COMMONWEALTH OF PENNSYLVANIA

August 26, 2026

<u>E-FILED</u>

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

Re: Pennsylvania Public Utility Commission v. Peoples Natural Gas Company, LLC / Docket No. R-2026-3060855

Dear Secretary Homsher:

Enclosed please find the Main Brief, on behalf of the Office of Small Business Advocate ("OSBA"), in the above-referenced proceeding.

Copies will be served on all known parties in this proceeding, as indicated on the attached Certificate of Service.

If you have any questions, please do not hesitate to contact me.

Sincerely,

/s/ Steven C. Gray

Steven C. Gray
Senior Attorney
Assistant Small Business Advocate
Attorney ID No. 77538

Enclosures
cc: Maksim Malukoff
Mark D. Ewen
Joseph Kubas
Parties of Record

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	**:**
	: Docket No. R-2026-3060855
v.	**:**
	:
Peoples Natural Gas Company, LLC	**:**

MAIN BRIEF
ON BEHALF OF THE
OFFICE OF SMALL BUSINESS ADVOCATE

Steven C. Gray
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Assistant Small Business Advocate
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For:
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Date: August 26, 2026

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I. <u>Introduction</u>

A. Description of the Office of Small Business Advocate

The Office of Small Business Advocate ("OSBA") is authorized to represent the interests of small business customers of utility services before the Pennsylvania Public Utility Commission ("Commission") pursuant to the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 – 399.50.

B. Procedural History

On March 27, 2026, Peoples Natural Gas Company ("PNG" or the "Company") filed Original Tariff Gas – Pa. P.U.C. No. 49 and Original Tariff Gas – Pa. P.U.C. No. S-5 with the Commission. Peoples proposed to increase the Company's annual distribution revenues by approximately $163.2 million.

On April 7, 2026, the OSBA filed a Complaint in response to PNG's filings.

On April 16, 2026, Administrative Law Judge ("ALJ") Charece Z. Collins issued her Prehearing Conference Order.

On April 28, 2026, a telephonic prehearing conference was held before ALJ Collins.

On June 18, 2026, the OSBA served the Direct Testimony of Joseph Kubas.

On June 18, 2026, the OSBA also served the Direct Testimony and Exhibit of Mark D. Ewen.

On July 16, 2026, the OSBA served the Rebuttal Testimony of Mark D. Ewen.

On July 30, 2026, ALJ Collins issued her Prehearing Order.

On July 31, 2026, the OSBA served the Surrebuttal Testimony of Joseph Kubas.

On August 5, 2026, an evidentiary hearing was held before ALJ Collins.

The OSBA submits this Main Brief in accordance with ALJ Collin's July 30th Prehearing Order.

C. Legal Standards

Section 1301 of the Public Utility Code[1] provides that "every rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable, and in conformity with regulations or orders of the commission."

The burden of proof to establish the justness and reasonableness of every element of the utility's rate increase rests solely upon the public utility.[2] "It is well-established that the evidence adduced by a utility to meet this burden must be substantial."[3]

Although the burden of proof remains with the public utility throughout the rate proceeding, when 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.[4] "Section 315(a) of the Code, 66 Pa. C.S. § 315(a), applies since this is a proceeding on Commission Motion. However, after the utility establishes a prima facie case, the burden of going forward or the burden of persuasion shifts to the other parties to rebut the prima facie case."[5]

Furthermore, Section 523 of the Public Utility Code[6] requires the Commission to "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

[1] 66 Pa. C.S. § 1301.
[2] 66 Pa. C.S. § 315(a).
[3] *Lower Frederick Township. v. Pa. PUC*, 409 A.2d 505, 507 (Pa. Cmwlth. 1980).
[4] *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket No. R-00072711 (Order entered July 17, 2008).
[5] *Pa. PUC v. Philadelphia Gas Works*, Docket No. R-00061931 (Order entered September 28, 2007), at 12.
[6] 66 Pa. C.S. § 523.

include the cost of utility plant in service and a rate of return, a public utility is obligated to provide safe, adequate, and reasonable service. "[I]n 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 . . . In return for providing safe and adequate service, the utility is entitled to recover, through rates, these enumerated costs."[7] As a result, the legislature has given the Commission 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."[8]

II. Summary of Argument

The ALJ and Commission should reject PNG's proposal to eliminate the 20-year HDD normalization calculation in its Weather Normalization Adjustment calculation.

The Company does not adequately consider customer's interests in its return on equity ("ROE") determination, and a careful consideration of ratepayers' interests, affordability concerns, and the risk reduction benefits of a low-risk regulatory environment would yield a cost of capital much lower than that proposed by the Company.

The OSBA recommends PNG's WNA deadband be increased from 3% to 5%.

The OSBA does not prefer either PNG's Cost of Service Study ("COSS") or the Peak & Average ("P&A") COSS recommended by other parties.

If PNG's COSS is adopted, the OSBA recommends adoption of OSBA's revenue allocation.

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[7] *Pa. PUC v. Pennsylvania Gas & Water Co.*, 61 Pa. PUC 409 (1986), at 415-16. *See also* 66 Pa. C.S. § 1501.
[8] 66 Pa. C.S. § 526(a).

If the P&A COSS is adopted, the revenue allocation proposed by the Office of Consumer Advocate is acceptable to the OSBA.

Universal Service Costs should not be charged to all rate classes.

The OSBA requests that PNG add a formal late payment plan to all small business customer tariffs.

III. Overall Position on Rate Case and Affordability of Rates

PNG provides numerous programs to assist the Company's residential customers. Those programs include the Company's Customer Assistance Program ("CAP"), the Low Income Usage Reduction Program ("LIURP"), the hardship fund (administered by Dollar Energy Fund), the Customer Assistance Referral and Evaluation Program ("CARES"), and the Emergency Furnace/Service Line Repair program.[9]

No such programs exist for PNG's small business customers.

As set forth below, the OSBA requests that PNG add a formal late payment program for its small business customers.

In addition, PNG does not adequately consider customer's interests in its ROE determination, and a careful consideration of ratepayers' interests, affordability concerns, and the risk reduction benefits of a low-risk regulatory environment would yield a cost of capital much lower than that proposed by the Company.[10]

IV. Rate Base

The OSBA is not briefing this issue.

[9] OSBA Statement No. 2, at 2-3.
[10] OSBA Statement No. 2, at 3-4.

V. Revenues

A. Heating Degree Day Methodology

PNG's current WNA methodology, used to calculate the Normal Heating Degree Day ("NHDD"), averages a 65-year regression calculation with a 20-year HDD normalization.[11] PNG proposes to eliminate the 20-year HDD normalization from its methodology.[12] The OSBA opposes this change.

Furthermore, the OSBA recommends that the dead-band be increased from 3% to 5%. This will help to reduce the volatility of rates paid by PNG's small business customers.

The OSBA objects to PNG's proposal to eliminate the 20-year HDD normalization calculation as there is insufficient data for concluding that such a change is just and reasonable. PNG admits that it has not performed any analysis as to the impact of its proposed change.[13]

If PNG wishes to propose such a change to the Company's NHDD calculation, it should include a detailed study setting forth the impact such a change would have on its small business customers.

VI. Expenses

The OSBA is not briefing this issue (including any of the numerous sub-headings).

VII. Depreciation

The OSBA is not briefing this issue.

VIII. Taxes

The OSBA is not briefing this issue.

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[11] OSBA Statement No 2, at 12.
[12] *Id.*
[13] OSBA Statement No. 2, at 16.

IX. Rate of Return

The OSBA is not briefing this issue.

X. Revenue Allocation and Rate Design

A. Introduction

In this proceeding, PNG presented a cost-of-service study ("COSS") using an "Average Study" methodology that classifies distribution mains by equally weighting two methods: a Customer-Demand study and a Demand-Commodity study.[14]

The OCA and I&E, in comparison, advocated for the use of a Peak and Average ("P&A") COSS methodology.[15]

Regarding which COSS methodology to adopt, the Commission recently stated, as follows:

> 'We note that even in cases in which the revenue allocation methodology is litigated, a determination regarding which ACCOSS should be used should be determined on a case-by-case basis. We have observed that 'the inherent distinctions between utilities and rate cases may result in different methodologies to be reasonable for different reasons. In other words, the best-suited ACCOSS may depend on the circumstances of the situation on a case-by-case basis.'[16]

B. Cost of Service

Either COSS methodology, that proposed by the Company, or that advocated by the OCA and I&E, is acceptable to the OSBA.

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[14] OSBA Statement No. 2, 8.
[15] OSBA Statement No. 2-R, at 1-2.
[16] *Order*, Docket No. R-2022-3031211 (Order entered December 8, 2022), at 107.

C. Revenue Allocation

However, revenue allocation does depend upon which COSS is adopted by the ALJ and the Commission.

If PNG's "Average Study" COSS is adopted, the Company's proposed revenue allocation does follow the results of its COSS. However, PNG limits rate increases to 1.50 times the system average increase.[17] The OSBA recommends that any rate increase be limited to 1.25 times the system average increase.

The OSBA revenue allocation proposal is set forth below:

Table IEc-3[18]
Summary of IEc Alternative Revenue Allocation

	Increase $000	Increase %	R/C Current	R/C Proposed	Increase/System Avg. Increase
Residential	$118,163	13.5%	1.00	0.99	0.99
Small General	$19,699	17.0%	0.90	0.93	1.25
Medium General	$18,361	17.0%	0.94	0.97	1.25
Large General	$4,647	6.5%	1.57	1.42	0.47
Mainline Service	$0	0.0%	0.82	0.74	0.00
Total	**$160,871**	**13.6%**	**1.00**	**1.00**	**1.00**
Source: IEc WP1					

[17] OSBA Statement No. 2, at 10.
[18] OSBA Statement No. 2, at 12.

If the P&A methodology is adopted, the OCA proposed a revenue allocation would limit the maximum rate increase for any rate class to 1.15 times the system average increase while setting a minimum rate increase of 0.50 times the system average.[19]

The OCA revenue proposal is set forth below:

Summary of OCA Proposed Revenue Allocation				
	Current Revenues	**Increase $000**	**Increase %**	**Increase/System Avg. Increase**
Residential	$431,489	$115,121	26.7%	1.02
Small General	$54,789	$16,440	30.0%	1.15
Medium General	$65,431	$19,633	30.0%	1.15
Large General	$57,668	$7,523	13.0%	0.50
Mainline Service	$7,179	$2,154	30.0%	1.15
Total	**$616,556**	**$160,871**	**26.1%**	**1.00**

The OCA revenue allocation proposal is acceptable to the OSBA. To the extent the overall revenue requirement is reduced; these allocations should be scaled back on a relative basis.

D. Rate Design

The OSBA addressed the Small General Service ("SGS") customer charge, recommending that it remain at $22.00 per month for several reasons.[20]

The primary reason it should not be increased is that PNG failed to provide a detailed customer cost analysis showing a breakdown of the individual components used to support the proposed SGS $32.14 per month customer charge. Instead, PNG only provides two components.[21]

[19] OSBA Statement No. 2, at 2.
[20] OSBA Statement No. 1, page 6.
[21] OSBA Statement No. 1, page 5.

In addition, the Company's other assertions fail to support increasing the SGS customer charge. PNG's claim that a higher SGS customer charge would address bill volatility, but that is addressed through budget billing. PNG's also made claims of customer confusion, the necessary to recover fixed costs, and the proper price signals. However, there is no indication that customers better understand a higher customer charge, are in any way concerned with the recovery of the company's fixed costs, or that a higher customer charge sends the proper "price signal."[22]

PNG also claimed that a higher SGS customer charge would alleviate any subsidy within the small business class. However, without a detailed customer cost analysis, this claim cannot be demonstrated.[23]

In addition, PNG argued that any low-income issues felt by the small business class would be alleviated by a higher customer charge. However, "low-income issues" do not apply to SGS customers.[24]

The OSBA argued that a small business customer would experience greater savings through conservation with a rate structure that has a lower customer charge and a higher usage rate compared to a rate structure with a higher customer charge and lower usage rate. However, PNG did not adequately address this argument by the OSBA.[25]

In surrebuttal, the OSBA addressed PNG's rebuttal testimony and the Company's arguments contained therein.

[22] OSBA Statement No. 1, page 7.
[23] OSBA Statement No. 1, page 8.
[24] OSBA Statement No. 1, page 7.
[25] OSBA Statement No. 1, page 9.

First, given the chance to provide a simple customer cost analysis to support increasing the SGS customer charge, the Company determined it wasn't necessary[26].

Second, since PNG has the burden of proof in this proceeding, any failure to support the SGS customer charge accrues to the Company[27].

Third, as described by the OSBA, not all fixed costs are customer costs[28].

Fourth, the claims by PNG that a higher customer charge represents a reasonable balance of fairness, customer impact, and revenue stability were not explained or supported by the Company.[29]

Fifth, PNG argues that its higher SGS customer charge does not eliminate the incentives for customers to conserve[30]. While this is may be true, PGN failed to address why the Commission should approve a rate structure with a higher customer charge that provides *less* of an incentive for a customer to conserve.[31]

Sixth, the OSBA emphasized how SGS customers are unconcerned with the recovery of the Company's fixed costs.[32]

Seventh, the OSBA addressed the Company's claim that a higher SGS customer charge would help with the recovery of future fixed costs by stating that rates should be established by the current appropriate costs in this case. However, PNG failed to establish what those appropriate costs are.[33]

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[26] Peoples Statement 17-R, page 26.
[27] OSBA Statement No. 1-SR, page 8.
[28] OSBA Statement No. 1-SR, page 9.
[29] OSBA Statement No. 1-SR, page 10.
[30] Peoples Statement No. 17-R, pages 29-30.
[31] OSBA Statement No. 1-SR, page 12.
[32] OSBA Statement No. 1-SR, page 14.
[33] OSBA Statement No. 1-SR pages 15-16.

Finally, the OSBA addressed how PNG's broad claim that as many fixed costs as possible should be recovered in the customer charge has been rejected by the Commission in the past.[34]

Therefore, for the reasons set forth above, the ALJ and the Commission should keep the SGS customer charge at the current $22.00 per month.

E. Allocation of Universal Service Costs

The OSBA respectfully submits that Universal Service Costs ("USCs") should not be recovered from all customer classes.

1. The Ills of Society

The OCA argued that the "macroeconomic conditions" of PNG's service territory require that USCs should be recovered by all customer classes. [35] The OCA also argued that the limited "liquid resources" of the customers in PNG's service territory require that USCs should be recovered from all classes.[36] The OCA then argued that "the aging population in Peoples service territory" are yet another reason by USCs should be recovered from all classes.[37]

CAUSE-PA made a similar argument. In its argument to recover USCs from all customer classes, CAUSE-PA argued that "[t]he 'cause' of the need for this program [Universal Services Programs] is poverty – a societal problem."[38] CAUSE-PA continues by stating that "the most obvious benefits of universal service programs are apparent to the residential rate class, this is too narrow of a view as there are a multitude of societal benefits which inure to non-residential ratepayers that cannot be ignored." The OSBA agrees that the benefits of universal service programs accrue to the residential class.

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[34] OSBA Statement No. 1-RS, page 16.
[35] OCA Statement No. 4, at 29.
[36] OCA Statement No. 4, at 37.
[37] OCA Statement No. 4, at 41.
[38] CAUSE-PA Statement No. 1, at 78.

CAUSE-PA then goes on to cite studies which claim that recovering USCs from all customer classes will help solve health, food insecurity, and housing issues, as well as helping families with children.[39]

The fatal flaw in the OCA and CAUSE-PA arguments is that neither provides a citation to a statute or caselaw that enables the Public Utility Commission to solve societal problems. The Commission has recently provided guidance that USCs may be recovered from other classes.

The Commission has concluded, in a Policy Statement, which does not have the legal authority of a regulation or statute, that USCs may be recovered from non-residential classes.[40] However, the Legislature has not granted the Commission the authority to solve health, housing, food, or child issues. Nor has the Legislature given the Commission a broad mandate to address societal issues across the Commonwealth.

In addition, the OCA argued that the Commission's use of the term "nonbypassable" in a Policy Statement supports its argument. However, the Commonwealth Court has quashed that argument by ruling that the term "nonbypassable" "reasonably means that residential customers cannot by-pass their prior funding of universal service costs by choice, or non-choice, of an electric generation supplier."[41] The same language appears in Pennsylvania's Natural Gas Choice and Competition Act, so the same legal conclusion would apply.

The irony is, of course, that the Commission has authorized a Model Tariff for large-loading customers (e.g., Data Centers), which requires contributions to USCs.[42] The OCA and CAUSE-PA should be extremely pleased with this development, as it not only provides USCs

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[39] CAUSE-PA Statement No. 1, at 78-79.
[40] CAUSE-PA Statement No. 1, at 78.
[41] *Met-Ed Indus. Users Group v. Pa. PUC*, 960 A.2d 189 (Pa. Cmwlth Ct.), at 202.
[42] *Interconnection and Tariffs for Large Load Customers*, Docket No. M-2025-3054271 (Order entered April 30, 2026).

funding from a customer class other than the residential class, but the funding will come from, for example, Data Centers. The smallest Data Center dwarfs the size and natural gas usage of any small business across the Commonwealth, thereby providing significant funding for the residential universal service programs.

2. Impact upon PNG's Small Business

Neither the OCA nor CAUSE-PA provided any analysis of the impact of charging PNG's small business customers the residential-only USCs. Instead, both advocates focused solely on broad societal impacts. One partial solution to society's economic ills is to have a robust and healthy small business environment, where such businesses are thriving, in part due to low energy costs, and offering a plethora of well-paying jobs. Increasing the cost of energy for small businesses will not help with this goal.

However, the Commission is aware of the negative and devasting impact that the COVID-19 Pandemic, the supply shortages, and inflation have had on small businesses across the Commonwealth.

PNG's own data is instructive on this issue. Consider the Company's response to response to OSBA-II-009. Between January 2023 and June 2026, the monthly number of SGS bills that were 1-60 days late increased from 3,497 to 5,896 – a 69 percent increase. Over the same period, the monthly number of bills more than 60 days late grew from 661 to 971, an increase of 47 percent.[43] This data indicates that it would be unjust and unreasonable to assign another charge to PNG's struggling small businesses.

[43] OSBA Statement No. 2, at 3.

3. The Office of Small Business Advocate

The OCA cites the 2019 Commission CAP Policy Statement for the premise that New York, New Jersey, Ohio, Illinois, Maine, and New Hampshire have assigned USCs to all ratepayer classes.[44]

A reader might wonder what those six states have in common. The answer: those states do not have an Office of Small Business Advocate. Pennsylvania is alone in having an OSBA and is much better off for it. Although the Commission is unaware of the impact on small businesses in those six states, the OSBA posits that small businesses in those states are struggling.

F. Competitive Rate Customers

For future cost of service studies performed by PNG, the OSBA recommends that the Company separate the negotiated customers and corresponding revenue into a separate "Negotiated" customer class.

PNG did not object to this recommendation but stated that the OSBA proposal was one approach to be considered. The Company expressed a concern that negotiated customers could have different usage patterns.

The OSBA responded to the possibility of different usage patterns by stating the negotiated customers are more likely to be large, non-heating customers that have steady usage patterns.

The OSBA also stated that if more than one negotiated flex rate class is necessary, that creating more than one would be acceptable.

[44] OCA Statement No. 4, at 84.

Therefore, the OSBA respectfully requests that the ALJ and Commission should direct PGN to separate the negotiated customers into one or more classes in all future cost of service studies.

XI. Weather Normalization Adjustment ("WNA")

Because PNG's WNA was approved as a permanent mechanism in the last base rate case proceeding in Docket No. R-2023-3044549, the OSBA's recommendations as to any modifications to the Company's WNA are set forth, *supra*.

However, there are three problems with any WNA that the OSBA must point out.

First, a WNA causes customers to be billed for natural gas usage that is not metered but estimated. This causes customer confusion.[45]

Second, energy conservation is of prime concern to all parties and the Commission. However, any WNA mechanism weakens the price signals customers receive when it is extremely cold. The WNA causes a resulting per-mcf rate during a cold period, lessening a customer's incentive to conserve.

Third, in an excessive warm period, a WNA mechanism can raise prices to extreme levels. The seminal example is, of course, PGW's WNA mechanism raising prices by a factor of 10 in the spring of 2022.[46]

Ultimately, the effect of PNG's WNA in this proceeding is to lower the Company's risk. Although the OSBA does not make a specific ROE recommendation, the fact that PNG's risk is materially lower with its WNA in place should be taken into consideration by the ALJ and Commission when an ROE is awarded.

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[45] OSBA Statement No. 2, at 14.
[46] OSBA Statement No. 2, at 15.

XII. Effective Date of Rates

The OSBA is not briefing this issue.

XIII. Universal Service Program Rider

The OSBA is not briefing this issue.

XIV. Low-Income Customer Issues

The OSBA is not briefing this issue.

XV. Customer Service Issues

The OSBA is not briefing this issue.

XVI. Proposed Tariff Changes

The OSBA is not briefing this issue.

XVII. Hot Water Tank Rebate Pilot Program

The OSBA is not briefing this issue.

XVIII. Safety

The OSBA is not briefing this issue.

XIX. Purchase of Receivables Program

The OSBA is not briefing this issue.

XX. Local Production – Gathering and Cost Recovery Issues

The OSBA is not briefing this issue.

XXI. Competitive Rate Discounts

The OSBA is not briefing this issue.

XXII. Miscellaneous/Other Issues

The OSBA requests that the Company add a formal late payment plan to the SGS and MGS tariffs.

In addition, the OSBA requests that PNG should continue to track interactions in which small business customers report financial difficulties (*e.g.*, trouble paying heating bills on time), including both participation in the new formal payment plan and more informal complaints or inquiries.

The OSBA also requests that PNG provide the OSBA's contact information and a description of the services the OSBA offers on the Company's website.

XXIII. Conclusion

The OSBA respectfully requests that the ALJ and the Commission:

Reject PNG's proposal to eliminate the 20-year HDD normalization calculation in its Weather Normalization Adjustment calculation;

Increase PNG's WNA deadband from 3% to 5%;

If PNG's COSS is adopted, adopt the OSBA revenue allocation, which includes a 1.25 times cap on the maximum increase for any class;

If the P&A COSS is adopted, adopt the revenue allocation proposed by the Office of Consumer Advocate;

Reject the proposal that Universal Service Costs be charged to all rate classes; and

Require PNG to add a formal late payment plan to all small business customer tariffs.

Respectfully submitted,

/s/ Steven C. Gray

Steven C. Gray
Senior Attorney
Assistant Small Business Advocate
Attorney ID No. 77538

For:
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Small Business Advocate

Commonwealth of Pennsylvania
Office of Small Business Advocate
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555 Walnut Street, 1st Floor
Harrisburg, PA 17101

Dated: August 26, 2026

APPENDIX A

Summary Tables of Position and Adjustments

Summary Tables of Position and Adjustments

OSBA is not submitting Summary Tables of Position and Adjustments.

APPENDIX B

Bill Impacts

Bill Impacts

OSBA is not submitting Bill Impacts.

APPENDIX C

Proposed Findings of Fact

Proposed Findings of Fact

1) On March 27, 2026, Peoples Natural Gas Company ("PNG" or the "Company") filed Original Tariff Gas – Pa. P.U.C. No. 49 and Original Tariff Gas – Pa. P.U.C. No. S-5 with the Commission. Peoples proposed to increase the Company's annual distribution revenues by approximately $163.2 million.

2) On April 7, 2026, the OSBA filed a Complaint in response to PNG's filings.

3) On June 18, 2026, the OSBA served the Direct Testimony of Joseph Kubas.

4) On June 18, 2026, the OSBA also served the Direct Testimony and Exhibit of Mark D. Ewen.

5) On July 16, 2026, the OSBA served the Rebuttal Testimony of Mark D. Ewen.

6) On July 31, 2026, the OSBA served the Surrebuttal Testimony of Joseph Kubas

7) In this proceeding, PNG presented a cost-of-service study ("COSS") using an "Average Study" methodology that classifies distribution mains by equally weighting two methods: a Customer-Demand study and a Demand-Commodity study. OSBA Statement No. 2, 8.

8) The OCA and I&E, in comparison, advocated for the use of a Peak and Average ("P&A") COSS methodology. OSBA Statement No. 2-R, at 1-2.

9) PNG's current WNA methodology, used to calculate the Normal Heating Degree Day ("NHDD"), averages a 65-year regression calculation with a 20-year HDD normalization. OSBA Statement No 2, at 12.

APPENDIX D

Proposed Conclusions of Law

Proposed Conclusions of Law

1) Section 1301 of the Public Utility Code, 66 Pa. C.S. § 1301, provides that "every rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable, and in conformity with regulations or orders of the commission."

2) The burden of proof to establish the justness and reasonableness of every element of the utility's rate increase rests solely upon the public utility. 66 Pa. C.S. § 315(a). "It is well-established that the evidence adduced by a utility to meet this burden must be substantial." *Lower Frederick Township. v. Pa. PUC*, 409 A.2d 505, 507 (Pa. Cmwlth. 1980).

3) Although the burden of proof remains with the public utility throughout the rate proceeding, when 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. PUC v. Aqua Pennsylvania, Inc.*, Docket No. R-00072711 (Order entered July 17, 2008). "Section 315(a) of the Code, 66 Pa. C.S. § 315(a), applies since this is a proceeding on Commission Motion. However, after the utility establishes a prima facie case, the burden of going forward or the burden of persuasion shifts to the other parties to rebut the prima facie case." *Pa. PUC v. Philadelphia Gas Works*, Docket No. R-00061931 (Order entered September 28, 2007), at 12.

4) Furthermore, Section 523 of the Public Utility Code, 66 Pa. C.S. § 523, requires the Commission to "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, a public utility is obligated to provide safe, adequate, and reasonable service. "[I]n 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 . . . In return for providing safe and adequate service, the utility is entitled to recover, through rates, these enumerated costs." *Pa. PUC v. Pennsylvania Gas & Water Co.*, 61 Pa. PUC 409 (1986), at 415-16. *See also* 66 Pa. C.S. § 1501. As a result, the legislature has given the Commission 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).

5) The Legislature has never granted the Public Utility Commission the authority to solve the problems of society.

APPENDIX E

Proposed Ordering Paragraphs

Proposed Ordering Paragraphs

1) PNG's proposal to eliminate the 20-year HDD normalization calculation in its Weather Normalization Adjustment calculation is rejected.

2) PNG's WNA deadband is increased from 3% to 5%.

3) [If PNG's COSS is adopted] The OSBA's revenue allocation is adopted.

4) [If the P&A COSS is adopted] The OCA's revenue allocation is adopted.

5) The proposal that Universal Service Costs be charged to all rate classes is rejected.

6) PNG is required to add a formal late payment plan to all small business customer tariffs.

7) The SGS customer charge will remain at $22.00 per month.

8) The Company is directed to separate the costs and revenues from the Negotiated Customers into one or more separate classes in all future cost of service studies.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	**Docket Nos. R-2026-3060855**
v.	:	**C-2026-3061593**
	:	
Peoples Natural Gas Company, LLC	:	

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served via email (*unless otherwise noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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