (WNA) into a permanent aspect of the Company's rate design, less than three years into the authorized five-year pilot period.[1095] CAUSE-PA contends NFG's WNA does not feature the range of customer protections ordered by the Commission in the Columbia Order, including the

---

[1092] *See* CAUSE-PA St. 1 at 56, 59, 61; OCA St. 1 at 38-39; I&E St. 3 at 6-7.

[1093] *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa., Inc.*, Opinion and Order, Docket No. R-2025-3053499 at 279 at 301 (Order entered Dec. 4, 2025).

[1094] *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa., Inc.*, Opinion and Order, Docket No. R-2025-3053499 at 279 at 301-302 (Order entered Dec. 4, 2025).

[1095] CAUSE-PA St. 1 at 5, 54.

requirement of a 5% deadband. As such, CAUSE-PA argues NFG failed to meet its burden of showing that its WNA proposal is reasonable and should be approved.

A. NFG's WNA is a One-Sided Mechanism that Improperly Shifts Weather-Related Risk onto Consumers, Adding Millions of Dollars to Residential Customer Bills

CAUSE-PA explains that NFG's WNA pilot is an alternative ratemaking mechanism that applies from October through May, and is designed to allow NFG to bill customers based on normalized weather as opposed to the actual weather experienced by the customer at the time they use the service.[1096] CAUSE-PA further explains that the mechanism compares Actual Heating Degree Days (AHDDs) with Normal Heating Degree Days (NHDDs) to assess the extent that actual temperatures vary from historical averages,[1097] but when AHDDs vary by more than 3% of a 15-year historical average, the WNA adjusts bills for certain customer classes – including residential customers – so that bills do not reflect actual customer usage at Commission-approved rates, but instead more closely reflect what a customer's usage hypothetically would have been had weather conditions conformed to a historical temperature average.[1098] CAUSE-PA disagrees with NFG's assertions that the WNA is necessary for the Company's rate structure to provide it "a reasonable opportunity to recover its authorized revenue requirement while protecting customers from additional charges in colder than normal winters."[1099] CAUSE-PA argues that, in reality, the WNA has not protected consumers and has inappropriately converted NFG's *opportunity* to earn its revenue requirement into a functional *guarantee*, subverting foundational ratemaking principles.[1100]

[1096] CAUSE-PA St. 1 at 54-55.
[1097] NFG St. 19 at 24.
[1098] CAUSE-PA St. 1 at 54-55.
[1099] NFG St. 19 at 26.
[1100] *Pa. Gas & Water Co. v. Pa. Pub. Util. Comm'n*, 341 A.2d 239, 251 (Pa. Commw. Ct. 1975); *Bluefield Water Works & Improvement Co. v. Public Serv. Comm'n*

CAUSE-PA acknowledges that NFG's WNA is a symmetrical mechanism with the potential to either provide customers with credits or impose charges based upon the number of AHDDs experienced.[1101] CAUSE-PA contends that this mechanism has resulted in asymmetric charges to the tune of $6.5 million for the residential class alone,[1102] because NFG's customers do not experience the WNA in theory, they experience it as an actual adjustment to their bills based on the weather that actually occurs.[1103]

CAUSE-PA argues that, for purposes of evaluating the WNA, the historic warming trend Pennsylvania has experienced and is expected to experience over the long term is relevant to understanding the impact the WNA has had and will continue to have on customers in actual practice.[1104] CAUSE-PA points out that Pennsylvania's weather is undergoing a long-term warming trend that experts project to continue.[1105] CAUSE-PA notes temperatures in Pennsylvania have risen by approximately 1.2 degrees Fahrenheit between 2000 and 2023 and are projected to climb another 6.7 degrees Fahrenheit by mid-century.[1106] CAUSE-PA also points out that no party to this proceeding, including NFG, disputes that Pennsylvania's warming trend is projected to continue.[1107] This warming trend means that Pennsylvania will experience fewer and fewer HDDs over time.[1108] CAUSE-PA argues that if these trends continue and NFG's WNA continues,

---

of W.Va., 262 U.S. 679, 692-93 (1923); *Federal Power Comm'n v. Hope Natural Gas Co*., 320 U.S. 591, 603 (1944).

1101 CAUSE-PA St. 1-SR at 23.

1102 *Id.*

1103 *Id.*

1104 *Id.*

1105 CAUSE-PA St. 1 at 57; NFG St. 19 at 26, Fig. 1.

1106 CAUSE-PA St. 1 at 57.

1107 CAUSE-PA St. 1 at 57; *See* NFG St. 19 at 26, Fig. 1.

1108 CAUSE-PA St. 1 at 57; *See* NFG St. 19 at 26, Fig. 1.

NFG's WNA will impose greater and greater additional charges on customer bills.[1109] CAUSE-PA asserts that while the WNA is mathematically symmetrical, when applied to the actual and projected weather in Pennsylvania, the WNA operates, on net, as a one-way surcharge that insulates the Company from the risk of warming weather at the expense of consumers.[1110]

CAUSE-PA also notes the fact show the mechanism is overwhelmingly one-sided in NFG's favor,[1111] because, since the WNA took effect in October 2023 through April 2026, it has extracted nearly $6.5 million in additional revenue from residential customers, paradoxically because those customers *used less* gas than they would have under historical weather conditions.[1112] CAUSE-PA acknowledges that in some months of the 2025-2026 WNA season, customers received credits,[1113] with residential customers receiving net credits totaling $2,909,408.39 from October 2025 through February 2026.[1114] However, CAUSE-PA points out that in March 2026 and April 2026, the WNA imposed total charges of $2,053,616.08 on residential customers, erasing 71% of the credit in just two months, and bringing net credits for the 2025-2026 WNA season through April down to $855,792.31.[1115] CAUSE-PA contends this one-time credit pales in comparison to the nearly $6.5 million net total charges NFG assessed to residential customers since its implementation in October 2023.

CAUSE-PA argues that, by shifting the very real risk of warming weather to consumers, NFG insulates itself from fluctuations that would normally be part of its traditional business risk, as the delivery of natural gas is and always has been a weather

---

1109 CAUSE-PA St. 1 at 57.
1110 CAUSE-PA St. 1-SR at 23.
1111 CAUSE-PA St. 1 at 56-57; CAUSE-PA St 1-SR at 23.
1112 CAUSE-PA St. 1-SR at 23.
1113 NFG St. 1-R at 8-9; NFG St. 19-R at 38.
1114 CAUSE-PA St. 1-SR at 23.
1115 *Id.*

responsive business.[1116] This approach is particularly problematic for low income customers, who lack the financial ability to absorb unexpected costs from weather-driven rate adjustments.[1117] When the weather is warm, customers expect their bill to be lower.[1118] They do not expect to be billed based on "hypothetical usage."[1119] As a monopoly utility, NFG is in a better position to manage the risks associated with warming weather than general residential and low income customers.

In addition, CAUSE-PA points out that low income customers do not have any margin month in and month out to spend more on energy costs.[1120] These customers have disproportionately high energy burdens which rise even higher in the winter months, requiring some customers to spend as much as 11.7% of their monthly income for gas service alone.[1121] CAUSE-PA argues that adding the WNA charge during these months exacerbates these already unaffordable energy burdens.[1122] In winter months that are warmer than normal, these customers are expecting a lower bill – not a weather adjusted bill.[1123] CAUSE-PA asserts these customers have no ability to plan for the WNA as it is illogical from the perspective of an end user who expects a lower bill when the weather is warmer.[1124]

CAUSE-PA further points out that NFG "holds the cards" in this game and is able to take advantage of a regulatory framework that permits it to choose when to file a rate case, and what revenue projections to seek and model based on a fully projected

---

1116 CAUSE-PA St. 1, App. C, Ex. Geller C-2 at 8.
1117 CAUSE-PA St. 1 at 59.
1118 CAUSE-PA St. 1, App. C, Ex. Geller C-2 at 12.
1119 *Id.* at 58.
1120 *Id.* at 57.
1121 *Id.* at 16, T. 2.
1122 *Id.* at 57.
1123 CAUSE-PA St. 1, App. C, Ex. Geller C-2 at 12.
1124 *Id.* at 58.

future test year.[1125] CAUSE-PA notes NFG is also able to charge a Distribution System Improvement Charge to recover capital investment between rate cases,[1126] but this type of financial protection is simply not available to customers. CAUSE-PA argues NFG is better positioned to absorb the effects of variable weather conditions without passing these risks down to consumers; therefore, instead of offloading the risk to ratepayers, it would be more appropriate for the utility to manage the risk.[1127]

B. NFG's WNA Proposal is Noncompliant with Each of the Enumerated Factors in the Commission's Distribution Rates Policy Statement[1128]

CAUSE-PA points out that NFG bears the burden of proving its WNA produces just and reasonable rates, as implemented and proposed.[1129] CAUSE-PA notes that the Commission's Distribution Rates Policy Statement enumerates fourteen factors to guide evaluation of the justness and reasonableness of alternative ratemaking mechanisms, such as NFG's WNA proposal,[1130] and that Policy Statement is intended to "promote the efficient use of electricity, natural gas and water through technologies and information," by providing an alternative rate design methodology that should reflect the sound application of cost of service principles, establish a rate structure that is just and reasonable, and that considers customer impacts.[1131] CAUSE-PA argues that an evaluation of NFG's WNA proposal through the policy statement demonstrates that the mechanism either harms or has no effect on each of the policy concerns captured in the fourteen enumerated factors and is, therefore, neither just nor reasonable.[1132] CAUSE-

---

1125 OCA St. 1 at 25, 38.
1126 *Id.*
1127 CAUSE-PA St. 1, App. C, Ex. Geller C-2 at 8.
1128 52 Pa. Code §§ 69.3301, 69.3302.
1129 66 Pa. C.S. §§ 315 (a), 1301, 1330.
1130 52 Pa. Code § 69.3302 (a).
1131 52 Pa. Code § 69.3301 (emphasis added).
1132 *Id.*

PA contends NFG failed to meet its burden of proof, and the Commission must reject the Company's WNA proposal and should end the WNA.

CAUSE-PA argues NFG's WNA proposal is out of step with the Commission's Distribution Rates Policy Statement and undermines the policy concerns embodied in the Commission's enumerated factors for evaluating alternative ratemaking mechanisms like the WNA.[1133] CAUSE-PA specifies the fourteen reasons pursuant to the Commission's Distribution Rates Policy for why the Commission should not approve the WNA. Those factors that CAUSE-PA specifies are not realized in NFG's WNA are:

1. NFG's WNA does not align revenues with cost causation principles.
2. NFG's WNA does not promote efficient capacity utilization.
3. NFG's WNA does not reflect the level of demand associated with the customer's anticipated consumption levels.
4. NFG's WNA does nothing to limit or eliminate interclass and intraclass cost shifting.
5. NFG's WNA does not eliminate disincentives for the promotion of energy efficiency.
6. NFG's WNA disincentivizes adoption of residential efficiency measures for customers.
7. NFG's WNA has a detrimental impact on low-income customers and customer assistance programs.
8. NFG's WNA has a detrimental impact on customer rate stability principles.

[1133] *See* CAUSE-PA St. 1, App. C, Ex. Geller C-2.

9. NFG's WNA shifts weather-related risk from the Company onto customers.

10. NFG's WNA does not impact the frequency of rate case filing or affect regulatory lag.

11. NFG's WNA increases the cost of CAP, driving up Rider F.

12. NFG's WNA lacks appropriate consumer protections.

13. NFG's WNA is not understandable to consumers.

14. NFG's WNA does not support improvements in utility reliability.

C. Summary of Reasons the Commission Should Reject NFG's WNA Proposal

CAUSE-PA asserts that NFG's WNA undermines energy efficiency and disproportionately burdens low income customers, raising deep concerns about fairness and equity.[1134] CAUSE-PA acknowledges that while this mechanism protects NFG from revenue volatility, the WNA transfers the financial risk of Pennsylvania's warming weather onto customers who may have already reduced their consumption to manage tight household budgets and erodes incentives for utilities to improve operational efficiency that are otherwise intrinsic in traditional ratemaking.[1135] CAUSE-PA asserts that for low income households, which often face difficult choices between heating, food, and other essentials, these additional charges undermine the ability to plan for and manage utility expenses effectively and should be roundly rejected by the Commission.[1136]

[1134] CAUSE-PA St. 1 at 59.

[1135] *Id.*

[1136] CAUSE-PA St. 1 at 59.

CAUSE-PA contends that, upon considering the Company's proposed WNA in the context of the Commission's guiding policy statements on alternative ratemaking methods, as well as the statutory basis for such methods, the Company's proposal should be rejected because it undermines cost-of-service principles, reduces consumer incentives to reduce energy usage, obscures price signals and makes customer bills more unpredictable, has a disproportionate impact on low-income customers, needlessly drives up the costs of CAP and other universal service programs, is difficult to understand for consumers, and lacks any consumer protections.[1137]

D. If the Commission Allows NFG's WNA to Continue, the Commission Must Order Substantial Reforms

CAUSE-PA asserts NFG failed to meet its burden of demonstrating that its WNA produces just and reasonable rates, and the Commission should deny its request to continue the WNA as a permanent structure within its rate design. However, if the Commission determines that the WNA should continue, CAUSE-PA recommends several important reforms to mitigate the worst impacts of the WNA for NFG's customers. Specifically, CAUSE-PA recommends the following reforms:

First, CAUSE-PA contends the WNA should remain a pilot for only a limited period of no longer than three years, and should not be made permanent.[1138]

Second, CAUSE-PA argues all customers enrolled in NFG's CAP should be exempt from the WNA.[1139] As noted, the WNA impacts CAP customers paying average bill amounts, and unreasonably increases program costs of CAP paid by non-CAP residential customers.[1140]

[1137] 66 Pa. C.S. § 1330 (a)(2); 52 Pa. Code §§ 69.3301, 69.3302.
[1138] CAUSE-PA St. 1 at 59: 17-21.
[1139] CAUSE-PA St. 1 at 60: 1-6.
[1140] *Id.*

Third, CAUSE-PA asserts the WNA's months of operation should be limited to the period of December through March.[1141] As Mr. Geller points out, these are the winter months recognized by the Commission, General Assembly, and other state agencies related to LIHEAP assistance and winter termination protections for heat related services.[1142] As Mr. Geller noted, it is unreasonable to assess the WNA during the months of October, November, April, and May.[1143]

Fourth, CAUSE-PA contends the WNA deadband should be increased from 3% to 5% to prevent the WNA from applying when only minor deviations from historical temperature occur.[1144] This would bring NFG's WNA in alignment with Columbia's WNA, as authorized in its 2025 rate proceeding.[1145]

Fifth and finally, CAUSE-PA asserts NFG should be required to use a rolling 10-year historical average that is updated annually to calculate any WNA charges, rather than a fixed period between 2015 to 2024.[1146]

CAUSE-PA disagrees with NFG's argument that affordability concerns raised by CAUSE-PA are best addressed through universal service programs,[1147] because CAUSE-PA argues these universal service programs have only reached a small portion of NFG's customers, while NFG's WNA applies across residential customers and exacerbates unaffordability for low income customers.[1148] Accordingly, CAUSE-PA

[1141] CAUSE-PA St. 1 at 60: 7-14.
[1142] *Id.*
[1143] *Id.*
[1144] CAUSE-PA St. 1 at 60: 15-19.
[1145] *Id.*
[1146] CAUSE-PA St. 1 at 60: 20-22.
[1147] NFG St. 19-R at 36-37.
[1148] CAUSE-PA St. 1-SR at 23-24.

points out that examination of the consumer protections and affordability impacts of the WNA are therefore critical to assessing the justness and reasonableness of rates.[1149]

CAUSE-PA similarly disagrees with NFG's arguments that it is inappropriate to implement additional reforms to the WNA to improve consumer protections[1150] but CAUSE-PA contends the results of NFG's WNA pilot thus far clarify that the WNA does not protect consumers and instead serves to exacerbate energy unaffordability, most acutely for NFG's low income customers.[1151] Further, CAUSE-PA argues it is unreasonable for the WNA season – which protects NFG from weather-related revenue volatility – to extend beyond December through March, the winter heating months recognized by the Commission and the General Assembly for heating-related consumer protections including the winter moratorium and LIHEAP assistance.[1152]

In addition, CAUSE-PA disagrees with NFG's assertion that the WNA should not use a rolling 10-year average because it would create a misalignment between the WNA and base rate billing determinants.[1153] CAUSE-PA contends Pennsylvania is experiencing a long-term warming trend that is projected to continue and is expected to result in fewer HDDs over time.[1154] CAUSE-PA argues that using a fixed historical average to calculate the WNA will result in a bias toward even greater WNA charges as temperatures continue to warm,[1155] but a rolling average, updated annually, would help to mitigate the effect of that historical bias by using a more current reference period to calculate the WNA.

1149 *Id.*
1150 NFG St. 19-R at 39-41.
1151 *See supra* Section X.A.
1152 CAUSE-PA St. 1 at 60.
1153 NFG St. 19-R at 39-41.
1154 CAUSE-PA St. 1 at 57.
1155 *Id.*

CAUSE-PA contends that NFG's operation of the WNA has resulted in substantial net charges to its customers, and exacerbated unaffordability of customer's bills. If the WNA is permitted to continue, it is essential that additional reforms are implemented to dull the worst of these customer impacts.

6. Providers Task Force

Providers Task Force did not take a position on this issue.

7. Presiding Officer's Recommendation

The ALJ is persuaded by OCA's arguments that the Commission should reject NFG's request to make the WNA permanent, and the Commission should end the pilot. In the event the Commission elects to continue the WNA, the ALJ recommends the Commission continue the WNA as a pilot, to provide NFG more time to collect data that would support continuation of the WNA because NFG did not provide sufficient evidence that the WNA produces rates that are just and reasonable.

The WNA transfers the risk of price volatility and weather variability from NFG to the ratepayers. Over the three years of the pilot, NFG passed more charges onto residential customers than paid credits to ratepayers. During the three years of the pilot, residential customers were denied clear weather-related consumption and price signals. In addition, while the WNA shifted the risk of weather volatility to residential customers, the benefit of conserving energy did not remain concurrently with customers. OCA proved the WNA, as applied, is unfair by design because it results in shifting the traditional risk of natural gas distribution service from NFG to its customers by guaranteeing recovery of authorized revenues to NFG regardless of actual customer consumption. Further, the way the WNA was applied has resulted in billing statements that are not clear, and which residential customers cannot verify for correctness because customers are unable to access the information that explains and verifies the charges each month. In addition, OCA proved that winter weather has been warming and is projected to continue to warm. As the weather warms, residential customers will continue to be charged more often at greater amounts with fewer occasions when the customers will receive credits. For these reasons, and the reasons provided by OCA, the ALJ recommends the Commission reject NFG's proposal concerning the WNA and end the pilot program.

J. Concerning Energy Efficiency Pilot

1. National Fuel Gas Distribution Corporation

a. Pilot Overview

The Company proposes implementing a residential Energy Efficiency Pilot (EE Pilot) over a five-year period beginning in October 2026. The Company avers the pilot will provide rebates for residential customers to encourage the installation of high-efficiency natural gas appliances and includes the following measures: (1) space heating rebates for high-efficiency furnaces and boilers; (2) incentives for upgrading to high-efficiency water heaters, including tankless models; and (3) incentives for ENERGY STAR® certified natural gas clothes dryers.[1156]

The Company contends benefits of the EE Pilot include: (1) access to a broader range of energy-efficient, low-emission natural gas solutions; (2) enhanced competitiveness with alternative energy sources; (3) reduced operating costs and improved seasonal use of gas facilities; (4) increased safety and efficiency in gas

[1156] National Fuel St. No. 18, p. 5.

delivery; and (5) support for long-term system reliability and readiness for future energy needs.[1157] NFG asserts the pilot's budget approximates $3.5 million over five years (or approximately $700,000 annually).[1158] National Fuel asserts it will recover all reasonable and prudently incurred costs directly associated with program administration, marketing, customer rebates, and evaluation activities costs of the EE Pilot through a dedicated rider applied to all residential customers.[1159] The rider will be reconciled annually to ensure accurate cost recovery and compliance with approved budgets.[1160]

National Fuel contends it calculated the savings and benefits of the proposed EE Pilot using the Commission's Total Resource Cost (TRC) developed for Energy Efficiency & Conservation Plans under Act 129.[1161] NFG projects 10,000 customers will participate over the term of the pilot, and is projected to result in 56,255 Mcf in natural gas savings, $497,300 in energy savings, $80,000 in net savings using the TRC test, and a TRC benefit-cost ratio of 1.02.[1162] The Company noted no party disputed the EE Pilot's projected benefits.

National Fuel proposed to implement a robust Evaluation, Measurement & Verification plan to assess the performance and cost-effectiveness of the EE Pilot,[1163] and to use a comprehensive stakeholder engagement and outreach strategy to ensure broad

---

[1157] National Fuel St. No. 18, p. 18.
[1158] National Fuel St. No. 18, p. 6.
[1159] *See* National Fuel Exhibit F, proposed Rider D.
[1160] National Fuel St. No. 18, p. 6.
[1161] National Fuel St. No. 18, p. 8; *see also 2026 Total Resource Cost (TRC) Test*, Docket No. M-2024-3048998 (Final Order entered Nov. 7, 2024).
[1162] National Fuel St. No. 18, pp. 6-9. Tables showing the detailed breakdown of the EE Pilot's projected overall and annual budget, participation levels, energy savings measured in both McF and dollars, and total resource cost ("TRC") test benefits, costs, net benefits, and TRC ratio are provided on pages 6 through 9 of National Fuel St. No. 18.
[1163] National Fuel St. No. 18, pp. 11-12.

awareness, equitable access, and strong participation in the EE program across its residential customer segments.[1164]

b. The Commission should reject suggestions to expand the pilot

The Company requests the Commission reject the recommendations of CAUSE-PA and OSBA to expand the scope of the proposed EE Pilot to include a dedicated low-income program and a small business program, respectively.[1165] The Company asserts the proposals fundamentally change the design and purpose of the Pilot, and the pilot does not have a budget to support the recommended expansions. The Company asserts the rebate-based pilot should be approved without modification.

NFG argues CAUSE-PA's proposal - to expand the pilot to include a no-cost direct install low-income component in the EE Pilot - is not a minor adjustment to a rebate-based pilot. NFG contends CAUSE-PA's proposal would create a fundamentally different program model with distinct eligibility rules, delivery infrastructure, contractor management requirements, and budget implications, but CAUSE-PA did not provide any analysis of the costs associated with its proposal or the impact it would have on the cost effectiveness of the EE Pilot.[1166]

The Company asserts the EE Pilot will have no income restrictions, all residential customers will be eligible to participate, and the proposal includes referral-based coordination between the EE Pilot, Low Income Usage Reduction Program (LIURP), the Emergency Repair and Replacement Program (ERRP), and other assistance programs to connect eligible customers to programs with deeper, no-cost weatherization

[1164] National Fuel St. No. 18, pp. 12-13.
[1165] *See* CAUSE-PA St. No. 1, pp. 65-66; OSBA St. No. 1, p. 19.
[1166] *See, e.g.*, CAUSE-PA St. 1, pp. 61-68.

services available.[1167] The Company argues CAUSE-PA's proposed additional tracking and reporting requirements would exceed the proposed pilot's coordination and convert a voluntary, pilot stage efficiency program into a comprehensive universal service redesign. In addition, NFG contends effective coordination does not need mandated detailed income screening protocols, direct installation obligations, and/or expansive outreach and contractor requirements at the pilot stage.[1168] The Company asserts its pilot proposal strikes the appropriate balance for a pilot program: it promotes alignment with LIURP and other efficiency and weatherization efforts; maintains clear program boundaries; and preserves flexibility to evaluate results before considering whether broader structural changes are warranted in the future.[1169]

The Company also argues the Commission should reject OSBA's proposal which recommends expanding the pilot to include a non-residential EE program, citing the Company's experience operating a non-residential EE program in New York.[1170] The Company opposes expanding the EE Pilot to include non-residential customers at this time because doing so would materially alter the scope, objectives, and evaluation framework of the pilot. The Company avers this pilot was designed as a targeted, residential-focused pilot, allowing the Commission to evaluate program performance, customer response, and administrative execution on a manageable and well-defined scale before considering broader expansion.[1171] NFG argues that expanding the pilot to include non-residential customers would introduce materially different load profiles, decision-making processes, rebate structures, and participation dynamics, in addition to undermining the pilot's straightforward design by making it more difficult to draw meaningful conclusions from initial program results.[1172]

[1167] National Fuel St. No. 18-R, pp. 6-7.
[1168] National Fuel St. No. 18-R, p. 7.
[1169] National Fuel St. No. 18-R, p. 7.
[1170] National Fuel St. No. 18-R, p. 16.
[1171] National Fuel St. No. 18-R, p. 16.
[1172] National Fuel St. No. 18-R, p. 16.

3. Tracking and Reporting

NFG asserts it agrees with BIE's proposed tracking and reporting recommendations, and the Company requests the Commission adopt reasonable annual reporting requirements that are consistent with BIE's recommendations and are not duplicative of the reporting already proposed in the Company's pilot design.[1173] NFG contends BIE's recommendation includes tracking and reporting "information broken down for low-income customers as well as the number of referrals made to LIURP and the number of [customers referred] to LIURP that received LIURP services as a result of participating in the EE pilot."[1174] The Company asserts this tracking would provide the Company and stakeholders with valuable information about low-income participation in the EE Pilot.

4. Cost Recovery

The Company insists its proposed recovery mechanism - through a residential rider applicable to all residential customers - is consistent with Pennsylvania regulatory practice and should be approved.[1175] NFG contends all electric distribution companies subject to Act 129 recover the costs of their mandatory Energy Efficiency and Conservation Plans through Commission-approved riders that track program costs and adjust rates accordingly. While NFG acknowledges natural gas distribution companies are not subject to Act 129, the Company notes the Commission has approved the use of rider mechanisms for voluntary natural gas energy efficiency programs.[1176] The

---

1173 National Fuel St. No. 18-R, p. 11.
1174 I&E St. No. 1, p. 27.
1175 National Fuel St. No. 18-R, p. 14.
1176 National Fuel St. No. 18-R, pp. 14-15. Columbia Gas of Pennsylvania, Inc. and UGI Utilities, Inc. – Gas Division recover program costs through dedicated energy efficiency riders.

Company asserts these riders allow program costs to be tracked, reviewed, and recovered separately from base rates, while preserving the Commission's oversight and minimizing financial risk to customers.[1177]

NFG noted OCA opposed the Company's proposed cost-recovery method through a dedicated rider, although OCA did not oppose the proposed EE Pilot programmatically.[1178] NFG noted OCA's claim the pilot, and related cost recovery mechanism, fail National Regulatory Research Institute (NRRI) evaluation criteria for approval of riders or pilot mechanisms,[1179] bit NFG argues the NRRI guidance does not establish legal requirements, mandatory tests, or enforceable standards. Accordingly, NFG contends the NRRI does not prohibit the Commission's approval of the pilot.[1180]

The Company contends its proposed recovery mechanism follows a Commission-approved model by using a rider to recover pilot-related costs in a transparent and controllable manner. NRG contends this mechanism is consistent with Pennsylvania practice, supports regulatory oversight, limits customer exposure, and ensures that recovery is aligned with actual program experience rather than embedded in base rates.[1181] For these reasons, the Company requests the Commission should reject OCA's NRRI-based objections and approve the EE Pilot and rider as proposed.

2. Bureau of Investigation and Enforcement

Regarding the Company's proposed EE Pilot program, BIE notes that NFG proposed an Energy Efficiency (EE) Pilot program to be implemented over five years,

---

1177 National Fuel St. No. 18-R, p. 15.
1178 OCA St. No. 1, p. 43.
1179 OCA St. No. 1, pp. 41-42.
1180 National Fuel St. No. 18-R, pp. 11-12.
1181 National Fuel St. No. 18-R, p. 15.

starting in October 2026.[1182] BIE points out that, although not statutorily mandated for natural gas distribution companies, NFG voluntarily designed and proposed an EE Pilot to encourage its customers to install high efficiency natural gas appliances.[1183] BIE also points out the Company proposes to recover the cost of the EE Pilot program from residential customers, which is the rate class that will benefit directly from the program via Rider D.[1184]

BIE contends it does not oppose the EE Pilot program, but instead recommends that the Company submit an annual report on the EE Pilot three months after the close of the program year.[1185] BIE also contends the annual report should include information about activity from the previous program year and progress towards the Company's goals for the remaining years of the EE Pilot.[1186] Further, BIE asserts it agrees with NFG that the annual reporting requirements should not be burdensome, duplicative, or inconsistent with the purpose of the EE Pilot as the purpose of the annual reporting is to evaluate the EE Pilot's performance.[1187]

3. Office of Consumer Advocate

OCA recommends the Commission deny NFG's proposed reconcilable rider to recover costs for its Energy Efficiency (EE) Pilot Program Rider because NFG failed to provide substantial evidence demonstrating that direct recovery in projected

---

1182 I&E St. No. 1, p. 25, citing NFG Statement No. 18, p .5, lines 1-2.
1183 I&E St. No. 1, p. 25.
1184 *Id.*, p. 26, citing NFG Statement No. 18, p. 14.
1185 *Id.*, p. 27.
1186 *Id.*
1187 I&E St. No. 1-SR, p. 23.

annual EE Program costs of approximately $700,000 over the five-year pilot period would result in just and reasonable rates.[1188]

OCA notes it does not oppose NFG's proposed EE pilot program,[1189] however, OCA recommends denying NFG's proposed EE Rider[1190] because NFG's proposal represents single-issue ratemaking and the costs at issue do not meet the criteria for reconcilable riders, pursuant to Section 1307, because the costs are not extraordinary, substantial, unexpected or non-recurring.[1191] Accordingly, OCA asserts NFG failed to demonstrate that approval of the rider would result in just and reasonable rates.

OCA points out that the Pennsylvania Commonwealth Court declared that "single issue rate making is prohibited if it impacts on a matter considered in a base rate case,"[1192] because a 'cursory' review undertaken for a surcharge is no substitute for the review that would be undertaken in a base rate case, namely, to determine whether a rate is just and reasonable.[1193] OCA argues NFG did not show that recovery of the costs for the EE Pilot program are unable to be considered as part of operating expenses in its base rate. In addition, OCA argues NFG seeks to have the costs extend over five years, during

---

1188 66 Pa. C.S. §§ 315(a), 1301.

1189 NFG "proposes implementing a comprehensive Energy Efficiency ("EE") Program over a five-year period beginning in October 2026. The program will provide rebate incentives for residential customers seeking to install high-efficiency natural gas space and water hearing appliances, as well as ENERGY STAR® certified natural gas clothes dryers." OCA St. 1 at 39.

1190 NFG St. 18 at 6.

1191 OCA St. 1 at 40, 4; OCA St. 1R at 20.

1192 *Popowsky v. Pa. P.U.C.*, 869 A.2d 1144, 1151 (Pa. Cmwlth. 2005) (*CSIC*), *appeal denied*, 895 A.2d 552 (Pa. 2006) (citing *Phila. Elec. Co. v. Pa. P.U.C.*, 502 A.2d 722, 727-28, 93 Pa. Commw. 410, 422 (1985) (*PECO 1985*) and overturning Commission's grant of a wastewater utility's request to implement a Collection System Improvement Charge).

1193 *CSIC* at 1157.

the term of the pilot, during which time NFG projects the program will have an annual cost of $700,000."[1194]

OCA notes that Section 1307[1195] allows a utility to adjust its rates through additional surcharges where: (1) "expressly authorized, or (2) where an expense is easily identifiable and beyond the utility's control."[1196] This adjustment is allowed because an expense can be recovered through a base rate filing generally when that expense is within the utility's control.[1197] In addition, OCA notes that a Section 1307 surcharge must address a significant expense, i.e., an expense capable of substantially degrading a utility's reasonable return on rate base.[1198] OCA asserts that where the Commission has approved an expense surcharge under Section 1307, the Commission has additionally required a showing that costs are extraordinary, substantial, unexpected or non-recurring.[1199] OCA cites to the example in *Aqua 2022*, in which OCA asserts the Commission found that the costs requested in the riders were not "unique, unexpected, or non-recurring," and that Aqua had not "experienced any extraordinary circumstances

---

[1194] *See Pa. Pub. Util. Comm'n v. Aqua Pennsylvania Wastewater, Inc.*, 2022 Pa. Pub. Util. Comm'n LEXIS 161 at *155 (Order, May 12, 2022) (*Aqua 2022*).

[1195] NFG states that the proposed EE program "does not interact with revenue sources such as 66 Pa. C.S. § 1307." NFG St. 18 at 17. However, NFG also states that it "believes the Company's proposed approach [] aligns with the cost recovery framework established under Act 129 for electric utilities." *Id.* at 10. Electric Utilities under Act 129 are directed to "include a proposed cost recovery tariff mechanism, in accordance with Section 1307." *Energy Efficiency & Conservation Program*, 2025 Pa. PUC LEXIS 69 at *103 (Order, Feb. 20, 2025). Thus, Commission decisions about Section 1307 surcharges are relevant.

[1196] *Popowsky v. Pa. Pub. Util. Comm'n*, 13 A.3d 583, 591 (Pa. Cmwlth 2011).

[1197] *Id.*

[1198] *Pa. Pub. Util. Comm'n v. PPL Elec. Util. Corp.*, Docket No. R-2012-2290597, Order at 18, 20-21 (Apr. 3, 2014) ("Section1307 surcharges are not favored and utilities should not turn to Section 1307 as a cure for all revenue-related ills. The Commonwealth Court has been clear that "the PUC should not use it [Section 1307] to disassemble the traditional rate-making process." (citation omitted)).

[1199] *See Aqua 2022* at *155.

with regard to its purchased water and energy costs when compared to the other routine O&M costs it recovers through base rates."[1200]

First, OCA contends that NFG's projected costs of the EE Pilot program are: (1) easily identifiable;[1201] (2) not outside the control of NFG, given that NFG would directly administer the pilot and has provided estimated participation levels and annual budgets;[1202] (3) NFG's projected annual expenses of $700,000 for its EE Pilot Program equates to approximately 1.4 percent of NFG's estimated annual income and does not rise to a level of substantial or significant expense such that it requires recovery through a reconcilable rider;[1203] (4) these costs are not unexpected, given that NFG seeks to run its EE Pilot Program for five years and has projected out annual participation rates and costs;[1204] (5) the costs will be recurring throughout the time any increase in revenue requirement granted in this base rate case is in effect, given that NFG plans to run its EE Pilot Program for five years;[1205] and (6) NFG did show that the projected expenses are "extraordinary circumstances … when compared to the other routine O&M costs it recovers through base rates."[1206]

In addition, OCA contends NFG's proposed EE Rider fails to meet any of the National Regulatory Research Institute (NRRI) recommended criteria for a cost-recovery mechanism[1207] because: (1) the costs are within the control of NFG; (2) are not projected to rise to a level of substantial or material costs justifying recovery through a

---

1200 *Id.*
1201 NFG St. 18 at 6.
1202 OCA St. 1 at 41 (citations and footnotes omitted); NFG St. 18 at 7.
1203 *Id.* at 41-42.
1204 *See* NFG St. 18 at 6-7.
1205 *See id.* at 5.
1206 *See Aqua 2022* at *155.
1207 OCA St. 1 at 40; 43.

rider; and (3) projected costs for the EE Pilot Program as presented are "relatively flat and not expected to be significantly volatile."[1208]

OCA notes NFG argued herein that OCA had not demonstrated the EE Pilot or its proposed recovery mechanism is unjust or unreasonable.[1209] OCA counters that there is no presumption of reasonableness attached to a utility's proposals, however, and OCA does not have the burden of disproving the reasonableness of NFG's proposal.[1210] Moreover, OCA asserts the Commission does not need to approve a cost-recovery mechanism simply because approval was granted in other cases.[1211] OCA posits that, while not binding on the Commission,[1212] when considered in conjunction with the Commission's standard on single-issue ratemaking and Section 1307 surcharges or reconcilable riders above, the NRRI criteria remain important considerations for the Commission in making its case-specific determination of whether the dedicated rider would result in just and reasonable rates because of how the criteria interact with the Commission's criteria for evaluation. OCA argues NFG failed to demonstrate that its EE Rider would result in just and reasonable rates primarily because it violates the Commission's prohibition on single-issue ratemaking and does not meet the Commission's own criteria for evaluating reconcilable riders. OCA recommends that the NFG's proposed EE Pilot Program Rider be denied.

4. Office of Small Business Advocate

OSBA requests the Commission recommend the Energy Efficiency Pilot program should include small business customers and be paid through shareholder funds.

1208 *Id.* at 42.

1209 NFG St. 1 at 15.

1210 *Pa. Pub. Util. Comm'n v. Equitable Gas Co.,* 1983 Pa. PUC LEXIS 33 at *53 (Order July 8, 1983).

1211 *See* NFG St. 18R at 14-15.

1212 OCA St. 1SR at 20:4-5.

OSBA notes National Fuel proposed implementing an EE program over a five-year period beginning in October 2026. OSBA also notes the proposed program will only provide rebate incentives to residential customers to encourage the installation of high-efficiency natural gas space heating, water heating, and clothes drying appliances.

OSBA points out that Natural Fuel's New York division has been running an EE program for over 17 years,[1213] and the Company's EE program in NY includes both residential and non-residential programs.[1214] OSBA also notes the non-residential program in New York provides rebates for replacing specified appliances with new, energy efficient models.

OSBA asserts that Small Business customers should have access to the same energy efficiency programs available to residential customers because they face many of the same affordability challenges. OSBA notes that rising natural gas costs affect restaurants, retail stores, salons, small manufacturers, and other local businesses that often operate on thin margins. However, unlike large commercial and industrial customers, OSBA asserts these small businesses frequently lack the capital needed to invest in energy-saving equipment without utility assistance. OSBA contends that extending residential-style energy efficiency programs to Small Businesses would help reduce monthly utility bills, improve competitiveness, and allow these businesses to devote more resources to employees, wages, and customer service.

OSBA argues that providing energy efficiency incentives to Small Businesses also benefits all customers by reducing overall system demand and lowering the need for costly infrastructure investments. OSBA points out that energy savings

---

[1213] National Fuel Statement No. 18, Direct Testimony of Erik M. Solomon, p. 4.

[1214] See https://www.nationalfuel.com/utility/energy-efficiency-rebate-program/.

achieved by Small Businesses can be substantial when multiplied across thousands of customers, and since Small Businesses are often the economic backbone of local communities, helping them control energy costs supports job retention, economic development, and community stability. For these reasons, OSBA asserts that limiting energy efficiency programs solely to residential customers creates an inequitable result and misses an important opportunity to deliver meaningful savings to a significant segment of the utility's customer base.

OSBA points out that NFG shareholders contribute to the Neighbor for Neighbor residential hardship fund. Similarly, OSBA requests that the Company shareholders should also contribute to programs to help Small Businesses. Accordingly, OSBA recommends that National Fuel include in its proposal an energy efficiency program for non-residential customers based upon the Company's experience running the non-residential program in New York.

5. CAUSE-PA

a. EEP unreasonably requires low income customers to contribute to costs of the pilot with no opportunity to derive any meaningful benefit

CAUSE-PA notes NFG seeks approval to implement a five-year energy efficiency pilot program (EE Pilot) that would provide rebates to residential customers who purchase high-efficiency gas appliances,[1215] and to recover the costs of the EE pilot, NFG proposes to implement a new rider, Rider D, which would recover approximately $0.7 million annually from the residential class, including confirmed low income customers and CAP participants.[1216] CAUSE-PA notes, however, the pilot design does

---

1215 CAUSE-PA St. 1 at 61.

1216 *Id.*

not include any dedicated low income programming and makes no provision for low income customers to realistically participate or derive any quantifiable usage or bill savings.[1217] CAUSE-PA asserts low income customers most often lack the discretionary income necessary to take advantage of rebate-based programs and will not be able to meaningfully participate in the pilot.[1218] CAUSE-PA argues the Commission should reject NFG's EE pilot because, as designed, it would unjustly and unreasonably force low income customers – who already face acute and categorical rate unaffordability - to pay for a pilot that they are unable to meaningfully participate in and would derive no quantifiable benefit from.[1219]

CAUSE-PA points out that NFG draws upon the Act 129 framework that guides the development of the statutorily mandated energy efficiency and conservation (EE&C) programs for electric distribution companies (EDCs) including, for example, using the Total Resource Cost test developed for Act 129 implementation[1220] and using a nonbypassable rider for cost recovery.[1221] However, unlike Act 129 EE&C programs, CAUSE-PA contends NFG fails to provide for dedicated and proportional low income programming within its EE pilot, asserting that Act 129 does not apply because NFG is an NGDC, not an EDC, so it need not comply with Act 129's requirement that utilities offer dedicated and proportional low income programming.[1222] CAUSE-PA argues NFG is borrowing those aspects of the Act 129 framework that benefit NFG and is rejecting those aspects that are designed to safeguard low income consumers.[1223]

[1217] CAUSE-PA St. 1 at 62.
[1218] *Id.*
[1219] CAUSE-PA St. 1 at 63.
[1220] NFG St. 18 at 8.
[1221] *Id.* at 10.
[1222] NFG St. 18-R at 5.
[1223] CAUSE-PA St. 1-SR at 16-17.

CAUSE-PA points out it is well established within the Act 129 framework that rebate-based programs are inaccessible to low income customers,[1224] which CAUSE-PA contends is why the General Assembly explicitly required that Act 129 EE&C programs include specific energy efficiency measures for households at or below 150% FPL, that are in addition to existing LIURP expenditures.[1225] CAUSE-PA notes the Commission has recognized that dedicated low income offerings help "to ensure that low-income customers are able to access and participate in the EDCs' efficiency programs" and help "to ensure that low-income customers realize significant benefits from these programs."[1226] CAUSE-PA asserts the Commission has required EDCs to include dedicated low income offerings in their energy efficiency plans since Act 129's inception,[1227] but contends NFG has not substantiated that low income customers would be able to realistically participate in the rebate-based pilot it proposes – a theory that would run contrary to decades of experience with efficiency programs across the state.[1228]

CAUSE-PA acknowledges, as pointed out by NFG, that the Commission's recent approval for Columbia Gas to continue its EE program did not require specific low income offerings within that program.[1229] CAUSE-PA points out, however, in approving the continuation of Columbia Gas's energy efficiency program without dedicated low income offerings, the Commission highlighted that Columbia operated a low income Audits & Rebates (A&R) program, which provided comprehensive programming for customers who have income at or below 250% FPL who would not otherwise qualify for LIURP services.[1230] CAUSE-PA asserts that, as a result, the Commission stated that

---

1224 *See Id.* at 17.

1225 66 Pa. C.S. § 2806.1(b)(1)(i)(G).

1226 Implementation Order, Energy Efficiency and Conservation Program, Docket No. M-2025-3052826 (entered Jun. 18, 2025) at 68.

1227 CAUSE-PA St. 1-SR at 17.

1228 CAUSE-PA St. 1-SR at 17-18.

1229 NFG St. 18-R at 5.

1230 *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa., Inc.*, Opinion and Order, Docket No. R-2025-3053499 at 378 (Order entered Dec. 4, 2025).

Columbia Gas's low income customers had "equitable opportunities for efficiency and conservation incentives."[1231] CAUSE-PA argues it is an important difference that the Commission did not authorize Columbia's EE program without ensuring that the company's low income customers had other equitable opportunities to access efficiency measures beyond LIURP.[1232]

In contrast, CAUSE-PA points out NFG has no similar program providing equitable opportunities for the Company's low income customers to receive energy efficiency and conservation measures beyond LIURP. CAUSE-PA argues it is unjust and unreasonable to assess low income customers a rider recovering costs for an EE pilot without providing any equitable opportunities for them to receive efficiency and conservation measures. As such, CAUSE-PA contends the Commission should reject NFG's EE pilot because it would unreasonably require low income customers to contribute to the expense of a program they have no realistic ability to benefit from without providing them with any equitable access to efficiency measures.

b. If the Commission allows NFG to implement its EE Pilot, the Commission should require NFG to amend the design to include dedicated low income programming.

CAUSE-PA argues that if the Commission authorizes NFG to initiate its EE Pilot, the Commission should require NFG to revise its EE Pilot program design to include a dedicated low income subprogram to ensure that low income customers have equitable opportunities to access efficiency measures beyond LIURP,[1233] and require the budget for the low income subprogram to fit within the existing EE pilot's overall budget at an equivalent that is in proportion to usage by low income customers.[1234]

[1231] *Id.*
[1232] *Id.*
[1233] CAUSE-PA St. 1 at 65-66.
[1234] CAUSE-PA St. 1-SR at 17.

CAUSE-PA contends that funding the subprogram this way would help ensure that the funding collected from low income customers for the EE pilot would be available to those customers to access direct benefits from the pilot.[1235] CAUSE-PA also asserts the low income programming within the EE pilot should be targeted to customers who are ineligible for LIURP and should include no-cost efficiency measures with direct installation.[1236]

In addition, if the Commission authorizes NFG's EE pilot to proceed, CAUSE-PA asserts the Commission should require the Company to develop and implement additional tracking, reporting, coordination, and outreach protocols.[1237] CAUSE-PA supports BIE's recommendation that NFG be required to file an annual report on the pilot that includes information including, but not limited to, "savings (cost and Mcf), participation (by number of customers and type of rebate), spending, cost-effectiveness, highlights of portfolio and program activity, and updates to program delivery and design" with such information disaggregated for low income customers, the number of referrals to LIURP, and the number of customers referred to LIURP that received LIURP services as a result of participating in the pilot.[1238] The report should also include the number of customers referred to other universal services programs, including CAP.[1239]

CAUSE-PA argues the Commission should require NFG to screen customers participating in the EE pilot for household income to determine eligibility for enhanced efficiency and other low income programming (including LIURP and CAP),

---

1235 *Id.*
1236 CAUSE-PA St. 1 at 66.
1237 *Id.* at 66-68; I&E St. 1 at 27.
1238 I&E St. 1 at 17.
1239 CAUSE-PA St. 1 at 66.

with the ability for customers to opt out, to ensure customers receive the most comprehensive services available.[1240] The Commission should in turn require NFG to develop a plan for coordinating its EE pilot, including the low income subprogram proposed above, with other energy efficiency and weatherization services available in NFG's service territory, including but not limited to appropriate referrals to and coordinated measure delivery with NFG's LIURP, EDC LIURP and Act 129 programs, and the federal Weatherization Assistance Program (WAP).[1241] Finally, CAUSE-PA argues the Commission should require NFG to develop outreach materials for the EE pilot, including the low income EE pilot subprogram proposed above.[1242] CAUSE-PA explains that this outreach should co-market the pilot with other energy efficiency services in NFG's service territory, including NFG's LIURP, EDC LIURP and Act 129 programs, and WAP, with materials available, at minimum, in English and Spanish.[1243] The Commission should require NFG to consult with the Company's USAC regarding these materials to ensure the language and dissemination of the outreach reasonably informs customers of the availability of and process for applying to these energy efficiency programs.[1244]

6. Providers Task Force

7. Presiding Officer's Recommendation

Pilot Overview

[1240] *Id.* at 67.
[1241] *Id.* at 66-67.
[1242] *Id.* at 67.
[1243] *Id.*
[1244] CAUSE-PA St. 1 at 67-68.

The Company proposes to implement a residential pilot program entitled the Energy Efficiency Pilot. The Company would operate the pilot for a five-year period beginning in October 2026. The purpose of the pilot is to encourage residential customers to install high efficiency natural gas appliances and, thereby, to reduce household costs, improve household safety and improve reliability in the short and long terms. NFG estimates the pilot could reach 10,000 customers over the five years and result in conserving 56,255 Mcf of natural gas and $497,300 in energy saving. Part of the pilot includes NFG implementing an Evaluation, Measurement & Verification plan to assess performance and cost-effectiveness. The program will not have income restrictions, and all residential customers will be eligible to participate in the program. The program would include referrals, as appropriate, to Low Income Usage Reduction Program (LIURP), the Emergency Repair and Replacement Program (ERRP), and other assistance programs to connect eligible customers to programs with deeper, no-cost weatherization services available.[1245]

Expansion of Pilot

While no party objected to the pilot or its potential benefits, CAUSE-PA and OSBA requested separate additions or expansions to the pilot which would benefit the constituents on behalf of which both parties advocate: low- income customers and small business customers, respectively. CAUSE-PA requested an expansion to include a no-cost, direct install, low-income component that was dedicated to benefit low-income customers. NFG opposed CAUSE-PA's proposal because it would create a fundamentally different program model with distinct eligibility rules, delivery infrastructure, contractor management requirements, and budget implications. In addition, NFG noted CAUSE-PA had not provided any analysis of the costs associated with its proposal or the impact it would have on the cost effectiveness of the EE Pilot.

[1245] National Fuel St. No. 18-R, pp. 6-7.

OSBA requested an expansion to include a non-residential EE program based on the experience of NFG's parent company that implemented a similar program in New York where, OSBA pointed out, NFG's parent implemented an EE program for both residential and non-residential customers.. The Company opposed OSBA's proposal because it would change the program by adding different load profiles, decision-making processes, rebate structures and participation dynamics and could make it more difficult to draw meaningful conclusions.

Tracking and Reporting

BIE recommended, and NFG agreed, the Commission should require tracking and reporting from NFG, to include an annual report (due three months after the close of the program year) which would include information about activity during the previous program year and progress made towards NFG's goals for the years remaining in the pilot. The data to be tracked and reported should include: information for low-income customers in the program; the number of referrals made to LIURP, EERP, etc.; the number of referral customers who received LIURP services as a result of participating in the EE pilot."[1246]

Cost Recovery

NFG requested the Commission approve a residential rider (Rider D) applicable to all residential customers for cost recovery. OCA opposed the recovery method NFG suggested because NFG failed to prove that its proposed costs of $700,000 over the term of the pilot would result in just and reasonable rates, and because NFG's Rider D proposal represents single-issue ratemaking, the costs do not meet the criteria for

[1246] I&E St. No. 1, p. 27.

reconcilable riders (pursuant to 66 Pa.C.S. § 1307), and because the costs are not extraordinary, substantial, unexpected or non-recurring.

The ALJ's Recommendation

After considering the evidence presented and the arguments of the parties, the ALJ is persuaded: (1) by NFG that the pilot should be approved and implemented; (2) by NFG that the pilot should not be expanded beyond residential, at this time; (3) by BIE and NFG that NFG must track and report to the Commission, within three months of the end of each program year, information about the participation of low-income customers; and (4) by OCA that the Commission should not implement Rider D at this time.

In terms of the proposal to expand the EEP to include no-cost service to low-income eligible customers, the ALJ agrees with NFG that providing a no-cost alternative to customers with lower incomes should be, and is, a feature of programs such as LIURP or EERP. OCA is correct that lower income customers may not have the resources to purchase and install the new equipment, before reimbursement through the program, but the other programs are available to assist these lower income customers. To the extent funds through the other programs (i.e., LIURP or EERP) are not accessible to lower income customers, OCA should challenge NFG on these issues in its next rate case or universal service proceeding.

The ALJ agrees with OSBA that the pilot should be expanded to include non-residential customers, however, the time for expansion is not at the start of the pilot. Once NFG has had a few program years to determine the costs, participation and effectiveness of the pilot, the Commission should consider expanding the program to include non-residential customers, especially smaller businesses with certain income eligibility requirements in place.

The ALJ is persuaded by OCA that the Commission should not approve Rider D, at this time. NFG estimated the total cost of the pilot over five years would be approximately $700,000 per year. OCA argued Rider D fails to meet any criteria for a cost-recovery mechanism because: (1) the costs are within the control of NFG; (2) are not projected to rise to a level of substantial or material costs justifying recovery through a rider; and (3) projected costs for the EE Pilot Program as presented are "relatively flat and not expected to be significantly volatile. The ALJ notes that NFG projects participation by possibly 10,000 customers over five years. The ALJ is unconvinced by NFG's evidence and arguments that the program, as designed currently, will place a financial burden upon NFG prior to the next base rate case. Accordingly, the ALJ recommends the Commission reject NFG's request to implement Rider D.

K. Concerning Universal Service

1. National Fuel Gas Distribution Corporation

a. Customer Assistance Program

The Company notes CAUSE-PA proposed prescriptive measures that it claimed would increase enrollment in the Company's CAP.[1247] The Company asserted it recognizes the importance assisting low-income customers through lower rates and debt forgiveness. NFG contends it is committed to successfully implementing and growing the CAP program and argues it took sincere efforts to: (1) fully consider and understand CAUSE-PA's proposals; (2) describe ways in which current operations align with those recommendations; (3) adopt proposals with a potential to complement and enhance

[1247] *See* CAUSE-PA St. No. 1, p. 72.

NFG's ongoing efforts; and (4) commit to evaluate proposals that might require significant system changes before NFG agrees to implement them.[1248]

1. Income Screening

NFG has serious process, staffing, and customer service concerns with CAUSE-PA's proposal to implement a new income screening process for all non-emergency calls,[1249] and in rebuttal NFG agreed to evaluate the proposed system and staffing changes needed if NFG implemented a new process for handling every non-emergency call. NFG points out it has a pre-established process to identify low-income customers and makes regular referrals to appropriate assistance programs when a customer's reported income indicates eligibility.[1250] The Company asserted points of contact include asking customers for income information a customer contacts NFG and indicates an inability to pay, asks about a termination notice or payment arrangement, or requests an extension for bill payment. The Company contends these customers are referred to Universal Service programs, including CAP,[1251] and NFG systematically identifies customers as low-income when it receives LIHEAP, CRISIS, or Supplemental payments from the Department of Human Services (DHS) for that customer.[1252] In addition, NFG asserts it updates income information for those customers who provided income information previously when discussing customer eligibility for a new payment arrangement, and to reverify income for continued CAP enrollment. Finally, the Company points out customers are notified about available Universal Service programs through bill inserts.[1253]

[1248] *See* National Fuel St. No. 17-R, pp. 4-21.
[1249] CAUSE-PA St. No. 1, p. 12.
[1250] National Fuel St. No. 17-R, p. 5.
[1251] National Fuel St. No. 17-R, p. 5.
[1252] National Fuel St. No. 17-R, p. 5.
[1253] National Fuel St. No. 17-R, p. 5.

NFG disagrees with CAUSE-PA's proposal to screen all customers for income level during all non-emergency calls because the proposal would increase significantly the call handle time, negatively impact customer service levels, require additional call center employee training, and ultimately require the hiring of additional call center employees to account for the increase in call handle time.[1254] NFG argues accepting CAUSE-PA's claim the process would take a few seconds of call center time before handing the customer over to CARES personnel to handle the income screening and referrals,[1255] because this action would shift the administrative burden to other employees with existing duties and fails to account for the additional time, resources, and systems needed to implement the proposal. National Fuel notes it does not have an Interactive Voice Response (IVR) system and relies on its customer service personnel to handle all calls, including recording and updating customer information.[1256] The Company's notes its claim herein includes hiring three new employees to ensure that appropriate staffing to cover *current* CAP program and call center needs.[1257]

Lastly, NFG notes CAUSE-PA did not provide any analysis or calculations of the additional call times, resources, or administrative efforts its recommendation would require. Further, NFG points out the Commission recently rejected a more limited income screening proposal in UGI's USECP proceeding, finding that UGI's existing processes were sufficient,[1258] and NFG requests the Commission reject CAUSE-PA's more extensive proposal herein. Instead, the Company suggests the Commission should direct it to evaluate the proposal and work with its USAC to develop a feasible plan for proactive income screening and a reasonable timeline for implementation, consistent with

---

1254 National Fuel St. No. 17-R, p. 6.
1255 CAUSE-PA St. No. 1-SR, pp. 6-7.
1256 National Fuel St. No. 17-R, p. 13.
1257 National Fuel St. No. 3-R, p. 3.
1258 *See UGI Utilities Inc. – Gas Division Universal Service and Energy Conservation Plan for 2026-2030*, Docket No. M-2025-3054362 (Order entered June 4, 2026), p. 93.

the Company's rebuttal testimony.

2. Benchmarking

NFG disagrees with CAUSE-PA's benchmarking proposal for CAP enrollment, which would require the Company to increase the total CAP population by 5% of its estimated low-income population each year.[1259] The Company asserts this proposal would require it to enroll a *minimum* of 2,877 new customers into CAP each year. NFG asserts that, as of January 2026, 6,352 customers were enrolled in its CAP, but CAUSE-PA's proposal would require the Company to increase overall CAP enrollment from 6,352 to 9,229 in a single year, or by more than 45%. To meet this goal, the Company would also need to replace any customers that left CAP during the year, either by defaulting, moving or stopping service, or voluntarily removing themselves from the program.[1260] NFG contends this proposal lacks any analysis demonstrating that the 5% benchmark is reasonable or supports the claim that implementing outreach and screening proposals could achieve the benchmarking goal. The Company disagrees with basing the benchmark on the population of estimated low-income customers in the service territory, who by definition have not been confirmed as eligible for CAP.[1261]

The Company contends it actively works to increase CAP enrollment, including to make efforts to: include 8,000 referrals in 2025; increase enrollments through processing data sharing files from DHS; and develop a targeted outreach campaign that includes phone calls and emails to reach customers with high balances and customers with no recorded income.[1262] The Company points out it took various

---

1259 CAUSE-PA St. No. 1, p. 36.

1260 National Fuel St. No. 17-R, pp. 10-11.

1261 *See, e.g.*, *Universal Service Programs & Collections Performance, 2024 Report* (Jan. 2026), p. 56.

1262 National Fuel St. No. 17-R, p. 12.

measures to increase enrollment, including: moving CAP administrative work in house rather than relying on a third-party vendor; plans to hire three additional FTEs to support CAP program work; launched an online application for CAP in January 2025; and giving customers to option to complete CAP recertification online.[1263] The Company contends it successfully leveraged the DHS data sharing program to increase enrollments and simplify recertifications. The Company points out it increased CAP enrollment by 698 customers between July 2025 and January 2026.[1264] However, the Company argues the success of CAP should not be measured by enrollment alone but by the ongoing efforts the Company takes to improve accessibility to the program, educate and connect with customers who may be eligible, and increase staffing to administer the program in house.

3. CAP Recertification

The Company disagrees with CAUSE-PA's proposal to expand methods used to contact CAP customers due for recertification through outreach to customers by email, mail, and text message, allowing online recertification, providing information for how to complete recertification online, and performing additional outreach to customers who fail to recertify and are removed from CAP,[1265] because NFG contends it has implemented previously the majority of these CAP recertification recommendations by allowing online recertification (including document uploading) in both desktop and mobile formats, reaching out to customers due to be recertified by email and/or mail, providing a self-addressed, stamped envelope to customers who are sent a paper recertification application, and providing information on how to recertify online.[1266]

However, the Company notes it does not have currently the technical ability

---

[1263] National Fuel St. No. 17-R, p. 9.
[1264] National Fuel St. No. 17-R, p. 12.
[1265] CAUSE-PA St. No. 1, pp. 31-32.
[1266] National Fuel St. No. 17-R, pp. 13-14.

to send text messages to customers, and would first need to identify, select, and incorporate a new platform for sending text messages and then identify customers who consent to communications through text. As such, the Company cannot feasibly implement this aspect of the proposal.[1267] In addition, NFG disagrees with CAUSE-PA's proposal to require the Company to continue recertification efforts after customers have been removed from CAP because those customers are notified when they are removed from CAP and provided information about recertification before removal.[1268]

The Company noted that, as a matter of policy, it only emails customers who consented to electronic communications, however, NFG agreed in rebuttal to increase recertification outreach to include both email and mail for customers who have consented to receive electronic communications.[1269] NFG argues its current procedures for recertification are sufficient and largely meet CAUSE-PA's proposal, and it requests the Commission should refuse to adopt CAUSE-PA's additional recertification procedures.

4. Leveraging DHS LIHEAP Data

The Company requests the Commission reject CAUSE-PA's proposal to expand outreach to CAP eligible customers who participate in the DHS data sharing program by including contacts by email, phone, and text messages.[1270] The Company notes its current process is to mail simplified applications to customers who are not enrolled in CAP, which can be returned via mail, email, or online. NFG asserts this process resulted in 615 successful enrollments between August 2025 and February 2026,

---

1267 National Fuel St. No. 17-R, p. 14.
1268 National Fuel St. No. 17-R, pp. 13-14.
1269 National Fuel St. No. 17-R, p. 14.
1270 CAUSE-PA St. 1, pp. 34-36.

and it argues the proposal to add email and text message to this process is unnecessary and should be rejected.

Similarly, the Company requests the Commission reject CAUSE-PA's recommendation that NFG should recertify CAP customers based on the receipt of DHS data rather than the programmatic recertification date for CAP customers. NFG notes it currently only recertifies CAP customers based on DHS data if the CAP customer is already eligible for recertification. NFG further notes eligible customers are recertified automatically and provided a letter stating that recertification is complete and no further action is required. For customers that are not eligible for recertification, the Company maintains that adhering to the programmatic recertification date is appropriate because it aligns with National Fuel's Commission-approved USECP.[1271]

NFG notes, however, that through this proceeding it agreed to accept CAUSE-PA's proposal in part by expanding outreach to potentially-eligible customers by making a phone call to inform those customer of the potential availability of the program based on the customer's reported income, and to recertify all CAP customers based on DHS data, regardless of their renewal date. The Company believes this outreach expansion strikes an appropriate balance between National Fuel's current practices and CAUSE-PA's proposal without requiring duplicative communications to customers.

5. Tracking and Reporting

The Company it agreed in rebuttal to CAUSE-PA's recommendation to track and report additional CAP-related data to its USAC including: the number of applications and recertifications; the total number of CAP accounts with arrears; the total dollar amount in debt for CAP customers; and the average amount of debt for CAP

[1271] National Fuel St. No. 17-R, p. 17.

customers.[1272] However, the Company requests until mid-2027 to implement these changes and present the data to its USAC because the Company does not currently have systems in place to track and aggregate this data.[1273]

The Company disagreed, however, with CAUSE-PA's recommendation the Commission audit the Company's collections and universal service programs, and NFG noted it provided context in rebuttal for the reported data that raised CAUSE-PA's concerns, *i.e.*, CAP defaults and arrearage management. NFG argues that, while the Company agreed to track data for CAP customers, it is not required to track and report this data to the Commission.[1274] The Company agrees it does not track, report, or aggregate specific data in the format sought by CAUSE-PA in discovery but that fact is not an indication the Company is out of compliance with the Commission's regulations. NFG argues CAUSE-PA's recommendation is an unreasonable escalation of a discovery issue that the Company actively worked with CAUSE-PA to resolve, providing explanations and updating responses as necessary to ensure that the Company was responsive to data requests.[1275] Further, NFG asserts it is already subject to comprehensive oversight and routine evaluation of its Universal Service Programs and reporting through established Commission-approved processes, which includes independent, third-party evaluations of the Company's Universal Service Programs designed to assess program effectiveness and compliance, and CAUSE-PA's calls for an additional audit would be duplicative of these processes and is unnecessary.[1276] For these reasons, the Company requests the Commission reject CAUSE-PA's recommended audit

---

[1272] National Fuel St. No. 17-R, pp. 17-18.

[1273] National Fuel St. No. 17-R, pp. 17-18.

[1274] National Fuel St. No. 17-R, p. 18. The Company reports this data to the Commission broken into total residential customers and confirmed low-income customers. *See* Appendix B to CAUSE-PA St. No. 1, National Fuel's Response to OCA IV-1.

[1275] National Fuel St. No. 17-R, pp. 20-21.

[1276] National Fuel St. No. 17-R, pp. 18-19.

of the Company's tracking related to collections and Universal Service programs.

b. Low Income Usage Reduction Program

The Company claims LIURP provides low-income customers with no-cost weatherization services, and annual funding for the Company's LIURP is set at $1.4 million.[1277] NFG notes it disagrees with the Providers Task Force recommendation that the Company should increase its LIURP funding by a percentage equal to any approved increase to residential rates approved in this proceeding.[1278] The Company argues its current LIURP spending is sufficient. NFG points out that its LIURP budget rolls forward each year, and in 2025, it had carryover dollars of $1,450,879.24, even after the Company saw an increase in LIURP participation that year.[1279] The Company contends the increased spending in 2025 was partly due to a government shutdown that redirected work from other community agencies during that period.[1280] NFG argues there is no need to increase the LIURP considering the program's current funding levels and budget surplus, and the Provider Task Force's proposal to increase LIURP funding should be rejected.

Similarly, asserts the recommendations offered by CAUSE-PA and the Provider Task Force should be rejected. First, NFG disagrees with CAUSE-PA's recommendation to expand LIURP eligibility to mobile homes.[1281] NFG notes it does not offer LIURP weatherization services to mobile homes due to limited opportunities for meaningful energy savings, and the Company points out this practice is in line with other natural gas utilities in Pennsylvania, including Columbia Gas of Pennsylvania and

1277 I&E St. No. 1-R, p. 5.
1278 CAUSE-PA St. 1, p. 41.
1279 National Fuel St. No. 17-R, p. 23.
1280 National Fuel St. No. 17-R, p. 22.
1281 CAUSE-PA St. No. 1, p. 43.

Peoples Natural Gas Company. The Company argues CAUSE-PA's proposal does not consider the practical obstacles to weatherizing mobile homes, including issues with construction, the need for structural repairs, and questionable cost-effectiveness of insulation due to the limited space available.[1282] The Company asserts it offers assistance to customers living in mobile homes through its ERRP, which provides the emergency repair or replacement of natural gas heating and hot water heating equipment.[1283] Accordingly, the Company contends the Commission should reject the proposal to expand LIURP eligibility for mobile homes.

Second, the Company disagrees with CAUSE-PA's recommendation the Commission require National Fuel to prepare a comprehensive written plan to expend its full LIURP budget, expand the availability of usage reduction services, and file the plan at the Company's USECP docket within 90 days of the entry of a final order in this proceeding.[1284] NFG argues this proposal should be rejected because it contemplates substantive programmatic changes of the Company's Commission-approved LIURP. The Company contends its existing USECP process is the appropriate forum for CAUSE-PA to undertake comprehensive planning for LIURP, as it provides stakeholders the opportunity to review and provide input on the proposal and necessarily addresses issues of budget, eligibility, outreach, and community need.[1285] NFG argues stakeholders would be deprived of a meaningful input opportunity and would not allow NFG sufficient time to plan and design program changes, such as those contemplated by CAUSE-PA, if the Commission requires the Company to file a new plan for an existing program on CAUSE-PA's tight deadline.

[1282] National Fuel St. No. 17-R, p. 24.

[1283] National Fuel St. No. 17-R, p. 24.

[1284] CAUSE-PA St. No. 1, pp. 43-44.

[1285] *See Aqua 2022*, p. 178 ("As the ALJ stated, this complex issue would be better reviewed in a universal service stakeholder process that would allow the parties to review data from the current program and its associated costs through a more flexible discussion.")

Third, NFG disagrees with the Provider Task Force proposal to reduce the consumption threshold for the LIURP program.[1286] The Company asserts it currently addresses this proposal through its ongoing implementation of its Low Consumption LIURP ("LC-LIURP") pilot program, which the Commission extended through the duration of the Company's 2022-2026 Universal Service and Energy Conservation Plan. The Company asserts the goal of this program is to identify and assist households using moderate consumption (annual consumption greater than or equal to 900 Ccf but less than 1,300 Ccf) in which the residence has a similar amount of square footage equal to the identified yearly consumption. The Company contends it will evaluate with its next USECP filing whether it is appropriate to make LC-LIURP a permanent part of its LIURP.[1287] As such, NFG asserts the Provider Task Force's proposal has been addressed and no further action is required at this time.

c. Neighbor for Neighbor Hardship Fund

NFG asserts the number of grants awarded through its Neighbor for Neighbor (NFN) hardship fund more than doubled in 2025 (as compared to 2023 and 2024) and now faces a budget shortfall. To address the immediate funding shortfall and avoid suspending the program, the Company elected to release its 2026 annual shareholder contribution early.[1288] The Company noted its proposed changes to NFN eligibility are designed to extend the available funds while ensuring the customers who are most in need of assistance continue to receive them. Specifically, the Company proposed limiting eligibility to its current customers and former customers, making income a mandatory criterion for eligibility - meaning applicants need to meet both the income requirement and one other specified/current requirement to qualify - and providing flexibility in the grant amount based on program demand and available

[1286] Task Force St. No. 1, pp. 6-7.
[1287] National Fuel No. 17-R, pp. 25-26.
[1288] National Fuel St. No. 17-R, p. 27.

funding.[1289] The Company argues its proposed modifications to the NFN eligibility requirements are reasonable and should be approved.

The Company notes it currently partners with the Greater Erie Community Action Committee (GECAC) to help raise funds for NFN, a structure that preserves the independent and charitable nature of the fund.[1290] Yet, National Fuel points out it cannot guarantee that fundraising alone will be sufficient because NFN relies on voluntary contributions for funding. The Company argues its proposed modifications will allow the Company to keep the fund available while limiting it to customers who are most in need, and having a flexibility to adjust grant awards will help prevent premature depletion of the fund and avoid temporary program suspensions. The Company disagrees with CAUSE-PA's claims that doubling the shareholder contribution would bring the Company in line with other utilities' average hardship contribution levels per customers, *i.e.*, $0.69 per customer.[1291] NFG argues that, based on its residential customer base of 196,629, the proposed contribution level (i.e., by doubling the shareholder contribution) would result in a per-customer funding level of $0.94, which amount is well above the referenced benchmark.[1292]

NFG argues the Commission should reject CAUSE-PA's claim that the Company's proposal should be denied because it was not included in the Company's direct case.[1293] NFG points out it notified the parties of the proposed changes in response to CAUSE-PA's own discovery request.[1294] NFG points out CAUSE-PA responded to that proposal in its direct and surrebuttal testimony, and the Commission should not permit CAUSE-PA to now claim that it did not have an opportunity to review and

---

1289 National Fuel St. No. 17-R, p. 28.
1290 National Fuel St. No. 17-R, pp. 30-31.
1291 CAUSE-PA St. No. 1, p. 50.
1292 National Fuel St. No. 17-R, p. 27.
1293 CAUSE-PA St. No. 1, p. 48.
1294 CAUSE-PA St. No. 1, p. 48.

respond to the Company's proposal.

The Company contends it has an ongoing commitment to maintain customer access to the NFN hardship fund and, accordingly, it agrees to voluntarily increase its annual shareholder contribution by $30,000 (an approximately 30% increase to $122,000 annually) and will implement that increase retroactively, meaning the Company will contribute an additional $30,000 in 2026, in light of the concerns raised by CAUSE-PA. NFG asserts this proposal results in a funding per customer level of $0.62, which is in line with the average cited by CAUSE-PA.

2. Bureau of Investigation and Enforcement

BIE notes it did not submit testimony on most of the issues raised by the other parties (OCA, CAUSE-PA and the Providers Task Force. BIE asserts it only provided testimony on the Low Income Usage Reduction Program.

a. Customer Assistance Program

BIE did not submit any testimony or record evidence on CAP issues, and BIE did not take a position on this issue.

b. Low Income Usage Reduction Program

Regarding the LIURP recommendations proposed by the Provider Task Force, BIE notes the Provider Task Force recommended that the Company increase its LIURP budget by the percentage increase in rates for residential customers as a result of this proceeding.[1295] BIE asserts the Provider Task Force's proposal may be well-

---

[1295] *Id.*, p. 2.

intentioned, but BIE contends it is inappropriate to consider an increase in the LIURP budget in the instant proceeding considering the Company has been unable to exhaust its existing budget in 2022, 2023, and 2024, and considering the Company has underspent its budget by almost $1,500,000 in 2025.[1296] BIE asserts the Provider Task Force's supporting arguments are too speculative and not supported by any substantial record evidence.

BIE also notes the LIURP program costs are directly funded by ratepayers, who do not receive assistance from low-income programs but are barely paying their bills themselves.[1297] BIE argues it is unreasonable to implement an increase to LIURP which is paid for by ratepayers, when the Company's ability to utilize these additional funds is not supported by past experience and is uncertain.[1298]

c. Neighbor for Neighbor Hardship Fund

BIE did not submit any testimony or record evidence nor make any recommendations regarding any hardship fund, and BIE did not take a position on this issue.

3. Office of Consumer Advocate

a. Customer Assistance Program

OCA did not address this issue.

b. Low Income Usage Reduction Program

1296 *Id.*, citing I&E Exhibit No. 1-R, Schedule 1.
1297 *Id.*, p. 3.
1298 *Id.*

OCA did not address this issue.

c. Neighbor for Neighbor Hardship Fund

OCA did not address this issue.

4. Office of Small Business Advocate

a. Customer Assistance Program

OSBA did not take a position on this issue.

b. Low Income Usage Reduction Program

OSBA did not take a position on this issue.

c. Neighbor for Neighbor Hardship Fund

OSBA requests that NFG incorporate language to allow small business customers to receive from this hardship fund. OSBA notes the Neighbor-to-Neighbor Grant Program provides direct financial assistance to customers experiencing financial hardship who are struggling to pay their utility bills. OSBA points out the program helps customers maintain or restore essential utility service by providing grants that can be used toward outstanding balances and, in some cases, reconnection costs necessary to reestablish service, and, as such, the program serves as an important safety net for customers facing temporary financial challenges and helps prevent service disruptions.

OSBA points out that the program currently focuses on residential customers, yet many Small Businesses face similar financial hardships. OSBA asserts Small Businesses often operate on thin margins and can be significantly impacted by rising utility costs, economic downturns, or unexpected expenses. In addition, OSBA asserts a service termination can be particularly devastating, resulting in lost revenue, disrupted operations, and potential job losses. OSBA contends that expanding eligibility for the Neighbor-to-Neighbor Grant Program to include qualifying Small Businesses would provide critical assistance with overdue utility bills and reconnection costs, helping businesses restore service, remain operational, and continue serving their communities. OSBA argues that including Small Businesses in the program would promote equitable access to assistance and recognize the important role these businesses play in supporting local economies and employment.

5. CAUSE-PA

a. Customer Assistance Program

CAUSE-PA asserts that CAP enrollment is critically important to offset harmful rate impacts on low income household, but the program is severely undersubscribed, reaching less than 11% of estimated eligible households. CAUSE-PA notes that NFG's CAP is a statutorily mandated universal service program that provides targeted rate relief and arrearage management tools for households with income at or below 150% of the federal poverty level (FPL).[1299] This combination of prevention-focused relief offers economically vulnerable customers an alternative path to collections that helps low income households to afford and maintain gas service by providing an affordable monthly bill, which in turn improves bill payment and coverage rates and

[1299] 66 Pa. C.S. § 2202, 2203 (8); CAUSE-PA St. 1 at 25.

reduces collections and termination rates among its participants.[1300] CAUSE-PA notes that confirmed low income households that are not participating in CAP have a 17.1% termination rate and are more than *seven times* as likely to face involuntary termination than households enrolled in CAP, who have a 2.3% termination rate.[1301] CAUSE-PA notes that, to varying degrees, and depending on a participant's applicable CAP rate,[1302] participation in the program helps to ease the impact of any increase in distribution rates.[1303] Given CAP's success with helping to insulate low income customers from the severe negative consequences of rate unaffordability, CAUSE-PA asserts expanded enrollment in CAP is an important part of offsetting the negative impact of NFG's proposed rate increase on low income households.

CAUSE-PA points out that, as of January 2026, 6,341 NFG customers were enrolled in CAP, representing just 11% of NFG customers estimated to be income eligible and 25% of customers NFG has confirmed to be income eligible.[1304] CAUSE-PA notes that, despite the program's effectiveness, the vast majority of eligible customers (between 75-89% of NFG's low income customers) are not enrolled,[1305] which means these low income customers are currently charged NFG's full tariff rate and are subject to the unaffordable energy burdens described above.[1306] CAUSE-PA also asserts they will

---

1300 CAUSE-PA St. 1 at 28.

1301 *See supra* Section III.A.

1302 CAP rates are calculated based on the applicable percentage of income (PIP) or the average monthly bill amount, whichever is lowest. PIP rates are set at 4% for those with income between 0-50% FPL, and 6% for those with income between 51-150% FPL. NFG imposes a minimum CAP rate of $12. On a quarterly basis, NFG reviews and adjusts CAP rates to the lowest option available. CAUSE-PA St. 1 at 26.

1303 *Id.* at 26-27.

1304 *Id.* at 27.

1305 *Id.* at 27 (As of January 2026, only 6,341 NFG customers were enrolled in CAP, accounting for just 10.8% of its 57,542 estimated low income customers, and 25% of its 25,308 confirmed low income customers.).

1306 *See, supra*, Section III.B., T. 1: Impact of Rate Increase on Confirmed Low Income (CLI) Customers at Average Residential Usage; *see also* CAUSE-PA St. 1 at 16, T. 2.

bear the full, unmitigated impact of any residential increase that the Commission allows in this proceeding. CAUSE-PA argues this substantial under enrollment undercuts the intent of the Choice Act and limits the ability of CAP to mitigate unaffordability for low income customers.[1307]

CAUSE-PA claims NFG's high CAP attrition rate contributes to the Company's low level of CAP enrollment. CAUSE-PA notes that, in 2025, 2,589 customers were removed from CAP, and more than half of those were removed for non-response to recertification attempts.[1308] NFG's CAP default rate – that is, the percentage of CAP customers who missed payments, made late payments, or failed to recertify – is 48.6% for all CAP income tiers, which CAUSE-PA contends is more than double the average for Pennsylvania NGDCs.[1309] CAUSE-PA asserts nearly half of NFG's CAP customers struggle to comply with the Company's requirements to stay enrolled, including its process for recertifying eligibility. Accordingly, CAUSE-PA argues the Commission must require NFG to implement program improvements to ensure the Company is meeting its statutory obligation under the Choice Act to make its CAP appropriately available.[1310]

CAUSE-PA also argues the Commission should require NFG to establish benchmarking goals for increasing its CAP enrollment based on the percentage of the Company's customers that are estimated to have low income.[1311] CAUSE-PA contends NFG should be required to strive to increase CAP enrollment by a minimum of 5% of its estimated low income customer count each year and to set forth a plan to accomplish this goal through improved outreach, education, and implementation of the recommendations

[1307] CAUSE-PA St. 1 at 28.
[1308] *Id.*
[1309] *Id.*
[1310] 66 Pa. C.S. § 2203(8).
[1311] CAUSE-PA St. 1 at 36.

set forth by CAUSE-PA.[1312] In addition, CAUSE-PA asserts the Commission should require that NFG begin reporting CAP application and recertification data to its Universal Services Advisory Committee (USAC) regularly, including, at minimum, the number of applications received, approved, and denied including the reason for denial – as well as the number of recertifications issued, the number of recertifications resulting in continued program eligibility, and the number of recertifications resulting in CAP removal, including the reason for program removal.[1313] Such reporting would enable stakeholders to monitor NFG's progress toward achieving its benchmark goals.[1314]

In addition, CAUSE-PA argues the Commission should require NFG implement routine screening of applicant and customers to determine eligibility for CAP and other universal service programs. CAUSE-PA notes that the Public Utility Code requires NFG to bill customers at the rate most advantageous to the customer.[1315] Failure to routinely screen customers for CAP eligibility subjects customers eligible for a CAP rate to the full tariff rate, violating the statutory requirement to bill customers at the most advantageous rate. CAUSE-PA asserts that, to help address NFG's low CAP enrollment levels, the Commission should require NFG to implement routine income screening of its applicants and customers to determine eligibility for CAP and other universal service programs,[1316] because it is imperative to routinely and proactively connect customers with assistance *<u>before</u>* payment difficulties occur to help prevent the accumulation of unmanageable arrears.[1317] CAUSE-PA insists that improving NFG's identification of low income customers and matching them to critical rate assistance and usage reduction

---

[1312] *Id.*

[1313] CAUSE-PA St. 1 at 36-37.

[1314] *Id.* at 37.

[1315] 66 Pa. C.S. § 1303, "Any public utility, having more than one rate applicable to service rendered to a patron, shall, after notice of service conditions, compute bills under the rate most advantageous to the patron."

[1316] CAUSE-PA St. 1 at 12.

[1317] CAUSE-PA St. 1-SR at 6-7.

services at the earliest opportunity is essential to providing just and reasonable rates and service to low income households.[1318] Improved screening and referrals would help ensure compliance with the statutory requirement that households receive the most advantageous available rate.[1319] CAUSE-PA argues this practice is not only good policy, it is a statutory obligation.[1320] CAUSE-PA contends the Commission should require NFG to take the following steps to accurately identify CAP eligible customers and enroll those customers in a CAP rate: [1321]

- Screen all new and moving customers and applicants for income level at the time their service is established and ask whether they would like information about income qualified programs that may reduce their rate.
- Screen existing customers for household income level on any non-emergency calls by informing customers of the availability of low income assistance programs and providing the opportunity to voluntarily self-disclose income information to assess eligibility.

CAUSE-PA asserts that customers identified as income eligible through these processes should be referred to CAP and other universal service programs.[1322] While customers should be able to opt out of providing household income information, they should be informed that if they choose to disclose this information, they may be eligible for lower rates and/or free energy efficiency measures.[1323] CAUSE-PA contends the benefits of proactive screening protocols that connect income-eligible customers to universal service programs that can help prevent the accumulation of unmanageable

---

1318 CAUSE-PA St. 1 at 12

1319 *Id.* at 11; 66 Pa. C.S. § 1303.

1320 66 Pa. C.S. § 1303 ("Any public utility, having more than one rate applicable to service rendered to a patron, shall, after notice of service conditions, compute bills under the rate most advantageous to the patron.")

1321 CAUSE-PA St. 1 at 12; CAUSE-PA St. 1-SR at 7.

1322 *Id.*

1323 *Id.*

arrears far outweigh the cost of the brief amount of time it would take to ask customers whether they would like to provide their income information.[1324]

Next, CAUSE-PA asserts the Commission should require NFG to expand and improve how it utilizes data obtained through the Department of Human Services' LIHEAP Data Sharing Program to improve CAP enrollment and retention. CAUSE-PA notes the Commission has a statutory obligation to ensure that NFG's CAP is appropriately available to low income households to ensure they can maintain safe service to their home.[1325] CAUSE-PA asserts that, to better effectuate these obligations, the Commission should require that NFG more effectively utilize the data it receives through LIHEAP Data Sharing to enroll and recertify participating customers, who are known to the Company to be eligible, in NFG's CAP.

Next, CAUSE-PA contends the Commission should require NFG to expand its communications to CAP customers who are due to recertify eligibility to remediate NFG's high rate of CAP attrition due to non-response to recertification attempts. CAUSE-PA notes more than half of the 2,589 customers removed from CAP in 2025 were removed for non-response to recertification attempts,[1326] and NFG's CAP default rate is more than double the average attrition rate for Pennsylvania NGDCs.[1327] CAUSE-PA contends that, to fulfill its statutory obligation to ensure NFG's CAP is appropriately available to customers in need, the Commission should require NFG to expand its efforts to communicate with and facilitate recertification for customers that they are due to recertify,[1328] by expanding NFG's initial communication to customers who are due to recertify to include contact by postal mail, email, telephone call, and text

1324 CAUSE-PA St. 1-SR at 8.
1325 66 Pa. C.S. § 2203(8).
1326 CAUSE-PA St. 1 at 28.
1327 *Id.*
1328 66 Pa. C.S. § 2203(8).

message at both the initial communication and the ten-day follow-up steps.[1329] CAUSE-PA also asserts the Commission should require NFG should expand its communication to customers who are removed from CAP for non-response to recertification attempts to include outreach by postal mail, email, telephone call, and text message.[1330] CAUSE-PA asserts all communications regarding removal from CAP should include a CAP application and instructions for how to re-apply for CAP online, by telephone, or by mail.[1331] NFG should also be required to implement the expanded auto-recertification procedures for CAP customers participating in LIHEAP data sharing described above.[1332] CAUSE-PA asserts that taking these steps is necessary to work toward redressing NFG's CAP attrition rate and ensuring CAP is appropriately available to NFG's customers.[1333]

Lastly, CAUSE-Pa contends the Commission should require NFG to improve its CAP data tracking and reporting and should start an audit of NFG's collections and universal service program reporting to assess the need for further corrective action. CAUSE-PA points out that NFG does not track and cannot report data regarding the total or average dollars in debt for CAP customers.[1334] CAUSE-PA also asserts there appear to be potential inaccuracies with the data that NFG reported for the Commission's Universal Service Programs and Collections Performance report, with NFG reporting the same percentage of customers defaulting on CAP across each income tier year over year, which raised concerns for CAUSE-PA about the accuracy of these rates.[1335] CAUSE-PA argues accurate and complete data regarding CAP customer payment performance and default is critical for the Commission and stakeholders to fully assess how well NFG's CAP is functioning to deliver affordable bills to customers

---

1329 CAUSE-PA St. 1 at 31.
1330 *Id.*
1331 *Id.*
1332 *See supra* Section XII.A.3.
1333 66 Pa. C.S. § 2203(8).
1334 *Id.*
1335 CAUSE-PA St. 1 at 37-38.

enrolled.[1336] CAUSE-PA contends, to ensure complete and accurate data is available to assess NFG's CAP, the Commission should require that NFG begin tracking and reporting the total dollars in debt and the average arrearage level for CAP customers, and the Commission should commence an audit of the Company's collections and universal service program reporting to assess whether additional corrective action is necessary.[1337]

b. Low Income Usage Reduction Program

The Commission should require NFG to develop a written plan to fully expend its LIURP budget each year to address the Company's chronic LIURP underspending.

CAUSE-PA notes NFG's LIURP is a statutorily mandated universal service program that provides energy efficiency and usage reduction services for households with income at or below 150% of the FPL, or up to 200% FPL for customers with special needs.[1338] For customers who are able to access NFG's LIURP, the program provides meaningful usage reduction, with participants experiencing on average 18-20% usage reductions after receiving services.[1339] CAUSE-PA asserts the usage reductions LIURP provides translate into bill savings that can help customers mitigate the impact of a rate increase, but NFG's chronic failure to expend its LIURP budget and accomplish the number of jobs it projects to complete in its USECP severely undermine the program's effectiveness at mitigating rate unaffordability.[1340]

CAUSE-PA points out NFG failed to fully expend its LIURP budget in every year since at least 2018, despite the substantial unmet need of NFG's low income customers for usage reduction services.[1341] As of 2024, 37,867 NFG customers are

---

1336 *Id.* at 38.
1337 CAUSE-PA St. 1 at 38.
1338 66 Pa. C.S. § 2202, 2203 (8); CAUSE-PA St. 1 at 38.
1339 CAUSE-PA St. 1 at 39.
1340 *Id.* at 39-42.
1341 *Id.* at 41.

estimated to be income eligible for LIURP, and another 20,590 could be eligible through the special needs exemption.[1342] However, CAUSE-PA points out that, from 2023 through 2025, NFG completed a total of just 366 LIURP jobs – 64% of the jobs it projected to complete in this timeframe.[1343] CAUSE-PA also notes that, of its $1,391,000 annual budget, NFG spent just $307,012 in 2023 and $804,649 in 2024.[1344] CAUSE-PA recognizes NFG spent $1,353,436 of its LIURP budget in 2025, but also notes that NFG credited that improvement in spending to "unique circumstances in 2025, when a government shutdown resulted in additional work being redirected from community agencies to the Company, potentially inflating the current year's figures," and indicating that NFG "remains cautious when projecting expenditures for 2026."[1345]

CAUSE-PA argues that, given the substantial unmet need for usage reduction services among NFG's low income customers, the Commission should not allow the Company to hedge expectations about its LIURP performance by remaining cautious and should require that NFG set forth a written, detailed plan for fully expending its LIURP budget each year.[1346] CAUSE-PA contends the written plan should include action steps to guide NFG in fully spending down the existing budget that has been rolled over from prior years, as well as plans to ensure NFG can fully expend its LIURP budget in each subsequent year.[1347] CAUSE-PA also contends the plan should be informed by NFG's third-party LIURP evaluation, with input and recommendations from members of NFG's USAC,[1348] and the plan should address coordination with other energy efficiency programs and action steps to prioritize customers most in need of usage reduction

---

1342 *Id.* at 40.
1343 CAUSE-PA St. 1 at 41, T. 3. Projected and Actual LIURP Jobs Numbers, 2023-2025.
1344 *Id.*
1345 CAUSE-PA St. 1 at 41-42, *quoting* NFG St. 17 at 5.
1346 CAUSE-PA St. 1 at 43.
1347 *Id.*
1348 *Id.*

services while expanding the program to those currently unable to access LIURP services.[1349] CAUSE-PA asserts NFG should explore the expanded referral streams that NFG indicated prompted an increase in LIURP expenditures in 2025 and develop action steps to continue and expand on those strategies.[1350] CAUSE-PA argues the Commission should require NFG to file this written plan at its USECP docket within 90 days of the effective date of rates in this proceeding.[1351]

The Commission should require NFG to end its unreasonable exclusion of mobile homes from participating in the Company's LIURP.

CAUSE-PA argues NFG's policy excluding low income customers residing in mobile homes from participating in LIURP is unreasonable rate discrimination that violates the Public Utility Code's prohibition against discrimination in rates and service.[1352] CAUSE-PA contends the Commission should require that NFG end its policy of excluding customers who reside in mobile homes from participating in LIURP, to help address the heightened rate unaffordability that would result from authorizing any increase in rates in this proceeding and rectify this unreasonable rate discrimination.[1353] CAUSE-PA notes that mobile homes are explicitly included in the definition of "dwelling" in the Commission's LIURP regulations, but NFG categorically excludes this dwelling type from its LIURP.[1354] CAUSE-PA points out that, in some of the counties that NFG serves, as much as 17% of customers with income at or below 150% FPL and 12% of customers between 151-200% FPL reside in mobile homes and are currently

---

1349 CAUSE-PA St. 1 at 44.

1350 *Id.*

1351 *Id.*

1352 66 Pa. C.S. §§ 1304; 1502.

1353 CAUSE-PA St. 1 at 44.

1354 52 Pa. Code § 58.2, "*Dwelling*—A structure being supplied with residential utility service such as a house, apartment, mobile home or single-metered multiunit under § 56.2 (relating to definitions)."

unable to access the usage reduction and bill savings available through LIURP because of their dwelling type.[1355]

CAUSE-PA disagrees with NFG's assertions that issues with construction and the need for structural repairs pose obstacles to weatherizing mobile homes, and that insulating mobile homes can be less cost effective.[1356] CAUSE-PA argues energy efficiency measures can effectively reduce usage and energy bills for residents of mobile homes.[1357] CAUSE-PA points out that, in its 2024 report evaluating NFG's LIURP, APPRISE indicated that when it interviewed NFG LIURP services providers for suggestions to improve the program, one provider urged expansion of LIURP to mobile homes, highlighting the potential in this dwelling type, and indicated that the provider agency had practical experience delivering weatherization measures to mobile homes.[1358] CAUSE-PA also notes that NFG's LIURP contains funding for health and safety remediation and for incidental repairs designed to overcome physical obstacles to delivering weatherization services to eligible customers.[1359] CAUSE-PA contends there is nothing in the record to suggest that the structural repairs needed for all mobile homes in NFG's service territory are beyond help.

CAUSE-PA also disagrees with NFG's assertions that customers residing in mobile homes are eligible for emergency services through its ERRP, which is a component of LIURP.[1360] CAUSE-PA contends, however, the emergency services available through ERRP are not designed to deliver the long-term usage reduction and bill savings that are available through comprehensive LIURP services.[1361] CAUSE-PA

1355 CAUSE-PA St. 1-SR at 12.
1356 NFG St. 17-R at 24.
1357 CAUSE-PA St. 1 at 42.
1358 *Id.* at 42-43.
1359 *Id.* at 12.
1360 NFG St. 17-R at 24.
1361 CAUSE-PA St. 1-SR at 12.

argues the Commission should not allow NFG to continue excluding mobile home residents from LIURP, and argues the Commission should require that NFG begin allowing customers residing in mobile homes to participate in LIURP with the effective date of rates in this proceeding.[1362]

To help offset the impact of any approved rate increase in this proceeding, the Commission should require NFG to increase its budget for LIURP by a percentage equal to any approved increase in residential rates.

CAUSE-PA strongly supports the recommendation of the Providers Task Force that NFG should be required to increase the budget for LIURP by an amount proportional to the percentage of any rate increase for the residential class authorized in this proceeding.[1363] CAUSE-PA asserts there is a substantial unmet need for LIURP services among NFG's low income customers,[1364] but any rate increase authorized in this proceeding is likely to result in increased arrears, terminations, and payment trouble for NFG's low income customers,[1365] driving increased demand for comprehensive weatherization, conservation and efficiency services through LIURP to help offset rising energy costs and improve overall bill affordability.

CAUSE-PA asserts the Commission's Final Form LIURP rulemaking and recent rate case decisions have explicitly stated that LIURP budgets – as well as other critical universal service issues – are appropriate for consideration in a rate proceeding.[1366] CAUSE-PA points specifically to the Commission's conclusion in its recent Final-Form Rulemaking Order:

1362 CAUSE-PA St. 1 at 44.

1363 Pa. Weatherization Providers Task Force St. 1 at 7.

1364 *See supra* Section XII.B.1.

1365 *See* CAUSE-PA St. 1 at 19.

1366 *Pa. Pub. Util. Comm'n v. PGW*, Opinion and Order, Docket No. R-2023-3037933, at 216 (order entered Nov. 9, 2023); *see Initiative to Review and Revise the*

> We recognize that while it is appropriate to determine the effectiveness and prudence of universal service costs in a USECP proceeding, we also recognize that it is necessary to evaluate the appropriateness of a LIURP funding requirement in non-USECP proceedings such as rate cases. The recoverable costs of a public utility's universal service programs are borne by its residential ratepayers. **We acknowledge that rate case proceedings, for example, allow parties to, inter alia, consider the justness and reasonableness of the cost of a public utility's universal service programs including its LIURP.** Accordingly, we have revised § 58.4(a.1) and (c) to clarify that a LIURP budget may be modified subject to approval in a Commission proceeding.[1367]

CAUSE-PA notes NFG has historically failed to perform the number of LIURP jobs it projected to in its USECP and failed to expend its full LIURP budget,[1368] but CAUSE-PA argues that NFG's failure to expend its LIURP budget does not disprove that additional LIURP funding is critical to addressing the vast unmet need for LIURP services among NFG's low income customers. CAUSE-PA argues the historical fact highlights the need for NFG to implement program reforms and develop a plan to improve its delivery of LIURP services.[1369] CAUSE-PA contends the Commission should not excuse NFG from compliance with its statutory obligation under the Choice Act to appropriately fund its LIURP because the Company has historically struggled to make the program appropriately available to customers.[1370] CAUSE-PA asserts that, to

---

Existing Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§ 58.1—58.18, Final Form Rulemaking Order, Docket No. L-2016-2557886, at 50, 123 (order entered March 13, 2025).

1367 *Initiative to Review and Revise the Existing Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§ 58.1—58.18, Final Form Rulemaking Order*, Docket No. L-2016-2557886, at 123 (order entered March 13, 2025).

1368 *See supra* Section XII.B.1.

1369 *See supra* Sections XII.B.1.-2.

1370 66 Pa. C.S. § 2203(8).

address the unmet need for LIURP services in NFG's service territory, and better offset the impact of any approved rate increase on NFG's low income households, the Commission should require NFG to implement the program reforms discussed and, in turn, to increase its LIURP budget to ensure the program is appropriately funded to meet the needs of the Company's customers.

c. Neighbor for Neighbor Hardship Fund

Critically low funding for NFG's NFN impairs the program's ability to address the Company's low income customers' need for emergency assistance.

CAUSE-PA asserts the Commission should require NFG to take affirmative steps to ensure appropriate funding for its Neighbor for Neighbor Hardship Fund (NFN) and should not permit the Company to implement changes to restrict NFN eligibility and reduce NFN grant amounts.[1371] CAUSE-PA notes the NFN is a universal service program that provides emergency assistance to those living in NFG's service territory to assist with a non-electric home heating energy emergency.[1372] To qualify for assistance, an applicant must have income at or below 200% FPL, or demonstrate a specified hardship criterion.[1373]

CAUSE-PA notes the Choice Act requires that NFG's universal service programs, including its NFN, be appropriately funded and available to customers.[1374] CAUSE-PA contends, however, that the NFN faces a serious funding crisis that will remain chronic unless action is taken to address the NFN's inadequate funding.[1375]

1371 CAUSE-PA St. 1 at 50; NFG St. 17-R at 27.

1372 CAUSE-PA St. 1 at 44.

1373 *Id.* at 45. Specified hardship criteria include households with a member who is age 55 or older, has a disability, receives unemployment compensation, has a recent loss of income, is a veteran, or has a medical emergency.

1374 66 Pa. C.S. § 2203(8).

1375 CAUSE-PA St. 1 at 47.

CAUSE-PA points out the need for assistance from the fund has sharply increased, reflected in its drastically declined balance:

- December 2023: $265,628
- December 2024: $250,377
- December 2025: $29,613[1376]

CAUSE-PA notes the fund was depleted on February 25, 2026, and to avoid suspending the program, NFG released its annual $92,000 shareholder contribution early.[1377] CAUSE-PA notes that, even at existing rates, NFG's low income customers who are not enrolled in CAP carry debt totaling approximately $4,107,714, which CAUSE-PA contends demonstrates the significant need for emergency assistance in NFG's service territory.[1378] CAUSE-PA contends any rate increase authorized in this proceeding will only drive further need for emergency assistance, [1379] and without intervention, there is a serious risk the fund will be depleted again soon – with no remaining annual shareholder contribution available to avoid suspension of the program again.[1380] CAUSE-PA argues NFG's failure to adequately fund the NFN to meet the need of its customers facing hardship contravenes the Choice Act's requirement that the Company's universal service programs be appropriately funded and available.[1381]

CAUSE-PA also points out that NFG did not propose any changes to its universal service programs, including to NFN, in its rate increase filing, and provided no direct testimony mentioning or explaining any changes.[1382] CAUSE-PA notes NFG did disclose, in response to discovery, that it is "evaluating" certain changes to NFN,

---

1376 *Id.*
1377 *Id.*
1378 *Id.*
1379 CAUSE-PA St. 1 at 46-47.
1380 CAUSE-PA St. 1 at 47.
1381 66 Pa. C.S. § 2203(8).
1382 CAUSE-PA St. 1 at 45.

including (1) requiring that applicants prove *both* income eligibility and an additional hardship criterion, (2) limiting NFN eligibility to NFG customers, and (3) adding "flexibility to adjust the grant amount based on demand," which NFG clarified would allow the maximum grant amount to be reduced when demand is high or funds are low.[1383] CAUSE-PA asserts the changes NFG is evaluating include no commitments from the Company to do anything to address the critical level of NFN funding in the face of demonstrated need and would place the entire burden for addressing the NFN's funding crisis on customers facing home heating emergencies by restricting eligibility and reducing grants.[1384]

CAUSE-PA argues that, to help ensure alignment with the Choice Act's requirements that universal service programs be both appropriately funded and appropriately available, the Commission should require NFG to take action to increase available funds in the NFN and should not allow NFG to implement changes to make NFN less available.[1385]

The NFN changes NFG is evaluating should not be authorized because they were not formally proposed and would contravene the Choice Act's requirements that the NFN must remain appropriately funded and available to eligible households.

CAUSE-PA notes NFG did not include any proposals to modify the NFN in its rate request filing but disclosed in response to a discovery request from CAUSE-PA that it is evaluating changes to restrict NFN eligibility and grant amounts.[1386] CAUSE-PA also notes the Company put on no direct testimony disclosing that it was evaluating any changes to NFN or explaining such changes, and NFG did not introduce the fact it is

[1383] *Id*; NFG St. 17-R at 29.
[1384] CAUSE-PA St. 1-SR at 13.
[1385] CAUSE-PA St. 1 at 50.
[1386] *Id.* at 45.

evaluating NFN changes until its rebuttal testimony on May 12, 2026, nearly three months after the Commission suspended the Company's rate change request for investigation on February 19, 2026.[1387]

CAUSE-PA asserts the Commission should not allow NFG to implement these changes to NFN in this proceeding because the Choice Act imposes a duty on the Commission to oversee NFG's universal service programs, including NFN, that is impossible for the Commission to carry out without NFG providing the Commission with adequate notice of program changes.[1388] CAUSE-PA argues that, even if the Company had included these changes in its rate filing, the Commission should not allow NFG to implement them because restricting the availability of NFN in the face of a funding crisis contravenes the Choice Act's requirement that NFG's universal service programs, including its NFN, be appropriately funded and available.[1389]

CAUSE-PA notes the Commission explicitly stated that "NFG is responsible for establishing the eligibility criteria for its NFN and *seeking approval to amend its USECP prior to making program changes.*"[1390] CAUSE-PA asserts NFG failed to include any request for approval to modify its NFN in its initial rate filing, and further contends it is unclear, based on the record, whether NFG has actually proposed these changes or requested Commission approval to implement them. CAUSE-PA argues that if NFG construes its disclosure of NFN changes in response to a discovery request as a proposal to implement those changes, the Commission should reject it

---

[1387] NFG St. 17-R at 27; February 19, 2026 Order.

[1388] 66 Pa. C.S. § 2203(8).

[1389] 66 Pa. C.S. § 2203(8).

[1390] *National Fuel Gas Distribution Corporation's Universal Service and Energy Conservation Plan for 2022-2026 Submitted in Compliance with 52 Pa. Code § 62.4* at 56 (order entered May 3, 2022) (emphasis added).

because doing so would deprive the Commission of its oversight authority under the Choice Act.[1391]

In addition, CAUSE-PA also argues that, even if the Company made a clear request that the Commission approve these changes to restrict NFN eligibility and grant amounts in a legally sufficient manner, consistent with the Choice Act, the Commission should not allow the Company to implement them because restricting access to the NFN in the face of a funding crisis and rising demand for the program contravenes the Choice Act's requirements that NFG's universal service programs, including its NFN, be appropriately funded and available. CAUSE-PA notes that demand for assistance through the NFN has increased significantly in recent years, and available funding in the NFN has decreased to critical levels.[1392] CAUSE-PA points to the increased number of grants distributed in recent years as demonstrating the need for emergency assistance among NFG's customers, but critically low funding for the NFN threatens the ability of the NFN to provide grant assistance to customers in need.

CAUSE-PA asserts the Company's proposals to restrict eligibility would unreasonably eliminate emergency grant assistance for many, including low income customers who are unable to also prove an additional enumerated hardship criterion.[1393] CAUSE-PA points out the Commission expressly disallowed NFG from "unfairly exclud[ing]" customers with income at 0% to 150% FPL from accessing NFN in the Company's 2022-2026 USECP proceeding,[1394] while the Commission noted that it was unaware of any other utility that excluded customers at 0% to 150% FPL from receiving

---

[1391] 66 Pa. C.S. § 2203(8).

[1392] CAUSE-PA St. 1 at 47.

[1393] *Id.*

[1394] *National Fuel Gas Distribution Corporation's Universal Service and Energy Conservation Plan for 2022-2026 Submitted in Compliance with 52 Pa. Code § 62.4* at 56 (order entered May 3, 2022).

a hardship grant.[1395] In addition, NFG's proposal to reduce grant amounts during periods of heightened demand or decreased funds is inappropriate, and – when coupled with critically low levels of funding and no proposals to do anything to increase funding -- will result in permanently reduced grants to customers in need.[1396] CAUSE-PA asserts the Choice Act requires the Commission to ensure that NFG's universal service programs are both appropriately funded and available to assist low income and other vulnerable customers can access and maintain safe service to their home.[1397] CAUSE-PA argues the Commission should not allow NFG to implement such unfair exclusion now. In addition, CAUSE-PA argues the Commission should not allow NFG to skirt its responsibility to ensure adequate funding by placing further restrictions on eligibility, especially in the face of the demonstrated need for NFN assistance in NFG's service territory.

CAUSE-PA contends the Commission should reject the changes to NFN eligibility and grant amounts that NFG is evaluating because the changes would contravene the Choice Act's requirements to ensure that NFG's universal service programs are appropriately funded and available – and because the Company's introduction of changes to its NFN limits after its initial filings limits adequate review of these changes, and deprives the Commission of its universal service program oversight authority.

The Commission should require NFG to develop a fundraising plan to increase voluntary contributions to the NFN to ensure it is appropriately available to customers in need of emergency assistance.

CAUSE-PA points out that NFG acknowledged during the pendency of this proceeding that the NFN funding decreased to a critical level,[1398] but also points out that,

[1395] *National Fuel Gas Distribution Corporation's Universal Service and Energy Conservation Plan for 2022-2026 Submitted in Compliance with 52 Pa. Code § 62.4* at 54 (order entered May 3, 2022).

[1396] CAUSE-PA St. 1 at 49.

[1397] 66 Pa. C.S. § 2203(8).

[1398] NFG St. 17-R at 27.

in the same breath, the Company insisted the NFN's current funding level is sufficient.[1399] NFG asserts that it must restrict eligibility for the NFN and reduce grant amounts "to preserve the viability of the hardship fund and ensure the continued availability of assistance to customers throughout the program year"[1400] but is evaluating no changes to increase available funds in the NFN. CAUSE-PA contends that, to promote the appropriate funding of NFN, the Commission should require NFG to develop and implement a fundraising plan to encourage voluntary contributions to the NFN.[1401]

CAUSE-PA contends the Choice Act imposes a statutory duty on the Commission to ensure that NFG's universal service programs, including its NFN, are appropriately funded, and brings such programs under the Commission's administrative oversight.[1402] CAUSE-PA points out NFG asserted that it is "neither reasonable nor appropriate" for the Commission to require that the Company conduct fundraising or solicit donations to the NFN because the fund is administered through a third party entity, the Greater Erie Community Action Committee (GECAC).[1403] However, CAUSE-PA argues the statutory obligation rests with NFG, not GECAC, to ensure its NFN program is appropriately funded and available.[1404] CAUSE-PA asserts that because the NFN is subject to the Commission's administrative oversight, NFG cannot disclaim its obligations under the Choice Act because it uses a third party program administrator.[1405] CAUSE-PA argues that NFG is attempting to offload the obligation to ensure that NFN is appropriately funded and available by asserting that GECAC administers the program's

1399 *Id.* at 28.
1400 NFG St. 17-R at 30.
1401 CAUSE-PA St. 1 at 50.
1402 66 Pa. C.S. § 2203(8).
1403 NFG St. 17-R at 30-31.
1404 CAUSE-PA St. 1-SR at 14; 66 Pa. C.S. § 2203(8).
1405 CAUSE-PA St. 1-SR at 14.

fundraising contravenes the Choice Act, and this argument by NFG undercuts the Commission's ability to exercise its statutory authority to oversee NFG's NFN.[1406]

CAUSE-PA asserts that, given NFG's NFN funding crisis, the Commission should order NFG to take action to promote adequate funding for the NFN,[1407] or, at a minimum, the Commission should order NFG to develop and implement a fundraising plan to encourage voluntary contributions to the NFN.[1408]

6. Providers Task Force

a. Customer Assistance Program

Providers Task Force did not take a position on this issue.

b. Low Income Usage Reduction Program

Providers Task Force takes the position it supports and joins in the positions, arguments and recommendations set forth by CAUSE-PA in its Main Brief on this issue.

c. Neighbor for Neighbor Hardship Fund

Providers Task Force takes the position it supports and joins in the positions, arguments and recommendations set forth by CAUSE-PA in its Main Brief on this issue.

1406 66 Pa. C.S. § 2203(8).
1407 CAUSE-PA St. 1 at 50.
1408 *Id.*

7. Presiding Officer's Recommendation

a. Customer Assistance Program

CAUSE-PA made numerous recommendations concerning requirements that CAUSE-PA recommended should be required of NFG by the Commission. The recommendations seek to ensure ratepayers and applicants are screened for eligibility, educated about resources and assisted during recertifications. Those recommendations are that NFG should:

1. Implement program improvements to ensure NFG meets statutory obligations under the Choice Act to make CAP available where appropriate.
2. Establish benchmarking goals for increasing CAP enrollment based on the percentage of NFG's customers who are estimated to have low income.
3. Implement routine screening of applicants and ratepayers, including income screening, to determine eligibility and make referrals for CAP and other universal service programs.
4. Screen all new and moving customers and applicants for income eligibility at the time service is established and offer information about income qualified programs.
5. Screen existing customers for income eligibility on non-emergency calls and inform about low-income assistance programs.
6. Expand and improve how NFG used data from the Department of Human Services' LIHEAP Data Sharing Program to improve CAP enrollment and retention.
7. Expand communications to CAP customers with upcoming recertifications to remediate CAO attrition due to non-response to recertification attempts.

8. Require NFG to improve CAP data tracking and reporting of data regarding the total or average dollars in debt for CAP customers.

NFG disagreed with most of CAUSE-PA's recommendations.

1. On income streaming, NFG noted it agreed to evaluate the proposed system and staffing changes needed if NFG implemented a new process for handling non-emergency calls. NFG recommended the Commission reject CAUSE-PA's more extensive proposal and instead recommended the Commission direct NFG to evaluate the proposal and work with its USAC to develop a feasible plan for proactive income screening and a reasonable timeline for implementation. NFG pointed out it increased CAP enrollment by 698 customers between July 2025 and January 2026,[1409] and has worked to improve accessibility to the program, educate and connect with customers who may be eligible, and increase staffing to administer the program in house.

2. NFG contended it has implemented the majority of CAP recertification recommendations by allowing online recertification (including document uploading) in both desktop and mobile formats, reaching out to customers due to be recertified by email and/or mail, providing a self-addressed, stamped envelope to customers who are sent a paper recertification application, and providing information on how to recertify online.[1410]

3. NFG noted it agreed in rebuttal to increase recertification outreach to include both email and mail for customers who have consented to receive electronic communications,[1411] and NFG requests the Commission reject CAUSE-PA's additional recertification procedures because NFG's current procedures for recertification are sufficient and largely meet CAUSE-PA's proposal.

4. NFG recommended the Commission reject CAUSE-PA's proposal that NFG should recertify CAP customers based on the

---

[1409] National Fuel St. No. 17-R, p. 12.
[1410] National Fuel St. No. 17-R, pp. 13-14.
[1411] National Fuel St. No. 17-R, p. 14.

receipt of DHS data rather than the programmatic recertification date for CAP customers.

5. NFG noted it agreed in rebuttal to CAUSE-PA's recommendation to track and report additional CAP-related data to its USAC including: the number of applications and recertifications; the total number of CAP accounts with arrears; the total dollar amount in debt for CAP customers; and the average amount of debt for CAP customers.[1412] However, the Company requests until mid-2027 to implement these changes and present the data to its USAC because the Company does not currently have systems in place to track and aggregate this data.[1413]

6. NFG disagreed with CAUSE-PA's proposal that the Commission should audit the Company's collections and universal service programs, and NFG noted it provided context in rebuttal for the reported data that raised CAUSE-PA's concerns, *i.e.*, CAP defaults and arrearage management.

Based on the evidence presented and the extensive arguments by the parties, the ALJ is persuaded by CAUSE-PA that additional efforts are needed to reach more low-income households in NFG's service territory and to assist income-eligible ratepayers and applicants to access available services and resources. However, most of the proposals from CAUSE-PA are for the Company to take actions to train its employees and communicate with customers. The ALJ concludes NFG proved it is engaged actively in training its employees how to identify customers who might benefit from referrals and/or encouragement to participate in programs currently available. In addition, NFG proved it has taken cost-effective means to improve communications with customers and increase participation. Accordingly, the ALJ recommends the Commission reject the proposals of CAUSE-PA except for the following proposals, which the ALJ recommends should be approved:

1412 National Fuel St. No. 17-R, pp. 17-18.

1413 National Fuel St. No. 17-R, pp. 17-18.

1. Direct NFG to evaluate the income screening proposal and work with its USAC to develop a feasible plan for proactive income screening and a reasonable timeline for implementation.

2. Direct NFG to increase recertification outreach to include both email and mail for customers who have consented to receive electronic communications.

3. Direct NFG to track and report additional CAP-related data to its USAC including: the number of applications and recertifications; the total number of CAP accounts with arrears; the total dollar amount in debt for CAP customers; and the average amount of debt for CAP customers, with implementation of changes and data reporting due to its USAC nine months after implementation of the rates in this proceeding.

b. Low Income Usage Reduction Program

NFG disagreed with the recommendation that NFG should increase its LIURP funding by a percentage equal to any approved increase to residential rates approved in this proceeding.[1414] NFG argued its current LIURP spending is sufficient and noted its 2025 carryover dollars total $1,450,879.24.[1415] NFG disagreed with CAUSE-PA's recommendation to expand LIURP eligibility to mobile homes,[1416] because NFG contended mobile homes have limited opportunities for meaningful energy saving with LIURP weatherization services. NFG disagreed with CAUSE-PA's recommendation that NFG should be required to prepare a comprehensive written plan to expend its full LIURP budget, expand the availability of usage reduction services, and file the plan at the Company's USECP docket within 90 days of the entry of a final order in this proceeding,[1417] because the proposal contemplates substantive programmatic changes of the Commission-approved LIURP and because NFG's existing USECP

[1414] CAUSE-PA St. 1, p. 41.
[1415] National Fuel St. No. 17-R, p. 23.
[1416] CAUSE-PA St. No. 1, p. 43.
[1417] CAUSE-PA St. No. 1, pp. 43-44.

process is the appropriate forum for CAUSE-PA to undertake comprehensive planning for LIURP. NFG disagreed with the proposal to reduce the consumption threshold for the LIURP program,[1418] which NFG asserts it addresses this proposal through its ongoing implementation of its Low Consumption LIURP ("LC-LIURP") pilot program, as part of NFG's 2022-2026 Universal Service and Energy Conservation Plan. NFG contended it will evaluate with its next USECP filing whether it is appropriate to make LC-LIURP a permanent part of its LIURP.[1419]

BIE contended it was inappropriate to consider an increase in the LIURP budget because NFG did not exhaust its existing budget in 2022, 2023, and 2024, and underspent its budget by almost $1,500,000 in 2025.[1420] BIE asserted the supporting arguments were too speculative and not supported by any substantial record evidence.

CAUSE-PA argued NFG's chronic failure to expend its LIURP budget and accomplish the number of jobs it projects to complete in its USECP severely undermine the program's effectiveness at mitigating rate unaffordability.[1421] CAUSE-PA recommended the Commission require NFG set forth a written, detailed plan to fully expend its LIURP budget each year,[1422] including action steps to guide NFG to fully spend down the existing rolled over budget, as well as plans to ensure NFG can fully expend its LIURP budget in each subsequent year,[1423] and coordination with other energy efficiency programs and action steps to prioritize customers most in need of usage reduction services while expanding the program to those currently unable to access LIURP services.[1424] CAUSE-PA also contended the plan should be informed by NFG's

---

1418 Task Force St. No. 1, pp. 6-7.
1419 National Fuel No. 17-R, pp. 25-26.
1420 *Id.*, citing I&E Exhibit No. 1-R, Schedule 1.
1421 *Id.* at 39-42.
1422 CAUSE-PA St. 1 at 43.
1423 *Id.*
1424 CAUSE-PA St. 1 at 44.

third-party LIURP evaluation, with input and recommendations from members of NFG's USAC.[1425] CAUSE-PA asserted NFG should explore the expanded referral streams that NFG indicated prompted an increase in LIURP expenditures in 2025 and develop action steps to continue and expand on those strategies.[1426] CAUSE-PA argued the Commission should require NFG to file this written plan at its USECP docket within 90 days of the effective date of rates in this proceeding.[1427] Lastly, CAUSE-PA argued strongly that the Commission should require NFG to stop excluding mobile homes from participating in the LIURP, and the Commission should require that NFG begin allowing customers residing in mobile homes to participate in LIURP with the effective date of rates in this proceeding.[1428]

Based upon a review of the evidence, the ALJ is persuaded by CAUSE-PA that NFG should allow its ratepayers residing in mobile homes to participate in NFG's LIURP but disagrees with the recommendations of CAUSE-PA and Providers Task Force that the LIURP budget should be increased. The ALJ concludes sufficient money is available in the LIURP budget because the real problem is that the funds are not expended. The ALJ agrees with CAUSE-PA that the Commission should require NFG to create a written, detailed plan on how NFG will fully expend its LIURP budget each year, including action steps to guide NFG to fully spend down the existing rolled over budget, as well as plans to ensure NFG can fully expend its LIURP budget in each subsequent year,[1429] plus coordinate with other energy efficiency programs and action steps to prioritize customers most in need of usage reduction services while expanding the program to those currently unable to access LIURP services, as informed by NFG's third-

1425 *Id.*
1426 *Id.*
1427 *Id.*
1428 CAUSE-PA St. 1 at 44.
1429 *Id.*

party LIURP evaluation, with input and recommendations from members of NFG's USAC.

c. Neighbor for Neighbor Hardship Fund

NFG asserted the number of grants awarded through its Neighbor for Neighbor (NFN) hardship fund more than doubled in 2025 (as compared to 2023 and 2024) and now faces a budget shortfall. NFG contended it has an ongoing commitment to maintain customer access to the NFN hardship fund. As a result, NFG agreed to voluntarily increase its annual shareholder contribution by $30,000 (an approximately 30% increase to $122,000 annually) and will implement that increase retroactively, meaning the Company will contribute an additional $30,000 in 2026, in light of the concerns raised by CAUSE-PA. NFG asserts this proposal results in a funding per customer level of $0.62, which is in line with the average cited by CAUSE-PA.

OSBA requested the Commission require NFG to incorporate language that opens up eligibility for small business customers to receive from this hardship fund. OSBA noted the Neighbor-to-Neighbor Grant Program provides direct financial assistance to customers experiencing financial hardship who are struggling to pay their utility bills. OSBA pointed out the program helps customers maintain or restore essential utility service by providing grants that can be used toward outstanding balances and, in some cases, reconnection costs necessary to reestablish service, and, as such, the program serves as an important safety net for customers facing temporary financial challenges and helps prevent service disruptions. However, OSBA pointed out that the program currently focuses on residential customers, while many Small Businesses face financial hardships similar to residential customers, often operate on thin margins and can be significantly impacted by rising utility costs, economic downturns, or unexpected expenses.

CAUSE-PA noted NFG did not include any proposals to modify the NFN in its rate request filing but disclosed in rebuttal testimony on May 12, 2026, that NFG was evaluating changes to restrict NFN eligibility and grant amounts.[1430] CAUSE-PA asserted the Commission should not allow NFG to implement these changes to NFN in this proceeding because the Choice Act imposes a duty on the Commission to oversee NFG's universal service programs, including NFN, that is impossible for the Commission to carry out without NFG providing the Commission with adequate notice of program changes.[1431] CAUSE-PA asserted that, given NFG's NFN funding crisis, the Commission should order NFG to take action to promote adequate funding for the NFN,[1432] or, at a minimum, the Commission should order NFG to develop and implement a fundraising plan to encourage voluntary contributions to the NFN.[1433] Further, CAUSE-PA contended the Commission should reject the changes to NFN eligibility and grant amounts that NFG is evaluating because the changes would contravene the Choice Act's requirements to ensure that NFG's universal service programs are appropriately funded and available

After reviewing the evidence and considering the parties' positions, the ALJ concluded that, unlike NFG's LIURP, the NFN Hardship Fund faces a serious funding crisis. The ALJ recommends the Commission should require NFG to take affirmative steps to ensure appropriate funds for its NFN and reject the Company proposal to implement changes to restrict NFG eligibility and reduce grant amounts. Further, I recommend the Commission require NFG to develop a fundraising plan prior to its next base rate proceeding to increase voluntary contributions to the NFN to ensure its availability.

1430 *Id.* at 45.
1431 66 Pa. C.S. § 2203(8).
1432 CAUSE-PA St. 1 at 50.
1433 *Id.*

L. Concerning Customer Service and Quality of Service Issues

1. National Fuel Gas Distribution Corporation

a. Root Cause Analysis

The Company contends the Commission should reject OCA's recommendation to require the Company to perform regular, thorough root cause analysis of customer complaints above and beyond the Company's current process.[1434] NFG argues it routinely reviews all customer complaints for compliance with Company policies and Commission regulations and addresses the issues with all Company personnel involved. Further, NFG contends OCA failed to prove the existing process is insufficient to identify systemic issues.[1435] NFG asserts its process identifies underlying trends and provides group refresher training, and OCA failed to provide any evidence that the process is inadequate or not compliant with the Commission's regulations or orders.[1436] The Company argues OCA ignores the Company's proactive efforts to identify trends and prevent future issues through training,[1437] and OCA's vague proposal should be rejected.

b. Payment Agreement Tracking

The Company similarly asserts the Commission should reject OCA's recommendation - to require the Company to conduct an analysis that tracks and "evaluate[s] the extent to which payments or payment agreements prevent terminations after a notice has been issued and report this information to the parties within six months"

1434 OCA St. No. 5, p. 5.
1435 *See* OCA St. No. 5, p. 5; OCA St. No. 5-SR, p. 9.
1436 National Fuel St. No. 17-R, p. 33.
1437 National Fuel St. No. 17-R, p. 33.

- as a condition of any rate increase ordered in this proceeding.[1438] NFG notes it is not currently required to track or evaluate the relationship between termination notices and payment agreements in the manner recommended. However, the Company notes it provides extensive training for employees about offering reasonable payment agreement terms to customers. NFG prides itself on its focus on direct customer interaction, flexibility and early intervention for effective arrearage management.[1439] The Company contends it adequately monitors and evaluates customer payment behavior and payment arrangement outcomes through its existing tracking and reporting requirements. As an example of the Company's current tracking, NFG asserts its tracking shows that Total Dollars in Debt of customers on payment arrangements rose from 38.6% in 2022, to 46.8% in 2024. NFG contends this metric demonstrates that a growing percentage of customer accounts carrying arrears are enrolled actively in payment arrangements.[1440]

The Company asserts it agrees that payment agreements provide an important tool to the Company and customers to avoid terminations and manage arrears. However, NFG argues OCA's recommendation is premised on a claim that this data is necessary to evaluate whether the Company's payment agreement options are successfully preventing service termination.[1441] National Fuel disagrees, and maintains OCA has not demonstrated how requiring the Company to track this additional data will provide meaningful insight or actionable information to the Company beyond that already gained through current tracking and reporting requirements and existing arrearage management procedures. Absent a demonstrable benefit, the Company argues the administrative burden of tracking, analyzing, and reporting this data does not warrant its adoption.[1442]

1438 OCA St. No. 5, pp. 13-14.
1439 National Fuel St. No. 17-R, p. 33.
1440 National Fuel St. No. 17-R, p. 35.
1441 OCA St. No. 5, p. 13.
1442 National Fuel St. No. 17-R, pp. 35-36.

c. Call Center Performance/Customer Service Metrics

The Company asserts its initial filing included a request for a 25-basis point management efficiency adjustment to the ROE. In responding to the Company's request, other parties discussed the Company's call center performance and other customer service metrics. The Company acknowledge it withdrew its request for a management efficiency adjustment in rebuttal and notes no party recommended any other adjustments or proposals related to the Company's call center or other customer service metrics.

2. Bureau of Investigation and Enforcement

BIE did not submit any record evidence nor make any recommendations regarding any customer quality of service issue, and takes no position on these issues

3. Office of Consumer Advocate

a. Introduction

OCA recommends the Commission require NFG eliminate fees charging up to $2.95 to customers who make payments with credit cards, debit cards, Apple Pay, Google Pay, PayPal and Venmo, as well as use of their Interactive Voice Response (IVR) payment system, because eliminating the fees would support broader access to payment methods and reduce barriers for customer wanting to keep their account current.[1443]

In addition, OCA recommends the Commission require NFG establish a formal tracking process for all payment plans to assess the percentage of customers who

[1443] OCA St. 5 at 5-6.

enroll in a plan and subsequently avoid termination because such data is material to assess and structure payment plans in a manner that minimizes the risk of service termination.[1444]

b. Payment Arrangement Data

OCA notes NFG does not collect data on whether a termination notice is avoided when a customer makes a payment or enters a payment plan.[1445] OCA argues this type of information is important when determining the effectiveness of any company response to customers who indicate that they are unable to pay their current bill. OCA further argues that, without such data, it is difficult to evaluate whether existing customer assistance or payment arrangement options successfully prevent service termination.[1446]

OCA recommends the Commission require NFG to conduct such an analysis as a condition of any rate increase ordered in this proceeding.[1447] OCA further recommended that the Commission should direct NFG to evaluate the extent to which payments or payment arrangements prevent terminations after a notice has been issued and then report this information to the parties herein within six months to inform future policy or program adjustments.[1448]

c. NFG's Payment Fees Should be Eliminated

OCA notes NFG currently charges customers an fee totaling up to $2.95 for each online and/or telephonic payment.[1449] OCA asserts that NFG's practice to require a

---

[1444] OCA St. 5 at 5-6.
[1445] *Id.* at 13.
[1446] *Id.*
[1447] *Id.*
[1448] *Id.* at 14.
[1449] *Id.* at 15-16.

payment fee increases NFG customer bills when making payments online.[1450] OCA points out, however, that NFG encourages electronic payments and electronic payments are a popular payment method.[1451] OCA notes that these additional payment fees paid to NFG totaled $815,559 in 2024 and $930,384 in 2025.[1452] Specifically, OCA points out that 233,756 online payments were made in 2025, totaling $692,014.[1453] OCA argues these electronic payment fees particularly have a discriminatory impact on fixed and lower income customers who often need to make a last-minute payment to avoid termination of service.[1454]

OCA recommends the Commission require NFG to transition to a fee-free payment system that allows customers to use a broad range of payment options without incurring a fee.[1455] OCA notes that peer natural gas distribution companies such as UGI and Peoples Gas allow one-time credit or debit card payments online or by phone with no fee.[1456] OCA acknowledges that NFG may have contracts with third parties which process these payments,[1457] however, OCA contends it would be reasonable for the Commission to require NFG to investigate lower cost payment processing options to ensure just and reasonable rates.[1458]

4. Office of Small Business Advocate

OSBA did not take a position on this issue.

1450 *Id.* at 16.
1451 *Id.*
1452 *Id.*
1453 *Id.*
1454 *Id.*
1455 *Id.*
1456 *Id.*
1457 *Id.* at 16-17.
1458 *Id.* at 17.

5. CAUSE-PA

CAUSE-PA asserts universal service issues are fundamental customer service and standard of service issues,[1459] and in order to ensure compliance with the statutory customer service standard requirements of Chapter 15, the Commission should implement the universal service program and policy changes recommended by CAUSE-PA in this proceeding.[1460] CAUSE-PA strongly supports OCA's recommendation - that the Commission require NFG to conduct an analysis of the extent to which payment arrangements prevent terminations after a termination notice has been issued to a customer.[1461] CAUSE-PA notes that NFG does not currently track data regarding whether termination is avoided when a customer enters a payment arrangement. CAUSE-PA contends the Commission should require that NFG begin tracking such data and analyze the effectiveness of its payment arrangement policies at preventing termination and supporting customers experiencing payment difficulties as a condition of any rate increase authorized in this proceeding. In addition, CAUSE-PA strongly supports OCA's recommendation that the Commission require NFG to perform regular and thorough root-cause analyses of customer complaint trends to identify and document infractions and confirmed violations and to identify a strategy to improve outcomes.[1462]

6. Providers Task Force

Providers Task Force did not take a position on this issue.

[1459] *See supra* Section XII.
[1460] *See supra* Section XII.
[1461] OCA St. 5 at 13-14.
[1462] OCA St. 5 at 5.

7. Presiding Officer's Recommendation

a. Root Cause Analysis

OCA recommended NFG should perform regular, thorough root cause analyses of customer complaints above and beyond the Company's current process.[1463] NFG contended the Commission should reject OCA's recommendation because NFG routinely reviews all customer complaints for compliance with Company policies and Commission regulations and addresses the issues with all Company personnel involved. Further, NFG contended OCA failed to prove the existing process is insufficient to identify systemic issues.[1464] CAUSE-PA strongly supported OCA's recommendation that the Commission require NFG to perform regular and thorough root-cause analyses of customer complaint trends to identify and document infractions and confirmed violations and to identify a strategy to improve outcomes.[1465]

NFG contended the Commission should reject OCA's recommendation to require the Company to perform regular, thorough root cause analyses of customer complaints above and beyond the Company's current process.[1466] NFG argues it routinely reviews all customer complaints for compliance with Company policies and Commission regulations and addresses the issues with all Company personnel involved. Further, NFG contends OCA failed to prove the existing process is insufficient to identify systemic issues.[1467]

1463 OCA St. No. 5, p. 5.
1464 *See* OCA St. No. 5, p. 5; OCA St. No. 5-SR, p. 9.
1465 OCA St. 5 at 5.
1466 OCA St. No. 5, p. 5.
1467 *See* OCA St. No. 5, p. 5; OCA St. No. 5-SR, p. 9.

Upon review of the evidence and positions presented, the ALJ recommends the Commission reject OCA's proposal because the proposal is too vague and OCA did not prove that NFG's current efforts to identify trends and prevent future issues through training are deficient.

b. Payment Arrangement Tracking

OCA recommended the Commission require NFG to conduct an analysis and collect data on whether customers avoid a termination notice when the customer makes a payment or enters into a payment arrangement, as a condition of any rate increase ordered in this proceeding.[1468] OCA argued NFG does not collect data the effectiveness of company contacts or responses to customer who indicate to NFG about an in ability to pay a current bill. OCA further recommended that the Commission should direct NFG to evaluate the extent to which payments or payment arrangements prevent terminations after a notice has been issued and then report this information to the parties herein within six months of the effective date in this proceeding, to inform future policy or program adjustments.[1469] CAUSE-PA strongly supported OCA's recommendation, and recommended the Commission should require that NFG begin tracking such data and analyze the effectiveness of its payment arrangement policies at preventing termination and supporting customers experiencing payment difficulties as a condition of any rate increase authorized in this proceeding.

NFG argued the Commission should reject OCA's recommendation because NFG asserted it provides extensive training to its employees about payment arrangement offerings, on direct customer interaction, flexibility and early intervention for effective arrearage management.[1470] NFG contended it already adequately monitors

1468 *Id.*

1469 *Id.* at 14.

1470 National Fuel St. No. 17-R, p. 33.

and evaluates customer payment behavior and payment arrangement outcomes through its existing tracking and reporting requirements. NFG maintained OCA did not demonstrate how requiring NFG to track this additional data will provide meaningful insight or actionable information to NFG beyond that already gained through current tracking and reporting requirements and existing arrearage management procedures. Absent a demonstrable benefit, the Company argues the administrative burden of tracking, analyzing, and reporting this data does not warrant its adoption.[1471]

Having considered the evidence, the ALJ recognizes the information OCA and CAUSE-PA wish to collect could be helpful to determine the effectiveness of payment arrangements and how programs may need to be added or adjusted to improve the end results when a termination is avoided by a payment arrangement. However, the ALJ is persuaded by NFG's argument because OCA and CAUSE-PA did not provide sufficient explanation for what information would be collected, how it would be analyzed and how the information would benefit ratepayers. The ALJ recommends the Commission reject OCA's proposal, at this time.

c. Call Center Performance/Customer Service Metrics

NFG asserted it initially proposed a 25-basis point management efficiency adjustment to the ROE. NFG acknowledged other parties discussed NFG's call center performance and other customer service metrics, after which NFG made the decision to withdraw its request for a management efficiency adjustment in rebuttal. NFG noted no party recommended any other adjustments or proposals related to the Company's call center or other customer service metrics

[1471] National Fuel St. No. 17-R, pp. 35-36.

M. Concerning Miscellaneous Issues

1. National Fuel Gas Distribution Corporation

a. LTIIP and LPP Replacements

The Company claims it increased its capital expenditures for distribution and transmission plant since 2023, spending $129.5 million between 2023 to 2025 for the replacement of mains, services, and measurement and regulation stations.[1472] Further it asserts it eliminated 371 miles or 31% of its leak-prone bare steel and wrought iron pipelines, and 7,337 or 34% of its bare steel services, between 2016 and 2024.[1473] National Fuel claims its accelerated LPP replacement program targets replacement of all LPP by 2039.[1474] It further asserts its Amended LTIIP is evidence the Company plans to meet this LPP replacement goal. National Fuel claims it will continue to increase capital spending, under the Amended LTIIP, with a planned total spending of approximately $253.4 million over the five-year period.[1475] The Company contends the increased spending reflects the accelerated LPP replacement schedule, projected higher average distribution LPP replacement costs per mile, and projected higher average transmission and high-pressure steel pipeline replacement costs per diameter-inch mile.[1476]

NFGDC disagrees with the concerns BIE raised - that National Fuel will not meet its 2039 LPP replacement target based on a historic average replacement rate of 44.64 miles per year.[1477] NFG claims BIE's concerns overlook the Company's Amended LTIIP projections for an accelerated LPP replacement rate of 57 miles per year starting in

---

1472 National Fuel St. No. 9, p. 3.
1473 National Fuel St. No. 9, p. 7.
1474 National Fuel St. No. 1, p. 14.
1475 National Fuel St. No. 9, p. 3.
1476 National Fuel St. No. 9, pp. 4-6; National Fuel St. No. 9-R, pp. 2-3.
1477 I&E Statement No. 4, p. 10-11.

2027. NFG argues it will meet its replacement target in 2039 at this accelerated rate.[1478] In surrebuttal, I&E witness Burkett acknowledged the accelerated rate but continued to claim that the Company will not meet its 2039 target because the Company's projections include replacing two miles of vintage plastic pipe per year.[1479]

The Company asserts the total of bare steel and wrought iron mileage remaining at the end of 2025 was 749.91 miles and, removing the two miles of vintage plastic pipe per year from the Company's projections results in a projected replacement of 52 miles in 2026. With 55 miles each year for the 13-year period from 2027 to 2039, for a total target LPP replacement of 767 miles, the Company contends its projections will exceed its replacement target by 17.09 miles in 2039.[1480] National Fuel argues it is committed to meeting its LPP replacement target and making necessary investments to enhance and maintain the safety and reliability of the Company's distribution system.

b. Restoration Costs

NFG argues the Commission should refuse to implement a recommendation from BIE - that the Company break down replacement costs into multiple categories, track those costs, analyze the independent costs of items such as materials, labor and restoration, and thus better identify and negotiate potential cost savings on a project-by-project basis[1481] - because the Company's current cost tracking methods provide insight into project costs and potential savings and further tracking is not necessary at this time.

[1478] National Fuel St. No. 9-R, pp. 2-3.
[1479] I&E St. No. 4-SR, p. 2.
[1480] National Fuel St. No. 9-R, p. 3, Table 1.
[1481] I&E Statement No. 4, p. 14-15.

The Company asserts it tracks and analyzes replacement costs, including restoration costs. In addition, NFG claims the pipeline replacement work is completed mostly by using contractor crews selected through competitively bid contracts awarded on a per project basis or by geographical region. NFG contends these contracts use a unit price basis for bid items, including all restoration, material, labor, and equipment costs needed to complete a specific construction task. Since those costs are rolled into the unit price for each bid item, NFG argues a breakdown of those costs is not available[1482] because those costs are rolled into the unit price for each bid item.[1483] Further, the Company actively categorizes and tracks replacement costs on an overall and project specific basis, analyzes costs drivers, identifies efficiencies, and negotiates cost savings.[1484]

Under these existing processes, the Company contends it actively tracks and analyzes replacement and restoration costs and identifies areas for potential cost savings in future projects. NFG contends the Commission should refuse to accept BIE's recommended additional tracking as unnecessary at this time.

c. Tariff Rule 8

National Fuel proposes the Commission should amend Tariff Rule 8 to clarify that "free access" means not only that Company personnel may not be denied physical access to utility facilities but also that they will not be subject to unsafe or hazardous conditions while performing their duties.[1485] NFG notes Rule 8 of its Tariff, entitled "Access to Premises," informs the customer that one condition to continue the provision of service to the customer is that its Company personnel must have "free

1482 National Fuel St. No. 9-R, p. 4.
1483 National Fuel St. No. 9-R, pp. 4-5.
1484 National Fuel St. No. 16-R, p. 7.
1485 National Fuel St. No. 16, p. 29.

access" to Company facilities on the customer's property to perform necessary inspections, maintenance, leak response, repair, and emergency response activities.[1486]

National Fuel contends its personnel must enter customer premises to inspect gas systems and appliances and frequently those inspections must happen in basements or enclosed areas. The Company claims its personnel can face serious health and safety risks, including unsanitary conditions, sewage exposure, accumulated refuse, mold, and infestations.[1487] NFG asserts currently it requires correction of these issues before employees can enter or work on the premises when health or safety issues prevent safe access to Company- or customer-owned equipment. NFG claims this practice protects its employees and ensures that all work can be performed in a safe environment and in accordance with the Company's safety protocols.[1488]

NFG argues the proposed amendment to Rule 8 would identify certain unsafe and hazardous conditions that prevent the free access to Company facilities and acknowledges that, although the language is new, the proposed amendment is consistent with the Company's current practices. NFG avers the new language defines specific, observable, and understandable safety conditions that the Company claims objectively prevent free access, "including . . . the presence of aggressive or uncontrolled animals (e.g., dogs), insect or rodent infestation, the display, use, or brandishing of firearms or other weapons in a threatening or intimidating manner, presence of excrement, debris, or other rubbish, or any other circumstance that may reasonably pose a threat to the health or safety of Company employees or agents."[1489] The Company argues this language

---

[1486] National Fuel St. No. 16, p. 28.
[1487] National Fuel St. No. 16-R, p. 2.
[1488] CAUSE-PA St. 1, Appendix B, National Fuel's response to discovery request CAUSE-PA Set 4, No. 11.
[1489] National Fuel St. No. 16, p. 29; National Fuel Exh. F.

reduces confusion, provides greater certainty and understanding to property owners, and promotes operational efficiency by avoiding access-related delays.

The Company denies the proposal introduces subjectivity and argues the language imposes an objective standard for identifying conditions that "reasonably pose a threat to the health or safety of Company employees or agents."[1490] NFG also notes the Commission's regulations authorize utilities to terminate service if customers refuse access to facilities or violate tariff provisions in a way that endangers a person's safety or the integrity of the distribution system.[1491] The Company contends the proposed language is entirely consistent with the regulations and, if approved, informing customers of the conditions required for free access to Company facilities will improve predictability, transparency, and safety outcomes. For these reasons, the Company requests the Commission approve its proposed Tariff Rule 8 amendment without modification.

d. Methane Detector Program

The Company asserts it does not agree it should have to conduct a methane detector pilot program, as recommended by BIE. NFGDC acknowledges methane detection technologies may be beneficial and help to mitigate risk because NFGDC claims it is currently operating another methane detector pilot program in its New York division. The Company asserts the New York pilot is designed to evaluate the feasibility, operational requirements, costs, and potential risks of methane detector technologies.[1492]

[1490] National Fuel Exh. F, Proposed Rule 8 Amendment.
[1491] *See* 52 Pa. Code §§ 56.81(3) and 56.98(4).
[1492] National Fuel St. No. 16-R, p. 8.

NFGDC argues its New York pilot overlaps with this proposal and is a duplicative pilot.[1493]

The Company expressed concerns about the costs required to implement the proposal of BIE because a small-scale pilot would have limited effectiveness and value, while a broader program would not be feasible due to the substantial investment that would be required by a pilot in terms of infrastructure, IT systems, and field hardware. Further, the Company contends the pilot would require installing the recommended SMRD technology, AMI meters, or LoRaWAN communication systems and would have a substantial impact on Pennsylvania customers. The Company contends the cost to deploy these technologies would require the same capital investment as replacing more than 150 miles of main and associated services. NFGDC argues this level of expenditure would represent a significant redirection of resources away from core system replacement and safety enhancement activities but provide questionable added benefits, considering the New York pilot is currently underway.[1494] Lastly, the Company asserts that if the Commission were to direct National Fuel to design and implement a methane detector pilot, National Fuel would have a right to seek recovery of those funds because it is entitled to recover in rates all expenses reasonably necessary to provide service to its customers.[1495] For these reasons, the Company argues theCommission should reject BIE's proposed methane detector pilot.

1493 National Fuel St. No. 16-R, p. 8.

1494 National Fuel St. No. 16-R, p. 9.

1495 *Butler Township v. Pa. Pub. Util. Comm'n,* 473 A.2d 219, 221 (Pa. Cmwlth. 1984); *T.W. Phillips Gas and Oil Co. v. Pa. Pub. Util. Comm'n,* 81 Pa. Cmwlth. 205, 474 A.2d 355 (Pa. Cmwlth. 1984).

2. Bureau of Investigation and Enforcement

a. LTIIP and LPP Replacements

Regarding NFG's LTIIP and LPP pipeline replacement programs, BIE notes that the Company stated it has been replacing LPP through its Systematic Replacement Program,[1496] and asserted its stated pipeline replacement projects are prioritized using a probabilistic risk model to evaluate and rank risks associated with individual pipeline segments as well as maintaining a Pipeline Replacement and Systematic Modernization Program.[1497]

BIE contends the pipeline replacement, which includes high risk wrought iron and bare steel, should be based on NFG's Distribution Integrity Management Plan (DIMP).[1498] BIE notes it raised concerns that, in BIE's opinion based on the past average replacement schedule, NFG is likely to replace all remaining bare steel and wrought iron mains in 17 years.[1499] BIE contends that, while this schedule appears to meet the targets of mileage replacement through 2027, this schedule may not meet the LTIIP target of complete replacement by 2039.[1500]

b. Restoration Costs

Regarding restoration costs in his direct[1501] and surrebuttal[1502] testimonies, BIE witness Burkett raised concerns regarding the seemingly ever-increasing restoration

---

1496 I&E St. No. 4, p. 3.
1497 *Id.*, citing NFG Statement No. 9, p. 7.
1498 *Id.*, p. 9.
1499 *Id.*, p. 11.
1500 *Id.*
1501 I&E St. No. 4, pp. 12-16.
1502 I&E St. No. 4-SR, pp. 2-3.

costs associated with the infrastructure improvement capital costs.[1503] NFG stated that it has been working on reducing restoration costs, including municipal fees, since 2021 and is continuing its efforts to lower these costs.[1504] I&E acknowledges that some of these increases in costs are implemented by local municipalities and are out of NFG's control

c. Tariff Rule 8

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

d. Methane Detector Program

BIE witness Burkett recommended that NFG implement a pilot program utilizing Smart Remote Methane Detectors ("SRMDs") in a geographic region of NFG's choosing for the installation of 500 to 1000 SRMDs to allow NFG to study the effectiveness of the SRMDs and monitor the related expenses.[1505] Further, I&E recommended NFG consider using Advanced Metering Infrastructure ("AMI") technology and LoRaWAN or other communication network technology for the notification methodology utilized by these devices as part of its pilot program.[1506] I&E also recommends that in conjunction with the pilot program, NFG file quarterly reports with the Commission at this docket number, within 30 days of the end of each calendar quarter, beginning with the calendar quarter that ends December 31, 2026, and ending

---

[1503] I&E St. No. 4, pp. 12-14.
[1504] *Id.* p. 14; I&E St. No. 4-SR, p. 3.
[1505] I&E St. No. 4, p. 23; I&E St. No. 4-SR, p. 5.
[1506] *Id.*, p. 23.

with the calendar quarter that ends December 31, 2031, or otherwise directed by the Commission.[1507] Each report should include the data specified by Mr. Burkett.[1508]

BIE asserts the implementation of these detector programs is a valuable tool for early warning and accelerated actions to reduce the impacts of infrastructure integrity concerns going forward.[1509] BIE further asserts that installation of SRMDs, or real-time methane detection devices, have the potential to save lives across NFG's Pennsylvania service territory.[1510] As technology continues to evolve, BIE contends the ability to notify remotely the operator about the presence of indoor gas readings is the next logical step for operators across Pennsylvania if the utility and the state are to drive down the probability of an explosion and explosive consequences, should an explosion occur.[1511]

3. Office of Consumer Advocate

a. LTIIP and LPP Replacements

OCA did not address this issue.

b. Restoration Costs

OCA did not address this issue.

c. Tariff Rule 8

1507 *Id.*, p. 24-25.
1508 *Id.*, p. 25.
1509 *Id.*, p. 21.
1510 *Id.*
1511 *Id.*

OCA did not address this issue.

d. Methane Detector Program

OCA did not address this issue.

4. Office of Small Business Advocate

OSBA did not take a position on this issue.

5. CAUSE-PA

a. LTIIP and LPP Replacements

CAUSE-PA did not take a position on this issue.

b. Restoration Costs

CAUSE-PA did not take a position on this issue.

c. Tariff Rule 8

CAUSE-PA notes NFG proposes to revise its Tariff Rule 8.[1512] CAUSE-PA explains that Tariff Rule 8, "Access to Premises," provides that NFG's authorized agents shall have free access at all reasonable times to customer premises for the purpose of accessing gas equipment belonging to NFG – as well as piping and appliances

[1512] CAUSE-PA St. 1 at 70.

belonging to the customer.[1513] CAUSE-PA asserts NFG proposes to expand the definition of "free access" under Tariff Rule 8 to state explicitly that Company agents will not be subject to unsafe or hazardous conditions while on premises, which the Tariff Rule defines broadly to include the presence of insect or rodent infestation, excrement, debris, or other rubbish, or "any other circumstance that may reasonably pose a threat to the health or safety of Company employees or agents."[1514]

As a threshold matter, CAUSE-PA emphasizes that it is necessary for NFG to access gas equipment on customer premises, and to ensure the safety of its personnel.[1515] However, CAUSE-PA opposes the proposed changes to Tariff Rule 8, because those proposed changes would infuse highly subjective language into this Tariff Rule.[1516] CAUSE-PA notes that, under both its current and proposed tariff, NFG has the ability to refuse or terminate service for noncompliance with tariff rules, including Tariff Rule 8.[1517] CAUSE-PA contends that NFG's proposal, by explicitly characterizing the presence of pests, debris, "rubbish" or other health and safety issues as within the scope of this Tariff Rule, could result in customers having service refused or terminated based on subjective determinations related to these perceived conditions which may not pose any threat to NFG's employees.[1518] CAUSE-PA argues NFG's proposed tariff language would allow NFG and its representatives to make subjective determinations based on a range of cultural and moral differences that could result in termination or refusal of service.[1519]

1513 National Fuel Gas Distribution Corporation Tariff Pa. P.U.C. No. 9, Original Page No. 19.
1514 NFG St. 16 at 29:9-18. CAUSE-PA St. 1 at 70: 3-10.
1515 CAUSE-PA St. 1 at 70: 12-14.
1516 *Id.* at 70: 15-20.
1517 *Id.* at 70.
1518 *Id.* at 70: 15-20.
1519 *Id.*

CAUSE-PA points out that NFG already has a range of protocols for addressing health and safety conditions on customers' premises, including:

- A rule prohibiting employees from entering customer premises if health and safety concerns are present.[1520]
- A protocol requiring that health and safety issues present at customer premises must be remediated before employees are permitted to perform work.[1521]
- A Safety Gatekeeper Program, through which its employees can report concerns about customer wellbeing or unsafe field conditions to their supervisors, who determine whether to refer the customer to resources or support services.[1522]

CAUSE-PA contends NFG has not made clear that proposed revisions to Tariff Rule 8 would provide any additional protection for its employees – though it is abundantly clear that the Tariff Rule 8 revisions may subject customers to refusal or termination of services for an impossibly broad range of subjective conditions – including those conditions which may be beyond the customer's control and conditions that they may not be able to remediate without assistance.[1523] CAUSE-PA argues the highly subjective nature of proposed Tariff Rule 8 would make it difficult for the Commission and interested parties to determine if this Rule is being implemented in compliance with NFG's statutory and regulatory requirements.[1524] CAUSE-PA asserts, given that NFG has already established protocols for responding to potential health and safety concerns at a customer's premises, NFG has not demonstrated that the proposed language is necessary to protect employees or customers.[1525]

[1520] CAUSE-PA St. 1 at 70-71.
[1521] *Id.* at 71: 2-9.
[1522] *Id.*
[1523] CAUSE-PA St. 1 at 71: 10-16.
[1524] *Id.*
[1525] 66 Pa. C.S. § 1501.

For these reasons, CAUSE-PA recommends that the Commission should deny NFG's proposed revisions to its Tariff Rule 8.[1526] CAUSE-PA additionally recommends that the Commission require NFG to track and report terminations, delays, and denials of service based on health and safety conditions, and the steps taken by NFG – through its Safety Gatekeeper Program or otherwise – to help connect customers who have such conditions on their premises with remediation resources.[1527]

d. Methane Detector Program

CAUSE-PA did not take a position on this issue.

6. Providers Task Force

Providers Task Force did not take a position on this issue.

7. Presiding Officer's Recommendation

a. LTIIP and LPP Replacements

NFG claimed it increased capital expenditures for distribution and transmission plant since 2023, spending $129.5 million between 2023 to 2025 for the replacement of mains, services, and measurement and regulation stations.[1528] Further, NFG asserted it eliminated 371 miles or 31% of its leak-prone bare steel and wrought iron pipelines, and 7,337 or 34%, of its bare steel services, between 2016 and 2024.[1529]

1526 CAUSE-PA St. 1 at 71: 10-16.
1527 CAUSE-PA St. 1-SR at 25-26.
1528 National Fuel St. No. 9, p. 3.
1529 National Fuel St. No. 9, p. 7.

National Fuel claimed its accelerated LPP replacement program targets replacement of all LPP by 2039.[1530]

BIE was the only party to question NFG's pipeline replacement efforts. BIE argued the pipeline replacements, which includes high risk wrought iron and bare steel, should be based on NFG's Distribution Integrity Management Plan (DIMP).[1531] BIE noted NFG is likely to replace all remaining bare steel and wrought iron mains in 17 years,[1532] and while this schedule appears to meet the targets of mileage replacement through 2027, BIE cautioned this schedule may not meet the LTIIP target of complete replacement by 2039.[1533]

NFG responded its projections will exceed its replacement target by 17.09 miles in 2039, with its goal of 55 miles each year for the 13-year period from 2027 to 2039, and a total target LPP replacement of 767 miles.[1534] National Fuel argued it is committed to meeting its LPP replacement target and making necessary investments to enhance and maintain the safety and reliability of the Company's distribution system

Based on the evidence presented, the ALJ recommends the Commission not change the schedule for NFG's pipeline replacement efforts because NFG is on schedule to complete those efforts by 2039, and is in compliance with meeting its target goals, at this time.

1530 National Fuel St. No. 1, p. 14.
1531 *Id.*, p. 9.
1532 *Id.*, p. 11.
1533 *Id.*
1534 National Fuel St. No. 9-R, p. 3, Table 1.

b. Restoration Costs

BIE raised concerns regarding restoration costs associated with the infrastructure improvement capital costs that BIE contended are ever-increasing.[1535] NFG stated that it worked on reducing restoration costs, including municipal fees, since 2021 and continues its efforts to lower these costs.[1536] BIE acknowledged some increases in costs are implemented by local municipalities and are out of NFG's control. BIE recommended NFG be required to break down replacement costs into multiple categories, track those costs, analyze the independent costs of items such as materials, labor and restoration, and thus better identify and negotiate potential cost savings on a project-by-project basis[1537] Under these existing processes, NFG contended it actively tracks and analyzes replacement and restoration costs and identifies areas for potential cost savings in future projects. Accordingly, NFG contends the Commission should refuse to accept BIE's recommended additional tracking as unnecessary at this time.

Based on the evidence presented, the ALJ is persuaded the Commission should reject BIE's recommendation to add tracking into multiple categories with analysis, at this time.

c. Tariff Rule 8

In this proceeding, NFG proposed the Commission should amend NFG's Tariff Rule 8 to clarify that "free access" means not only that Company personnel may not be denied physical access to utility facilities but also that they will not be subject to unsafe or hazardous conditions while performing their duties.[1538] NFG notes Rule 8 of its

---

1535 I&E St. No. 4, pp. 12-14.
1536 *Id.* p. 14; I&E St. No. 4-SR, p. 3.
1537 I&E Statement No. 4, p. 14-15.
1538 National Fuel St. No. 16, p. 29.

Tariff, entitled "Access to Premises," informs the customer that one condition to continue the provision of service to the customer is that its Company personnel must have "free access" to Company facilities on the customer's property to perform necessary inspections, maintenance, leak response, repair, and emergency response activities.[1539] its personnel must enter customer premises to inspect gas systems and appliances and frequently those inspections must happen in basements or enclosed areas. The Company claims its personnel can face serious health and safety risks, including unsanitary conditions, sewage exposure, accumulated refuse, mold, and infestations.[1540] NFG proposed to add language to define specific conditions.

CAUSE-PA noted NFG's current Tariff Rule 8 provides that NFG's authorized personnel are to have free access to customers' premises to access NFG's equipment. CAUSE-PA opposed NFG's proposal because it would add highly subjective language into the tariff rule, and the change was not needed because under the current tariff NFG already had the ability to refuse or to terminate service if there were health and safety concerns present. CAUSE-PA argued NFG's proposed tariff language would allow NFG and its representatives to make subjective determinations based on a range of cultural and moral differences that could result in termination or refusal of service.[1541]

Having considered the evidence and positions of the parties, the ALJ is persuaded by CAUSE-PA that NFG's proposal to revise Tariff Rule 8 should be rejected at this time because NFG did not present sufficient evidence to prove that the revisions are necessary, given the current protections in place already for NFG's employees. The ALJ recommends the Commission deny NFG's proposed revisions to its Tariff Rule 8, and further recommends the Commission require NFG to track and report terminations, delays, and denials of service based on health and safety conditions, and the steps taken

---

[1539] National Fuel St. No. 16, p. 28.
[1540] National Fuel St. No. 16-R, p. 2.
[1541] *Id.*

by NFG – through its Safety Gatekeeper Program or otherwise – to connect customers who have such conditions on their premises with remediation resources. NFG did not provide sufficient convincing evidence that a present or historic reason exists to establish a defined set of conditions that might trigger termination of service. However, if NFG tracks the times and conditions that trigger Tariff Rule 8 before the next base rate case, NFG may be able to meet its burden of proving that its employees need additional protections and how often Tariff Rule 8 was utilized in terminations of services to customers.

d. Methane Detector Program

BIE recommended NFG initiate and conduct a methane detector pilot program, but NFG objected. BIE suggested the pilot program would use Smart Remote Methane Detectors ("SRMDs") in a geographic region of NFG's choosing for the installation of 500 to 1000 SRMDs to allow NFG to study the effectiveness of the SRMDs and monitor the related expenses.[1542] BIE further suggested NFG should consider using Advanced Metering Infrastructure ("AMI") technology and LoRaWAN or other communication network technology for the notification methodology utilized by these devices as part of its pilot program.[1543] Lastly, BIE suggested NFG file quarterly reports with the Commission, within 30 days of the end of each calendar quarter, beginning with the calendar quarter that ends December 31, 2026, and ending with the calendar quarter that ends December 31, 2031, or as otherwise directed by the Commission.[1544] BIE argued the pilot would be a valuable tool for early warning and accelerated actions to reduce the impacts of infrastructure integrity concerns going forward.[1545] BIE further asserted the SRMDs have the potential to save lives across

---

[1542] I&E St. No. 4, p. 23; I&E St. No. 4-SR, p. 5.
[1543] *Id.*, p. 23.
[1544] *Id.*, p. 24-25.
[1545] *Id.*, p. 21.

NFG's Pennsylvania service territory.[1546] As technology continues to evolve, BIE contended the ability to notify remotely the operator about the presence of indoor gas readings would be a next logical step for operators across Pennsylvania if the utility and the state are to drive down the probability of an explosion and explosive consequences

NFG noted its parent company operated a pilot program in New York to evaluate the feasibility, operational requirements, costs and potential risks of methane detector technologies but argued the Commission should reject BIE's proposal because a Pennsylvania pilot would overlap with the New York pilot, would be a duplicative pilot, would be too costly for a small-scale pilot with limited effectiveness. NFG contended the cost to deploy the technology would require the same capital investment as replacing more than 150 miles of main and associated services, and such a large level of expenditure would produce a significant redirection of resources away from core system replacement and safety enhancement activities but only provide questionable added benefits. NFG argues that, if the Commission directs NFG to design and implement a methane detector pilot, NFG would have a right to seek recovery of those funds expended because it is entitled to recover in rates all expenses reasonably necessary to provide service to its customers.[1547] For these reasons, NFG argued the Commission should reject BIE's proposed methane detector pilot.

The ALJ recommends the Commission reject BIE's Methane Detector Program, at this time, because the program is too costly and duplicative of the pilot program underway in New York. At the next filing of a rate case by NFG, NFG should provide information about the result of the New York pilot, so the parties and the

[1546] *Id.*

[1547] *Butler Township v. Pa. Pub. Util. Comm'n,* 473 A.2d 219, 221 (Pa. Cmwlth. 1984); *T.W. Phillips Gas and Oil Co. v. Pa. Pub. Util. Comm'n,* 474 A.2d 355 (Pa. Cmwlth. 1984).

Commission can consider the costs, rules, applications and feasibility of initiating a pilot, with the benefit of the information gained in New York.

VI. <u>CONCLUSIONS OF LAW</u>

1. The Commission has jurisdiction over the parties and subject matter in this proceeding. 66 Pa.C.S. §§ 1301, 1308(d).

2. The Commission must consider the broad public interest during a base rate proceeding and apply policy concerning the appropriate balance between prices charged to a utility's customers and returns on capital to the utility's investors. *Popowsky v. Pa. Pub. Util. Comm'n*, 665 A.2d 808 (Pa. 1995).

3. The Commission has the authority to determine whether a requested base rate increase is unreasonable and will lead to an unjust and unreasonable rate for a utility's customers, based upon all surrounding circumstances. *Popowsky v. Pa. Pub. Util. Comm'n*, 665 A.2d 808 (Pa. 1995).

4. Every rate made, demanded or received by a public utility shall be just and reasonable and in conformity with the regulations and orders of the Commission. 66 Pa.C.S. § 1301.

5. The standard of proof which a public utility must meet, in any proceeding involving a proposed or existing rate, is to show that the rate involved is just and reasonable, and is supported by substantial evidence, which is such relevant evidence that a reasonable mind might accept as adequate to support a conclusion. *Norfolk & Western Ry. Co. v. Pa. Pub. Util. Comm'n,* 413 A.2d 1037 (Pa. 1980). 66 Pa.C.S. § 315(a).

6. A public utility seeking a general rate increase has the burden of proof to establish the justness and reasonableness of every element of the rate increase request, and that utility's rates must include every individual charge that utility demands for any service offered, rendered, or furnished by the utility, whether received directly or indirectly. *Metropolitan Edison Co. v. Pa. Pub. Util. Comm'n,* 22 A.3d 353 (Pa. Cmwlth. 2011).

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

8. The proposed base rate revenue increase of $19.7 million, as shown in the initial filing dated January 28, 2026, is not just and reasonable, as required by 66 Pa.C.S. § 1301, and National Fuel has not met its burden of proof as NFG failed to present substantial credible record evidence to support its request for a revenue increase of $19.7 million.

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

10. In exchange for the utility's provision of safe, adequate and reasonable service, the ratepayers are obligated to pay rates which cover the cost of service, which includes reasonable operation and maintenance expenses, depreciation,

taxes and a fair rate of return for the utility's investors. *Pa. Pub. Util. Comm'n v. Pennsylvania Gas & Water Co.,* 61 Pa. PUC 409, 415-16 (1986); 66 Pa.C.S. § 1501.

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

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

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

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

RR: Revenue Requirement

E: Operating Expense

D: Depreciation Expense

T: Taxes

RB: Rate Base

ROR: Overall Rate of Return

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

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

16. In setting or evaluating a utility's rates, the Commission considers important ratemaking factors including quality of service, gradualism, and affordability.[1548]

17. Commission has the "power to make and apply policy" concerning the appropriate balance between rates charged to consumers and returns allowed to utility investors, but the Commission must consider the impact of rates on consumers when determining whether rates are just and reasonable. *Popowsky v. Pa. Pub. Util. Comm'n*, 665 A.2d 808, 812 (Pa. 1995); *Federal Power Comm'n v. Hope Nat'l Gas Co.*, 320 U.S. 591, 603 (1944) (*Hope*).

18. The Company must affirmatively demonstrate by a preponderance of evidence that its expenses are reasonably necessary to provide services or are prudently incurred. *City of Lancaster Sewer Fund v. Pa. Pub. Util. Comm'n,* 793 A.2d 978, 982

[1548] *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa., Inc.*, Order, R-2020-3018835, at 46-47 (order entered Feb. 19, 2021) (citing 66 Pa.C.S. §§ 523, 526(a); *Lloyd v. Pa. Pub. Util. Comm'n*, 904 A.2d 1010, 1019-21 (Pa. Cmwlth. 2006); *Pa. Pub. Util. Comm'n v. Twin Lakes Util., Inc.*, 2020 Docket No. R-2019-3010958 at 48, 80 (order entered Mar. 26, 2020).

(Pa. Cmwlth. 2002)*; Popowsky v. Pa. Pub. Util. Comm'n,* 674 A.2d 1149, 1154 (Pa. Cmwlth. 1996).

19. To the extent that expenses are not reasonably incurred, imprudently incurred, or abnormally overstated during the test year, they should be disallowed and found not recoverable through rates. *Cup v. Pa. Pub. Util. Comm'n*, 556 A.2d 470 (Pa. Cmwlth. 1989).

20. Portions of incentive compensation tied to shareholder earnings goals that lack a sufficient nexus to ratepayer benefits but primarily advance shareholder interests may be disallowed. Pa. Pub. Util. Comm'n v. Columbia Gas of PA, Inc., R-2025-3053499 (Order Oct. 3, 2025).

21. The Commission may approve incentive compensation plans where eligible employees have direct responsibilities for customer service, regulatory compliance or are responsible to ensure safe and reliable service to ratepayers. *Pa. Pub. Util. Comm'n v. Pennsylvania-American Water Company*, 2021 PA. PUC LEXIS 55 at *59 (Feb. 25, 2021).

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

23. The utility is entitled to recover from ratepayers the original cost investment in its depreciable plant. *Pennsylvania Power & Light Co., v. Pa. Pub. Util. Comm'n*, 311 A.2d 151, 157 (Pa. Cmwlth. 1973).

24. The public and ratepayers are entitled to demand that no more be exacted than the reasonable worth of the services rendered. *Edison Light & Power Co. v. Driscoll*, 25 F. Supp. 192 (D. Pa. 1938).

25. Depreciation expense is a direct component of the revenue requirement, but accumulated depreciation is also a reduction to rate base. *Pa. Pub. Util. Comm'n. v. Columbia Gas of Pa., Inc.,* Docket Nos. R-2025-3053499 *et al*., Order at 108 (Dec. 4, 2025).

26. Higher levels of accumulated depreciation result in a lower rate base, a lower return on rate base and lower customer rates when compared to a lower level of accumulated depreciation. *Pa. Pub. Util. Comm'n. v. Columbia Gas of Pennsylvania, Inc.,* Docket Nos. R-2025-3053499 *et al*., Order at 108 (Dec. 4, 2025).

27. The public utility is entitled to recover depreciation expense to ensure the utility remains whole and maintains the integrity of its investment, but the utility bears the burden of demonstrating that its claimed amounts to recover in expenses are not excessive. 66 Pa.C.S. § 315(a); *see Lindheimer v. Illinois Bell Tel. Co.*, 292 U.S. 151, 169 (1934); *Federal Power Commission v. Hope Natural Gas Co*., 320 U.S. 591, 606 (1944).

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

29. A fair rate of return "should be commensurate with returns on investments in other enterprises having corresponding risks" while being sufficient "to

assure confidence in the financial integrity of the enterprise, so as to maintain its credit and attract capital," but a utility "has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures." *Hope* at 603; *Bluefield Water Works and Improvement Co. v. Public Serv. Comm'n of W.Va.*, 262 U.S. 679, 692-93 (1923) (*Bluefield*).

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

31. The purpose of establishing a ratemaking capital structure is not merely to replicate a utility's actual capitalization, but rather to ensure that rates are just and reasonable. *Riverton Consol. Water Co. v. Pa. Pub. Util. Comm'n*, 140 A.2d 114, 121 (Pa. Super. 1958); 66 Pa. C.S. § 1301

32. The use of the actual capital structure in peculiar circumstances might be unfair to either the utility or its customers, depending upon whether debt or equity is disproportionately high. *Riverton Consol. Water Co. v. Pa. Pub. Util. Comm'n*, 140 A.2d 114, 121 (Pa. Super. 1958); 66 Pa. C.S. § 1301

33. For a wholly owned subsidiaries with actual capital structures weighted too heavily on the debt side or equity side, the Commission "must make adjustments based upon substantial evidence in order to reach a fair result." *Riverton*

Consol. Water Co. v. Pa. Pub. Util. Comm'n, 140 A.2d 114, 121 (Pa. Super. Ct. 1958) (*Riverton)*.

34. A utility is entitled to earn a return comparable to investments of similar risk and sufficient to maintain financial integrity and attract capital on reasonable terms. *Bluefield Water Works & Improvement Co. v. Public Service Commission*, 262 U.S. 679 (1923); *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944).

35. The utility is not entitled to a rebuttable presumption as a matter of law as to the correctness of its chosen ACOSS methodology but, instead, bears the burden of proof, as in all other aspects of its rate increase request. 66 Pa.C.S. § 315(a).

36. The selection of an appropriate ACOSS methodology, which is directly related to both the Commission's ratemaking policies and the design and buildout of NFG's distribution system, is the first step in designing rates in this proceeding. *Pa. Pub. Util. Comm'n v. PECO Energy Co. – Gas Div.*, 2021 Pa. PUC LEXIS 241, * 117-18, 120 (Order June 22, 2021).

37. The Commission considers the results of cost of service studies to address ratemaking concerns such as unreasonable inter- and intra-class subsidization through revenue allocation. *Lloyd v. Pa. Pub. Util. Comm'n*, 904 A. 2d 1010, 1020 (Pa. Cmwlth. 2006).

38. The Commission must also consider non-cost factors when determining the appropriate cost of service for each class. *Phila. Elec. Co. v. Pa. Pub. Util. Comm'n*, 470 A.2d 654, 658 (Pa. Cmwlth. 1984); *Hoover v. Pa. R.R.*, 27 A. 282, 283 (Pa. 1893).

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

40. To implement an alternative ratemaking mechanism, the proposing utility must provide substantial evidence that the specific mechanism proposed by the utility would result in just and reasonable rates. *Pa. Pub. Util. Comm'n v. PECO Energy Company - Gas*, Docket No. R-2024-3046932, p. 14 (Order Entered Dec. 12, 2024). *See also* 66 Pa.C.S. §§ 315(a), 1330.

41. To determine "just and reasonable alternative distribution ratemaking mechanisms and rate designs that promote the purpose" of the Commission's policy and the policy laid out in Section 1330, 66 Pa.C.S. § 1330, the Commission, in a Policy Statement, developed 14 factors to be considered. *Pa. Pub. Util. Comm'n v. PECO Energy Company - Gas*, Docket No. R-2024-3046932, p. 15 (Order Entered Dec. 12, 2024). *See* 52 Pa. Code § 69.3302(a).

42. "It is a primary concern of the Commission that alternative ratemaking is, in some way, rooted in the cost of service." *Pa. Pub. Util. Comm'n v. PECO Energy Company – Gas,* Docket No. R-2024-3046932, p. 16 (Order Entered Dec. 12, 2024).

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

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

45. Methodologies other than the DCF can be used as a check upon the reasonableness of the DCF derived ROE calculation. As such, where evidence based on other methods suggests that the DCF-only results may produce an unreasonable ROE, we will consider those other methods, to some degree, in determining the appropriate range of reasonableness for our determination as to the appropriate ROE to award [the utility]. *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa. Inc.,* Docket No. R-2025-3053499 (Opinion and Order entered Dec. 4, 2025).

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

47. National Fuel Gas Distribution Corporation's proposed residential customer charge increase is not supported by substantial evidence and is inconsistent with principles of cost causation, maintaining rate consistency, promoting conservation, encouraging affordability, and maintaining equity for low-income customers. 66 Pa.C.S. § 315(a).

48. Rate design should send appropriate price signals to customers to influence usage decisions in addition to applying principles of cost causation, gradualism, and overall fairness. *Pa. Pub. Util. Comm'n v. PECO Energy Co. – Gas Div.*, 2021 Pa. PUC LEXIS 241, * 151 (Order June 22, 2021).

49. The Commission has consistently included customer charges as part of the scale back of authorizing a revenue requirement at a level less than that requested by the utility. *Pa. Pub. Util. Comm'n v. Columbia Gas of PA, Inc.*, R-2025-3053499 Order at 174 (Oct. 3, 2025).

50. National Fuel Gas Distribution Corporation did not meet its burden of proving the Weather Normalization Adjustment will enhance the safety, security, reliability or availability of utility infrastructure and would be consistent with efficient consumption of utility service. 66 Pa.C.S. § 1330(a)(2).

51. National Fuel Gas Distribution Corporation did not meet its burden of proving by substantial evidence that its proposed Weather Normalization Adjustment will produce just, reasonable, and non-discriminatory rates.

52. National Fuel Gas Distribution Corporation did not meet its burden of proving the Weather Normalization Adjustment satisfies the Commission's fourteen (14) factors regarding whether a proposed alternative rate mechanism would result in just and reasonable rates. 66 Pa.C.S. § 1330(a)(2).

53. National Fuel Gas Distribution Corporation did not meet its burden of proving the Weather Normalization Adjustment would not create inequitable outcomes for ratepayers and would not harm or discourage ratepayers' incentives to conserve energy or invest in energy efficiency improvements.

54. It is not appropriate to consider proposals relating to a public utility's energy burdens, Customer Assistance Plan, and other universal service program issues within the context of a base rate proceeding, finding that such proposals are more properly considered in a public utility's Universal Service and Energy Conservation Plan

(USECP) proceeding." *Pa. Pub. Util. Comm'n v. Aqua Pennsylvania, Inc.*, (2022 Aqua Order), Docket No. R-2021-3027386 (Order Entered May 16, 2022).

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

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

57. The Commission must ensure that National Fuel Gas Distribution Corporation's universal service programs are appropriately funded and available to NFG's customers. 66 Pa.C.S. § 2203(8).

58. The Commission has statutory authority to oversee National Fuel Gas Distribution Corporation's universal service programs. 66 Pa.C.S. § 2203(8).

59. Requiring payment fees for customers to pay bills by electronic payment methods is unjust and unreasonable rate discrimination. 66 Pa.C.S.§ 1304.

60. National Fuel Gas Distribution Corporation did not meet its burden of proving by substantial evidence that Tariff 8 was necessary because of National Fuel Gas Distribution Corporation's current safety measures available to its employees.

VII. ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That National Fuel Gas Distribution Corporation shall not place into effect the rates, rules, and regulations contained in Supplement No. 294 to Tariff Gas-Pa. P.U.C. No. 9, the same having been found to be unjust, unreasonable, and therefore unlawful.

2. That National Fuel Gas Distribution Corporation is authorized and directed to file tariffs, tariff supplements and/or tariff revisions, on at least one day's notice, and pursuant to the provisions of 52 Pa. Code §§ 53.1, *et seq.*, and 53.101, designed to produce an annual revenue increase of approximately $8,227,867, to become effective for service rendered on and after October 29, 2026.

3. That the request of National Fuel Gas Distribution Corporation to receive an authorized Return on Equity of 11.00% is denied.

4. That National Fuel Gas Distribution Corporation shall be authorized to earn a Return on Equity using a capital structure of 50% common equity and 50% debt.

5. That National Fuel Gas Distribution Corporation's adoption of the Equal Life Group procedure to calculate depreciation rates is approved.

6. That the request of National Fuel Gas Distribution Corporation's to increase fixed charges for Residential customers to $19.00 monthly is denied.

7. That the fixed charges for Residential customers shall be remain at $14.00 monthly.

8. That the Formal Complaints filed against the base rate proceeding at R-2025-3059428, by the Office of Consumer Advocate at C-2026-3060292; Office of Small Business Advocate at C-2026-3060354; and CAUSE-PA at C-2026-3060437, are granted in part and denied in part, consistent with this Recommended Decision.

9. That National Fuel Gas Distribution Corporation's proposal to implement its pilot Weather Normalization Adjustment as a permanent part of its tariff is denied, and National Fuel Gas Distribution Corporation is directed to cease operation of the Weather Normalization Adjustment on the effective date of rates approved in this proceeding.

10. That National Fuel Gas Distribution Corporation's proposal to implement the Energy Efficiency Pilot is granted.

11. That National Fuel Gas Distribution Corporation's proposed amendment to Tariff Rule 8 is denied.

12. That National Fuel Gas Distribution Corporation's proposal to distribute a one-time bill credit to refund $30 of Other Post-Employment Benefits to low income customers in December 2026 is approved; and National Fuel Gas Distribution

Corporation is further directed to conduct targeted outreach, to all customers receiving the one-time refund credit, to determine eligibility for the Company's universal service programs.

13. That, upon the effective date of rates in this proceeding, National Fuel Gas Distribution Corporation shall begin tracking data regarding the total dollars and average dollars in debt carried by Customer Assistance Program customers.

14. That, upon the effective date of the rates in this proceeding, National Fuel Gas Distribution Corporation is authorized and directed to file with the Commission, on at least one day's notice, data regarding the impact of the approved rates, by customer class, to include the residential, commercial and industrial class.

15. That, upon acceptance and approval by the Commission of the tariff supplements to be filed by National Fuel Gas Distribution Corporation, the Formal Complaints filed against the base rate proceeding at R-2025-3059428, by the Office of Consumer Advocate at C-2026-3060292; Office of Small Business Advocate at C-2026-3060354; and CAUSE-PA at C-2026-3060437, shall be marked closed.

16. That, upon acceptance and approval by the Commission of the tariff supplements to be filed by National Fuel Gas Distribution Corporation, the investigation at Docket No. R-2025-3059428 shall be terminated and the record shall be marked closed.

Date: July 31, 2026

/s/
Katrina L. Dunderdale
Administrative Law Judge

Appendix A

Summary Tables of Position and Adjustments

TABLE I
National Fuel Gas
INCOME SUMMARY
R-2025-3059428

	Pro Forma Present Rates $ (1)	Company Adjustments $ (2)	Pro Forma Present Rates $ (3) = (1) + (2)	ALJ Adjustments $ (4)	ALJ Pro Forma Present Rates $ (5) = (3) + (4)	ALJ Revenue Increase $ (6)	Total Allowable Revenues $ (7) = (5) + (6)
Operating Revenue	265,524,000	16,189,000	281,713,000	21,000	281,734,000	(7,982,133)	273,751,867
Expenses:							
O & M Expense	203,996,000	248,000	204,244,000	(1,651,242)	202,592,758	(122,127)	202,470,631
Depreciation	25,302,000	0	25,302,000	0	25,302,000	0	25,302,000
Taxes, Other	2,489,000	0	2,489,000	0	2,489,000	0	2,489,000
Income Taxes:							
State	(330,000)	1,194,000	864,000	(28,019)	835,981	(588,714)	247,267
Federal	(1,998,000)	3,097,000	1,099,000	(72,678)	1,026,322	(1,526,971)	(500,649)
Total Expenses	229,459,000	4,539,000	233,998,000	(1,751,939)	232,246,061	(2,237,812)	230,008,249
Net Inc. Available for Return	36,065,000	11,650,000	47,715,000	1,772,939	49,487,939	(5,744,321)	43,743,618
Rate Base	571,431,000	0	571,431,000	(365,489)	571,065,511		571,065,511
Rate of Return	6.31%		8.35%				7.66000000%

(1) As filed
(3) Company Main Brief

TABLE I(A)
National Fuel Gas
RATE OF RETURN
R-2025-3059428

	Structure	Cost	After-Tax Weighted Cost	Effective Tax Rate Complement	Pre-Tax Weighted Cost Rate
	(1)	(2)	[(3) = (1) x (2)]	(4)	[(5) = (3) x (4)]
Total Cost of Debt			2.79%		
Long-term Debt	50.00%	5.58%	2.79%		2.79%
Short-term Debt	0.00%	0.00%	0.00%		
Preferred Stock	0.00%	0.00%	0.00%	0.730829	0.00%
Common Equity	50.00%	9.74%	4.87%	0.730829	6.66%
	100.00%		7.660%		9.45%
Pre-Tax Interest Coverage	3.39				
After-Tax Interest Coverage	2.75				

TABLE I(B)
National Fuel Gas
REVENUE FACTOR
R-2025-3059428

100%	1.00000000
Less:	
Uncollectible Accounts Factor (*)	0.01530000
PUC, OCA, OSBA Assessment Factors (*)	0.00000000
Gross Receipts Tax	0.00000000
Other Tax Factors	0.00000000
	0.98470000
State Income Tax Rate (*)	0.07490000
Effective State Income Tax Rate	0.07375403
Factor After Local and State Taxes	0.91094597
Federal Income Tax Rate (*)	0.21000000
Effective Federal Income Tax Rate	0.19129865
Revenue Factor (100% - Effective Tax Rates)	0.71964732

(*) Company Main Brief

TABLE II
National Fuel Gas
SUMMARY OF ADJUSTMENTS
R-2025-3059428

Adjustments (1)	Rate Base (2) $	Revenues (3) $	Expenses (4) $	Depreciation (5) $	Taxes-Other (6) $	State Income Tax (7) $	Federal Income Tax (8) $
RATE BASE:							
CWC:							
Int. & Div. (Table IV)	(245,573)						
Taxes (Table V)							
O & M (Table VI)	(119,916)						
REVENUES:							
Forfeited Discounts (OCA)		21,000				1,573	4,080
EXPENSES:							
Rate Case Expense (BIE)			(137,600)			10,306	26,732
Payroll Expense (OSBA)			(525,364)			39,350	102,063
Membership Dues Expense (OSBA)			(234,266)			17,547	45,511
Customer Payment Transaction Costs (OCA,OSBA)			930,000			(69,657)	(180,672)
Office Employee Expenses (OCA)			(64,000)			4,794	12,433
Postage Expense (OCA)			(175,000)			13,108	33,997
Line Hit Collections Expense (OCA)			(156,000)			11,684	30,306
Executive Cash Bonus (BIE)			(379,731)			28,442	73,771
Executive Performance Shares (BIE)			(909,281)			68,105	176,647
						0	0
			0			0	0
			0			0	0
TAXES:							
Interest Synchronization (Table III)						(153,271)	(397,546)
TOTALS	(365,489)	21,000	(1,651,242)	0	0	(28,019)	(72,678)

TABLE III
National Fuel Gas
INTEREST SYNCHRONIZATION
R-2025-3059428

(1)	Amount $ (2)
Company Rate Base Claim	571,431,000
ALJ Rate Base Adjustments (Table II)	(365,489)
ALJ Rate Base (Line 1 - Line 2)	571,065,511
Weighted Cost of Debt (Table IA)	2.79%
ALJ Interest Expense (Line 3 x Line 4)	15,932,728
Company Claim [(1)]	13,886,381
Total ALJ Adjustment (Line 6 - Line 5)	(2,046,347)
Company Adjustment [(1)]	0
Net ALJ Interest Adjustment (Line 7 - Line 8)	(2,046,347)
State Income Tax Rate (Table IB)	7.49%
State Income Tax Adjustment (Line 9 x Line 10) (Flow to Table II)	(153,271)
Net ALJ Interest Adjustment (Line 9)	(2,046,347)
State Income Tax Adjustment (Line 11)	(153,271)
Net ALJ Adjustment for F.I.T. (Line 12 - Line 13)	(1,893,076)
Federal Income Tax Rate	21.00%
Federal Income Tax Adjustment (Line 14 x Line 15)	(397,546)

[(1)] Company Main Brief

TABLE IV
National Fuel Gas
CASH WORKING CAPITAL - Interest and Dividends
R-2025-3059428

	Accrued Interest			Preferred Stock Dividends	
		Long-Term Debt	Short-Term Debt		
	(1)	(2)	(3)	(4)	(5)
1.	Company Rate Base Claim	$571,431,000	$571,431,000	Company Rate Base Claim	$571,431,000
2.	ALJ Rate Base Adjustments	($365,489)	($365,489)	ALJ Rate Base Adjustments	($365,489)
3.	ALJ Rate Base	$571,065,511	$571,065,511	ALJ Rate Base	$571,065,511
4.	Weighted Cost of Debt	2.79000000%	0.00%	Weighted Cost Pref. Stock	0.00000000%
5.	ALJ Annual Interest Exp.	$15,932,728	$0	ALJ Preferred Dividends	$0
6.	Average Revenue Lag Days	47.16	47.2	Average Revenue Lag Days	47.2
7.	Average Expense Lag Days	91.25	0.0	Average Expense Lag Days	0.0
8.	Net Lag Days	-44.1	47.2	Net Lag Days	47.2
9.	Working Capital Adjustment				
10.	ALJ Daily Interest Exp.	$43,651	$0	ALJ Daily Dividends	$0
11.	Net Lag Days	-44.1	47.2	Net Lag Days	47.2
12.	ALJ Working Capital	($1,924,573)	$0		$0
13.	Company Claim (1)	($1,679,000)	$0	Company Claim (1)	$0
14.	ALJ Adjustment	($245,573)	$0		$0
15.	Total Interest & Dividend Adj.	($245,573)			

(1) Company Main Brief.

TABLE VI
National Fuel Gas
CASH WORKING CAPITAL -- O & M EXPENSE
R-2025-3059428

Description (1)	Company Pro forma F.T.Y. Expense (2)	ALJ (3)	ALJ Pro forma Expenses (4)	Lag Days (5)	Lag Dollars (6)
Purchased Gas Costs	$124,571,000	$0	$124,571,000	39.83	$4,961,662,930
Other Expenses	$35,748,000	($746,147)	$35,001,853	41.01	$1,435,425,992
Payroll	$40,592,000	($905,095)	$39,686,905	10.32	$409,568,860
	$0	$0	$0	0.00	$0
	$0	$0	$0	0.00	$0
	$0	$0	$0	0.00	$0
	$0	$0	$0	0.00	$0
	$0	$0	$0	0.00	$0
	$0	$0	$0	0.00	$0
	$0	$0	$0	0.00	$0
	$0	$0	$0	0.00	$0
	$0	$0	$0	0.00	$0
	$0	$0	$0	0.00	$0
	$0	$0	$0	0.00	$0
	$0	$0	$0	0.00	$0
	$200,911,000	($1,651,242)	$199,259,758	34.20	$6,806,657,782

ALJ Average Revenue Lag	47.2	
Less: ALJ Avg. Expense Lag	34.2	
Net Difference	13.0	Days
ALJ Pro forma O & M Expense per Day	$545,917	
ALJ CWC for O & M	$7,075,084	
Less: Company Claim (1)	$7,195,000	
ALJ Adjustment	($119,916)	

(1) Company Main Brief

Other Expenses	
Rate Case Expense (BIE)	$ (137,600)
Membership Dues Expense (OSBA)	$ (234,266)
Customer Payment Transaction Costs (OCA,OSBA)	$ 930,000
Office Employee Expenses (OCA)	$ (64,000)
Postage Expense (OCA)	$ (175,000)
Line Hit Collections Expense (OCA)	$ (156,000)
Executive Performance Shares	$ (909,281)
	$ (746,147)

Payroll Expenses	
Payroll Expense (OSBA)	$ (525,364)
Executive Cash Bonus	$ (379,731)
	$ (905,095)