Post & Schell P.C.
ATTORNEYS AT LAW

17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
717-731-1970 Main
717-731-1985 Main Fax
www.postschell.com

Megan E. Rulli

mrulli@postschell.com
717-612-6012 Direct
717-731-1985 Direct Fax
File #: 212923

August 24, 2026

VIA ELECTRONIC FILING

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

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

Dear Secretary Homsher:

Enclosed for filing are the Replies of National Fuel Gas Distribution Corporation to the Exceptions of the Other Parties in the above-referenced proceedings.

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

Respectfully submitted,

Megan E. Rulli

MER/sll
Attachment

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

CERTIFICATE OF SERVICE

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

VIA E-MAIL

Scott B. Granger, Esquire
Bureau of Investigation & Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
P.O. Box 3265
Harrisburg, PA 17105-3265
E-mail: sgranger@pa.gov

Joel H. Cheskis, Esquire
Harrison W. Breitman, Esquire
Ryan M. Morden, Esquire
Olivia M. Spergel, Esquire
Janna E. Williams, Esquire
Crystal M. Zook, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
E-mail: JCheskis@paoca.org
E-mail: HBreitman@paoca.org
E-mail: RMorden@paoca.org
E-mail: JWilliams@paoca.org
E-mail: OSpergel@paoca.org
E-mail: CZook@paoca.org
E-mail: OCANFGBRC26@paoca.org

Rebecca Lyttle, Esquire
Office of Small Business Advocate
555 Walnut Street
Forum Place, 1st Floor
Harrisburg, PA 17101
E-mail: relyttle@pa.gov

Joseph L. Vullo, Esquire
Burke Vullo Reilly Roberts
1460 Wyoming Avenue
Forty Fort, PA 18704
E-mail: jlvullo@bvrrlaw.com

Levi A. Phillips, Esquire
Ria M. Pereira, Esquire
Elizabeth R. Marx, Esquire
John W. Sweet, Esquire
Lauren N. Berman, Esquire
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101
E-mail: pulp@pautilitylawproject.org

Date: August 24, 2026

Megan E. Rulli

32090305v1

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

REPLIES OF NATIONAL FUEL GAS DISTRIBUTION CORPORATION TO THE EXCEPTIONS OF THE OTHER PARTIES

Michael W. Gang, Esquire (ID # 25670)
Anthony D. Kanagy, Esquire (ID # 85522)
Linday A. Berkstresser, Esquire (ID # 318370)
Megan E. Rulli, Esquire (ID # 331981)
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101
Phone: 717-731-1970
717-612-6012
E-mail: mgang@postschell.com
akanagy@postschell.com
lberkstresser@postschell.com
mrulli@postschell.com

Dated: August 24, 2026

Counsel for National Fuel Gas Distribution Corporation

Table of Contents

TABLE OF AUTHORITIES

Page(s)

Administrative Agency Decisions

I. INTRODUCTION

National Fuel Gas Distribution Corporation ("National Fuel" or the "Company") hereby files these Replies to the Exceptions of the Office of Consumer Advocate ("OCA"), the Bureau of Investigation and Enforcement ("I&E"), and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA") to the Recommended Decision ("RD") issued by Administrative Law Judge Katrina L. Dunderdale (the "ALJ").[1]

For reasons explained below, and in National Fuel's Briefs and Exceptions, the Pennsylvania Public Utility Commission ("Commission") should reject the Exceptions of OCA and I&E and grant National Fuel's Exceptions. The Company takes no position on CAUSE-PA's Exceptions, noting only that the Conclusions of Law it objects to had no impact on the outcome of any litigated issue in this case so any relief granted should be limited to striking the Conclusions of Law at issue.

II. REPLIES TO EXCEPTIONS

A. THE RECORD DEMONSTRATES THAT NATIONAL FUEL'S CONTINUED USE OF THE EQUAL LIFE GROUP METHOD FOR DEPRECIATION IS THE MOST ACCURATE AND EQUITABLE APPROACH AND RESULTS IN THE LOWEST COST TO CUSTOMERS OVER TIME (OCA EXCEPTION NO. 1)

OCA proposed a $4.67 million adjustment to National Fuel's depreciation expense, based upon its proposal to change from the long-established Equal Life Group ("ELG") procedure to the Average Service Life ("ASL") procedure. The RD properly rejected the change from the more accurate ELG procedure to the ultimately more costly ASL procedure.[2] The RD's recommendation mirrors the Commission's decisions rejecting OCA's same proposals in Columbia Gas of

---

[1] OCA, I&E, and CAUSE-PA were the only other parties besides National Fuel to file Exceptions to the RD.
[2] RD, pp. 153-54. OCA incorrectly claims that Finding of Fact No. 70 is not supported by the record. However, both the National Fuel testimony that OCA cites and Finding of Fact No. 70 make the same point regarding the long-term benefits of the ELG method. OCA's claim is without merit and should be rejected. OCA Exceptions, p. 2.

Pennsylvania, Inc.'s ("Columbia") 2025 rate case[3] and Pennsylvania American Water Company's ("PAWC") 2026 rate case.[4] Consistent with those decisions, the Commission should not "adopt a depreciation procedure change solely to produce short-term rate mitigation where the evidence shows that the change may increase long-term costs and shift responsibility to future customers."[5]

The record demonstrates that National Fuel's continued use of the ELG procedure is the most precise and equitable approach and results in lower costs to customers over time. OCA claims that the ELG procedure creates intergenerational equity because it results in a higher depreciation expense in the short term as compared to its proposed switch to the ASL method.[6] The Company's use of a consistent depreciation method is not unfair to customers.[7] The ELG procedure properly recovers the plant investment as it is utilized, thereby better ensuring that current customers are paying for the assets in use.[8] National Fuel's longstanding use of ELG depreciation rates has resulted in a lower rate base than if ASL been used. As National Fuel witness Spanos explained, "[t]he longstanding use of ELG depreciation rates for Pennsylvania utilities has resulted in a lower rate base than if ASL had been used. Customers today pay lower customer rates than if ASL had been used during the years since ELG's adoption."[9]

---

[3] *Pa. PUC v. Columbia Gas of Pa., Inc.*, Docket Nos. R-2025-3053499, *et al.* (Order entered Dec. 9, 2025) ("*Columbia 2025*"), pp. 106-11.
[4] *See Pa. PUC, et al. v. Pennsylvania American Water Company*, Docket Nos. R-2025-3057983, *et al.* (Order entered July 16, 2026) ("*PAWC 2026*"), pp. 162-66.
[5] *PAWC 2026*, p. 165.
[6] OCA Exceptions, pp. 3-4.
[7] In addition, the Company's depreciation expense is not a "substantial portion" of the rate increase requested in this case. It is OCA that seeks an adjustment to this expense. The Company is simply seeking approval of its depreciation expense, as computed using the straight line, remaining life, ELG procedure, consistent with the past nearly 40 years. *See* National Fuel Main Brief ("MB"), pp. 42-43.
[8] *See* National Fuel St. No. 8-R, p. 12.
[9] National Fuel MB, p. 40.

The alleged short-term benefits that OCA attributes to the ASL method result from the change in procedure, not the ASL method itself. OCA's fixation on this one-time reduction[10] in rates leads it to ignore the critical harms it will cause in future years. The change will result in higher, and continually increasing, rate base in the future and will result in higher rates to future customers in approximately 11 years compared to the continued use of the ELG procedure.[11] After about 11 years of reduced depreciation, the rate base will be approximately $50 million greater than under the ELG procedure, at a time when rate base will be higher due to the Company's accelerated leak prone pipe replacement program. OCA's proposal will also reduce the Company's cash flow by approximately $4.7 million per year, which the Company could have used to finance these pipe replacements. Therefore, the Company will have to raise additional capital.[12] OCA asks the Commission to ignore these harms because they will happen in the uncertain future, while the rate impacts of its proposal can be measured today. The Company disagrees. The cumulative impacts of the ASL switch are foreseeable and can be avoided. OCA's arguments in favor a short-term decrease in rates do not justify "creating an intergenerational subsidy to current customers at the expense of future customers."[13]

---

[10] As explained by National Fuel's depreciation expert, Mr. Spanos, OCA's proposed change from ELG to ASL produces a temporary large reduction in depreciation expense because current customers would benefit from both initially lower ASL depreciation rates and from the lower rate base that exists due to the longstanding use of ELG. National Fuel MB, p. 40.

[11] The chart on page 41 of National Fuel's MB graphically depicts this impact. *See* National Fuel MB, p. 41.

[12] In obtaining ratings for the debt of the Company, cash flow and leverage capacity is important to the rating agencies. Unexpected changes in regulatory policy or inconsistent application of ratemaking principles that impact cash flows are viewed negatively by the rating agencies and could contribute to adverse ratings actions or downgrades. National Fuel Reply Brief ("RB"), p. 15.

[13] *PAWC 2026*, p. 163; *see also* National Fuel MB, pp. 40-41 (quoting the testimony of National Fuel witness Spanos, who explained that "Mr. Andrews' proposal is therefore not a recommendation that is in the long-term interest of lower customer rates. It is instead a short-term subsidy only to current customers who benefit from ELG depreciation rates that were paid by a previous generation of customers. The costs of a higher rate base will be paid for by future customers who will have to pay higher overall customer rates. Adopting ALG would serve as an intergenerational subsidy to current customers at the expense of other generations of customers.")

OCA's arguments that its proposal is distinguishable from that in *Columbia 2025* are unpersuasive. OCA understates the Commission's reasons for rejecting OCA's ASL proposal in *Columbia 2025*. While the Commission agreed with the Company that OCA's witness incorrectly calculated the adjustment to depreciation, it was the ASL *method* that the Commission ultimately rejected, not an individual calculation.[14] The change made by OCA in this proceeding, *i.e.*, developing the accumulated depreciation for the future and fully projected future test years, marks only a small step toward appropriately converting depreciation procedures. The full conversion would require a restatement of the accumulated depreciation for the entire ELG period, which would create an even higher rate base as of the historic test year, a calculation which OCA's witness did not complete.[15]

OCA discusses the time value of money in another attempt to downplay the impacts of a switch to ASL. Here, OCA only considers recovery and not the offsetting benefit that ratepayers have with the reduced plant in service value through ELG. Moreover, if OCA believes the time value of money is unfair to future ratepayers, it would need to restate the original cost of plant to today's dollars, not just focus on the level of recovery from today through the next 11 years.[16] OCA does not want to recognize that the ELG procedure properly recovers the plant investment as it is utilized and the periodic reviews that are required in Pennsylvania ensure that all generations are paying for the benefit of the assets that are in service.[17]

OCA also claims that unlike Columbia, which has had multiple rate increase reviews, the Commission has not reviewed or accepted National Fuel's use of the ELG procedure in 20 years

---

[14] *Columbia 2025*, pp. 106-111.
[15] OCA states that Mr. Andrews "presented a bring forward of accumulated depreciation from Sept. 30, 2025, to Oct. 31, 2027, based on the ALG methodology." OCA MB, p. 36. This correction addresses only part of the error identified by Mr. Spanos in *Columbia 2025*. Missing from the record is any demonstration that OCA witness Andrews "restate[d] the historical book reserves for the past forty (40) years to match that method." *See Columbia 2025*, p. 111.
[16] National Fuel RB, p. 19.
[17] *See* National Fuel St. No. 8-R, p. 12.

because there were only two rate cases filed by National Fuel in that period and those cases were settled.[18] The claim that there has been insufficient Commission review of the ELG method is simply untrue. Through the regular filing of annual depreciation reports, along with service life study reports filed every five years, the Commission has reviewed and accepted National Fuel's use of the ELG procedure for nearly forty years.[19] Like Columbia, the Commission has reviewed and accepted National Fuel's ELG procedure for decades.

The Commission's final order in the recent PAWC rate case provides further support for the continued use of the ELG procedure for determining depreciation expense.[20] In that case, the Commission rejected the same arguments OCA raises here, finding "that the record does not support requiring PAWC to adopt the use of the ALG/ASL procedure in this proceeding."[21] The Commission appropriately considered the long-term impacts of OCA's proposal, stating:

> The OCA's affordability argument also does not warrant adoption of the ALG/ASL adjustment. We recognize the importance of affordability and the magnitude of PAWC's requested rate increase. However, ratemaking must balance short-term customer impacts with long-term cost responsibility and intergenerational equity. The OCA's proposed change would provide immediate rate relief by reducing current depreciation expense, but the record supports the ALJs' finding that the change would also reduce accumulated depreciation, increase rate base, and increase costs to future customers. We will not adopt a depreciation procedure change solely to produce short-term rate mitigation where the evidence shows that the change may increase long-term costs and shift responsibility to future customers.[22]

The Commission also rejected OCA's arguments based on the use of the ASL method in other jurisdictions, correctly finding that "other jurisdictions' use of ALG/ASL was not controlling

---

[18] OCA MB, p. 37.
[19] National Fuel St. No. 8-R, pp. 10-11.
[20] *See PAWC 2026*, pp. 162-66.
[21] *Id.*, p. 166.
[22] *Id.*, p. 165.

where those jurisdictions used other depreciation parameters, such as whole-life versus remaining life approaches and different net-salvage treatment."[23] The Commission "decline[d] to adopt a broad rule that PAWC must abandon its use of the ELG procedure simply because the ALG/ASL procedure is used by some other utilities or jurisdictions."[24] The same finding holds true in this case. National Fuel witness Spanos distinguished the depreciation methods used in other jurisdictions that are driving the use of the ASL method and that are inapplicable to National Fuel.[25] Moreover, in two recent Indiana cases, utilities with a more similar asset base to National Fuel had depreciation rates approved based on the ELG procedure.[26]

For the reasons explained above and in National Fuel's Briefs,[27] OCA's Exception No. 1 should be denied.

B. THE RD PROPERLY REJECTED OCA'S CASH WORKING CAPITAL ADJUSTMENT (OCA EXCEPTION NO. 2)

OCA's Exception No. 2 concerning cash working capital overstates the appropriate adjustment to remove prepaid expenses.[28]

As explained in the Company's Main Brief, OCA proposed an adjustment to the Company's cash working capital claim to remove prepaid expenses, which were included by the Company as both prepaid and general expenses.[29] The Company agreed that the prepaid expenses

---

[23] *PAWC 2026*, p. 165 (citing *Columbia 2025*, pp. 108-10.)
[24] *PAWC 2026*, p. 165.
[25] National Fuel RB, pp. 21-22. For example, in the Indiana and Kentucky cases, a major percentage of the asset base is related to generation which is a significantly different asset involving significantly different recovery. National Fuel St. No. 8-R, p. 24.
[26] *See Verified Petition Of The Board Of Directors For Utilities Of The Department Of Public Utilities Of The City Of Indianapolis For Presentation And Approval Of New Depreciation Accrual Rates*, Cause No. 45988 (State of Indiana Utility Regulatory Commission Order approved Oct. 16, 2024); *Petition Of Aqua Indiana, Inc. For Approval Of New Depreciation Accrual Rates To Be Applicable To The Wastewater Plant Of Its Aboite Wastewater System*, Cause No. 46334 (State of Indiana Utility Regulatory Commission Order approved June 24, 2026).
[27] *See* National Fuel MB, pp. 32-43; National Fuel RB, pp. 14-22.
[28] OCA Exceptions, pp. 13-14.
[29] National Fuel MB, pp. 17-18.

included in general expense should be removed.[30] OCA responded by removing $9,455,000 of all expenses for insurance, Commission assessments, American Gas Association dues, and information technology services. OCA's cash working capital adjustment based on this amount was a $1,195,000 reduction to cash working capital. However, OCA should not have used all of the expenses in these categories but only the prepaid amount of $2,732,664.[31] As a result, OCA's cash working capital adjustment is overstated. In its Exception, OCA notes that its $1,195,000 adjustment should be reduced by $680,000, to $515,000.[32]

The Commission's final cash working capital adjustment should remove only the prepaid expenses identified by National Fuel.[33]

C. THE RECORD DEMONSTRATES THAT NATIONAL FUEL'S RESTRICTED STOCK-BASED COMPENSATION BENEFITS RATEPAYERS (OCA EXCEPTION NO. 3)

OCA argues that the RD's "decision to adjust only a portion of National Fuel's claim for incentive compensation was in error."[34] OCA claims that the RD erred in approving National Fuel's $472,821 claim for restricted stock-based incentive compensation because "the same reasoning for denying the Executive Cash Bonuses and Executive Performance [shares] also supports denying NFG's claim for Restricted Stock-Based Compensation."[35] The RD properly determined that the Company "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."[36]

---

[30] *See id.*
[31] *See id.*
[32] OCA Exceptions, p. 14.
[33] *See* National Fuel Exhibit A (Rebuttal Update), Sch. C-4, p. 2
[34] OCA Exceptions, p. 16.
[35] *Id.*
[36] RD, p. 147.

OCA fails to acknowledge the distinguishing features of the Company's restricted stock-based compensation program. Instead, OCA argues that the Company's entire incentive compensation claim should be denied because, in its opinion, the Company's overall plan is more aligned with shareholder than ratepayer benefits. OCA's arguments are flawed for several reasons. First, OCA's all-or-nothing position disregards recent decisions in which the Commission approved the portions of incentive compensation plans it determined provided direct benefits to ratepayers or were not based solely on financial metrics.[37] Second, OCA's argument that the Company's overall compensation plan is more aligned with shareholder interests is largely based on its pessimistic interpretation of a single sentence in the introductory paragraphs of the plan itself.[38] General language introducing the Company's compensation plan cannot reasonably substitute review of the benefits of the plan's actual features. As explained in the Company's Exceptions, balancing efficient management with capital spending benefits both ratepayers and shareholders.[39]

The Commission should grant recovery of the Company's restricted stock-based compensation, which contain <u>no</u> financial metrics. The restricted stock awards do not rely on achieving financial goals or performance conditions and instead provide an incentive for recipients to provide service to National Fuel for the requisite time.[40] The goal of the restricted stock-based compensation is to encourage employee retention. It is designed to help retain top talent, ensure stability within the Company's workforce, secure continued transfer of knowledge, and allow

---

[37] *See Columbia 2025*, p. 123 (approving 30% of incentive compensation claim determined to benefit ratepayers); *PAWC 2026*, pp. 113-14 (approving part of incentive compensation claim determined to benefit ratepayers).
[38] *See* OCA Exceptions, p. 15.
[39] *See* National Fuel Exceptions, pp. 28-29.
[40] National Fuel MB, p. 27.

individuals to grow their expertise within the organization.[41] Ratepayers directly benefit from a skilled and experienced workforce.

For these reasons, and as more fully explained in the Company's Briefs and Exceptions,[42] the Commission should deny OCA's Exception No. 3 and grant the Company recovery of its restricted stock-based compensation.

D. THE COMMISSION SHOULD REJECT OCA'S PROPOSED MODIFICATIONS TO THE WEATHER NORMALIZATION ADJUSTMENT (OCA EXCEPTION NO. 4)

OCA's fourth Exception argues that if the Commission does not eliminate the Weather Normalization Adjustment ("WNA"), then it should be limited to a three-year pilot incorporating OCA's three proposed adjustments to the WNA: (1) limit the WNA's application to the months from November through April; (2) increase the deadband from 3% to 5%; and (3) use OCA's four recommended weather stations to determine heating degree days ("HDDs").[43] OCA's recommendations should not be adopted.

The Company presented an undisputed regression analysis showing that its service territory experiences statistically significant heat load in October and May and that temperatures are colder and the cold days continue longer in the year as compared to other areas in the Commonwealth.[44] OCA's request for removal of May and October are based in part on problems that other gas companies have incurred in "shoulder" months when there are lower amounts of degree days which may create unreasonable charges.[45] The Company has not experienced such problems in the shoulder months, as temperatures in the Company's service area are colder than temperatures of

---

[41] National Fuel St. No. 4, p. 6.
[42] *See* National Fuel MB, pp. 23-29; National Fuel RB, pp. 8-10; National Fuel Exceptions, pp. 26-29.
[43] OCA RB, p. 17.
[44] National Fuel MB, p. 75.
[45] *See Pa. PUC v. Philadelphia Gas Works*, Docket Nos. R-2022-3034229, *et al.* (Order entered Sept. 21, 2023).

other gas companies in the Commonwealth.[46] Company witness Hilliard conducted a regression analysis "to assess the statistical significance of heating degree days on heat load per account for May and October," which showed a statistically significant relationship of degree days and heating load in these months.[47]

The Company explained that expanding the deadband from 3% to 5% would limit the credits customers receive in colder than normal months and that a lower deadband enhances affordability by reducing volatility and increasing predictability of monthly bills for customers.[48] The deadband provides that the actual temperature variations in the first 3% or, if changed, 5% of expected degree days, are not adjusted for charges or credits.[49] The primary benefit of the WNA to customers comes from credits when temperatures are colder than expected. In such a situation, like the most recent winter of 2026, when actual degree days were greater than normal, a broader deadband of 5% would have reduced the customer credits that were actually received under the current 3% deadband.[50] The Company believes that the 3% deadband provides greater protection for customers during cold weather and it should not be changed.

The Company also revealed the fundamental flaws in OCA's unsupported proposal to require National Fuel to use additional weather stations to calculate HDDs. First, using different weather stations in the WNA without changing the weather data used in the Company's demand forecast removes the connection of the WNA to the forecast used to set base rates.[51] The billing determinants must be the same for the WNA and base rates for the WNA to function properly. In addition, the weather stations that OCA proposes to add are not indicative of weather in the

---

[46] National Fuel St. No. 13-R, p. 5; National Fuel Exhibit CEH-2R.
[47] *Id.*
[48] National Fuel MB, pp. 75-76.
[49] *See* National Fuel St. No. 19, p. 24.
[50] National Fuel St. No. 19-RJ, p. 13.
[51] National Fuel St. No. 13-RJ, pp. 2-3.

Company's service area. OCA concedes that the Company's current weather station in Erie is representative of approximately 60% of the National Fuel service territory.[52] By contrast, OCA proposes using Pittsburgh, which is not even in the Company's service territory and has significantly lower degree days than the stations in the Company's territory. The other two weather stations are Bradford and Dubois, which have spotty data reliability compared to Erie. The Bradford station has significantly more HDDs than Erie but only represents 2.7% of the Company's customers. Dubois also has higher HDDs than Erie but represents only 5.6% customers. Together, Dubois and Bradford represent only 16,000 customers of the Company's approximately 214,000 customers in Pennsylvania.[53] OCA presented no analysis or data supporting its proposition that adding these three weather stations, which represent less than 9% of the Company's customer population, would increase the accuracy of the WNA.

The Company's Exceptions explain why the WNA should be continued on a permanent basis.[54] However, if the Commission decides to continue the WNA on a pilot basis, the Company requests that the term be extended to the end of its next base rate case rather than the three-year term recommended by OCA.

For all these reasons, and as explained in greater detail in National Fuel's Briefs,[55] OCA's recommended changes to the WNA should be rejected and OCA's Exception No. 5 should be denied.

---

[52] OCA Exceptions, p. 19.
[53] National Fuel MB, p. 78.
[54] *See* National Fuel Exceptions, pp. 13-17.
[55] National Fuel MB, pp. 75-76; National Fuel RB, pp. 41-42.

E. THE RD PROPERLY REJECTED OCA'S UNNECESSARY PAYMENT AGREEMENT TRACKING PROPOSAL (OCA EXCEPTION NO. 5)

OCA claims that the RD erred in rejecting its proposal to require National Fuel 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," as a condition of any rate increase ordered in this proceeding.[56] OCA claims its proposal is necessary because the Company does not currently track the suggested data, that tracking the data may identify an issue in the Company's payment agreement policies, and that the Company's payment arrangement disputes rose between 2024 and 2025.[57] The RD correctly rejected this unsupported proposal.

Initially, the Company notes that OCA's claim that the Company's payment arrangement disputes increased is based on a projection, not actual data.[58] Further, OCA's suggestions that the Company's customer complaints or bad debt is increasing are not supported in the record.[59] National Fuel has the lowest customer complaint rate of all major NGDCs, and OCA's witness presented no testimony that National Fuel is experiencing increasing bad debt related to payment arrangements.[60] OCA's own witness characterized the Company's payment agreement performance as "typical" in testimony, noting that the number of payment agreement disputes for both Columbia and Peoples also rose during the same period.[61] The Company rejects OCA's claim that a slight projected increase in customer requests for payment agreements demonstrates any deficiency in the Company's existing policies and procedures.

[56] OCA Exceptions, p. 20.
[57] OCA Exceptions, pp. 20-22.
[58] *See* OCA St. No. 5, p. 11 (projecting payment agreement disputes for the remainder of 2025).
[59] OCA Exceptions, p. 22.
[60] National Fuel St. No. 1, p. 26; *see generally* OCA St. No. 5, OCA St. No. 5-SR.
[61] OCA St. No. 5, p. 11.

The Company provided substantial evidence in rebuttal describing the extensive training employees undertake to offer reasonable payment agreement terms to customers. National Fuel prides itself on its focus on direct customer interaction, flexibility, and early intervention for effective arrearage management.[62] The Company already monitors and evaluates customer payment behavior and payment arrangement outcomes through its existing tracking and reporting requirements. For example, 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, demonstrating that a growing percentage of customers carrying arrears are actively enrolled in payment arrangements.[63] Contrary to OCA's characterizations, this data demonstrates that the Company is successfully helping customers with arrears enter into payment agreements, which, as OCA notes, helps avoid termination.

The Company agrees that payment agreements provide an important tool to the Company and customers for avoiding termination and managing arrears. However, OCA's recommendation is premised on the claim that its recommendation is necessary to evaluate whether the Company's payment agreement options are successfully preventing service termination.[64] OCA has not demonstrated that requiring the Company to track 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.[65]

The RD correctly found that OCA failed to provide sufficient details in support of its proposal, including "what information would be collected, how it would be analyzed and how the

[62] National Fuel St. No. 17-R, p. 33.
[63] National Fuel St. No. 17-R, p. 35.
[64] OCA St. No. 5, p. 13.
[65] National Fuel St. No. 17-R, pp. 35-36.

information would benefit ratepayers."[66] OCA devotes considerable space in its Exception discussing the general benefits of payment agreements but never addresses the critical details the ALJ rightfully found lacking in its proposal. The Company should not be required to fill in the missing details of OCA's unsupported proposal.[67]

For these reasons, and as more fully explained in the Company's Main Brief,[68] the Commission should deny OCA's Exception No. 5.

F. THE RECORD DOES NOT SUPPORT A FINDING THAT CUSTOMER PAYMENT OF ONLINE TRANSACTION FEES CONSTITUTES UNREASONABLE DISCRIMINATION (OCA EXCEPTION NO. 6)

OCA's sixth Exception requests clarity on whether its proposal to require the Company to absorb the cost of customer payment transaction fees was adopted.[69] OCA is notably silent on the issue of whether the Company should be permitted to recover the cost of implementing its proposal. Instead, OCA uses its Exception as an opportunity to adopt a new argument, claiming that failure to adopt its proposal would result in unjust and unreasonable rate discrimination.[70]

A finding that requiring customers to pay payment transaction fees constitutes discriminatory rates has no support in the record and should be rejected. OCA did not advance this position in testimony or in briefs, and neither did any other party.. It appears this finding originated in CAUSE-PA's proposed Conclusions of Law, but even CAUSE-PA did not make this argument.[71] The record does contain a single assertion from OCA witness Wise stating that fees "particularly have a discriminatory impact on fixed and lower income customers who often need

---

[66] RD, p. 383.
[67] National Fuel St. No. 17-R, pp. 35-36.
[68] *See* National Fuel MB, pp. 101-02.
[69] OCA Exceptions, pp. 22-24.
[70] OCA Exceptions, p. 23.
[71] *Compare* CAUSE-PA MB, pp. 34-35 *to* CAUSE-PA's Proposed Conclusion of Law No. 45 (Appendix B to CAUSE-PA's MB).

to make a last-minute payment to avoid termination of service."[72] However, the figures quoted by OCA in the sentence following this statement do not appear to correlate solely to low-income customers, and this assertion does not support a finding that transaction fees for online payments are per se unreasonable or discriminatory, as the RD concluded. By contrast, in a recent Philadelphia Gas Works ("PGW") rate case where OCA offered a similar proposal, the Commission specifically found that utilities are not prohibited from collecting credit card processing fees.[73]

National Fuel does not require *any* customer to incur payment fees. Under the Company's current process, all customers who make payments using fee-added payment methods affirmatively select that option. The Company offers several payment-free options, including in-person payments and online payments connected to bank accounts.[74] It is OCA's proposal that would require all residential customers to share in the payment of processing fees, regardless of whether they use the service. National Fuel has consistently opposed this proposal.

For these reasons, the Commission should deny OCA's Exception No. 6 and reject the unsupported claim that customer transaction fees result in discriminatory service.

G. THE RD PROPERLY REJECTED I&E'S DUPLICATIVE METHANE DETECTOR PILOT PROPOSAL (I&E EXCEPTION NO. 1)

In its Exception, I&E argues that the RD errs in failing to require the Company to implement I&E's proposed methane detector pilot.[75] I&E argues that the Company's ongoing New York methane detector pilot only evaluates the cost of a specific technology and so would not

[72] OCA St. 5, p. 16.
[73] *See Pa. PUC, et al. v. Philadelphia Gas Works*, Docket Nos. R-2023-3037933, *et al.*, 2023 Pa. PUC LEXIS 298 (Order entered Nov. 9, 2023), at *110 (finding that no provision of the Public Utility Code or the Commission's regulations, orders, or policies prohibited PGW from collecting credit card processing fees).
[74] National Fuel RB, p. 13. Specifically, the Company offers two in-person payment drop boxes, automatic online payments using a checking or savings account, and one-time fee-free online payments using a checking or savings account. *Id.*
[75] I&E Exception, pp. 3-4.

provide the benefits of its proposal. The RD properly determined that the proposal should be rejected "because the program is too costly and duplicative of the pilot program underway in New York."[76]

National Fuel acknowledges that methane detection technologies may be beneficial and help mitigate risk, but does not agree with I&E's proposal because the Company is currently operating another methane detector pilot program in its New York division. National Fuel witness Scouten explained that the New York pilot is designed to evaluate the feasibility, operational requirements, costs, and potential risks of methane detector technologies.[77] I&E's characterizations of the New York pilot, which are based on the data presented in a single report, fail to recognize the other components of the pilot. I&E's critiques of the New York pilot also conflict with I&E witness Burkett's recommendation to base the Pennsylvania pilot on New York models.[78] Given that the New York pilot is still under way, requiring the Company to fund and administer a duplicative pilot is not necessary at this time, especially as there is no guarantee that a Pennsylvania pilot would yield materially different or additional information.[79]

The RD's findings regarding the costs required to implement I&E's proposal are also supported in the record. Installing the recommended Smart Remote Methane Detector ("SMRD") technology, Advanced Metering Infrastructure ("AMI") meters, or LoRaWAN communication systems would have substantial impact on Pennsylvania customers. National Fuel witness Scouten explained that deploying these technologies would require the same capital investment as replacing more than 150 miles of main and associated services. This level of expenditure would represent a significant redirection of resources away from core system replacement and safety enhancement

[76] RD, p. 401.
[77] National Fuel St. No. 16-R, p. 8.
[78] I&E St. No. 4, pp. 20-21; I&E St. No. 4-R, p. 5.
[79] National Fuel St. No. 16-R, p. 8.

activities with questionable added benefits, considering the New York pilot is currently underway.[80]

The Company notes that the RD also recommends that "[a]t 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 Commission can consider the costs, rules, applications and feasibility of initiating a pilot, with the benefit of the information gained in New York."[81] This recommendation ensures that the Company will leverage the experience of its New York pilot to the benefit of its Pennsylvania ratepayers without incurring duplicative costs.

For these reasons, and as more fully explained in the Company's Briefs, the Commission should adopt the RD's recommendation regarding the methane detector pilot, reject I&E's proposal, and deny I&E Exception No. 1.

H. ANY ERRORS IN THE RD'S CONCLUSIONS OF LAW REGARDING UNIVERSAL SERVICE REVIEW IN BASE RATE CASES WERE HARMLESS (CAUSE-PA EXCEPTION NOS. 1 AND 2)

CAUSE-PA argues in its Exceptions that Conclusions of Law Nos. 54 and 55 misstate the applicable law. The Company takes no position on the substance of CAUSE-PA's arguments. National Fuel did not propose these Conclusions of Law and notes that it did not argue that universal service issues can never be reviewed in rate cases or that Low Income Usage Reduction Program ("LIURP") funding could not be addressed in this proceeding.[82] National Fuel acknowledges that universal service proposals are regularly raised and decided in both litigated

[80] National Fuel St. No. 16-R, p. 9.
[81] RD, pp. 401-02.
[82] National Fuel did argue that CAUSE-PA's proposal to require the Company to develop a comprehensive written plan to expend its full LIURP budget and expand the LIURP program would be more appropriately addressed through a Universal Service and Energy Conservation Plan ("USECP") proceeding, due to the comprehensive programmatic changes such an action would require and the short 90-day timeline for the development of the plan that CAUSE-PA proposed. These process-based arguments were focused on the substance of CAUSE-PA's proposal, not the general issue of the appropriate level of review of Universal Service in rate cases. *See* National Fuel MB, pp. 96-97.

and settled base rate cases, as they were in this proceeding. The Commission's decisions on whether an issue should be reserved for USECP proceedings are typically based on factors in the record before it, including the complexity of the issue raised and the timing of the utility's next USECP filing.[83]

In this proceeding, the ALJ considered and resolved each of the several Universal Service issues raised by the parties, including issues regarding funding of National Fuel's Neighbor for Neighbor Hardship Fund, LIURP eligibility and funding, and Customer Assistance Program ("CAP") income screening and outreach. The RD's resolution of each these contested issues was based on a review of the evidence in the record and no proposal was rejected on the basis that it could not be raised in a base rate case.[84] This is evidenced by the fact that CAUSE-PA did not file Exceptions to any factual finding made in the RD and by the RD's adoption of several of CAUSE-PA's Universal Service proposals, either in full or with modifications.[85] Any errors contained in the Conclusions of Law Nos. 54 and 55 are harmless because they did not impact the outcome of any litigated issue in this proceeding. Therefore, the Commission can grant CAUSE-PA's Exceptions and strike Conclusions of Law Nos. 54 and 55 without revisiting the factual findings in the RD related to Universal Service programs or issuing a general ruling on the role of universal service issues in rate cases in the absence of an actual dispute.

---

[83] *See, e.g.*, *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket No. R-2021-3027385 (Order entered May 16, 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."); *Pa. PUC v. PGW*, Docket Nos. R-2023-3037933, *et al.* (order entered Nov. 9, 2023), pp. 215-16.
[84] *See, e.g.*, RD, pp. 367-74.
[85] No party filed Exceptions related to the RD's Universal Service program factual findings.

III. CONCLUSION

For all of the foregoing reasons, National Fuel Gas Distribution Corporation respectfully requests that the Pennsylvania Public Utility Commission grant the Company's Exceptions and deny the Exceptions of the Office of Consumer Advocate and the Bureau of Investigation and Enforcement, and limit any relief granted in response to the Exceptions of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania to striking the applicable Conclusions of Law.

Respectfully submitted,

Michael W. Gang, Esquire (ID # 25670)
Anthony D. Kanagy, Esquire (ID # 85522)
Linday A. Berkstresser, Esquire (ID # 318370)
Megan E. Rulli, Esquire (ID # 331981)
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101
Phone: 717-731-1970
717-612-6012
E-mail: mgang@postschell.com
akanagy@postschell.com
lberkstresser@postschell.com
mrulli@postschell.com

Dated: August 24, 2026

Counsel for National Fuel Gas Distribution Corporation