PULP
PENNSYLVANIA
UTILITY LAW PROJECT

August 24, 2026

Via Email Only

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

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

Dear Secretary Homsher:

Please find the attached copy of the **Reply Exceptions of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA)** in the above noted proceeding.

As indicated on the attached Certificate of Service, service on the parties was accomplished by email only.

Respectfully Submitted,

Levi A. Phillips, Esq.
Counsel for CAUSE-PA

CC: Administrative Law Judge Katrina L. Dunderdale (via email at kdunderdal@pa.gov)
Office of Special Assistants (via email at ra-OSA@pa.gov)
Certificate of Service

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

Certificate of Service

I hereby certify that I have this day served copies of the **Reply Exceptions of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA)** upon the parties of record in the above captioned proceeding in accordance with the requirements of 52 Pa. Code § 1.54.

VIA EMAIL ONLY

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Dated: August 24, 2026

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

REPLY EXCEPTIONS OF

THE COALITION FOR AFFORDABLE UTILITY SERVICES AND ENERGY EFFICIENCY IN PENNSYLVANIA – COMPLAINANT

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Date: August 24, 2026

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I. INTRODUCTION

On August 17, 2026, National Fuel Gas Distribution Corporation (NFG or the Company) filed Exceptions to the Recommended Decision (RD) of the Honorable Administrative Law Judge (ALJ) Katrina L. Dunderdale. The RD correctly finds that NFG failed to meet its burden of proof to show its proposed rates and attendant policies, services, and programs are just, reasonable, and in the public interest. Based on this finding, and as supported by substantial evidence in this case, the RD correctly recommends that the Commission reject NFG's proposed rate increase, its proposed 35.7% increase to its residential customer charge, its unjust and unreasonable Weather Normalization Adjustment charge, and its inequitable energy efficiency pilot rider.

Throughout its Exceptions, NFG points to past cases in an attempt to distract from its failure to carry its evidentiary burden in this proceeding to show that its proposals would produce just and reasonable rates. NFG argues at every turn that the RD fails to consider the Company's arguments and that the Commission's discretion must be constrained by decisions it has made in other proceedings. The fact is, the RD plainly considered NFG's arguments yet found at each turn that the opposing parties' arguments and the evidence in support thereof were more persuasive.

For the following reasons, and as outlined in CAUSE-PA's Briefs, the Commission should reject NFG's unfounded Exceptions and adopt the well-reasoned and strongly supported RD.[1]

[1] Unless necessary for context, CAUSE-PA will not reprint here the extensive legal analysis and citations included in its briefs. CAUSE-PA will cite to the relevant pages of its briefs that contain those cites and legal analysis.

II. REPLY EXCEPTIONS

A. Reply to NFG Exception No. 1: The RD correctly adopts a hypothetical capital structure that is sufficient to enable NFG to maintain its credit and attract capital while avoiding unnecessary additional costs for consumers.

CAUSE-PA supports the RD's recommendation that NFG adopt a hypothetical capital structure of 50% common equity and 50% debt.[2] The RD correctly explains that NFG has not carried its burden to demonstrate that using the Company's preferred capital structure of 56.4% equity and 43.6% debt would produce just and reasonable rates.[3] As the RD explains, NFG's chosen FPFTY capital structure would be unjust and unreasonable because it is weighted too heavily toward equity, and would "exceed industry norms and impose additional costs on consumers."[4] CAUSE-PA agrees with ALJ Dunderdale that "customers should not be required to fund equity capital that is unnecessarily too high."[5] The RD correctly concludes that based on the record evidence, using an imputed capital structure of 50% common equity and 50% debt for ratemaking purposes would produce just and reasonable rates.[6] This conclusion is well supported by substantial evidence in the record and appropriately balances the interests of NFG, its ratepayers, and the public interest in accord with well-established principles of ratemaking.

In its first Exception, NFG argues the RD erred in adopting a hypothetical 50/50 capital structure because its FPFTY capital structure is within the range of capital structures used by companies in its barometer group and, therefore, its capital structure is not atypical.[7] NFG asserts that there is no record evidence to support the RD's finding that the Company's FPFTY capital structure exceeds industry norms.[8] However, as discussed in CAUSE-PA's Reply Brief, NFG

[2] RD at 219-20.
[3] RD at 220.
[4] RD at 220.
[5] RD at 220.
[6] RD at 219-20.
[7] NFG Exceptions at 7.
[8] NFG Exceptions at 7; RD at 220.

ignores the extensive evidence and analysis presented by OCA witness Reno showing that NFG's proposed capital structure both exceeds the average equity ratio approved by regulatory commissions in recent years and exceeds the proxy group average and median expected for 2026.[9] NFG places prior Commission decisions over fact – arguing that the Commission should ignore the evidence Ms. Reno presented and allow the Company's equity-heavy proposed capital structure because it is within the range of barometer group companies it selected for comparison, and the Commission has used this metric to determine whether a utility's capital structure is atypical in prior proceedings.[10]

Simply put, there is no room for blind adherence to prior decisions in these truly unprecedented times. As Vice Chair Kimberly Barrow stated at the outset of this case,

> 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.[11]

As set forth in CAUSE-PA's Main Brief, the Commission has an abundance of discretion in determining whether NFG's proposed capital structure should be approved.[12] The Commission has concluded that upon a finding that a utility's actual capital structure is either atypical or too heavily weighted toward the debt or equity side, it may exercise its discretion to implement a hypothetical capital structure.[13] Pennsylvania courts have directed that when the capital structure of a wholly-owned subsidiary – like NFG – is weighted too heavily on the debt or equity side, the Commission *must* make adjustments based upon substantial evidence to reach a fair result.[14]

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[9] MB at 37-38; RB at 12.
[10] NFG Exceptions at 7.
[11] Statement of Vice Chair Kimberly Barrow Re: Pa. PUC v. National Fuel Gas Distribution Corporation (Feb. 19, 2026) (emphasis added).
[12] MB at 38.
[13] MB at 38.
[14] MB at 38.

Based upon the record evidence, including the substantial evidence put forth by Ms. Reno demonstrating that NFG's proposed capital structure exceeds industry norms, the RD correctly found that NFG's proposed capital structure is *both* atypical for the industry and weighted too heavily on the equity side.[15] NFG's argument errs in its assertion that, because the Commission has relied on the barometer group range chosen by the utility in prior proceedings, the Commission *must* look to the barometer group range chosen by NFG in this case to determine whether the Company's proposed capital structure is atypical or too heavily weighted to one side.[16] The Commission's discretion is not so constrained. Here, substantial record evidence demonstrates that NFG's FPFTY capital structure exceeds the average of equity ratios approved by regulatory commissions in recent years and the proxy group average and median expected for 2026,[17] supporting the RD's findings that NFG's proposed ratio is atypical and weighted too heavily toward equity.[18] The RD considered NFG's argument that its proposed capital structure is within the barometer group range and concluded that the Company failed to meet its burden of showing that such a capital structure would produce just and reasonable rates.[19] Accordingly, the RD correctly recommends adoption of a hypothetical 50% equity, 50% debt capital structure.[20]

NFG also argues that adoption of a 50% equity ratio does not account for the Company's purported need for equity to support its accelerated replacement program.[21] The Company argues that a 50% equity ratio would require it to change how it finances infrastructure replacements and "*could* impact National Fuel's ability to continue to retain earnings to finance pipeline

[15] RD at 220.
[16] NFG Exceptions at 5-7.
[17] MB at 37-38; RB at 12.
[18] RD at 220.
[19] RD at 220.
[20] RD at 220.
[21] NFG Exceptions at 8.

replacements."[22] However, the Company fails to point to any record evidence substantiating its speculative claims or showing that it would be unable to attract capital and maintain its credit under a 50% equity ratio.[23] Under the constitutional framework established by *Hope* and *Bluefield*, the capital structure and rate of return the Commission authorizes must be sufficient to allow NFG to attract capital and maintain its credit, and must balance investor and consumer interests.[24] The RD struck the appropriate balance, finding that NFG failed to carry its burden to show its FPFTY capital structure would be just and reasonable and ordering a hypothetical capital structure that would enable NFG to attract capital and maintain its credit without requiring customers to fund equity capital that is unnecessarily too high.[25]

In balancing the relevant interests, and as explained more thoroughly in CAUSE-PA's Main and Reply Briefs, the Commission should adopt the RD's well-supported recommendation of ALJ Dunderdale that NFG adopt a hypothetical capital structure of 50% equity and 50% debt, and deny NFG's Exception 1 to the RD.

B. Reply to NFG Exception No. 2: The RD correctly recommends a 9.74% return on common equity that is sufficient to enable NFG to maintain its credit and attract capital while avoiding unnecessary additional costs for consumers.

CAUSE-PA submits that there is substantial evidence that the RD's recommendation establishing a 9.74% return on equity (ROE) at an imputed 50% equity, 50% debt capital structure is sufficient.[26] The RD correctly explains that NFG has not met its burden of showing that the Company's proposed 11.0% ROE would be just and reasonable, or that NFG faces materially

[22] NFG Exceptions at 8-9 (emphasis added).
[23] NFG Exceptions at 8-9.
[24] MB at 29-30, 36-37.
[25] RD at 220.
[26] RD at 219-20. CAUSE-PA did not provide a recommended ROE in this proceeding, but strongly supports the recommendations advanced by OCA. As set forth in OCA's Main Brief, if the Commission approves NFG's proposed capital structure, it should instead adopt OCA's alternative 9.06% ROE to reach a fair result. OCA MB at 53.

greater financial risk than its peers.[27] As the RD explains, NFG's proposed ROE would unjustly and unreasonably exacerbate consumer affordability challenges, and a 9.74% ROE would provide a reasonable return that balances the needs of NFG with the needs of ratepayers.[28]

In its second Exception, NFG argues that the RD erred because "[i]t is apparent that the ALJ chose OCA's proposed equity rate simply because it was the lowest rate offered," asserting that ALJ Dunderdale offered no reasoning or analysis to explain her finding.[29] NFG plainly mischaracterizes ALJ Dunderdale's RD in asserting that she failed to analyze or provide reasoning for her recommendation that NFG be allowed to earn a 9.74% ROE.

The RD extensively reviews the record evidence and the positions of the parties and concludes that NFG failed to meet its burden of showing that its requested ROE is justified.[30] NFG specifically asserts that in rejecting NFG's originally proposed 11% ROE, the RD failed to consider the Company's revised 10.5% ROE proposal.[31] But the RD clearly discusses NFG's revised ROE proposal in reviewing the parties' ROE positions and in the summary preceding ALJ Dunderdale's Recommendation.[32] ALJ Dunderdale clearly considered NFG's revised ROE proposal and concluded that, based on record evidence, NFG's proposal – even as revised – would unjustly and unreasonably exacerbate affordability challenges.[33] After concluding that NFG's proposal is unreasonable, ALJ Dunderdale states that, based on her analysis of the record evidence and the enunciated positions of the parties, OCA's recommendation "is a more reasonable return that balances the needs of NFG with the needs of ratepayers."[34] ALJ Dunderdale's conclusion was

[27] RD at 219-20.
[28] RD at 219.
[29] NFG Exceptions at 11.
[30] RD at 210-19.
[31] NFG Exceptions at 11.
[32] RD at 168, 211, 218
[33] RD at 219.
[34] RD at 219.

not, as NFG asserts, chosen "simply because it was the lowest rate offered,"[35] but rather, based on her well-reasoned analysis of the record evidence, because NFG's proposal was unjustified and OCA's proposal struck a reasonable balance between the Company and its customers.[36]

As explained in CAUSE-PA's Main Brief, the record in this case makes clear that NFG's rates are already unaffordable for thousands of low income families, causing service to be inaccessible to thousands of households and creating a cascade of negative consequences for individual families and the surrounding communities.[37] NFG's excessive ROE proposal fails to consider consumer interests – instead maintaining a narrow focus on the Company's desire for greater profit while thousands of families are forced out of the market for basic services to their home.[38]

NFG further argues that OCA's recommended ROE is flawed because the Company disagrees with the methods OCA witness Reno used to determine her recommendation.[39] The standard set forth in *Hope* is clear, however, that "it is the result reached not the method employed which is controlling" when determining whether rates are just and reasonable.[40] Even still, while not controlling, the methods Ms. Reno used to determine her ROE recommendation are more consistent with actual utility growth experience, supported by multiple objective indicators, and should be given greater weight than the self-serving models applied by NFG.[41] Ms. Reno's methods for determining ROE reached a fair result, and the RD correctly concludes that a 9.74% ROE provides a reasonable return while balancing the needs of NFG and its customers.[42]

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[35] NFG Exceptions at 11.
[36] RD at 219.
[37] CAUSE-PA MB at 18-25.
[38] CAUSE-PA MB at 36-37
[39] NFG Exceptions at 11-12.
[40] Federal Power Comm'n v. Hope Nat'l Gas Co., 320 U.S. 591, 602 (1944).
[41] RB at 15.
[42] RD at 219.

Under *Hope* and *Bluefield*, the Commission must allow NFG a return that is "comparable to returns available on investments of similar risk and sufficient to maintain financial integrity and attract capital on reasonable terms" while balancing the interests of investors with the interests of consumers.[43] The ROE that ALJ Dunderdale adopted in her RD does just that – balancing NFG's interest in attracting capital and maintaining its financial integrity with consumers' interest in paying a more reasonable and more affordable rate. In its Exceptions, NFG makes no claim that it would be unable to maintain financial integrity and attract capital on reasonable terms with a 9.74% ROE, nor does the Company point to any record evidence to support such a finding. Instead, NFG simply restates its disagreement with the methods Ms. Reno used to determine her recommended ROE and states that ordering a 9.74% ROE would be "flawed" because the Commission has awarded higher ROEs to other utilities in other proceedings.[44] Here again, NFG points to prior decisions to distract from the facts. ALJ Dunderdale's analysis of the facts in the record guided her conclusion that NFG's proposed ROE is unjustified and that a 9.74% ROE strikes the appropriate balance between investor and consumer interests. As CAUSE-PA explained in its Main Brief, the Commission must ensure any approved rate is as low as possible – preventing unjust and unreasonable transfer of wealth from NFG's financially vulnerable customers to NFG's well compensated shareholders.[45]

In balancing the relevant interests, and as explained more thoroughly in CAUSE-PA's Main and Reply Briefs, the Commission should adopt the RD's well-supported recommendation that NFG be allowed a 9.74% ROE, and deny NFG's Exception 2 to the RD.

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[43] MB at 36-37.
[44] NFG Exceptions at 11-12.
[45] CAUSE-PA MB at 41.

C. Reply to NFG Exception No. 3: The RD correctly recommends discontinuation of NFG's pilot Weather Normalization Adjustment charge (WNA), as operation of the pilot has proven to be detrimental to consumers – shifting unreasonable business risk to customers and resulting in unjust rates.

Based on a thorough evaluation of NFG's WNA pilot performance, the RD correctly recommends that the pilot end upon the effective date of rates in this proceeding because NFG failed to put forward substantial evidence that the mechanism results in just and reasonable rates.[46] The RD correctly explains that NFG's WNA 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."[47] As the RD highlights, NFG's WNA has passed more charges onto customers than it has paid credits – a trend that is likely to continue and could get worse, given undisputed evidence that weather is warming.[48] The RD further explains that NFG's WNA undermines customers' ability to save on their bills through energy conservation, denies customers clear weather-related consumption and price signals, and results in customers receiving confusing billing statements from which they are unable to verify the accuracy of their charges.[49] CAUSE-PA supports ALJ Dunderdale's well-supported recommendation that NFG be ordered to end its WNA.

In its third Exception, NFG argues that the RD erred in recommending the Company be ordered to cease operation of its WNA because, according to NFG, ALJ Dunderdale did not provide a reasonable basis to justify ending the WNA.[50] The burden in this case, however, is not on ALJ Dunderdale; it is on NFG to show by substantial evidence that its WNA produces just and reasonable rates.[51] Still, the RD provides substantial justification for its recommendation that

46 RD at 309-310; 415.
47 RD at 309.
48 RD at 309.
49 RD at 309-10.
50 NFG Exceptions at 13.
51 MB at 12-13.

NFG's WNA must end. Based on her thorough analysis of the record evidence examining the design, implementation, and results of NFG's WNA pilot, ALJ Dunderdale correctly concluded that NFG failed to meet its burden and has not shown by substantial evidence that its WNA produces rates that are just and reasonable.[52] NFG asserts that substantial evidence shows the WNA to be beneficial to customers,[53] but the RD analyzed the record and concluded that NFG's WNA is "unfair by design." As explained extensively in CAUSE-PA's Main and Reply Briefs, any short-term benefits residential customers receive from the WNA are dramatically outweighed by the nearly $6.5 million net additional charges it has added to their bills so far.[54]

Specifically, RD correctly concludes – based on unrefuted evidence – that Pennsylvania's weather is warming, and that over time the WNA will more often result in a net charge to customers, at greater amounts, and with fewer occasions where customers receive credits. In its Exceptions, NFG points to the cold weather in Pennsylvania last winter, arguing against the consensus of experts – including its own witness[55] – that Pennsylvania's weather is undergoing a long-term warming trend that will result in fewer HDDs over time.[56] This fallacious sleight of hand attempts to draw attention away from the impact warming weather will have on the operation of the WNA over time, which is an essential part of assessing the justness and reasonableness of this alternative rate mechanism per the Commission's policy statement.[57] As explained in CAUSE-PA's Main and Reply Briefs, as Pennsylvania's warming trend continues, weather may vary month-by-month or year-by-year, but consistently warming average temperatures are projected to hold steady over time.[58] The WNA shifts the business risk posed by this warming weather trend

[52] RD at 309.
[53] NFG Exceptions at 13.
[54] MB at 58; RB at 24-25.
[55] NFG St. 19 at 26, Fig. 1.
[56] NFG Exceptions at 14-15.
[57] MB at 68; 52 Pa. Code § 69.3302 (a)(9).
[58] MB at 57; RB at 23.

from NFG onto its customers.[59] If allowed to continue, the WNA will result in greater and greater customer charges *based on service customers did not use or need*, improperly converting NFG's *opportunity* to earn its authorized revenue requirement into an essential guarantee.[60] This factual context is critical to analyzing the WNA, which is mathematically bi-directional, but in practice serves as a one-way surcharge to insulate NFG from the risk of warming weather at ratepayer expense.[61]

In its Exceptions, NFG further argues that the RD's recommendation to end the WNA should be rejected because the Commission has not ended the WNA of any other NGDCs.[62] Once again, the Company points to prior cases in attempt to draw attention away from its failure to meet its evidentiary burden. The legal standard in this proceeding is not whether the Commission has ended the WNA for any other NGDC. The legal standard here is whether NFG has shown by substantial evidence that its WNA produces just and reasonable rates.[63] Based on a thorough and well-reasoned analysis of NFG's WNA pilot, and substantial evidence in support thereof, ALJ Dunderdale correctly concluded that the WNA does not produce just and reasonable rates, and accordingly recommends the pilot end.[64]

NFG further argues that the RD's criticisms of NFG's WNA are not specific to NFG, and could be directed against any company's WNA.[65] But this, again, mischaracterizes ALJ Dunderdale's analysis, which carefully examined the design and the results of the first three years of NFG's WNA pilot.[66] The fact that a similar analysis could be made of other NGDC's WNAs,

[59] MB at 68.
[60] MB at 56.
[61] MB at 58.
[62] NFG Exceptions at 13.
[63] MB at 12-13.
[64] RD at 309-310.
[65] NFG Exceptions at 13.
[66] RD at 309-10.

which may have similar design features and may therefore produce similar results, does not change the fact that the RD analyzed NFG's WNA specifically and concluded, based on the record evidence in *this* proceeding about *this* WNA, that NFG did not carry its evidentiary burden. This argument also mischaracterizes the record upon which ALJ Dunderdale based her conclusion, which is replete with critique of the extremity of NFG's WNA specifically as compared to those operated by other Pennsylvania NGDCs.[67] In particular, parties drew attention to the exceptionally long operable period of NFG's WNA, which runs for two-thirds of the year, from October through May, two months longer than the WNA the Commission recently authorized for Columbia Gas;[68] to the fact it includes CAP customers unlike other WNAs such as that operated by UGI;[69] and to its inadequate 3% deadband despite the Commission's conclusion in *Columbia 2025* that "a 5% deadband adequately captures what could be considered normal weather fluctuations in Pennsylvania."[70] The RD's conclusion that NFG's WNA should be ended was not an indictment of the concept of a WNA in the abstract – it was a rejection of the extreme, "unfair by design" mechanism that NFG proposed to permanently impose on its customers.[71]

To the extent the Commission decides to allow NFG's WNA to continue despite the evidence of harm to consumers, substantial record evidence demonstrates that significant reforms must be made to the design of NFG's WNA to mitigate its worst impacts on customers.[72] For the reasons set forth in CAUSE-PA's Main and Reply Briefs, the Commission should order the following reforms if it allows NFG's WNA to continue.[73] First, CAUSE-PA agrees with the RD's alternative recommendation that should NFG's WNA continue, it should be on a pilot basis and

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67 MB at 76; RB at 26-28; OCA MB at 96-99; I&E RB at 36-37.
68 RB at 27-28; OCA MB at 99-100; I&E MB at .
69 RB at 26-27.
70 OCA MB at 96; RB at 28.
71 RD at 309.
72 MB at 76-79; RB at 25-29.
73 MB at 76-79; RB at 25-29.

not be made a permanent feature of NFG's rate design.[74] Further, it should exempt all CAP customers from the WNA, limit operable months to the Commission-recognized winter months of December through March, increase the deadband from 3% to 5%, and require NFG to use a rolling 10-year historical average that is updated annually for purposes of calculating the WNA to mitigate historical bias.[75] That said, CAUSE-PA asserts that ALJ Dunderdale was correct to recommend the Commission order NFG to end its WNA.[76] As the RD states, the Company has failed to show by substantial evidence that its WNA produces just and reasonable rates, but rather, record evidence shows that NFG's WNA is unfair by design and should be ended.[77]

The Commission should adopt the RD's well-supported recommendation that NFG be ordered to end its WNA, and deny NFG's Exception 3 to the RD.

D. Reply to NFG Exception No. 4: The RD correctly recommends the Commission reject NFG's proposed 35.7% hike to its residential customer charge and maintain the charge at $14 because any increase would result in a customer charge that comprises an unreasonably large proportion of a customer's bill, undermining customers' ability to reduce bills through conservation.

CAUSE-PA supports the RD's recommendations that NFG's proposed 35.7% increase to the residential customer charge should be rejected and that NFG should be ordered to maintain its residential customer charge at $14 per month.[78] The RD also recommends that the Commission adopt I&E's recommendation that any increase to the residential customer charge be limited to the percentage increase in residential class rates generally.[79] As discussed more fully below, there is no contradiction between these recommendations: the RD agrees with I&E that any increase to the residential customer charge should be limited to the overall percent increase in rates for the

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[74] RD at 309.
[75] MB at 76-79; RB at 25-29.
[76] RD at 309-10.
[77] RD at 309-10.
[78] RD at 415.
[79] RD at 270-71.

residential class, that is, that the customer charge should be *no more* than $15.80,[80] and – following application of other important factors – recommends that the customer charge remain at $14.[81] The RD is unequivocal in recommending that the Commission authorize no increase to NFG's residential customer charge, and CAUSE-PA urges the Commission to adopt this recommendation.

In its fourth Exception, NFG argues that the RD erred in rejecting its proposal to increase the residential customer charge by 35.7% because its proposal was based on the Company's cost of service study.[82] NFG asserts that the $19 per month it proposed is less than the fixed residential customer costs indicated in its customer cost study.[83] However, NFG's Exception is without merit because the fixed customer cost is not the only factor the Commission must consider while determining a utility's fixed customer charge.[84] When setting just and reasonable rates – including the residential customer charge – the Commission must weigh important ratemaking concerns including quality of service, rate gradualism, and rate affordability alongside the utility's cost of providing service.[85] Whether a utility's rate design enables customers to control costs through energy efficiency and conservation is a critical aspect of rate affordability, and is central to assessing whether a utility's rate design is just and reasonable.[86] The Commission has acknowledged that the ability of customers to reduce their bills through efficiency and conservation depends on a bill structure that bases cost recovery on volumetric usage.[87]As the Commission concluded in *Columbia 2025*, rate designs with fixed charges comprising an unreasonably large proportion of customer bills "penalize those customers who have invested in

[80] RD at 269, 271.
[81] RD at 415.
[82] NFG Exceptions at 18.
[83] NFG Exceptions at 18.
[84] MB at 46.
[85] MB at 46.
[86] MB at 46.
[87] RB at 19.

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.[88]

As discussed extensively in CAUSE-PA's Main and Reply Briefs, NFG's proposed residential customer charge would severely undermine customers' ability to mitigate the bill impact of any rate increase authorized in this proceeding through conservation.[89] NFG's residential customer charge already exceeds the proportion of a customer's bill the Commission recently found to be reasonable in *Columbia Gas 2025*.[90] In that case, the Commission rejected Columbia's request to increase its customer charge to an amount that would represent 20.7% of a customer's monthly bill, instead ordering a customer charge comprising 14.9% of a customer's bill.[91] That proportion, the Commission concluded, represented "a reasonable compromise between the conflicting objectives of moving towards cost-based rates, while reflecting gradualism and preserving adequate opportunity for customer savings due to conservation efforts."[92] Here, NFG's proposed residential customer charge would comprise 21% of a customer's bill, exceeding the proportion the Commission rejected as unreasonable in *Columbia Gas 2025*.[93] Under NFG's existing rate design, its residential customer charge comprises 16.8% of a customer's bill – already exceeding the reasonable proportion the Commission recently authorized for Columbia.[94] To reach the proportion the Commission found to be reasonable in *Columbia Gas 2025*, NFG's residential customer charge would in fact be *reduced* to $13.45.[95]

[88] MB at 46-47
[89] MB at 45-50; RB at 18-21.
[90] MB at 46-48; RB at 19.
[91] MB at 47; RB at 19.
[92] MB at 47.
[93] MB at 47; RB at 19.
[94] MB at 47.
[95] MB at 47; RB at 19.

In its Exceptions, NFG characterizes the RD's recommendations that the Commission order NFG's residential customer charge to remain at $14 and to adopt I&E's recommendation that any increase to the residential customer charge be limited to the percent increase in residential rates – that is, to no more than $15.80 – as a contradiction.[96] However, there is no contradiction in these recommendations: $14 is less than $15.80. The ALJ adopted I&E's recommendation that the authorized residential customer charge be no more than $15.80,[97] and then recommended that the Commission authorize the residential customer charge remain at $14.[98] NFG mischaracterizes the RD by attempting to create a contradiction between these recommendations.

Based on her analysis of the record evidence, ALJ Dunderdale correctly recommends that the Commission order NFG to maintain its residential customer charge at $14 per month.[99] In balancing the relevant considerations, and as explained more thoroughly in CAUSE-PA's Main and Reply Briefs, the Commission should adopt the RD's well-supported recommendation that NFG maintain its residential customer charge at $14, and deny NFG's Exception 4 to the RD.

E. Reply to NFG Exception No. 5: The RD correctly denies recovery of NFG's proposed EE pilot costs through an inequitable rider that would require NFG's low income customers to pay the cost of a program they cannot realistically participate in.

The RD recommends that NFG be allowed to implement its proposed energy efficiency pilot (EE Pilot) but recommends the Commission reject NFG's request to recover costs for the pilot through a new residential class rider, Rider D.[100] NFG's proposed Rider D would unjustly and unreasonably add charges to the monthly bills of all residential customers, including low income customers and CAP customers, to recover costs for a program that low income customers

[96] NFG Exceptions at 17.
[97] RD at 271.
[98] RD at 415.
[99] RD at 415.
[100] RD at 330-31.

cannot afford to participate in and would receive no quantifiable benefit from.[101] As discussed extensively in CAUSE-PA's Main and Reply Briefs, it is unjust, unreasonable, and contrary to the public interest to add Rider D charges to low income customers' bills without ensuring that the programming supported by the rider will provide meaningfully accessible EE&C services for low income customers.[102] To the extent the Commission approves NFG's request to implement its proposed EE Pilot without requiring dedicated and proportionate low income programming, CAUSE-PA supports the RD's recommendation that the Commission reject NFG's request to recover its costs through Rider D.

In its fifth Exception, NFG argues that the RD erred in rejecting NFG's proposed Rider D because, as NFG asserts, the RD's recommendation was based "solely" on the ALJ's agreement with OCA's position that the rider fails to adhere to National Regulatory Research Institute (NRRI) criteria for evaluating riders.[103] NFG argues that the NRRI criteria are not legal requirements and therefore do not provide a valid basis to reject the Company's request to implement Rider D.[104] However, this argument mischaracterizes and oversimplifies the RD's basis for recommending rejection of Rider D. To support her recommendation, ALJ Dunderdale explained that she was "unconvinced by NFG's argument that the program, as designed currently, will place a financial burden on NFG prior to the next rate case."[105] The RD's recommendation was reached "[a]fter considering the evidence presented and the arguments of the parties," including OCA's extensive analysis of Rider D's failure to meet the legal criteria for reconcilable surcharges under Section 1307 of the Public Utility Code.[106] The RD discussed OCA's explanation of Rider D's failure to

[101] MB at 79-80; RB at 30-31.
[102] MB at 80-82; RB at 33.
[103] NFG Exceptions at 20.
[104] NFG Exceptions at 20.
[105] RD at 331.
[106] RD at 318-19, 330.

align with the NRRI criteria for evaluating riders,[107] but as explained in OCA' Reply Brief, OCA's analysis of Rider D through the NRRI criteria was secondary support for its primary analysis that Rider D fails the Commission's criteria for reconcilable riders pursuant to Section 1307.[108]

As OCA explained, Rider D fails the Commission's criteria for reconcilable riders because, although the costs are easily identifiable, they are not beyond NFG's control because NFG plans to administer the program directly, allowing NFG to scale the program based on available budget.[109] Further, as OCA explained, NFG has not shown the costs to be extraordinary or substantial when compared to NFG's overall revenue, and NFG has not shown the costs to be non-recurring as the costs will recur each year of the proposed five-year program.[110] OCA's primary analysis – that Rider D fails to meet the legal standards for reconcilable riders pursuant to Section 1307 – was part of the record evidence that ALJ Dunderdale considered in reaching her conclusion that the Commission should not allow NFG to implement Rider D.[111] NFG's assertion that ALJ Dunderdale's conclusion was based "solely" on Rider D's failure to align with NRRI's criteria for assessing riders is inaccurate. Rather, ALJ Dunderdale considered the record evidence, including OCA's analysis of Rider D's failure to meet the Commission's criteria for reconcilable riders pursuant to Section 1307, and concluded that NFG had not met its burden to show that the Commission should allow it to implement Rider D.

For the reasons set forth in the Main and Reply Briefs of CAUSE-PA and OCA, to the extent the Commission allows NFG to implement its proposed EE Pilot, the Commission should adopt the RD's recommendation to reject NFG's request to recover costs for the proposed EE Pilot

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[107] RD at 319-20, 331.
[108] OCA RB at 53.
[109] OCA RB at 53.
[110] OCA RB at 53-54.
[111] RD at 318-19, 330.

through Rider D and should deny NFG's Exception 5. Alternatively, the Commission should disallow NFG's EE Pilot in its entirety, as the Pilot fails to ensure low income consumers will have access to a program they are forced to support through rates.

F. Reply to NFG Exception No. 6: The RD correctly denies NFG recovery of its membership dues expenses.

CAUSE-PA supports the RD's recommendation that the Commission disallow NFG's request to recover membership dues for local chambers of commerce, economic development corporations, and other member organizations through rates.[112] The RD correctly concludes that paying membership dues "does not benefit ratepayers or improve safety and reliability," and that such expenses "are a form of employee benefit that produces goodwill for the Company but does not benefit ratepayers."[113]

As extensively shown in CAUSE-PA's Main and Reply Briefs, tens of thousands of NFG's low income customers are struggling to afford life-essential gas service under NFG's existing rates, and any increase in rates authorized in this proceeding will only exacerbate energy insecurity across the Company's service territory.[114] NFG's low income customers carry disproportionate utility debt and are far more likely to have their service terminated for nonpayment.[115] Through its proposal to recover membership dues expenses through rates, NFG seeks permission to require its customers to pay for its membership in local chambers of commerce and economic development corporations. As OCA explains in its Main Brief, membership in economic development corporations "has very little to do with providing service to current ratepayers and is more closely

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[112] RD at 151.
[113] RD at 151.
[114] MB at 19-23; RB at 3.
[115] MB at 23.

aligned with corporate image building."[116] Further, "economic development fees are more related to charitable contributions" and should not be recovered through rates.[117]

The RD's recommendation recognizes that NFG is simply asking too much of its customers who already struggle to afford to maintain gas service to heat their homes. The Commission should adopt the RD's recommendation to reject NFG's request to recover membership dues expenses through rates and deny NFG's Exception 6.

G. Reply to NFG Exception No. 8: The RD correctly denies NFG recovery of executive cash bonuses and executive performance shares.

CAUSE-PA supports the RD's recommendation that the Commission deny NFG's request to recover executive cash bonuses and executive performance shares through rates.[118] As the RD correctly explains, NFG failed to meet its burden to show that executive cash bonuses and executive performance shares will improve customer service, safety, or reliability.[119] Instead, as ALJ Dunderdale explains, allowing cost recovery for these programs through rates would mean that "NFG's ratepayers will pay to cover the costs for programs that bring benefits to stockholders but do not bring benefits to ratepayers."[120] For these same reasons, CAUSE-PA supports OCA Exception 3, arguing that ALJ Dunderdale erred in not also denying NFG's stock-based compensation program.

In its eighth Exception, NFG indicates that it is not filing an Exception regarding recovery of executive cash bonuses, but argues that the RD erred in denying recovery of executive performance shares.[121] NFG asserts that its executive performance shares benefit ratepayers by

[116] OCA MB at 18-19.
[117] OCA MB at 19.
[118] RD at 147.
[119] RD at 147.
[120] RD at 147.
[121] NFG Exceptions at 27.

encouraging executive longevity at the Company.[122] However, as OCA explained in its Main Brief, the core concern in determining whether executive performance shares are properly recoverable rates is "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."[123] As OCA explained, these costs are not appropriate for recovery through rates because, if the measure achieves cost savings, increases revenue, or otherwise improves financial results for the Company, that in itself should cover the costs to provide executive performance shares.[124] Indeed, ratemaking, by design, rewards effective and efficient management. As the OCA further explained, executive performance shares "are not tied to ratepayer benefits such as improved quality of service."[125]

As discussed above in CAUSE-PA's Reply to NFG's Exception 6, NFG's low income customers are struggling to afford to maintain gas service to their homes.[126] NFG's proposal to recover the cost of executive performance shares through rates would unjustly and unreasonably force NFG customers struggling to afford to heat their homes to carry the burden of paying for stock incentives for the Company's executives. The RD correctly concluded that executive performance shares will not improve customer service, safety, or reliability, and correctly recommends these costs be excluded from rates.[127] The Commission should adopt the RD's recommendation to disallow recovery for executive cash bonuses and performance shares through rates and deny NFG's Exception 8.

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[122] NFG Exceptions at 28-29.
[123] OCA MB at 18.
[124] MB at 17.
[125] MB at 17.
[126] See supra II.F.
[127] RD at 147.

H. Reply to NFG Exception 9: The RD correctly recommends that NFG transition to fee-free customer payment.

CAUSE-PA supports the RD's recommendation that the Commission require NFG to transition to fee-free payments for residential customers within six months of the effective date of rates in this proceeding.[128] As the RD correctly concludes, "[r]equiring payment fees for customers to pay bills by electronic payment methods is unjust and unreasonable rate discrimination."[129]

In its ninth Exception, NFG argues that the RD's conclusion that requiring payment fees for online transactions constitutes discriminatory service lacked support in the record.[130] However, as OCA witness Wise explained, requiring payment fees for online transactions has a discriminatory impact on lower income and fixed income customers who often need to make last-minute payments to maintain service and avoid termination.[131] In reaching her recommendation, ALJ Dunderdale considered the record evidence and concluded that the Commission should require NFG to transition to fee-free payments for residential customers.[132]

The Commission should adopt the RD's recommendation to require NFG to transition to fee-free payments for residential customers within six months of the effective date of rates in this proceeding and should deny NFG's Exception 9.

I. Reply to NFG Exception 12: The RD is certain in its recommendations that the Commission adopt OCA's recommended ROE, maintain the residential customer charge at $14, and order NFG to eliminate customer payment transaction costs.

In its twelfth Exception, NFG requests that the Commission resolve purported uncertainties contained in the RD. CAUSE-PA will address the first three of these purported uncertainties in turn.

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[128] RD at 153.
[129] RD at 413.
[130] NFG Exceptions at 32.
[131] MB at 34-35, citing OCA St. 5 at 16.
[132] RD at 153.

Regarding the recommended ROE, the RD is clear in its recommendation that the Commission authorize a 9.74% ROE for NFG. The RD extensively discusses ALJ Dunderdale's agreement with OCA's recommendation that NFG be authorized an ROE of 9.74% at a 50% equity, 50% debt capital structure.[133] This recommendation carries through the RD's Summary Tables of Position and Adjustments, which shows an overall ROR of 7.66%.[134] The 7.66% overall ROR is the sum of 50% equity at an ROE of 9.74% (that is, a weighted ROE of 4.87%) plus 50% debt at a 5.58% cost of long-term debt (that is, a weighted cost of debt of 2.94%).[135] The RD does contain a paragraph that appears to also recommend adopting I&E's recommended ROE.[136] However, the RD in its totality, including the extensive analysis supporting adoption of a 9.74% ROE at a 50% equity, 50% debt capital structure[137] and the Summary Tables contained in the Appendix,[138] recommends that the Commission authorize for NFG a 9.74% ROE at a 50/50 capital structure. As discussed above, CAUSE-PA urges the Commission to adopt the RD's well-supported recommendation.[139]

As discussed above at Section II.D., the RD is unequivocal in its recommendation that the Commission order NFG's residential customer charge to remain at $14. In it twelfth Exception, NFG characterizes the RD as "recommend[ing] a proportional increase to the residential customer charge but also den[ying] any increase in its Ordering Paragraphs."[140] The Company, however, mischaracterizes the RD's recommendation. The RD did not recommend a proportional increase to the residential customer charge; it recommended that any increase to the residential customer

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[133] RD at 220.
[134] RD at Appendix A, i.
[135] RD at 220, Appendix A, i. 4.87%+2.94%=7.66%.
[136] RD at 220-21.
[137] RD at 220.
[138] RD at Appendix A, i.
[139] <u>See</u> <u>supra</u> II.B.
[140] NFG Exceptions at 35.

charge be *limited* to a proportional increase.[141] The RD adopts I&E's recommendation that the fixed charge should be increased to no more than $15.80.[142] The RD then recommends the residential customer charge remain at $14, which is less than $15.80.[143] There is no contradiction between these recommendations. NFG's Exception is erroneous. As discussed above, CAUSE-PA supports the RD's recommendation that the Commission authorize no increase to NFG's residential customer charge.[144]

Regarding customer payment transaction costs, regardless of whether there is a specific adjustment to rates that accounts for these projected costs, the RD is clear in its recommendation that the Commission order NFG to transition to fee-free payment for residential customers within six months of the effective date of rates in this proceeding.[145] As discussed above, CAUSE-PA urges the Commission to adopt the RD's recommendation.[146]

III. CONCLUSION

For the reasons stated above, CAUSE-PA respectfully asserts that the Commission should reject NFG's Exceptions and affirm the ALJ's Recommended Decision.

Respectfully submitted,
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[141] RD at 271.
[142] RD at 269, 271.
[143] RD at 415.
[144] See supra at II.D.
[145] RD at 153.
[146] See supra at II.H.

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