



August 26, 2026

Via Email Only

The Honorable Charece Z. Collins
Administrative Law Judge
Pennsylvania Public Utility Commission
Keystone Building
400 North Street
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**Re: Pennsylvania Public Utility Commission v. Peoples Natural Gas Company LLC
Docket No. R-2026-3060855**

Your Honor:

Please find the attached copy of the **Main Brief 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,

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*CC: Secretary Matthew L. Homsher (Cover/ COS only, via e-file only)
Certificate of Service*

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

Certificate of Service

I hereby certify that I have this day served copies of the **Main Brief 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.

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Peoples Natural Gas Company LLC	:	

**MAIN BRIEF OF
THE COALITION FOR AFFORDABLE UTILITY SERVICES AND ENERGY
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August 26, 2026

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I. INTRODUCTION

The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), through its counsel at the Pennsylvania Utility Law Project, files this Main Brief in opposition to Peoples Natural Gas Company LLC's (Peoples or Company) proposal to substantially increase rates for gas service to a level that is unjust, unreasonable, and not supported by substantial evidence. Peoples has not met its burden to demonstrate that it is entitled to any increase in rates. If the Commission determines that an increase is warranted, the Commission allows an increase that is no higher than the \$9.4 million that is supported by the record and as recommended by the Office of Consumer Advocate. Regardless of the increase allowed, the Commission should adopt the recommendations advanced by CAUSE-PA to help mitigate unaffordable rates for Peoples' economically vulnerable customers.

As detailed in the record of this proceeding, Peoples' rates are already categorically unaffordable for a growing number of households across its service territory – forcing an increasing number of families to survive without adequate gas service, and creating devastating consequences for families who cannot afford service, other ratepayers, and the broader community.

Rate affordability, and the universal accessibility of gas service at all income levels, is a polestar principle to determining just and reasonable rates – and an essential component of the regulatory compact. Indeed, rates – which include the attendant terms and conditions of public utility service – are not just and reasonable if service it is unaffordable and therefore not accessible to all households in need of service within a given service territory. Peoples' low income customers already face demonstrably unaffordable rates for gas service – even before any rate increase is approved – pricing tens of thousands of households out of the market for an essential service. Peoples has failed to meet its burden of showing that its rate increase is necessary to allow it a fair

opportunity to earn a reasonable rate of return or that its rate proposals are just, reasonable, and in the public interest.

We urge the Honorable Administrative Law Judge (ALJ) Charece Z. Collins and the Public Utility Commission (Commission) to deny Peoples' proposed rate increase or, if it determines that a rate increase is warranted, allow an increase that is no higher than that which is recommended by the Office of Consumer Advocate (OCA). In addition to rejecting Peoples' proposed rate increase, substantial reforms and enhancements to People's customer service standards, rates, rate design, tariff provisions, and universal service cost recovery is required to ensure that all customers – regardless of income – can access reasonably affordable gas service. Specifically, CAUSE-PA submits that the weight of the evidence requires that Commission to order the following overarching reforms, regardless of whether Peoples is permitted to increase its residential bills:

- Reject Peoples' proposal to increase its residential customer charge.
- Order Peoples to cease operation of its Weather Normalization Adjustment (WNA).
- Order Peoples to allocate Universal Service costs across all rate classes.
- Order Peoples to revise its Purchase of Receivables (POR) program to require that, as a condition of the purchase of a natural gas suppliers' receivables, an NGS must certify that its rates are at or below the applicable default service price at the time a contract is entered or renewed.
- Reject Peoples' proposed tariff revisions regarding potential fraud and recreational use related to its customer assistance program (CAP) because they are not supported by substantial evidence in the record justifying this change
- Order Peoples to conduct root cause analysis to determine the reasons for its high CAP termination and incomplete application rates and take steps to remediate these problems based on the findings.
- Reject Peoples' proposals to include additional labor costs that are more appropriately included in rates in its universal service rider.
- Reject Peoples' proposed ratepayer funding, load building, fuel switching gas water heater rebate pilot.

A. Description of the CAUSE-PA

CAUSE-PA is an unincorporated association of low and moderate income individuals that advocates on behalf of its members to enable consumers of limited economic means to connect to and maintain affordable water, electric, heating, and telecommunication services. CAUSE-PA membership is open to moderate and low income individuals residing in the Commonwealth of Pennsylvania who are committed to the goal of helping low income families maintain affordable access to utility services and achieve economic independence.

B. Procedural History

On March 27, 2026, Peoples submitted two filings, Peoples Original Tariff Gas – Pa. P.U.C. No. 49 (Tariff No. 49) and Peoples Original Tariff Gas – Pa. P.U.C. No. S-5 (Supplier Tariff No. S-5), with proposed effective dates of May 26, 2026, seeking to raise annual revenues by approximately \$163.2 million, or by 13.8%.¹ The filing includes proposed changes to tariff rates, riders, and tariff terms and conditions, as described in the filings.² If Peoples’ rate increase is approved in its entirety, the monthly bill of a Peoples residential customer using 86 Mcf per year would increase from \$122.20 to \$138.23 per month, or by 13.1%.³ In its proposed rate structure, Peoples seeks to increase its fixed monthly residential customer charge 55% from \$16.80 to \$26.00 an increase of \$9.20 per month – or \$110.40 per year.⁴ Peoples also seeks to modify its tariff WNA normalization period to rely on a 65-year regression based methodology.⁵

On March 31, 2026, and April 7, 2026, the Office of Consumer Advocate (OCA) and the Office of Small Business Advocate (OSBA), respectively, filed Formal Complaints. On April 2,

¹ Peoples Statement of Reasons at 1.

² Id.

³ Peoples St. 1 at 3

⁴ Peoples St. 17 at 34, Table 7.

⁵ Id. at 37.

2026, counsel for the Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance. On April 7, 2026, the Weatherization Providers Task Force filed a Petition to Intervene.

On April 9, 2026, CAUSE-PA filed a Formal Complaint in the above-captioned proceeding, at Docket No. R-2026-3060855, which was docketed at Docket No. C-2026-3061685. On April 10, 2026, the Commission issued a Secretarial Letter requiring an answer to be filed within 10 days. No answer or objection was filed to CAUSE-PA's standing to fully participate in this proceeding as a Complainant and party.

On April 16, 2026, the Commission entered a Suspension and Investigation Order suspending the Peoples tariff by operation of law until December 26, 2026, and opening an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained therein.⁶

On April 16, 2026, a Prehearing Conference Order was issued setting a telephonic prehearing conference for Tuesday, April 28, 2026 at 10:00. On Friday, April 24, 2026, CAUSE-PA filed a Prehearing Conference Memorandum. At the prehearing conference on April 24, 2026, the Honorable ALJ consolidated CAUSE-PA's Formal Complaint with the Company's rate case, affording CAUSE-PA full status as an active party in this proceeding.

In early June, the Commission held in-person public input hearings in Johnstown, Ross Township, and Greensburg, PA. It also held a telephonic public input hearing.

On June 18, 2026, CAUSE-PA served prepared written direct testimony in this matter. On July 15, 2026, and July 31, 2026, CAUSE-PA served errata to its direct testimony.

⁶ Suspension and Investigation Order.

On July 16, 2026, CAUSE-PA filed a letter indicating that it would not submit rebuttal testimony in this matter. On July 31, 2026, CAUSE-PA served prepared written surrebuttal testimony in this matter.

An evidentiary hearing was held on August 5, 2026 at which CAUSE-PA Statement 1, the Direct Testimony of Patrick M. Cicero (as corrected by errata), and CAUSE-PA Statement 1-SR, the Surrebuttal Testimony of Patrick M. Cicero, along with the relevant attachments and exhibits appended to those statements were admitted into the record.

C. Legal Standards and Burden of Proof

1. Legal Standards - Just and Reasonable Rates

The Commission's authority to regulate public utilities is rooted in the state's "police power" – that is, the power to protect the health, safety, and welfare of its citizens.⁷ In its exercise of police power, the Commission's fundamental job is to restrain the monopolistic tendencies of public utilities through the regulation of utility rates and attendant terms and conditions of service.⁸ The Commission has recognized that its oversight "serves as a proxy for a competitive market in appropriately restraining, or exerting downward pressure on, the profit-maximizing prices a monopoly could otherwise charge."⁹ This is accomplished through cost-of-service ratemaking that ensures service is accessible to all customers while providing the utility the opportunity to recover prudent and reasonable costs and to earn a fair rate of return on investment.¹⁰

⁷ Ark. Elec. Coop. v. Ark. Public Service Comm'n, 461 U.S. 375, 377 (1983) ("[R]egulation of utilities is one of the most important of the functions traditionally associated with the policy power of the States.").

⁸ "Inherent in the 'cost of providing service' principle of ratemaking is the recognition that public utilities are natural monopolies and that the PUC's oversight through cost-of-service ratemaking regulation serves as a proxy for a competitive market in appropriately restraining, or exerting downward pressure on, the profit-maximizing prices a monopoly could otherwise charge in the absence of price regulation." Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Final Form Order, Docket No. L-2012-2317273, at 4 (order entered Jan. 8, 2025).

⁹ Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Docket No. L-2012-2317273, Final Form Order at 4 (order entered January 8, 2025).

¹⁰ 66 Pa. C.S. § 1301; City of Lancaster Sewer Fund v. Pa. PUC, 793 A.2d 978, 982 (Pa. Commw. Ct. 2002); Lloyd v. Pa. PUC, 904 A.2d 1010, 1019-21 (Pa. Commw. Ct. 2006).

The paramount standard for all utility ratemaking is the constitutionally-based “just and reasonable” standard.¹¹ As a matter of law, rates must be just and reasonable and must conform with all other laws, regulations, and orders of the Commission.¹² While a utility’s cost of providing service guides the ratemaking process, additional important ratemaking concerns include quality of service, rate gradualism, and rate affordability.¹³ The Commission recently reaffirmed the centrality of its responsibility to consider affordability in setting rates and determined that affordability is an issue that must be addressed for *all* customers, including low income customers who do not apply for or enroll in low-income assistance programs.¹⁴ This conclusion is fundamentally consistent with the core premise that in determining just and reasonable rates, the Commission has the “power to make and apply policy” – including, *inter alia*, the discretion to decide the proper balance between interests of ratepayers and utilities.¹⁵ The Commission’s discretion in this regard is broad and not confined “to an absolute or mathematical formulation” – but instead “imports a flexibility in the exercise of a complicated regulatory function.”¹⁶ The significance of both the context and frequency of rate case requests and the impact and recent and current economic conditions are all relevant to setting just and reasonable rates.¹⁷

A public utility is entitled to no more than a reasonable *opportunity* to earn a fair rate of return on its investments which are dedicated to public service.¹⁸ A fair return for public utility service is not equivalent to “profits such as are realized or anticipated in highly profitable

¹¹ 66 Pa. C.S. § 1301; Popowsky v. Pa. PUC, 665 A.2d 808, 811 (Pa. 1995).

¹² 66 Pa. C.S. § 1301.

¹³ Pa. PUC v. Columbia Gas of Pa., Inc., Docket No. R-2020-3018835 Opinion and Order at 46-47 (Entered Feb. 19, 2021) (citing 66 Pa. C.S. §§ 523, 526 (a); Lloyd v. Pa. PUC, 904 A.2d 1010, 1019-21 (Pa. Commw. Ct. 2006); Pa. PUC v. Twin Lakes Util., Inc., 2020 Pa. PUC LEXIS 340, *46-54 (order entered Mar. 26, 2020).

¹⁴ Pa. PUC v. Pennsylvania American Water Co., Docket No. R-2025-3057983, Opinion and Order at 41 (order entered July 27, 2026) (“2026 PAWC Rate Case Order”).

¹⁵ Popowsky v. Pa. PUC, 665 A.2d 808, 812 (Pa. 1995).

¹⁶ Id.

¹⁷ 2026 PAWC Rate Case Order, R-2025-3057983, at 41.

¹⁸ Pa. Gas & Water Co. v. Pa. PUC, 341 A.2d 239, 251 (Pa. Commw. Ct. 1975).

enterprises or speculative ventures”¹⁹ – and “does not insure that the business shall produce net revenues.”²⁰

Under the Public Utility Code, the term rates is not confirmed merely to the dollars and cents charged on bills, but rather broadly includes:

Every individual, or joint fare, toll, charge, rental, or other compensation whatsoever of any public utility ... made, demanded, or received for any service within this part, offered, rendered, or furnished by such public utility, or contract carrier by motor vehicle, whether in currency, legal tender, or evidence thereof, in kind, in services or in any other medium or manner whatsoever, and whether received directly or indirectly, **and any rules, regulations, practices, classifications or contracts affecting any such compensation, charge, fare, toll, or rental.**²¹

Thus, when considering whether rates are just, reasonable, and in the public interest, the Commission must also consider the rules, regulations, programs, and practices affecting such rates. Neither statutory law nor the Constitution imposes a unilateral obligation on customers to pay for the cost of service without a reciprocal obligation of the utility to satisfy standards of reasonable service – in conformity with all governing laws, consist with strong public policy, and in furtherance of the health, safety, and welfare of Pennsylvania consumers.²²

The Commission is not bound by a prescribed ratemaking formula and has broad discretion in determining whether rates are just and reasonable, and it “is vested with discretion to decide what factors it will consider in setting or evaluating a utility’s rates.”²³ Indeed, the Supreme Court has stated that:

¹⁹ Bluefield Water Works & Improvement Co. v. Public Serv. Comm’n of W.Va., 262 U.S. 679, 692-93 (1923).

²⁰ Federal Power Comm’n v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944); FPC v. Natural Gas Pipeline Co., 315 U.S. 575, 590 (1942); Pittsburgh v. Pa. PUC, 69 A.2d 844 (Pa. Super Ct. 1949); see also Duquesne Light Co. v. Barasch, 488 U.S. 299, 310, 312 (1989).

²¹ 66 Pa. C.S. § 102 (“Rate”) (emphasis added); see McCloskey v. Pa. PUC, 219 A.3d 1216, 1223 (Pa. Commw. Ct. 2019).

²² See Nat’l Utilities, Inc. v. Pa. PUC, 709 A.2d 972, 979 (Pa. Commw. Ct. 1998), following D.C. Transit Sys., Inc. v. Washington Metro. Area Transit Comm’n, 466 F.2d 394, 411 (D.C. Cir. 1972), cert denied.

²³ Pa. PUC v. Columbia Gas of Pennsylvania, Inc., R-2025-3053499, Opinion and Order at 32 (Entered Dec. 4, 2025).

The Commission was not bound to the use of any single formula or combination of formulae in determining rates. Its rate-making function, moreover, involves the making of ‘pragmatic adjustments.’ And when the Commission's order is challenged in the courts, the question is whether that order ‘viewed in its entirety’ meets the requirements of the Act. Under the statutory standard of ‘just and reasonable’ it is the result reached not the method employed which is controlling. It is not theory but the impact of the rate order which counts. If the total effect of the rate order cannot be said to be unjust and unreasonable, judicial inquiry under the Act is at an end. The fact that the method employed to reach that result may contain infirmities is not then important.

...

Rates which enable the company to operate successfully, to maintain its financial integrity, to attract capital, and to compensate its investors for the risks assumed certainly cannot be condemned as invalid, even though they might produce only a meager return on the so-called ‘fair value’ rate base.²⁴

Thus, while the Commission has acknowledged the existence of a set of ratemaking norms, or traditional ratemaking methodologies that have developed over time, the Commission has rejected the notion that the use of such methodologies limits consideration and weighing of other important factors or principles such as quality of service, gradualism, and rate affordability.²⁵ Specifically, the Commission cited its obligation “to balance between the interests of the utility’s customers, investors, and the public interest,” which it interpreted as additionally requiring the Commission “to weigh evidence or unique considerations related to changes in service, market forces, and the economy.”²⁶

2. Legal Standards – Customer Service Standards

A base rate case is the proper venue for consideration of customer service issues raised by parties.²⁷ To determine the lawfulness, justness, and reasonableness of Peoples’ rates, rules, and regulations, the Commission must necessarily consider concerns raised by parties regarding the

²⁴ Federal Power Comm’n v. Hope Natural Gas Co., 320 U.S. 591, 602, 605 (1944) (Citations omitted).

²⁵ Id. at 33.

²⁶ Id.

²⁷ Pa. PUC v. Philadelphia Gas Works, R-2023-3037933, Opinion and Order at 193 (Entered Nov. 9, 2023).

quality of Peoples’ customer service.²⁸ In the context of balancing the interests of consumers and setting just and reasonable rates, the impacts upon customer service, and the quality of service provided, important considerations.²⁹ A public utility’s rules and regulations for the provision of service must be reasonable.³⁰ Public utilities must make changes and improvements to the delivery of service that are necessary and proper to ensure the accommodation, convenience, and safety of their customers, employees, and the public.³¹

3. Legal Standards – Natural Gas Choice and Competition Act

The Natural Gas Choice and Competition Act (Choice Act) imposes critically important standards on natural gas distribution companies (NGDCs) related to the provision of just and reasonable distribution services.³² As discussed above, the term “rates” is far broader than the fees and charges for service, and includes the attendant rules, regulations, and programs affecting such rates. As such, an NGDC’s adherence to the standards in the Choice Act are essential to determining whether rates are just, reasonable, and pursuant to the public interest. The overarching goal of competition through deregulation of the energy supply industry is to reduce energy costs for consumers.³³

Of particular importance and relevance to this proceeding are the universal service and energy conservation obligations enshrined in the Choice Act. The term “universal service and energy conservation” is defined as:

²⁸ April 24, 2025 Suspension and Investigation Order at 3, ¶ 4.

²⁹ Pa. PUC v. Columbia Gas of Pa., Inc., Docket No. R-2020-3018835 Opinion and Order, at 46-47 (Entered Feb. 19, 2021), citing 66 Pa. C.S. §§ 523, 526 (a).

³⁰ 66 Pa. C.S. § 1501.

³¹ Id.

³² 66 Pa. C.S. § 2201 *et seq.*

³³ Retail Energy Supply Assoc. v. Pa. PUC, 230 C.D. 2017 (Pa. Commw. Ct. 2017), citing CAUSE-PA v. Pa. PUC, 120 A.3d 1087, 1101 (Pa. Commw. Ct. 2015) (“[T]he overarching goal of the Choice Act is competition through deregulation of the energy supply industry, leading to reduced electricity costs for consumers[.]” however, this “scheme does not demand absolute and unbridled competition.”). While this case was interpreting the Electric Choice and Competition Act, the two Acts are parallel in their intent and application.

Policies, practices and services that help residential low-income retail gas customers and other residential retail gas customers experiencing temporary emergencies, as defined by the commission, **to maintain natural gas supply and distribution services.** The term includes retail gas customer assistance programs [(CAPs)], termination of service protections and consumer protection policies and services that help residential low-income customers and other residential customers experiencing temporary emergencies to reduce or manage energy consumption in a cost-effective manner, such as the low-income usage reduction programs [(LIURP)] and consumer education.³⁴

While a utility's universal service programs, including CAP, LIURP, and Hardship Fund programs, are central to this definition, the definition encompasses a much broader array of policies, programs, services, and education to prevent termination of service for low income customers and other vulnerable groups.³⁵ These include "termination of service protections and consumer protection policies and services that help residential low-income customers."³⁶

The Choice Act conveys a series of "interdependent standards" governing the Commission's oversight of the restructured gas utility industry. Chief among these standards is the requirement that the Commission "ensure that universal service and energy conservation policies, activities, and services are appropriately funded and available in each natural gas distribution service territory ... [and] operated in a cost-effective manner."³⁷ The Commission has expressly concluded that universal service and energy conservation issues are a relevant and important area of inquiry in the context of a determining whether a utility's rates are just and reasonable, and should not be exclusively relegated to a utility's periodic Universal Service and Energy Conservation Plan proceeding.³⁸ As the Commission concluded in a recent Philadelphia Gas Works (PGW) rate proceeding:

³⁴ 66 Pa. C.S. § 2202.

³⁵ Id.

³⁶ Id.

³⁷ 66 Pa. C.S. § 2203 (8).

³⁸ Initiative to Review and Revise the Existing Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§ 58.1—58.18, Final Form Rulemaking Order, Docket No. L-2016-2557886, at 50, 123 (order entered

[T]abling consideration of [universal service] issues until PGW's next USECP proceeding would result in denying low-income customer relief for an extended period. In our view, such a result is unreasonable and thwarts the purpose of universal service, which is to help low-income customers maintain their natural gas service.³⁹

In addition to universal service standards and obligations, the Choice Act also includes explicit requirements on NGDCs perform consolidated billing,⁴⁰ fulfill consumer protection and customer service functions,⁴¹ and provide consumer information and education.⁴² Notably, “consumer protection” is a defined term, which includes adherence to “[t]he standards, practices and service protections for retail gas customers, including those provided for in 52 Pa. Code Ch. 56 ... , as well as applicable Federal and State debt/credit collection statutes, and any regulations or orders of the commission that provide such protections... .”⁴³

Importantly, with regard to Peoples' Purchase of Receivables Program (POR), the Choice Act specifically states that NGDCs are not required to forward advance payment to NGS on whose behalf the NGDC is billing customers, if the NGDC has not first received payment for those services from customers.⁴⁴ Thus, while Peoples may be permitted to voluntarily operate its POR program, through which it purchases the accounts receivable from a third-party supplier and takes on the responsibility of collections, such a program is not required and it is within the Commission's discretion to order Peoples to reform its POR program where that program is causing harm and it would be in the interest of protecting consumers to do so.⁴⁵ As with all rates and associated terms and conditions related thereto, the terms of any Commission-approved POR

March 13, 2025); see also Pa. PUC v. PGW, Opinion and Order, Docket No. R-2023-3037933, at 216 (order entered Nov. 9, 2023).

³⁹ Pa. PUC v. PGW, Opinion and Order, Docket No. R-2023-3037933, at 216 (order entered Nov. 9, 2023).

⁴⁰ 66 Pa. C.S. § 2205 (c).

⁴¹ 66 Pa. C.S. § 2206 (a).

⁴² 66 Pa. C.S. § 2206 (c), (d).

⁴³ 66 Pa. C.S. § 2202.

⁴⁴ 66 Pa. C.S. § 2205(c)(5).

⁴⁵ 66 Pa. C.S. § 2206(a).

must be supported by substantial record evidence demonstrating that the program just, reasonable, and in furtherance of the public interest.⁴⁶

4. Legal Standards - Burden of Proof

This is a rate case filed pursuant to section 1308 of the Public Utility Code. Thus, Peoples bears the burden of proof to establish the justness and reasonableness of each element of its requested rate increase – inclusive of all attendant policies, programs, and services.⁴⁷

To meet its burden, Peoples must establish that all of “the elements of [its] cause of action are proven with substantial evidence which enables the party asserting the cause of action to prevail, precluding all reasonable inferences to the contrary.”⁴⁸ The *degree* of proof necessary to meet the substantial evidence standard requires a preponderance of the evidence, which means that the evidence presented is more convincing than the evidence presented by the other party.⁴⁹

Importantly, the burden of proof remains with Peoples throughout the case and does not shift to any other parties challenging a rate increase.⁵⁰ Thus, it is not the responsibility of the other parties to prove that Peoples’ proposed rates are unjust, unreasonable, or not in the public interest. On the contrary, the other parties are only required to prove that the Company failed to meet its burden of proof that its rates are just and reasonable and in the public interest.⁵¹ This includes an

⁴⁶ 66 Pa. C.S. §§ 102; 1301.

⁴⁷ 66 Pa. C.S. §§ 315 (a), 1308 (a); Lower Frederick Twp. Water Co. v. Pa. PUC, 409 A.2d 505, 507 (Pa. Commw. Ct. 1980).

⁴⁸ Burleson v. Pa. PUC, 461 A.2d 1234, 1236 (Pa. 1983); Lansberry v. Pa. PUC, 578 A.2d 600, 602 (Pa. Commw. Ct. 1990);

⁴⁹ NRG Energy, Inc. v. Pa. PUC, 233 A.3d 936, 939 (Pa. Commw. Ct. 2020).

⁵⁰ Berner v. Pa. PUC, 116 A.2d 738 (Pa. 1955) (“It is well-established that in general rate increase proceedings, the burden of proof does not shift to parties challenging a requested rate increase.”); see also Univ. of Pa. v. Pa. PUC, 485 A.2d 1217 (Pa. Commw. Ct. 1984).

⁵¹ Pa. PUC v. Equitable Gas Co., 57 Pa. PUC 423, 471 (1983); Univ. of Pa. v. Pa. PUC, 485 A.2d 1217 (Pa. Commw. Ct. 1984).

examination not only Peoples’ proposed rate changes, but also its “existing rates, rules, and regulations.”⁵²

II. SUMMARY OF ARGUMENT

Rates for essential utility services that are necessary for the basic functions of life are not just and reasonable if they are not affordable for the population served. It is unjust, unreasonable, and contrary to the public interest to raise rates for Peoples gas service when rates are already unaffordable for Peoples’ estimated 144,131 low income customers – approximately 75% of whom are not enrolled in CAP–⁵³ and when the record evidence demonstrates that Peoples has sufficient revenue at existing rates.⁵⁴ Additionally, approximately 190,000 Peoples customers have income above the level that qualifies for assistance but lack the income necessary to afford their basic necessities without assistance.⁵⁵ Together, this nearly quarter of a million Peoples customers already struggle to afford and remain connected to services at existing rates and rely on the Commission to exercise its core function to restrain rate increases to as low as legally permitted.⁵⁶ As articulated throughout this brief, it is the Commission’s responsibility to balance the interests of consumers and the Company in a way that ensures the Company has a reasonable opportunity to earn a fair rate of return but also restrains the monopolistic tendencies of Peoples to be extractive in its chosen rates and rate design.

Peoples proposed \$163.2 million rate increase is untenable for low income families across Peoples’ service territory, for whom the Company’s gas service is already unaffordable. The staggering level of unaffordability of Peoples’ *current* rates for low income customers is

⁵² April 16, 2026 Suspension and Investigation Order at 3, ¶ 4.

⁵³ CAUSE-PA St. 1 at 17-34.

⁵⁴ Id. at 35-38.

⁵⁵ Id. at 23.

⁵⁶ Id.

demonstrated by their disproportionate termination rates. The termination rate for Peoples' poorest customers is between 400% to 500% higher than residential customers who are not low income.⁵⁷ In 2025, the average arrears carried by confirmed low income customers not enrolled in CAP was \$257.33, a staggering 397% of the \$64.77 average for residential customers who were not confirmed low income.⁵⁸ Any further increase in rates will exacerbate energy insecurity and increased terminations.⁵⁹

The evidence in this proceeding demonstrates that Peoples already has healthy revenue, access to capital, and sufficient returns at current rates. Over the last five years, Peoples has had healthy net income from its operations totaling approximately \$1.2 billion, and it projects net income as of the end of December 2026 to be an additional \$261.9 million.⁶⁰ Peoples proposed rate increase is almost totally powered by its requested 11.25% return on equity and its equity skewed capital structure.⁶¹ If the Commission overlooks the evidence of widespread unaffordability and approves any rate increase in this proceeding it should chose the lowest authorized return on equity that is supported by the record evidence, including consideration not only of the financial models , but also as articulated in the principles set out by Governor Shapiro.⁶²

Not only is Peoples' overall rate proposal unsupported by record evidence, but there are also critical flaws in Peoples' rate design and alternative ratemaking proposals. Peoples' proposal to dramatically increase the residential customer charge and its proposal to continue imposing a Weather Normalization Adjustment charge (WNA) shift normal business risks from Peoples' shareholders to its customers.⁶³ Peoples' proposed 54.8% increase to the fixed monthly residential

⁵⁷ CAUSE-PA St. 1 at 28, Table 5.

⁵⁸ Id. at 29-30, Tables 6 and 7.

⁵⁹ Id. at 25-33.

⁶⁰ Id. at 35.

⁶¹ Id. at 34-49.

⁶² Id.

⁶³ Id. at 50.

customer charge will have a perverse impact on efficiency and conservation – falling hardest on low income households that rely on careful conservation to help control high costs.⁶⁴ The WNA shifts weather related risk from the utility to customers in a way that is inappropriate for a monopoly provider of essential services.⁶⁵ Whether taken together or apart, Peoples’ rate design and WNA upend the fundamental premise of monopoly ratemaking to provide an *opportunity* for profit, *not a guarantee*.⁶⁶ Both Peoples’ proposal to increase its fixed charge and its proposal to continue its WNA should be rejected.

Peoples has also proposed a Natural Gas Hot Water Tank Rebate Pilot that should be rejected because it is a load building program that would convert electric water heating customers to gas. It would be inappropriate to allow Peoples to spend ratepayer funds to switch from electric hot water heaters to gas hot water heaters.

Peoples’ Universal Service and Energy Conservation Programs are a suite of programs that can help offset the impact of unaffordable rates for low income customers. However, in recent years the termination rate for participants in its customer assistance programs have increased dramatically and there are a troubling number of customers who request but do not complete applications for the program.⁶⁷ Peoples has also proposed tariff provisions that introduce a dangerous level of subjectivity into determining whether customers have fraudulently enrolled in the program or have unjustified usage.⁶⁸ Peoples has made several concessions related to these

⁶⁴ CAUSE-PA St. 1 at 49, 51.

⁶⁵ Id. at 58-59.

⁶⁶ 66 Pa. C.S. § 1301; City of Lancaster Sewer Fund v. Pa. PUC, 793 A.2d 978 (982 (Pa. Commw. Ct. 2002); Lloyd v. Pa. PUC, 904 A.2d 1010, 1019-21 (Pa. Commw. Ct. 2006).

⁶⁷ CAUSE-PA St. 1 at 28-29, 73-74.

⁶⁸ Id. at 67-72.

issues that should be memorialized in any order in this proceeding.⁶⁹ Peoples should also be required to increase its Low Income Usage Reduction Program budget to address the demonstrated unmet need for services.⁷⁰

Peoples has also proposed to continue to limit allocation of its universal service program costs solely to residential customers. It is unjust and unreasonable to limit recovery of those costs exclusively to residential customers.⁷¹ Residential customers do not cause poverty, nor are they the sole beneficiaries of universal service programs.⁷² Universal service programs are public purpose programs that help address the effects of systemic poverty and benefit the entire community.⁷³ This inequity would be further exacerbated by Peoples proposal to add several additional costs to its universal service rider that should be recovered through base rates.⁷⁴ Peoples should be required to allocate its universal service costs broadly across all rate classes.⁷⁵

Peoples' Purchase of Receivables has significant and adverse cost impacts for residential and confirmed low income customers not enrolled in CAP who have chosen to shop with a competitive electric supplier.⁷⁶ From January 2024 through April 2026, residential shopping customers paid in aggregate \$51.9 million more than they would have paid for default service rate for the same period, including \$7.4 million attributable to confirmed low income customers.⁷⁷ Write offs for residential shopping customers were 484% higher than for residential customers on default service, and for low income customers, they were an astounding 856% higher.⁷⁸ Peoples

⁶⁹ CAUSE-PA St. 1-SR at 42-47.

⁷⁰ Id. at 47-48, PWPTF St. 1 at 6-7.

⁷¹ CAUSE-PA St. 1 at 77-81.

⁷² Id.

⁷³ Id.

⁷⁴ Id. at 74-77.

⁷⁵ Id. at 77-81.

⁷⁶ Id. at 83-89.

⁷⁷ Id. at 85-86.

⁷⁸ Id. at 87.

should be required to adopt common sense reforms to limit application of its POR program to suppliers who certify that the contract is at or below the default service price at the time of contract initiation or renewal.⁷⁹

The record demonstrates that even in the absence of an increase, Peoples has sufficient revenue at present rates to maintain safe and reliable service to its customers and has a reasonable opportunity to earn a fair rate or return.⁸⁰ CAUSE-PA urges the Commission to reject Peoples proposal to substantially increase its rates in this proceeding, as Peoples has failed to meet its burden of proof that its rate proposal is just, reasonable, and in the public interest.⁸¹ For the reasons outlined below, CAUSE-PA urges ALJ Collins and the Commission to reject Peoples' proposed rate increase. In addition, immediate steps must be taken to address existing unaffordability. Peoples must be required to adopt meaningful improvements to its customer service standards and low income assistance programs, including necessary reforms to its Purchase of Receivables Program and broader allocation of its Universal service Program costs.

III. OVERALL POSITION ON RATE INCREASE AND AFFORDABILITY OF RATES

Peoples has failed to meet its burden to demonstrate that its proposed rate increase, rate design, alternative rate mechanisms, and associated programs, terms, and conditions of service are just, reasonable, and in the public interest, as required by the Public Utility Code. To the contrary, the record evidence demonstrates that Peoples' rates are already unaffordable for low income consumers, – making service inaccessible to thousands of households and creating a cascade of consequences for these households and the surrounding communities.⁸²

⁷⁹ CAUSE-PA St. 1 at 88.

⁸⁰ Id. at 34-38.

⁸¹ Id. at 5-6; OCA St. 2 at 3;

⁸² CAUSE-PA St. 1 at 25-34

In light of the substantial affordability concerns already facing Pennsylvania consumers, especially economically vulnerable households, CAUSE-PA opposes any revenue increase.⁸³ If the Commission determines that some revenue increase is warranted, CAUSE-PA submit that the record does not support an increase higher than the \$9.4 million which was recommended by the OCA.⁸⁴ CAUSE-PA urges the Commission to reject Peoples’ inequitable and unjust rate design and WNA proposals, which contravene codified Commission policy.⁸⁵ Furthermore, CAUSE-PA urges the Commission to require Peoples to adopt substantial reforms to its policies, procedures, programs, and services to ensure low income customers can maintain service to their homes consistent with the requirements in the Choice Act.⁸⁶

A. Peoples’ existing rates are already unaffordable – falling hardest on low income households, who will in turn be disproportionately impacted by Peoples’ unjust and inequitable rate proposals.

In setting just and reasonable rates, there are few considerations as important as affordability. “Affordable bills ... maximize revenues for the Company and will enable ratepayers to continue to receive an essential service.”⁸⁷ As the Commission recently recognized in its Order significantly reducing the rate request of Pennsylvania American Water Company, when setting rates for “essential, non-discretionary services . . . affordability should be a central consideration when determining whether . . . proposed rates are ‘just and reasonable.’”⁸⁸

Peoples’ low income customers are already enduring unreasonably high energy burdens at existing rates and any rate increase will exacerbate unaffordability.⁸⁹ The Commission should not

⁸³ OCA St. 1 at 79-80; CAUSE-PA St. 1 at 5.

⁸⁴ OCA St. 2-SR at 2:3.

⁸⁵ CAUSE-PA St. 1, Exhibit C-2.

⁸⁶ CAUSE-PA St. 1 at 13; *see* 66 Pa. C.S. §§ 2202, 2203 (8), 2206 (c).

⁸⁷ Pa. PUC v. Roaring Creek Water Co., Docket No. R-00943177, 1995 Pa. PUC LEXIS 67 at *116 (Order entered May 31, 1995) (Roaring Creek 1995).

⁸⁸ *See Pa. Pub. Utility Comm’n v. Pennsylvania American Water Co.*, Docket No. R-2025-3057983, Opinion and Order at 37 (Order entered July 27, 2026) (“2026 PAWC Rate Case Order”).

⁸⁹ CAUSE-PA St. 1 at 25-30.

permit Peoples to further burden its already struggling customers to simply generate additional profit for its shareholders, when Peoples already has sufficient revenue at current rates.⁹⁰ The harm associated with high rates is not isolated to a small group of customers. Peoples reported 144,131 estimated low income customers in its service territory, 123,019 of whom Peoples has assigned a confirmed low income designation.⁹¹ Peoples' confirmed low income customers have average annual income of only \$19,011.⁹² This is substantially less than 150% of the Federal Poverty Level for a family of four (\$49,500/year or \$4,125/month), and far less than required to afford basic necessities.⁹³ This substantial group of customers to reasonably afford Peoples' gas service must be an essential component of any determination of whether Peoples' proposed rates are just, reasonable, and in the public interest.⁹⁴ These households cannot afford a further rate increase and will bear disproportionate impacts from any approved rate increase in this proceeding.

A household with annual income of only \$19,000 is significantly cost burdened. The Self Sufficiency Standard, which accounts for geographic cost of living variation and household composition, further underscores this context. A family of four (consisting of 2 adults and 2 school-aged children) living in the counties served by Peoples requires an income ranging from \$70,387 to \$88,547.⁹⁵ This is approximately between \$20,887 (42%) and \$39,047 (79%) per year *more* than a four-person household with annual income at 150% FPL (\$49,500) – the maximum amount permitted to be deemed low income by Commission standards.⁹⁶ In addition to the substantial number of low income customers, approximately 191,090 households in Peoples' service territory

⁹⁰ CAUSE-PA St. 1 at 34-39.

⁹¹ *Id.* at 24 (Confirmed low income customer means Peoples has obtained information reasonably placing the customer in a low income designation.)

⁹² *Id.* at 21.

⁹³ *Id.* at 20-21.

⁹⁴ 2026 PAWC Rate Case Order, R-2025-3057983 at 41 (emphasis added).

⁹⁵ CAUSE-PA St. 1 at 22.

⁹⁶ *Id.* at 22.

have income greater than \$50,000 annually but less than \$100,000 annually.⁹⁷ These households are likely over income for rate assistance but under the Self Sufficiency Standard necessary to afford to pay for all necessities like gas service. They must rely on the Commission to exercise its core function as the economic regulator of Peoples and restrain its monopolistic tendency towards excessive rates.⁹⁸

According to formal Commission policy, to be considered affordable, gas bills should be no more than 4% of income for customers at or below 50% FPL, and no more than 6% of income for customers between 51-150% FPL.⁹⁹ If Peoples' proposal is approved, the annual gas burden for low income customers would increase by nearly a full percentage - from 6.5% to 7.4% over the course of the year.¹⁰⁰ The energy burden for these customers during the winter months is already far above what is considered affordable, and Peoples proposes to raise it even higher. Energy burdens for these households are 11%-15% during the winter heating months at existing rates and would increase to 12%-16% during these months at proposed rates.¹⁰¹

In fact, the energy burden analysis conducted by Atrium Economics and introduced by Peoples witness Fang confirms that Peoples' customers are already facing deeply unaffordable rates at all income levels, and especially among low income households. Atrium analyzed a group of 28,975 Peoples' CAP customers and found that, *without CAP benefits*, the average gas burden for this group was 10.5%.¹⁰² CAP customers in the 95th percentile of income level have average gas burdens of 26.2% without CAP benefits.¹⁰³ In her rejoinder testimony, Ms. Fang introduces

⁹⁷ CAUSE-PA St. 1 at 23.

⁹⁸ Id.

⁹⁹ Id. at 25; Policy Statement on Customer Assistance Program, 52 Pa. Code § 69.261-69.267.

¹⁰⁰ Id. at 26-27, Table 4 (Calculated based on a Peoples low income customer with average income and average usage).

¹⁰¹ Id. at 26, Table 4.

¹⁰² CAUSE-PA St. 1-SR at 16; Peoples St. 20-R at 21.

¹⁰³ CAUSE-PA St. 1-SR at 16; Peoples St. 20-R at 21.

additional analysis which paints an even bleaker picture, showing that if Peoples’ proposed rate increase is approved, the energy burden for CAP customers in the 95th percentile would increase from 26.2% to 36.6% without CAP benefits.¹⁰⁴ The gas burden for the “Average” CAP customer without CAP benefits would increase from 10.5% at current rates to 14.8%. Even the energy burden for Peoples’ “Average” residential customer would increase more than a full percentage point from 3.4% to 4.7%.¹⁰⁵

Peoples’ collections data also reflects that its current rates are unaffordable for low income households. Peoples’ low income customers carry disproportionately high arrearages and experience termination at substantially higher rates than other residential customers.¹⁰⁶ Confirmed low income customers who are not enrolled in CAP have a termination rate that is approximately 500% higher than non-low income customers.¹⁰⁷ Even low income customers in CAP had a termination rate more than 500% higher than non-low income customers in 2024.¹⁰⁸ Even though confirmed low income customers account for less than 20% of Peoples’ residential customer base, they account approximately *half* of Peoples’ residential terminations.¹⁰⁹ Peoples’ confirmed low income customers are twice as likely to carry arrears as residential customers generally, and their average arrearages are approximately 400% higher than those carried by non-low income residential customers.¹¹⁰

Peoples’ low income consumers already experience excessive energy burdens and struggle to pay for gas service at current rates, leading to disproportionate arrearages and terminations rates. Increasing rates will detrimentally impact low income customers, causing increased arrears,

¹⁰⁴ Peoples St. 20-RJ at 15, Table CSF-RJ-2.

¹⁰⁵ Id. at 13, Table CSF-RJ-1.

¹⁰⁶ CAUSE-PA St. 1 at 27-31.

¹⁰⁷ Id. at 28, Table 5.

¹⁰⁸ Id. at 28.

¹⁰⁹ Id.

¹¹⁰ Id. at 29-30, Table 7; OCA St. 4 at 45.

increased termination, and increased payment trouble if the proposed rate increase is approved. The Commission must perform its duty to protect these customers from excessive and extractive rate increases.

B. Peoples' rate design and WNA compound inequity.

Even if the Commission were to approve a rate increase in whole or in part, Peoples' proposed increase to the residential customer charge and WNA must still be rejected. Peoples seeks to increase its monthly customer charge for residential customers from \$16.80 per month to \$26 per month and to continue to operate its weather normalization adjustment (WNA) with only minor adjustments that are inadequate.¹¹¹

Peoples' proposed residential customer charge and WNA each operate to erode affordability by limiting customers' ability to manage bills through conservation.¹¹² These rate mechanisms, together, directly impact universal service programs by driving up costs for participants and other residential customers and contradicting the statutory and regulatory objectives of the programs. Peoples' customer charge and WNA proposals systematically chip away at customers' ability to maintain service, resulting in a framework that prioritizes guaranteed cost recovery over the ability of consumers to mitigate increasing gas service costs through conservation measures.

C. The mere existence of Peoples' assistance programs does not justify granting Peoples' proposed rate increase.

Peoples argues that the existence of the Company's Universal Service and Energy Conservation Programs supports the premise that its rates are affordable.¹¹³ This is, of course, not true. While these programs are necessary and important tools to improve affordability for low

¹¹¹ CAUSE-PA St. 1 at 49-50; Peoples St. No 17 at 37, Exhibit JDT-5 Bill Impacts.

¹¹² CAUSE-Pa St. 1 at 50-66.

¹¹³ Peoples St. 1-R at 8; Peoples St. 20-R at 27-31.

income households who are enrolled, the programs are severely undersubscribed and cannot substitute for the Commission's mandate to ensure that rates are just and reasonable for all customers.

In its 2026 PAWC Rate Case Order, the Commission explained that rate proceedings must consider affordability – including an assessment of “recent and current economic conditions.”¹¹⁴

The Commission concluded:

[W]e believe that the issue of affordability must be viewed in the context of the magnitude and frequency of . . . rate cases, as well as the impact of recent and current economic conditions In doing so, we find that substantial record evidence demonstrates that PAWC’s proposed rates are unaffordable for many PAWC water and wastewater customers. In addition, the low penetration and enrollment among low-income eligible households in PAWC’s low-income customer assistance programs is concerning. PAWC cannot point to undersubscribed customer assistance programs to justify an otherwise unaffordable base rate increase. . . . ***Affordability is an issue that must be addressed for all customers, not just for those who apply for and are found eligible to receive low-income assistance.***¹¹⁵

The same facts present themselves in this case: a frequent cadence of rate cases, low enrollment in CAP, high rates of unaffordability at current rates that will worsen at projected rates, and a utility that points to the mere existence of programs as a justification for dismissing affordability concerns.¹¹⁶ An estimated 100,000 eligible households are not enrolled in CAP and another 191,000 are not eligible for financial assistance through CAP or LIHEAP but generally struggle to afford to pay for all necessities – including utility service.¹¹⁷

Furthermore, while CAP enrollment improves targeted energy burdens, the data in this case troublingly shows that even customers enrolled in Peoples’ CAP have difficulty staying connected to service in recent years. Terminations of Peoples’ CAP customers spiked dramatically in 2024,

¹¹⁴ Pa. Pub. Utility Comm’n v. Pennsylvania American Water Co., Docket No. R-2025-3057983, Opinion and Order at 41 (Order entered July 27, 2026) (“2026 PAWC Rate Case Order”).

¹¹⁵ 2026 PAWC Rate Case Order, R-2025-3057983 at 41 (emphasis added).

¹¹⁶ CAUSE-Pa St. 1-SR at 13.

¹¹⁷ CAUSE-PA St. 1 at 18, 23.

nearly doubling from 1,500 (5%) in 2023 to 3,340 in 2024, resulting in a 2024 CAP termination rate of 10.6%.¹¹⁸ While People's CAP termination rate decreased to 6.5% in 2025, these elevated CAP termination rates remain troubling, since enrollment in CAP should be the most significant, preventative mechanism to reduce the rate of service loss for low income customers.¹¹⁹

The record in this proceeding demonstrates that, not only has Peoples failed to demonstrate that rates should be increased, but also that the Company should be required to conduct root cause analysis and make necessary remediations to address the undersubscription of CAP and high CAP termination rates.

D. The record evidence does not support Peoples' proposed rate increase.

The overwhelming weight of evidence in this proceeding demonstrates that residential customers, especially low income customers, struggle to afford service at current rates and cannot afford to pay more. The record demonstrates that rates are already unaffordable for a large segment of Peoples' customers, which is an important concern in setting just and reasonable rates.¹²⁰ Affordability is an issue that must be addressed for *all* customers, including low income customers who do not apply for or enroll in low-income assistance programs.¹²¹ The Commission must consider the economic impact on Peoples consumers and exercises its duty to act a proxy for a competitive market and exert downward pressure on the profit-maximizing prices Peoples proposes to charge.¹²² Additionally, Peoples must be required to adopt substantial reforms to its

¹¹⁸ CAUSE-PA St. 1 at 28-29.

¹¹⁹ *Id.* at 29.

¹²⁰ *Pa. PUC v. Columbia Gas of Pa., Inc.*, Docket No. R-2020-3018835 Opinion and Order, at 46-47 (Entered Feb. 19, 2021) (citing 66 Pa. C.S. §§ 523, 526 (a); *Lloyd v. Pa. PUC*, 904 A.2d 1010, 1019-21 (Pa. Commw. Ct. 2006); *Pa. PUC v. Twin Lakes Util., Inc.*, 2020 Pa. PUC LEXIS 340, *46-54 (order entered Mar. 26, 2020).

¹²¹ *Pa. Pub. Utility Comm'n v. Pennsylvania American Water Co.*, Docket No. R-2025-3057983, Opinion and Order at 41 (Order entered July 27, 2026) ("2026 PAWC Rate Case Order").

¹²² 2026 PAWC Rate Case Order, R-2025-3057983, at 41.; Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Docket No. L-2012-2317273, Final Form Order at 4 (order entered January 8, 2025).

policies, procedures, programs, and services to ensure low income customers can maintain service to their homes consistent with the requirements in the Choice Act.¹²³

Peoples has failed to carry its burden to demonstrate that the proposed increase in residential rates would be just and reasonable. Therefore, the Commission should not allow Peoples to further increase its rates and should order the Company to take affirmative steps to remediate the current levels of unaffordability for its low income customers.

IV. RATE BASE

CAUSE-PA does not take a position on rate base in this Main Brief but reserves the right to address any issue raised by other parties in its Reply Brief.

V. REVENUES

A. Heating Degree Day Methodology

CAUSE-PA does not take a position in this Main Brief on heating degree day methodology, other than its position that the WNA should be rejected. CAUSE-PA reserves the right to respond to any such issue raised by other parties in its Reply Brief.

VI. EXPENSES

CAUSE-PA does not take a position in this Main Brief on Peoples' claimed expenses, though it reserves the right to respond to any such issue raised by other parties in its Reply Brief.

VII. DEPRECIATION

CAUSE-PA urges the Commission and adopt the recommendation of OCA witness Garrett to authorize depreciation rates for Peoples' assets that are calculated using the average life group ("ALG") method for all vintage years, and to reject Peoples proposal to use the equal life group

¹²³ CAUSE-PA St. 1 at 13; see 66 Pa. C.S. §§ 2202, 2203 (8), 2206 (c).

(ELG) depreciation method.¹²⁴ Requiring the use of the ALG method is a means of balancing the scales in favor of consumers who are paying unaffordable rates today based on the decisions Peoples has made, including the decision to use an accelerated method of depreciation. This change alone will result in significantly fairer rates for customers and will save ratepayers \$36.8 million by 2027.¹²⁵

The Commission is not bound by any particular methodology or procedure in determining annual depreciation expense.¹²⁶ The mere fact that a utility used a depreciation procedure in the past is neither a justification nor a limitation for determining what constitutes just and reasonable rates in this proceeding.¹²⁷ The ALG procedure is a reasonable procedure used throughout the country, including most electric utilities in Pennsylvania.¹²⁸ In fact, Peoples witness Spanos recommended the ALG depreciation method in PPL's most recent rate case.¹²⁹

Requiring adoption of the ALG method would still allow the Company to recover its original investment cost in depreciable plant but it would also afford Peoples' rate payers significant rate relief.¹³⁰ According to Mr. Garrett, Peoples' proposal to continued use of the ELG method would increase the annual depreciation accrual charged to customers by \$27.1 million in the 2025 Study, by \$31.4 million in the 2026 Study, and by \$36.4 million in the 2027 Study.¹³¹ Even absent other adjustments, simply using the ALG method alone will result in significantly lower depreciation rates and expense being passed onto ratepayers.¹³²

¹²⁴ OCA St. 3 at 8.

¹²⁵ Id.

¹²⁶ Pa. Power & Light Co. v. Pa. Pub. Util. Com., 311 A.2d 151, 158 (Pa.Cmwlth. 1973) (citing Pittsburgh v. Pa. Pub. Util. Comm'n, 222 A. 2d 395 (Pa. Super. 1966); Philadelphia v. Pa. Pub. Util. Comm'n, 102 A. 2d 428 (Pa. Super. 1954)).

¹²⁷ Pa. Power & Light Co. v. Pa. Pub. Util. Com., 311 A.2d 151, 158.

¹²⁸ OCA St. 3-SR at 10.

¹²⁹ OCA St. 3 at 9, (referencing Pa. PUC v. PPL Electric Utilities Corporation, Docket No. R-2025-3057164).

¹³⁰ Pennsylvania Power & Light Co. v. Pennsylvania Public Utility Com., 311 A.2d 151, 157 (Pa. Commw. 1973)

¹³¹ OCA St. 3 at 9, 68.

¹³² Id. at 68.

As the Commission has an abundance of discretion on this issue, it should exercise that discretion to protect the interests of ratepayers, ensure that rates are more affordable and adopt the ALG depreciation method in this proceeding.

VIII. TAXES

CAUSE-PA does not take a position in this Main Brief on any adjustments, including taxes, to the Company's FPFTY revenues under current rates, though it reserves the right to respond to any such issue raised by other parties in its Reply Brief.

IX. RATE OF RETURN

A. Introduction

CAUSE-PA recommends that the Commission deny Peoples' proposed rate increase. The record in this proceeding demonstrates that rates are already unaffordable for a large segment of Peoples' customers and, even in the absence of an increase, Peoples already has sufficient revenue to maintain safe and reliable service for its customers and has a reasonable opportunity to earn a fair rate of return.¹³³ If the Commission determines that a rate increase is required, it should nevertheless substantially reduce Peoples' unreasonably excessive request for a 11.25% return on equity (ROE) and, in turn, any approved increase.¹³⁴ Any approved rate increase should be no higher than the \$9.4 million recommended by the OCA.¹³⁵

Peoples asserts that its current rates are inadequate given its projection of an increase to net utility plant of more than \$1.4 billion, which at current rates would produce an overall rate of return (ROR) of 5.99%.¹³⁶ This equates to a return on common equity of 7.14% as of the end of

¹³³ CAUSE-PA St. 1 at 34.

¹³⁴ Id.

¹³⁵ OCA St. 2-SR at 2:3.

¹³⁶ Peoples filing requirements, Statement of Reasons. See also, Peoples Filing Requirements § 53.53III.A.17, Exhibit 2, Sch. At line 27.

the of the Fully Projected Future Test Year (FPFTY) on December 31, 2027.¹³⁷ Peoples states that it requires a return on common equity of 11.25%,¹³⁸ which is 411 basis points higher than what it projects to earn and includes a twenty-five basis point (0.25%) adder for Peoples' management performance.¹³⁹ Peoples also seeks to use its equity-skewed capital structure for purposes of setting rates comprised of 54.47% equity and 45.43% debt.¹⁴⁰ Combined, Peoples seeks an overall rate of return of 8.23%.¹⁴¹ The combined effect of this is that *the ROE adjustment alone equals approximately \$165.5 million.*¹⁴² Therefore, all other things being equal, without increasing the ROE in this case, Peoples' revenue requirement is already \$2.3 million per year higher than necessary.¹⁴³ This is important context as it demonstrates that Peoples' rate request is about increasing the ROE for Peoples' shareholders and must be balanced with the ability of Peoples customers to be able to afford any increase.¹⁴⁴

Peoples is well capitalized in that it has sources of capital from its parent company, PNG Companies, LLC, it has retained earnings, working capital liquidity from its parent, and long term debt from its parent.¹⁴⁵ It has strong cash flow and access to capital. Importantly, neither Peoples nor its direct parent is subject to capital markets.¹⁴⁶ For both debt and equity, Peoples relies on its great-grandparent, Essential Utilities, which has not needed to flow equity infusions down to the Peoples operating company level since it acquired Peoples in 2019.¹⁴⁷ Thus, the internally generated cash from its operations and the ability to get revenue infusions as needed from its

¹³⁷ CAUSE-PA St. 1 at 36.

¹³⁸ Peoples Statement. No. 15 at 4-5, Figure 1.

¹³⁹ CAUSE-PA St. 1 at 9.

¹⁴⁰ Id.

¹⁴¹ Id.

¹⁴² Id.

¹⁴³ Id.

¹⁴⁴ Id.

¹⁴⁵ Id. at 37.

¹⁴⁶ Id.

¹⁴⁷ Id.

parents – including equity, debt, and short term liquidity – mean that Peoples has sufficient revenue and will have sufficient access to capital without a rate increase and that it can maintain safe and reliable service at existing rates.¹⁴⁸

While Peoples and its corporate parents are entitled to the *opportunity* to earn a *fair* rate of return on its capital investment, they are not entitled to *guaranteed* profit.¹⁴⁹ The Commission is vested with significant discretion in determining what constitutes a fair rate of return, and there is no single way to arrive at just and reasonable rates and the Commission has broad authority on both these matters.¹⁵⁰

CAUSE-PA respectfully recommends that the Commission follow the principles outlined by Governor Shapiro in his letter to utility CEOs on April 29, 2026.¹⁵¹ In his letter, *inter alia*, Governor Shapiro outlined a set of principles for setting an ROE and imputed capital structure. This approach merits significant consideration by the Commission.¹⁵² In this case, Governor Shapiro, through his Special Counsel for Energy Affordability Mark Szybist, testified on the record during the June 11, 2026, 1:00 pm Public Input Hearing and filed Comments. The Governor's Comments, including his April 29, 2026, letter to utility CEOs, were admitted into the record.¹⁵³ Specifically, the Governor laid out several “commonsense principles,” including:

¹⁴⁸ CAUSE-PA St. 1 at 38.

¹⁴⁹ *Id.* at 38-39; Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944); Pittsburgh v. Pa. PUC, 69 A.2d 844 (Pa. Super Ct. 1949); Duquesne Light Co. v. Barasch, 488 U.S. 299, 310, 312 (1989).

¹⁵⁰ See Pa. PUC. et al. v UGI Utilities, Inc. – Gas Division, Docket No. R-2024-3052716, Recommended Decision at 22 (August 8, 2025) (quoting Popowsky v. Pa. Pub. Util. Comm'n, 683 A.2d 958, 961 (Pa. Cmwlth. 1996) (adopted by Commission via Order dated September 11, 2025) (“2025 UGI RD”). See also 2025 UGI RD at 51 (citing Duquesne Light Co v. Barasch, 488 U.S. 299, 315-16 (1989) (quoting Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591 (1944), and stating “the Commission was not bound to the use of any single formula or combination of formulae in determining rates”).

¹⁵¹ Tr. of Proceedings at 259, Index of Exhibits, Governor Shapiro Exhibit 1. (Admitted into Evidence June 11, 2026, Posted to docket on June 16, 2016) (Hereinafter, Governor Shapiro Exhibit 1).

¹⁵² CAUSE-PA St. 1 at 41.

¹⁵³ Governor Shapiro Exhibit 1.

- Pennsylvanians are experiencing markedly higher utility costs with core causes directly within the control of utilities that result from policy and fiscal decisions made by the utilities and their corporate parents.
- Pennsylvania has reached a tipping point, and this is a time when it is imperative that utilities should put their customers first.
- Utilities should seek to raise the most cost-effective forms of capital by disfavoring expensive equity when lower cost debt is available.
- Specifically, the Governor recommended that to rebalance the scales, the *equity portion of an operating utility's capital structure should generally not be more than the amount of equity employed by the utility's parent holding company.*¹⁵⁴
- As for the calculation of what is an appropriate cost of equity, the Governor recommended “transparent, justifiable equity returns” and indicated a preference for use of markets to determine their true cost of equity rather than relying on captive equity from the utility’s corporate parent. In the absence of actually going to financial markets to determine the cost of equity, the Governor suggested a simple calculation of an authorized return that “does not exceed the rate of the current 10 - year U.S. Treasury yield plus the five - year median of the equity risk premium as published in the Federal Reserve ’s Financial Stability Reports.”¹⁵⁵

It is imperative that the Public Utility Commission rebalance the scales that have caused this tipping point and prioritize the needs of utility consumers.¹⁵⁶

The principles outlined by Governor Shapiro are compelling, as applied in this case. First, the record demonstrates that acute affordability concerns for essential gas service are profound for Peoples’ low and moderate income customers.¹⁵⁷ These customers face extraordinary challenges and would materially benefit from lower rates due to more cost-effective capital deployment by Peoples. Affordability is not a side issue and should bear directly on the determination of both the Company’s authorized return on equity and capital structure.¹⁵⁸ The authority of the Commission

¹⁵⁴ CAUSE-PA St. 1 at 42.

¹⁵⁵ Governor Shapiro Exhibit 1, Shapiro Letter at page 3.

¹⁵⁶ CAUSE-PA St. 1 at 42.

¹⁵⁷ *Id.* at 20-34, 42.

¹⁵⁸ *Id.* at 42.

to consider these issues in rate cases is well known and abundantly clear.¹⁵⁹ Second, the notion that a utility's return on equity should be a proxy for the cost of equity in the markets is a well-recognized concept.¹⁶⁰ Third, the fact that the Governor recommends a more fair and transparent process for establishing a return on equity and capital structure that is different from how the Commission has historically conducted this analysis does not mean that this method should be disregarded.¹⁶¹ It has been long established that it is the result reached, not the method employed, that matters in setting just and reasonable rates, including an overall rate of return.¹⁶²

While CAUSE-PA witness Cicero did not make a specific ROE or revenue recommendation in this proceeding, he modeled a return based on the principles outlined by Governor Shapiro.¹⁶³ This would produce a required revenue *decrease* of \$1.6 million or, with an imputed 50/50 capital structure, would produce an authorized revenue increase of no more than \$9.5 million. Both are based on a ROE of 7.68% based on the methodology outlined in the Governor's letter and comments.¹⁶⁴ Of note, while the OCA made several expense adjustments, made a depreciation adjustment, recommended a higher ROE but a more leveraged capital structure, it is illustrative that their ultimate revenue requirement recommendation is \$9.4 million.¹⁶⁵ If the Commission determines that a revenue increase is needed, CAUSE-PA submits

¹⁵⁹ See e.g., Popowsky v. Pa. Pub. Util. Comm'n, 683 A.2d 958, 961 (Pa. Cmwlth. 1996) (stating that the Commission "has broad discretion in determining whether rates are reasonable" and "is vested with discretion to decide what factors it will consider in setting or evaluating a utility's rates").

¹⁶⁰ FPFTY Final Form Order at 4 ("Inherent in the 'cost of providing service' principle of ratemaking is the recognition that public utilities are natural monopolies and that the PUC's oversight through cost-of-service ratemaking regulation serves as a proxy for a competitive market in appropriately restraining, or exerting downward pressure on, the profit-maximizing prices a monopoly could otherwise charge in the absence of price regulation.") See e.g., Bluefield Water Works & Improvement v. Pub. Serv. Comm'n of W.Va., 262 U.S. 679, 692-93 1923) and FPC v Hope Natural Gas, 320 U.S. 591, 602 (1944).

¹⁶¹ CAUSE-PA St. 1 at 42.

¹⁶² See Hope Natural Gas, 320 U.S. at 602 ("Under the statutory standard of 'just and reasonable' it is the result reached not the method employed which is controlling. It is not the theory but the impact of the rate order which counts.").

¹⁶³ CAUSE-PA St. 1 at 34.

¹⁶⁴ Id. at 34, 43-44

¹⁶⁵ OCA St. 2SR-at 2

that the weight of substantial evidence in this case supports a reasonable range between a *decrease* of \$1.6 million and an increase of no more than \$9.5 million.

B. Capital Structure

The Commission should impute a fair, 50/50 capital structure for ratemaking purposes because Peoples' claimed capital structure is too heavily weighted to equity, which unreasonably and unnecessarily increases the rates charged to customers.¹⁶⁶ Peoples weighted and embedded cost of debt is 4.61% which at Peoples proposed capital structure of 45.53% means that the overall weighted cost rate for debt in the overall rate of return is 2.10%. This is in contrast with the overall weighted cost rate for equity of 6.13% at the Company's proposed 11.25% ROE weighted at 54.47% overall. This is shown below:

Company Capital Structure and ROE			
Capitalization as of December 31, 2027			
	Component as % of Capital	Cost Rate	Weighted Cost Rate
Long-Term Debt	45.53%	4.61%	2.10%
Common Equity	54.47%	11.25%	6.13%
Total Capitalization	100.00%		8.23%

This is as compared to the same cost of capital for debt and equity but weighted at 50/50 capital structure of ratemaking purposes that reduces the overall rate of return by 30 basis points from 8.23% to 7.93% as shown below:

¹⁶⁶ OCA St. 3 at 5; CAUSE-PA St. 1 at 47.

50/50 Capital Structure and ROE			
Capitalization as of December 31, 2027			
	Component as % of Capital	Cost Rate	Weighted Cost Rate
Long-Term Debt	50%	4.61%	2.31%
Common Equity	50%	11.25%	5.63%
Total Capitalization	100.00%		7.93%

For his part, Governor Shapiro recommends a ratemaking capital structure that is 54.9% debt and 45.12% equity, which is the actual capital structure employed by Essential Utilities.¹⁶⁷ CAUSE-PA generally supports the Governor’s recommendation, and submits that adoption of the actual capital structure utilized by the controlling entity of a monopoly utility will produce the most equitable result. Nevertheless, and notwithstanding CAUSE-PA’s support for alignment of capital structure with a monopoly utility’s controlling corporate parent, CAUSE-PA recommends in this case a moderated approach that adopts a 50/50 structure for ratemaking purposes.¹⁶⁸ Imputing this structure would help to gradually move the Company from its equity skewed ratemaking capital structure to one that is more consistent with its role as a monopoly provider of essential utility service to captive customers.¹⁶⁹ This approach – rooted in the principle of gradualism – will help ensure that the overall rate of return that the Commission authorizes considers affordability of rates as a factor.¹⁷⁰ This approach also moves the Company gradually towards a capital structure that is more reflective of the risk that it would bear if it were subject to actual equity markets – like its great grandparent – Essential Utilities.¹⁷¹

¹⁶⁷ Governor’s Exhibit 1.

¹⁶⁸ CAUSE-PA St. 1 at 47

¹⁶⁹ Id.

¹⁷⁰ CAUSE-PA St. 1-SR at 24-25.

¹⁷¹ Id.

In her statement dated April 16, 2026, Vice Chair Barrow expressed concern regarding Peoples' proposed capital structure and its impact on the Company's proposed rate increase. As stated by Vice Chair Barrow:

I urge the Parties to take a critical look at the Company's requested rate of return and return on equity (ROE) as well as the capital structure (common equity ratio and debt capital) to ensure reasonableness. Deviations in each of these items translate into millions of dollars charged to customers of all rate classes. Too often, the relationship between debt and ROE to cost of debt and capital is asserted as a general matter from basic economic principle alone. However, those relationships are not established empirically and left for the Commission to assume the relationship without any supporting data. Therefore, I believe a careful and detailed review of Peoples' claimed capital structure and ROE is warranted.¹⁷²

CAUSE-PA submits that its approach to gradually move the operating company's capital structure to that of its corporate parent takes these concerns seriously and is firmly within the authority Commission's authority. The Commission is not restrained to accept the capitalization ratio proposed by Peoples and can impute a revised capitalization ratio for ratemaking purposes.¹⁷³ This is especially true for Companies like Peoples, which are not publicly traded and are wholly owned subsidiaries of public companies. In this instance, Pennsylvania Courts have held that the capital structure of utilities that are wholly-owned subsidiaries may differ from what it would maintain if it were obliged to obtain its debt and equity financing on the open market rather than from a parent company.¹⁷⁴ The Court further explained:

In such instances the actual capital structure may be weighted too heavily on the debt side or the equity side...The use of the actual capital structure in such peculiar circumstances might be unfair to either the utility or its customers, depending upon whether debt or equity is disproportionately high. Under such circumstances the commission must make adjustments based upon substantial evidence in order to reach a fair result.¹⁷⁵

¹⁷² Statement of Vice Chair Kimberly Barrow, April 16, 2026

¹⁷³ Riverton Consol. Water Co. v. Pa. P.U.C., 140 A.2d 114, 121 (Pa. Super. Ct. 1958) (*Riverton*).

¹⁷⁴ Id.

¹⁷⁵ Id.

In Pennsylvania American Water’s most recent rate case, the Commission found that it “must closely examine the total relevant record evidence in this proceeding when setting the appropriate capital structure.”¹⁷⁶ Considering the totality of evidence in the case, including affordability and macroeconomic considerations, the Commission found it appropriate to apply a hypothetical capital structure for PAWC’s Water operations.¹⁷⁷ The Commission stated that, “although it is often true that a utility’s actual capital structure should be utilized in determining the appropriate ROE and overall rate of return to authorize, there are situations in which the Commission must diverge from the use of an actual capital structure.”¹⁷⁸

Notably, Essential Utilities’ capital structure is 54.9% debt and 45.1% equity, which is far more heavily weighted to the debt side and nearly the inverse of what it proposes for Peoples in this proceeding.¹⁷⁹ In Governor Shapiro’s recent letter to utility CEOs, and in his testimony at the public input hearings through Special Counsel for Energy Affordability Mark Szybist, he urged utilities to protect consumers by favoring lower-cost debt over expensive equity.¹⁸⁰ He argued that debt should represent a clear majority of a utility’s proposed ratemaking capital structure and stated any proposed equity share exceeding the equity amount employed by the utility’s parent holding company should require *extraordinary* justification.¹⁸¹ He also urged utilities to utilize Department of Energy loans instead of relying on costly equity.¹⁸² CAUSE-PA agrees.

In this case, the capitalization ratio chosen by the Company places an excessive and undue emphasis on the higher return on equity at the expense of the lower cost of debt¹⁸³ CAUSE-PA

¹⁷⁶ PA. PUC v. Pennsylvania-American Water Company, Docket No. R-2025-3057983, Opinion and Order at 184 (Adopted July 16, 2026, Entered July 27, 2026).

¹⁷⁷ Id. at 185.

¹⁷⁸ Id.

¹⁷⁹ CAUSE-PA St. 1 at 44, Table 10.

¹⁸⁰ Governor Shapiro Exhibit 1.

¹⁸¹ Id.

¹⁸² Id.

¹⁸³ CAUSE-PA St. 1 at 47.

urges the Commission to exercise its discretion in a manner that ensures Peoples is not taking undue and unfair advantage of its captive customers. The Commission should impute a 50/50 capital structure as recommended by CAUSE-PA witness Cicero in his direct testimony.¹⁸⁴ This result would be far more beneficial for consumers than Peoples' proposal and would help ease the burden on low income households, while providing the Company with an opportunity to earn a fair rate of return.

C. Debt Cost Rate

CAUSE-PA accepts Peoples calculated embedded cost of long term debt of 4.61%. However, the Commission should disregard the speculative and self-serving argument advanced by Peoples' witness Nelson that Peoples credit ratings may be downgraded (thereby increasing the cost of debt) if the Commission were to impute an equitable capital structure for ratemaking purposes.¹⁸⁵ Peoples' requested ROE (11.25%) is 664 basis points higher than its cost of long term debt (4.61%), so the cost of debt would have to increase dramatically to have an overall upward effect on the rate or return at an imputed 50/50 capital structure.¹⁸⁶ The same is true even if the Commission were to accept the ROE that results from application of the Shapiro principles (7.68%), as that is 307 basis points higher than the company's cost of long term debt.¹⁸⁷ There is no credible evidence to suggest that the cost of debt would increase by more than 300-660 basis points if the Commission were to impute a 50/50 capital structure for ratemaking purposes.¹⁸⁸

Further, even assuming an increase in debt costs of 100 basis points (the figure that Ms. Nelson cites) the reduction in rates from imputing a 50/50 capital structure – or a 49/51 structure as recommended by the OCA – would, when combined with a more market based ROE, create

¹⁸⁴ CAUSE-PA St. 1 at 47.

¹⁸⁵ Peoples St. 15-R at 23.

¹⁸⁶ CAUSE-PA St. 1-SR at 25.

¹⁸⁷ Id. at 25-26.

¹⁸⁸ Id. at 26.

significant savings for customers even assuming an increase in debt costs.¹⁸⁹ The Commission should not allow Peoples’ speculative and self-serving arguments to prevent the Commission from imputing an equitable capital structure.

D. Return on Common Equity

Peoples’ proposed 11.25% return on equity (ROE) as excessive and unsupported.¹⁹⁰ The evidence in this proceedings demonstrates that Peoples’ rates are unaffordable for a large segment of its customers and it has sufficient revenue at present rates to maintain safe and reliable service for its customers and has a reasonable opportunity to earn a fair rate of return.¹⁹¹ Over the last five years, Peoples has had healthy net income from its operations, totaling approximately \$1.2 billion from 2021-2025.¹⁹² Peoples projects net income as of the end of December 2026 to be an additional \$261.9 million.¹⁹³ This income was undoubtedly fueled by the actual returns on equity that Peoples has been earning over this period.¹⁹⁴ Over this time, Peoples never had an actual calculated ROE that was lower than 9.28% and often had returns that were significantly higher.¹⁹⁵ The following Table shows Peoples’ average actual ROE for the quarters reported each year:

Table 1: Peoples’ Average Calculated Return on Equity¹⁹⁶

Year	Average Annual Calculated
2021	12.90%
2022	14.20%
2023	10.21%
2024	10.49%
2025	11.55%

¹⁸⁹ CAUSE-PA St. 1-SR at 26.

¹⁹⁰ CAUSE-PA St. 1 at 8, 34-49; CAUSE-PA St. 1-SR 17-30; OCA St. 3 at 3; I&E St. 2 at 6-12.

¹⁹¹ CAUSE-PA St. 1 at 34.

¹⁹² Id.

¹⁹³ Id.

¹⁹⁴ Id. at 35.

¹⁹⁵ Id.

¹⁹⁶ Id. at 35, Table 8.

The evidence in this proceeding shows that Peoples is earning, year in and year out, significant profits begotten by excessively high ROE. In the year immediately preceding the filing of this case, Peoples was earning a return on equity of 11.55%.¹⁹⁷ At current rates, Peoples projects net income of more than \$261 million in the current year ending December 30, 2026.¹⁹⁸

The Commission should set an ROE that is as low as legally allowed.¹⁹⁹ The Commission has a responsibility to ensure that rates are affordable, that service is accessible to those in need, and that the Company is not taking undue and unfair advantage of its customers.²⁰⁰ While the Commission should not substitute macroeconomic analysis for cost-of-service ratemaking, it must take into consideration the underlying economic conditions of both Peoples and its customers to determine the appropriate level of rates to authorize Peoples to collect from its customers.²⁰¹ In short, Peoples – a monopoly utility – should not be authorized by the Commission to rake in hundreds of millions of dollars in profit when tens of thousands of its customers are unable to afford to maintain basic, life-essential service. As the Commission has specifically acknowledged:

Inherent in the ‘cost of providing service’ principle of ratemaking is the recognition that public utilities are natural monopolies and that the PUC’s oversight through cost-of-service ratemaking regulation serves as a proxy for a competitive market in appropriately restraining, or exerting downward pressure on, the profit-maximizing prices a monopoly could otherwise charge in the absence of price regulation.²⁰²

Exercising that restraint in light of the specific, company-level financial evidence is precisely what the Commission's statutory mandate requires.²⁰³ Residential consumers rely on the

¹⁹⁷ CAUSE-PA St. 1 at 36.

¹⁹⁸ Id.

¹⁹⁹ See e.g., 2026 PAWC Rate Case Order at 44 (agreeing with the ALJs that customers must pay enough, “but no more than is necessary”).

²⁰⁰ Federal Power Comm’n v. Hope Nat’l Gas Co., 320 U.S. 591, 603 (1944); Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Docket No. L-2012-2317273, Final Form Order at 4 (Entered January 8, 2025).

²⁰¹ CAUSE-PA St. 1-SR at 10-11.

²⁰² Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Docket No. L-2012-2317273, Final Form Order at 4 (Entered January 8, 2025).

²⁰³ Id.

Commission to set rates that are fair, just, and reasonable and the Commission's job is to stand in the gap for consumers to protect them from a utility's monopolistic overreach.²⁰⁴ In contrast, monopolies like Peoples, with no competitors, are inclined to seek rates that are excessive and extractive.²⁰⁵ The Commission must check this tendency and balance the interests and legal rights of consumers with the interests and legal rights of the utility.²⁰⁶

Peoples' proposed 11.25% ROE is excessive and would exacerbate the already acute affordability struggles facing Peoples' customers merely to increase the Company's profitability. There is no single way to arrive at just and reasonable rates, and the Commission has broad authority on both these matters.²⁰⁷ Setting Peoples' ROE is one of many areas where the Commission has an abundance of discretion.²⁰⁸ The Commission can and should exercise that discretion to restrain the monopolistic tendencies of the utility and protect its captive ratepayers.

There is a significant divergence in the ROE recommended by the parties in this case, based on various financial models. Like CAUSE-PA, OCA has taken the position that no rate increase should be approved in this case; however, to the extent the Commission finds Peoples revenue is insufficient, OCA witness Garrett recommends an ROE of 8.5% at a 49% equity/51% debt capital

²⁰⁴ Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Docket No. L-2012-2317273, Final Form Order at 4 (Entered January 8, 2025); 66 Pa. C.S. § 1301.

²⁰⁵ Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Docket No. L-2012-2317273, Final Form Order at 4 (Entered January 8, 2025).

²⁰⁶ Popowsky v. Pa. PUC, 665 A.2d 808, 812 (Pa. 1995).

²⁰⁷ See Pa. P.U.C. et al. v UGI Utilities, Inc. – Gas Division, Docket No. R-2024-3052716, Recommended Decision at 22 (August 8, 2025) (quoting Popowsky v. Pa. Pub. Util. Comm'n, 683 A.2d 958, 961 (Pa. Cmwlth. 1996) (adopted by Commission via Order dated September 11, 2025) ("2025 UGI RD"). See also 2025 UGI RD at 51 (citing Duquesne Light Co v. Barasch, 488 U.S. 299, 315-16 (1989) (quoting Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591 (1944), and stating "the Commission was not bound to the use of any single formula or combination of formulae in determining rates").

²⁰⁸ Permian Basin Area Rate Cases, 390 U.S. 747, 797 (1968) (Permian Basin), citing Atlantic Ref. Co. v. Pub. Serv. Comm'n, 360 U.S. 378, 388 (1981).

structure or, alternatively, 8.8% depending on the ultimately approved capital structure.²⁰⁹ I&E witness Patel recommends a 10.2% ROE, with an imputed 50/50 capital structure.²¹⁰

Each of these parties argue that their models best approximate what the financial markets demand. The complexity in the process has created an evidentiary record that with a range of possibilities from which the Commission can choose.²¹¹ When faced with a range of ROE options presented by financial models, CAUSE-PA witness Cicero recommended that the Commission should not play Goldilocks and pick the ROE that is “just right.”²¹² Rather, the Commission should choose *the lowest ROE* that the models suggest and consider whether there are other criteria to evaluate whether an even lower ROE would nevertheless be sufficient.

To the extent the Commission deems a rate increase appropriate, it should start with the 8.5% ROE recommended by OCA witness Garrett,²¹³ and should make further downward adjustment based on other objective criteria, such as the criteria recommended by the Governor.²¹⁴ This approach would be consistent with the Commission’s responsibility to ensure that it is authorizing rates that are *no higher than necessary* to allow Peoples a reasonable opportunity to earn a *fair* rate of return – in light of all the relevant facts and circumstances, including the ability for all customers, regardless of wealth, to afford safe and stable service to their home.²¹⁵

Notably, in this case, application of Governor Shapiro’s principles would result in an authorized ROE of 7.68%.²¹⁶ The Governor’s approach would set an ROE based on appropriate, objective benchmarks.²¹⁷ He recommends that utilities like Peoples hold competitive equity

²⁰⁹ OCA St. 3 at 4.

²¹⁰ I&E St. 2 at 6-7.

²¹¹ CAUSE-PA St. 1 at 40.

²¹² *Id.*

²¹³ OCA St. 3 at 4.

²¹⁴ CAUSE-PA St. 1 at 40.

²¹⁵ *Id.* at 40-41.

²¹⁶ *Id.* at 43.

²¹⁷ Governor’s Exhibit 1.

auctions – a recommendation that resonates because it would ensure that actual markets, not models, are setting required returns.²¹⁸ While Peoples has not taken this common-sense, market-based approach, CAUSE-PA witness Cicero recommended that the Commission nevertheless consider the use of the Governor’s objective alternative approach. This approach would have the Commission use a risk-free rate (10-year treasury yield) and a well-recognized risk premium (the Federal Reserve’s Equity Risk Premium) for determining the return that would reasonably be required by actual markets.²¹⁹ This is reasonable and will yield a fair return since utilities are safer investments than the overall market.²²⁰ As noted previously, imputation of the Shapiro ROE would produce an authorized revenue increase of no more than \$9.5 million at CAUSE-PA’s recommended 50/50 capital structure.²²¹ While the OCA made several expense adjustments, made a depreciation adjustment, recommended a higher ROE but a more leveraged capital structure, it is illustrative that their ultimate revenue requirement recommendation is \$9.4 million.²²² This evidences that the Commission’s choices of capital structure and ROE all must be considered holistically.

Peoples argues that the Commission should look past the fact that it has had significant net income, profit, and high ROE at present and over the past several years and focus only on its projections into the future.²²³ However, Peoples residential customers face extraordinary hardship because of acute and real affordability concerns, evidenced by:

- Peoples has 144,131 estimated low income customers in its service territory.²²⁴
- 75% of Peoples’ estimated low income customers are not enrolled in CAP.²²⁵

²¹⁸ Governor’s Exhibit 1.

²¹⁹ CAUSE-PA St. 1 at 46.

²²⁰ Id.

²²¹ Id. at 34, 43-44

²²² OCA St. 2-SR-at 2

²²³ CAUSE-PA St. 1 at 36.

²²⁴ Id. at 18.

²²⁵ Id.

- The average annual income of confirmed low income customers is \$19,011, and for CAP customers is \$16,295, both of which are substantially less than needed to meet their basic expenses.²²⁶
- Energy burdens for these households are 11%-15% during the winter heating months at existing rates and would increase to 12%-16% during these months at proposed rates.²²⁷
- Many low income customers face burdens of 26.2% without CAP benefits.²²⁸
- Confirmed low income customers who are not enrolled in CAP have a termination rate that is approximately 500% higher than non-low income customers.²²⁹
- Peoples' confirmed low income customers are twice as likely to carry arrears as residential customers generally.²³⁰
- The average arrearages carried by confirmed low income customers are approximately 400% higher than those carried by non-low income residential customers.²³¹

In setting a reasonable ROE, the Commission cannot look past the present reality of Peoples' robust financial condition as compared to the hardships facing its customers, including the shockingly high rates of utility insecurity among its customer base. Myopically focusing on Peoples' future profits, but not its customers' financial status and ability to pay, would skew the Commission's analysis.²³² Peoples' low income customers face dire financial circumstances now, and looking to December 2027, the picture is even more bleak if there is any rate increases in this case.²³³

At the Company's equity-skewed capital structure, every ten basis points (0.10%) reduction in the ROE at the as-filed rate base and capital structure would reduce the overall revenue requirement by \$4.4 million per year.²³⁴ Based on the totality of factors in this case, the

²²⁶ CAUSE-PA St. 1 at 21.

²²⁷ CAUSE-PA St. 1 at 26, Table 4.

²²⁸ CAUSE-PA St. 1-SR at 16; Peoples St. 20-R at 21.

²²⁹ CAUSE-PA St. 1 at 28, Table 5.

²³⁰ OCA St. 4 at 45.

²³¹ CAUSE-PA St. 1 at 29-30, Table 7.

²³² Id. at 36.

²³³ Id.

²³⁴ Id. at 48-49.

Commission should choose the lowest ROE suggested by the applicable financial models (*i.e.* the 8.5% ROE recommended by OCA witness Garrett.)²³⁵ and should consider whether it can reasonably be reduced further based on the objective criteria outlined by the Governor.²³⁶ This approach would temper the excessive rates sought by Peoples and more fairly balance the needs of Peoples with the needs of its customers. This balance is particularly important for low income customers who do not have the financial margin to absorb the rate increase that would result from granting an excessive ROE at an equity-skewed capital structure.²³⁷

E. Alternative Cost of Capital Proposals

As stated above, CAUSE-PA's primary recommendation is that the Commission deny any rate increase in this proceeding. The results would be an overall rate of return of 5.99%²³⁸ which equates to an ROE of 7.14% at current rates and under Peoples' existing capital structure.²³⁹ This structure allows a generous profit margin for Peoples that more appropriately balances the fact that an increasing number of its customers are already priced out of the market for basic, life-essential services at existing rates. Peoples should not be granted an even higher profit margin when its customer base is struggling just to survive.

Alternatively, if the Commission overrides this recommendation and decides a rate increase is appropriate, CAUSE-PA urges the Commission to adopt an imputed capital structure of 50% debt and 50% equity and choose the lowest ROE suggested by the applicable financial models – which is the 8.5% ROE recommended by OCA witness Garrett.²⁴⁰ The Commission

²³⁵ OCA St. 3 at 4.

²³⁶ CAUSE-PA St. 1 at 49.

²³⁷ Id.

²³⁸ See Peoples' Filing Exhibit 2, Schedule 4, Page 2 of 5, Line 27.

²³⁹ CAUSE-PA St. 1 at 36.

²⁴⁰ OCA St. 3 at 4.

should also consider whether ROE should be further reduced based on the objective criteria outlined by Governor Shapiro.²⁴¹

If neither of these alternatives are adopted by the Commission, CAUSE-PA recommends that commission adopt the primary cost of capital proposal presented by OCA witness Garret of a 8.8% ROE and a 51% debt/49% equity capital structure, which would result in a 6.66% ROR.²⁴²

Finally, if none of the above alternatives are adopted, the Commission should adopt Mr. Garret's alternative recommendation of an 8.5% ROE and a 45.5% debt/54.5% equity capital structure, which would result in an ROR of 6.73%.²⁴³

Each of these alternatives would be far more beneficial to Peoples customers than the Company's proposal and would help prevent pushing service further out of reach for customers in the interest of increased profitability for Peoples and its parent companies.

F. Conclusion as to Rate of Return

As explained above, and throughout this Main Brief, Peoples is well capitalized and has sufficient revenue at current rates. To the extent the Commission disagrees and determines that to subject Peoples customers to an increase to their already unaffordable rates, it must consider the common-sense principles laid out by the Governor in setting Peoples' approved ROE and ROR. Additionally, the Commission should review the ROE recommendations by OCA witness Garrett in determining what ROE to authorize.²⁴⁴ The Commission's job as Peoples' economic regulator is to ensure that, as a monopolistic enterprise, it is not taking undue and unfair advantage of its customers through an equity skewed capital structure and an ROE that is higher than what it reasonably would need to attract sufficient capital in the market. This is part and parcel to

²⁴¹ CAUSE-PA St. 1 at 47-49.

²⁴² OCA St. 3 at 4.

²⁴³ Id.

²⁴⁴ See gen. OCA St. 3.

determining whether rates are just and reasonable. At current rates, service is already unaffordable for tens of thousands of households within Peoples' monopoly service territory. It is imperative that the Commission restrain Peoples' already-large profit margin to ensure basic, life essential service is not priced out of reach for an even greater share of households.

Even at the Company's equity-skewed capital structure, every ten basis points (0.10%) reduction in the ROE at the as-filed rate base and capital structure would reduce the overall revenue requirement by \$4.4 million per year.²⁴⁵ Based on the totality of factors in this case, the Commission should approve the lowest ROE suggested by the applicable financial models (8.5%)²⁴⁶ and should consider whether it can reasonably be reduced further based on the objective criteria outlined by the Governor.

This approach would temper the excessive profits sought by Peoples and more fairly balance the needs of Peoples with the needs of its customers, particularly its low income customers who do not have the financial margin to absorb the rate increase required from granting an excessive ROE at an equity-skewed capital structure.

X. REVENUE ALLOCATION AND RATE DESIGN

A. Introduction

Peoples' inequitable rate design proposals to dramatically increase its fixed customer charge and to continue imposing a WNA charge should be rejected because they shift traditional business risk from Peoples' shareholders to its customers – eliminating incentive for Peoples to improve profits by improving business efficiency.²⁴⁷ These rate design proposals work together to convert Peoples' opportunity to collect its revenue requirement into a guarantee by locking in

²⁴⁵ CAUSE-PA St. 1 48-49.

²⁴⁶ OCA St. 3 at 4.

²⁴⁷ Id. at 50.

revenue at an established benchmark for Peoples at the long-term expense of customers and irrespective of whether a customer can or cannot afford service.²⁴⁸ The combination of an increased customer charge and the WNA together work to ensure that Peoples is insulated from the inherent risks associated with the fact that it is in the business of providing a commodity that a consumer may use less of in a given year.²⁴⁹ Thus, Peoples' business risk of under collection due to warming trends and climate change is passed onto its customers, who are required to pay for gas they were projected to use, but do not.²⁵⁰

Together, Peoples' proposed high fixed charge and WNA create a double penalty for customers because they either pay a higher fixed customer charge regardless of usage or they bear more of the risk of a warmer winter. In general, residential customers use the most gas service in the winter to serve their winter heating load, and they will use less each winter due to climate change.²⁵¹ If a greater portion of a customer's bill is fixed each month through the residential customer charge, then less of their bill is dependent on how much gas they use and they lose the benefit of that decrease in usage.²⁵² On the other side, if the weather sensitive volumetric usage is surcharged through a WNA for 2/3rds of each the year (October – May), then Peoples collects more revenue than they otherwise should because the weather will be warmer than the historical average.²⁵³ Both are problematic for low income customers who struggle each month to be able to afford to retain gas service, and both proposals should be rejected.²⁵⁴

²⁴⁸ OCA St. 3 at 50.

²⁴⁹ CAUSE-PA St. 1 at 50.

²⁵⁰ Id. at 61-62.

²⁵¹ Id. at 51.

²⁵² CAUSE-PA St. 1 at 51.

²⁵³ Id.

²⁵⁴ Id.

B. Cost of Service

CAUSE-PA does not take a position on cost of service in this Main Brief but reserves the right to address any issue raised by other parties in its Reply Brief.

C. Revenue Allocation

CAUSE-PA does not take a position on overall revenue allocation in this Main Brief but reserves the right to address any issue raised by other parties in its Reply Brief. However, as outlined more fully in Section X. E. (Allocation of Universal Service Program Costs), below, CAUSE-PA submits that the current allocation of universal service costs solely to residential customers is unjust and unreasonable. These costs should be assigned to all customers consistent with the testimony of CAUSE-PA witness Cicero and as outlined in Section X. E. of this brief.

D. Rate Design

1. Residential Customer Charge.

The Commission should reject Peoples' excessive residential customer charge because it will erode conservation and efficiency goals and the ability to save money through conservation.²⁵⁵ When setting fixed customer charges, the Commission must consider factors such as gradualism, affordability, and incentives to conserve energy, especially to scale back proposed customer charges from the cost of service.²⁵⁶ High fixed charges violate the Commission's policies encouraging energy efficiency and conservation, as it hinders customers' ability to reduce their

²⁵⁵ As noted in CAUSE-PA witness Cicero's direct testimony, this recommendation is tied to the recommendation that the Commission disallow continuation of Peoples' WNA, and that if the WNA is allowed to continue that CAUSE-PA does not oppose an increase in the fixed customer charge scaled back to the rate increase ultimately authorized. See CAUSE-PA St. 1 at 56.

²⁵⁶ See e.g., *Pa. PUC v. PECO Energy Company – Gas Division*, Docket No. R-2020-3018929, Opinion and Order at 274 (Entered June 22, 2021) ("Rate design requires a careful balance of the competing interests of customer classes as well as prudent application of the principles of cost causation, gradualism, and overall fairness").

bill through conservation or energy efficiency measures.²⁵⁷ Recovering a greater portion of the bill through the fixed charge also erodes incentive for monopoly utilities to improve operational efficiency, undermining foundational consumer protections embedded in utility ratemaking.

In this proceeding, Peoples proposes a 54.8% increase to its residential customer charge, seeking to increase the monthly fixed fee from \$16.80 to \$26.00.²⁵⁸ If approved, Peoples proposed residential customer charge would lock in \$312 per year in fixed charges (an additional \$110.40 per year over current rates).²⁵⁹ This amount will be unavoidable for low income households struggling to maintain service.²⁶⁰ The effect would be to weaken the ability of low income households to save money on their bills through careful conservation and participation in Peoples' Low Income Usage Reduction Program (LIURP), undercutting the purpose of LIURP to reduce bills for low income customers.²⁶¹

As more residential customer bills are shifted to the fixed charge, the achievable bill savings – and the corresponding impact on bill payment ability – will erode.²⁶² By reducing the achievable bill savings that can be obtained through LIURP, the proposed increase to the fixed charge threatens the continued effectiveness of ratepayer investments intended to reduce energy consumption, delinquencies, collections, and uncollectible costs. Thus, the proposed increase to the fixed charge will, in turn, impact the ability of LIURP to “decrease the incidence and risk of customer payment delinquencies and the attendant utility costs associated with uncollectible

²⁵⁷ Pa. PUC v. Columbia Gas of Pa., Inc., Opinion and Order, Docket No. R-2020-3018835, at 264-265 (order entered Feb. 19, 2021) (Columbia’s proposed fixed charge was “contrary to the Commission’s goal of encouraging customers to conserve energy.”).

²⁵⁸ CAUSE-PA St. 1 at 48.

²⁵⁹ Id. at 51.

²⁶⁰ Id.; PWPTF St. 1 at 4-5; OCA St. 1 at 70.

²⁶¹ CAUSE-PA St. 1 at 53; 52 Pa. Code § 58.1 (“The programs are intended to assist low-income customers conserve energy and reduce residential energy bills. The reduction in energy bills should decrease the incidence and risk of customer payment delinquencies and the attendant utility costs associated with uncollectible accounts expense, collection costs and arrearage carrying costs.”).

²⁶² CAUSE-PA St. 1 at 54.

accounts expense, collection costs and arrearage carrying costs.”²⁶³ This would produce an unreasonable result by undermining the goal of Peoples’ statutorily required LIURP and making the program less cost effective.²⁶⁴ The Commission should deny this request as it will exacerbate an already acute affordability crisis, depriving households of the ability to mitigate high bills through conservation and efficiency.²⁶⁵

Peoples argues that higher fixed monthly charges allow for greater predictability in household budgets and is preferable because low income households have less ability to control their usage.²⁶⁶ CAUSE-PA strongly disagrees.

It is not in dispute that low income households are less able to afford home energy efficiency and weatherization, nor that disparities in energy burden for low income households are exacerbated by inequities in housing efficiency, causing many low income households to face disproportionately harsh impacts from rising rates.²⁶⁷ As rates increase, many low income households are forced, out of necessity and poverty, to take other steps to reduce usage, often to the point of deprivation – keeping the home at an unsafe temperature or otherwise foregoing food, medicine, and other necessities.²⁶⁸ These facts are true for thousands of households in Peoples’ service territory and require close attention and circumspect regulation to assure universal access to home energy and utility services.

While all of these facts are true, the solution to rising energy insecurity is not through augmented rate design – increasing the fixed customer charge for all residential consumers, including low and moderate income households fortunate enough to live in efficient homes.²⁶⁹

²⁶³ 52 Pa. Code § 58.1.

²⁶⁴ CAUSE-PA St. 1 at 54.

²⁶⁵ CAUSE-PA St. 1 at 51.

²⁶⁶ Peoples St. 17 at 36.

²⁶⁷ CAUSE-PA St. 1 at 55-56.

²⁶⁸ Id. at 55.

²⁶⁹ Id.

There are far more equitable methods to address rising energy insecurity, including through targeted energy efficiency and weatherization services for high usage households, improved access for tenants to LIURP services, and improved access to income-based rates and arrearage management through CAP.²⁷⁰ LIURP and CAP are designed to work in tandem to address the different facets of energy insecurity – providing an income-based rate, arrearage management, and comprehensive usage reduction targeted to the highest usage household. Improving access to these holistic programs helps avoid the consequences of energy deprivation of the long term. As discussed below in section X.E. (Allocation of Universal Service Costs), equitable allocation of program costs across all rate classes will also help to improve access to universal service and energy conservation programs – ensuring these public purposes costs are equitably distributed across the full customer base.²⁷¹

Rather than advance proposals to improve access to CAP and LIURP, Peoples instead proposes to address inequities in energy burden through rate design that undermines achievable savings through conservation and efficiency – depriving households of the ability to control their bill through conservation and efficiency.²⁷² Wresting control from customers to reduce their bill by reducing their usage does not benefit low income customers, it weakens the effectiveness of universal service and energy conservation programming and undermines the ability of low income households to maintain access to service over the longer term.²⁷³

A bill that is stable but unaffordable is meaningless for low income customers struggling to stay connected to service.²⁷⁴ While bill stability is a helpful tool for customers, enrollment in

²⁷⁰ CAUSE-PA St. 1 at 55.

²⁷¹ 66 Pa. C.S. § 2802(17); 52 Pa. Code § 69.266 (b); Lloyd v. Pa. PUC, 904 A.2d 1010, 1024-1029 (Pa. Commw. Ct. 2006); Final CAP Policy Statement and Order, Docket No. M-2019-3012599, at 97 (Order entered Nov. 5, 2019).

²⁷² CAUSE-Pa St. 1 at 55.

²⁷³ Id.

²⁷⁴ Id.

CAP which provides a bill based on a customer's ability to pay is far more useful to create actual bill stability from one month to the next than a higher fixed customer charge.²⁷⁵ Further, Peoples is legally required to offer the option of budget billing which is meant to produce bill stability without decreasing incentives for conservation and energy efficiency.²⁷⁶

OCA witness Deupree prepared an analysis of customer-related costs, which found that residential rate classes are already currently recovering a significant portion of customer-related costs through monthly customer charges.²⁷⁷ Peoples' proposed \$26.00 residential customer charge would be well above the mid-Atlantic regional average of \$17.22 per month, and would be the second-highest residential customer charge in the region.²⁷⁸ Mr. Deupree also presented data from the Residential Energy Consumption Survey ("RECS") produced by the United States Energy Information Administration ("EIA") and household data from the Census division in which Pennsylvania is located.²⁷⁹ This data demonstrates that as income increases, gas consumption also increases, and vice versa: as income decreases, gas usage decreases, contradicting any assertion that low income customers benefit from an increased fixed charge.²⁸⁰

The combination of Peoples' proposed customer charge increase and its WNA (as discussed below in section XI. (Weather Normalization Adjustment)) to insulate Peoples from the normal business risks associated with the sale of a commodity that a consumer may use less of in a given year.²⁸¹ Together, these rate design mechanisms create a double penalty for customers because they pay a higher fixed customer charge regardless of usage, *plus* they bear more of the risk of a warmer

²⁷⁵ CAUSE-Pa St. 1 at 55.

²⁷⁶ CAUSE-Pa St. 1 at 55.

²⁷⁷ OCA St. 1 at 68.

²⁷⁸ *Id.* at 69.

²⁷⁹ *Id.* at 74.

²⁸⁰ *Id.* at 74.

²⁸¹ CAUSE-PA St. 1 at 50-51.

winter.²⁸² Both are problematic for low income customers who struggle each month to be able to afford to retain gas service.²⁸³ Thus, the Commission should reject Peoples’ proposed increase to its residential customer charge, as well as its Peoples’ proposed continuation of its WNA pilot – consistent with the discussion above, and in section XI. Weather Normalization Adjustment, below.

E. Allocation of Universal Service Program Costs

The Commission should require non-residential customers to equitably and proportionally contribute to universal service and energy conservation costs. Peoples’ Universal Service and Energy Conservation programs are a suite of assistance programs that help low income households remain connected to service, consistent with the universal service and energy conservation program requirements enshrined in the Natural Gas Choice and Competition Act (Choice Act).²⁸⁴ The Choice Act requires large gas utilities, including Peoples, to administer a suite of universal service and energy conservation programs to assist low income households and other vulnerable customers are able to maintain service to their home.²⁸⁵ The Commission is obligated by the Choice Act to oversee universal service and energy conservation programming, and ensure such programs are adequately funded, efficiently administered, and accessible to those in need.²⁸⁶

While the Choice Act explicitly addresses cost recovery, it does not address cost allocation.²⁸⁷ Specifically, the Choice Act requires the Commission “to establish for each natural gas distribution company an appropriate *nonbypassable*, competitively neutral cost-recovery mechanism which is designed to recover fully the natural gas distribution company’s universal

²⁸² CAUSE-PA St. 1 at 50-51.

²⁸³ Id.

²⁸⁴ CAUSE-PA St. 1 at 76.

²⁸⁵ 66 Pa. C.S. § 2202.

²⁸⁶ 66 Pa. C.S. § 2203(6)-(8).

²⁸⁷ Final CAP Policy Statement and Order, Docket No. M-2019-3012599, at 80; 66 Pa. C.S. Ch. 22; 52 Pa. Code Chs. 54, 58, 62.

service and energy conservation costs over the life of these programs.”²⁸⁸ The Commission has for too long permitted other customer classes to forgo paying universal service and energy conservation costs. Residential customers do not, alone, cause energy insecurity and should not solely bear the costs. As energy costs continue to rise, and need continues to expand, the Commission must close this loophole and ensure universal service and energy conservation costs are properly allocated across all customer classes.

1. Allocation of Costs to All Rate classes is Consistent with Applicable Law

The cost of ensuring universal access to very basic human needs – like home heating – should be borne by all those who enjoy the benefits of the public utility as an inherent public good. These costs are, at their core, public purpose programs - embedded in the fabric of the regulatory compact. In Lloyd v. Pa. PUC the Commonwealth Court affirmed the right to recover the costs of “public purpose programming” from all rate classes.²⁸⁹ In Lloyd, the PPL Industrial Customer Alliance (PPLICA) challenged the Commission’s decision to allow cross-class recovery of funding for the Sustainable Energy Fund (SEF) in PPL’s service territory.²⁹⁰ PPLICA argued that SEF provided “no demonstrable benefits to ratepayers” and asserted that there was no legal justification for the program.²⁹¹ PPLICA argued that recovery of costs through rates constituted an “unlawful tax on ratepayers which only the General Assembly has the power to impose.”²⁹²

²⁸⁸ 66 Pa. C.S. § 2203(6).

²⁸⁹ Lloyd v. Pa. PUC, 904 A.2d 1010 (Pa. Commw. Ct. 2006).

²⁹⁰ It is important to note that Lloyd also examined funding for PPL’s CAP (known as OnTrack), but the funding issue raised in Lloyd did not examine the issue of cross-class recovery. Rather, the CAP issue questioned the appropriate level of funding and targeted enrollment level, not the mechanism for recovery. See id. at 1027-28.

²⁹¹ Id. at 1024-25.

²⁹² Id.

The Commonwealth Court roundly rejected PPLICA’s arguments, finding explicitly that the General Assembly – through section 2802(17) of the Choice Act²⁹³ – “specifically authorized that public service programs such as SEF be funded.”²⁹⁴ The Court also concluded that there was substantial evidence to support the Commission’s conclusion that SEF provided demonstrable benefits to ratepayers, and therefore deferred to the Commission as the finder of fact.²⁹⁵ Ultimately, pursuant to these findings, the Commonwealth Court affirmed the continued recovery of public purpose program costs from all ratepayers and definitively concluded that “SEF funding was not a tax, hidden or otherwise, but a conservation program directly related to conservation programs that the General Assembly permitted to be funded.”²⁹⁶

In its Final CAP Policy Statement and Order, the Commission addressed the recovery of universal service program costs and acknowledged that the “cause” of the need for these programs is poverty – a societal problem, not an individual rate class problem – and recognized that residential customers do not cause poverty.²⁹⁷ While the Commission did not specifically require jurisdictional utilities to propose specific allocations, the Commission indicated that it is appropriate to consider recovery of the costs of customer assistance programs from all ratepayer classes because “poverty, poor housing stock, and other factors that contribute to households struggling to afford utility service are not just ‘residential class’ problems.”²⁹⁸ The Commission explained that the provision of universal services to help low income families maintain service to their homes is “a benefit to the economic climate of a community.”²⁹⁹ The Commission directed

²⁹³ Note that this is the same section that is cited in full above, and provides explicitly that “certain public purpose costs, including programs for low income assistance, energy conservation and others,” are in the public interest and must be continued. 66 Pa. C.S. § 2802(17).

²⁹⁴ Id. at 1025-1026.

²⁹⁵ Lloyd, 904 A.2d at 1026-1029.

²⁹⁶ Lloyd, 904 A.2d at 1027.

²⁹⁷ Final CAP Policy Statement and Order, Docket No. M-2019-3012599, at 97 (Order entered Nov. 5, 2019).

²⁹⁸ Id.; see also 52 Pa. Code §§ 69.265(1), 69.266 (b).

²⁹⁹ Final CAP Policy Statement and Order, M-2019-3012599 at 7, 94-96, 107.

utilities and stakeholders to address CAP cost recovery in utility-specific rate proceedings, indicating that “*the Commission will no longer routinely exempt non-residential classes from universal service obligations.*”³⁰⁰

More recently, in the Commission’s Interconnection and Tariffs for Large Load Customers proceeding, the Commission confirmed that it has the authority to require nonresidential class to contribute to the costs of universal service programs, and that the Commission has an obligation to ensure that service is available to all customers on reasonable terms and conditions.³⁰¹ The Commission stated:

Contributions to utility universal service programs would not only help ameliorate the impact of rising energy prices for low-income universal service program participants but will also help all residential customers by relieving some of the cost burden of these programs, which are currently borne solely by residential electric customers.³⁰²

CAUSE-PA submits that it is inequitable for programs so essential to the public purpose goals of the Choice Act to continue to be funded solely by residential customers. There is no rational basis for residential customers to solely bear the burden of Universal Service costs, because these are public purpose costs that assist low income families to maintain access to gas service and benefit the entire community.³⁰³ All ratepayers contribute to the costs and enjoy benefits from universal service and energy conservation programs and, as such, the associated costs should be equitably and proportionately assigned across all rate classes.³⁰⁴ Under its current Universal Service Rider, Peoples assigns the costs of these programs only to residential

³⁰⁰ Final CAP Policy Statement and Order, M-2019-3012599 at 97 (emphasis added); see also 52 Pa. Code. § 69.266 (b).

³⁰¹ Interconnection and Tariffs for Large Load Customers, Docket No. M-2025-3054271, Final Order at 107 (Adopted April 30, 2026, Entered May 12, 2026).

³⁰² Id.

³⁰³ CAUSE-PA St. 1 at 78-81.

³⁰⁴ Id.

customers.³⁰⁵ In its proposed tariff, Peoples continues to only assign these costs to residential customers.

2. *Assignment of Universal Service Costs to All Ratepayers is Consistent with Sound Public Policy.*

In his direct testimony, CAUSE-PA witness Cicero recommended that universal service costs be assigned to all rate classes based on their respective distribution revenue requirements per the Company's cost of service study (COSS) filed in the current case.³⁰⁶ He explained this recommendation was based on the public purpose nature of these programs, the Commission's policy statement, and because all utility ratepayers benefit from the existence of these programs.³⁰⁷ OCA witness Roger Colton similarly recommended that all rate classes should contribute to the Company's Universal Service and Energy Conservation program costs because those costs are not caused by factors specific to residential customers and benefit all customers.³⁰⁸

In her rebuttal testimony, Peoples witness Black explains that, while Peoples currently only recovers universal service costs from residential customers, this has not always been the case.³⁰⁹ She explained that Peoples' CAP costs were previously recovered through a mechanism that adjusted delivery base rates on a quarterly basis to align with changing gas costs and enrollment levels and 4.25% of CAP costs were allocated to non-residential customers.³¹⁰ She states that while the Company acknowledges the desire to spread the costs to nonresidential rate classes, it would need to evaluate the cost of potential IT changes to implement the change.³¹¹ Similarly, in his rebuttal testimony, Peoples witness Taylor agreed that "assisting low-income customers serves an

³⁰⁵ Volume V, Peoples Exhibit 14 – Peoples Natural Gas Company, LLC, Supplement No. 20 to Gas – PA.P.U.C. No. 48, Nineteenth Revised page No. 38 (Summary of Rates).

³⁰⁶ CAUSE-PA St. 1 at 81.

³⁰⁷ Id. at 78-81.

³⁰⁸ OCA St. 4 at 74-84.

³⁰⁹ Peoples St. 10-R at 24.

³¹⁰ Id.

³¹¹ Id.

important public policy objective that benefits society more broadly.”³¹² But, he says that if the Commission approves a broader allocation of universal service costs, it should apply that policy on a consistent, statewide basis.³¹³

The just allocation of universal service and energy conservation costs is appropriately decided in this proceeding, and should not be deferred to a future proceeding. This issue was already explored in a statewide affordability proceeding and addressed in the Commission’s 2019 CAP Policy Statement and Order.³¹⁴ The Commission expressly directed: “**Utilities should be prepared to address recovery of CAP costs (and other universal service costs) from any ratepayer classes in their individual rate case filing.**”³¹⁵

The Commission specified that Utilities and stakeholders are advised to be prepared to address CAP cost recovery in **utility-specific rate cases** consistent with the understanding that the Commission “will no longer routinely exempt non-residential classes from universal service obligations.”³¹⁶ The Commission’s formal, enumerated policy statement provides:

“In rate cases, parties may raise the issue of recovery of CAP costs, whether specifically or as part of universal service program costs in general, from all ratepayer classes. No rate class should be considered routinely exempt from CAP and other universal service obligations.”³¹⁷

As the Commission has *already* addressed universal service cost recovery in a statewide proceeding, and determined that these issues should be presented in *rate cases*, it would be inappropriate to defer this important issue to some unspecified future proceeding. Peoples’ choice to file a rate case without properly preparing to address appropriate recovery of universal service

³¹² Peoples St. 17-R at 21-22.

³¹³ Peoples St. 17-R at 21-22.

³¹⁴ Final CAP Policy Statement and Order, M-2019-3012599, at 97.

³¹⁵ Id. 80 (emphasis in original).

³¹⁶ Id., at 97 (emphasis added); see also 52 Pa. Code §§ 69.265(1), 69.266 (b).

³¹⁷ 52 Pa. Code § 69.266 (b).

costs from all ratepayers, consistent with this policy directive, should not be accepted as a basis to postpone the issue for yet another future proceeding.

In rebuttal testimony, OSBA witness Ewen argued that small business customers should not contribute to universal service programs because these customers cannot take advantage of “residential-only” programs.³¹⁸ He argues that there is no causal relationship between Peoples’ universal service costs and small business customers.³¹⁹

However, Mr. Ewen’s argument that small businesses receive no benefit from universal service programs ignores the fundamental economic realities that all customer classes (including industry, business, commerce, educational institutions, hospitals, local and state governments, and other residential customers) benefit from the availability and existence of universal service programs and assistance.³²⁰ While the most obvious benefits of universal service programs are realized by specific members of the residential rate class who are both eligible for and are able to enroll in the programs, there are a multitude of societal benefits which inure to all ratepayers connected to the public utility system.³²¹ These benefits cannot be ignored. Universal Service programs are meant to remediate the impacts of poverty and utility insecurity with long-term and far-ranging impacts for low income households, as well as the surrounding communities in which they live and work.³²²

To a great extent, employers are being subsidized by residential ratepayers, who are shouldering the burden of providing critical safety-net programs to ensure universal access to basic utility services which benefit all ratepayers.³²³ Consistently over the past six years, one-third or

³¹⁸ OSBA St. 1-R at 3-5.

³¹⁹ Id.

³²⁰ CAUSE-PA St. 1 at 78-80; CAUSE-PA St. 1-SR at 51.

³²¹ CAUSE-PA St. 1 at 78-79.

³²² Id. at 79.

³²³ Id. at 80.

more of Peoples' CAP customers have been employed, and the fact that the wages received by these households leave them with a poverty-level income can be attributed to the wage-payer as much as it is attributed to the wage-earner.³²⁴ In 2024, statewide, 30% of CAP customers, 31.7% of LIURP recipients, and 47% of customers who received a hardship fund were employed.³²⁵ The next largest group of low income assistance program participants are retired seniors or individuals on disability who do not receive sufficient social security, disability, or retirement benefits to afford basic life necessities, including energy services.³²⁶ According to the Self Sufficiency Standard, a family of four living in the counties served by Peoples requires an income between \$20,887 (42%) and \$39,047 (79%) per year more than is had by a four-person household with annual income at 150% FPL.³²⁷

OCA witness Colton explained that, in the sixteen largest counties served by Peoples, the Asset-Limited, Income Constrained, Employed (ALICE) wage (meaning the full-time wage needed to afford housing, childcare, food, transportation, health care, and basic technology) ranges between \$21.61 to \$27.80 per hour and can be as high as \$38.29 for a family requiring child care.³²⁸ He estimates that, in those counties, approximately 700,000 fast food and counter workers, personal care aides, cashiers, waiters and waitresses, and retail salespersons earn substantially less than \$20 per hour.³²⁹ He provided a table showing that approximately 1.75 million workers in these counties worked in industries with median hourly wages ranging from \$13.94 (personal care aides) to \$20.93 (sales workers and truck drivers).³³⁰ Mr. Colton further explained that the average

³²⁴ OCA St. 4 at 76.

³²⁵ CAUSE-PA St. 1 at 80.

³²⁶ Id.

³²⁷ Id. at 22 (Based on the 2024 Self Sufficiency Standard, a family of four (consisting of 2 adults and 2 school-aged children) living in the counties served by Peoples requires an income ranging from \$70,387 to \$88,547. Income for a family of four at 150% FPL is \$49,500.).

³²⁸ OCA St. 4 at 16-18.

³²⁹ Id. at 19.

³³⁰ Id. at 19, Table 5.

income for Peoples CAP participants is falling further below the poverty level and that the declining income can be attributed to the performance of the economy as a whole, including non-residential customers.³³¹

Further, low income customers who face utility insecurity often must take time away from work to arrange payments, locate or apply for assistance programs, and arrange for reconnections, and struggle with heightened levels of stress, anxiety and depression.³³² These consequences of utility insecurity significantly undermine worker productivity, which in turn impacts businesses, nonprofits, governmental entities, schools, and other non-residential customer groups.³³³

Households who cannot afford utility services are more prone to a host of adverse consequences, including increased rates of health complications and hospitalization, eviction, and food insecurity.³³⁴ For children in low income households, utility insecurity has been linked to adverse impacts on long-term health and developmental delays.³³⁵ Communities of color also continue to experience utility insecurity at disproportionate and high levels.³³⁶

For all of these reasons, all customer classes (*including large load customers, industry, business, commerce, educational institutions, hospitals, local and state governments, and other residential customers*) benefit from the availability and existence of universal service programs and assistance, and all classes should contribute to the costs. It is a sound policy decision for all customers to share the costs of providing these programs to Peoples' most vulnerable customers. Therefore, Commission should order Peoples to adopt a broad allocation of costs to all rate

³³¹ OCA St. 4 at 76.

³³² CAUSE-PA St. 1 at 80.

³³³ Id.

³³⁴ Id. at 79.

³³⁵ Id.

³³⁶ Id. at 81-82.

classes.³³⁷ These costs should be assigned to all rate classes based on their respective distribution revenue requirements per the Company's cost of service study (COSS) filed in the current case.³³⁸

F. Competitive Rate Customers

CAUSE-PA does not take a position on Competitive Rate Customer issues in this Main Brief but reserves the right to address any issue raised by other parties in its Reply Brief.

XI. WEATHER NORMALIZATION ADJUSTMENT

The Commission should reject Peoples' proposal to continue its Weather Normalization Adjustment (WNA) and should end the WNA with the effective date of rates in this proceeding.³³⁹ The WNA is a lopsided mechanism that shields the Company from revenue fluctuations due to warming weather trends by inappropriately shifting the risk of weather variability onto consumers.

Peoples' WNA is a charge that Peoples currently applies to Residential, Commercial SGS, and Commercial MGS customer bills each month from October through May to account for whether the temperature for the month was warmer than normal or cooler than normal.³⁴⁰ In simplified terms, Peoples' WNA is applied to residential and small business customer bills, not based on their actual usage as determined by the weather, but on what they *would have used* if the weather conformed to the "normal" weather as calculated by Peoples WNA formula.³⁴¹ When the weather is *warmer* than "normal," Peoples charges customers for service they *did not use* but would have used if temperatures were "normal."³⁴² When the weather is *colder* than "normal,"

³³⁷ CAUSE-PA St. 1 at 81.

³³⁸ Id.

³³⁹ Id. at 63.

³⁴⁰ Id. at 57; Volume V, Peoples Exhibit 14, Current Tariff, Appendix A – Peoples Natural Gas Company LLC Retail Tariff No. 48 – effective February 12, 2026, First Revised Page No. 79.

³⁴¹ CAUSE-PA St. 1 at 58.

³⁴² Id.

Peoples credits customers for service they *did use* but would not have had the temperatures been “normal.”³⁴³

Peoples’ WNA is out of step with the Commission’s Distribution Rates Policy Statement, undermining the policy concerns embodied in the Commission’s enumerated factors for evaluating alternative ratemaking mechanisms like the WNA.³⁴⁴ Apart from the Company, none of the parties to this proceeding supports the WNA, and OCA and CAUSE-PA actively oppose its continuation.³⁴⁵ While the burden of proof does not fall on the opposing parties to prove proposed rates are unjust or unreasonable, the overwhelming weight of the evidence in this case nevertheless shows that this alternative rate proposal, if allowed to continue, will produce unjust and unreasonable rates in the long term. As outlined below, Peoples has failed to meet its burden to show that this alternative ratemaking proposal is just and reasonable.

The Commission should reject Peoples proposal to continue its WNA for several reasons. First, the WNA shifts weather related risk from the utility to customers in a way that is inappropriate for a monopoly provider of essential services; and it improperly assumes that Peoples is *entitled* to *guaranteed* revenue based on weather as it existed in the past rather than as it exists at the time the Company delivers service.³⁴⁶ Second, the WNA requires an overly complicated and nuanced calculation that is difficult for customers to understand and operates contrary to reasonable customer expectations that lower usage will result in lower bills.³⁴⁷ Third, while technically mathematically bi-directional, in practice over the long term, the WNA is likely to work to the detriment of customers and the benefit of Peoples due to warming weather associated

³⁴³ CAUSE-PA St. 1 at 58.

³⁴⁴ *Id.*, Appendix C, Exhibit C-2.

³⁴⁵ *Id.* at 57-64; OCA St. 1 at 75; OSBA St. 1 at 12-17; I&E St. 3 at 11-15.

³⁴⁶ *Id.* at 58.

³⁴⁷ *Id.* at 59.

with climate change.³⁴⁸ Fourth, the WNA charge inflates other riders collected by Peoples including its DSIC and Universal Service Rider.³⁴⁹

Peoples' proposal to modify the heating degree calculation is insufficient to address the inherent unfairness of the WNA itself. In its rate filing, Peoples proposes continuing its WNA rider but amending it to use only a 65-year regression-based framework rather than its current average of a 65-year regression and 20-year average heating degree days.³⁵⁰ This proposal does not alleviate the underlying uncertainty associated with billing based on normalized weather rather than actual weather.³⁵¹ It does not change the fundamental reality that the WNA is that is shifts the risk of under collection from the utility – where it belongs – to its far less sophisticated customers – many of whom simply cannot bear this risk financially.³⁵²

Peoples' WNA is designed to insulate Peoples from the business risk of under collection due to climate change at the expense of its customers, because, over the long term, winters are warmer and they are projected to continue to warm.³⁵³ As discussed further below, there is no real debate that Pennsylvania's weather is warming at a rapid pace, and that warming weather trends are projected to continue over time.³⁵⁴ Thus, the WNA is far more likely to produce significant asymmetry and surcharge customers each year than provide net credits.³⁵⁵ Importantly, as discussed in detail below, Peoples' WNA lacks the range of customer protections ordered by the Commission in allowing Columbia Gas to continue its WNA mechanism on a pilot basis until the company's next rate case. There, the Commission required that Columbia implement a range of

³⁴⁸ CAUSE-PA St. 1 at 59.

³⁴⁹ Id. at 59; CAUSE-PA St. 1-SR at 41-42.

³⁵⁰ CAUSE-Pa St. 1 at 57; Peoples Statement No. 17 at 37.

³⁵¹ CAUSE-PA St. 1 at 62.

³⁵² Id. at 63.

³⁵³ Id. at 61-62.

³⁵⁴ Id.

³⁵⁵ Id.

additional customer protections, including implementation of a 5% deadband and elimination of the shoulder month of May for the purposes of WNA calculation.³⁵⁶

Ultimately, Peoples has failed to meet its burden of proving that its pilot WNA operates in a just and reasonable manner and, as such, its proposal to continue the WNA should be rejected and the WNA should end.

A. Peoples' WNA is a One-Sided Mechanism That Improperly Shifts Weather-Related Risk onto Consumers.

Peoples WNA methodology assumes that the Company is entitled to revenue based on its calculation of normalized weather as opposed to actual weather at the time that it bills a customer, thus shifting weather-related risk from the utility to customers.³⁵⁷ This is problematic for Peoples' customers. The very nature of gas distribution service is that it exists to deliver a commodity that is weather dependent.³⁵⁸ Peoples gas system is built primarily to provide to heat in winter months.³⁵⁹ It is inappropriate for a monopoly provider of essential utility service that is inherently weather dependent to shift weather-related risk to consumers.³⁶⁰ As a monopoly, the utility has no competition and is guaranteed a customer base; therefore, consumers and the Commission must exercise the appropriate level of competitive restraint to protect consumers from unjust and unreasonable charges such as the WNA.³⁶¹

Peoples asserts that the WNA is necessary for the Company's rate structure to provide it "a reasonable opportunity to recover its authorized revenue requirement while protecting customers from additional charges in colder than normal winters."³⁶² In actuality, the WNA does not protect

³⁵⁶ Pa. PUC v. Columbia Gas of Pa., Inc., Opinion and Order, Docket No. R-2025-3053499 at 279 at 301-302 (Order entered Dec. 4, 2025).

³⁵⁷ CAUSE-PA St. 1 at 59.

³⁵⁸ Id.

³⁵⁹ Id.

³⁶⁰ Id.

³⁶¹ Id.

³⁶² Peoples St. 17 at 38.

consumers, it converts Peoples' opportunity to earn its revenue requirement much closer to a guarantee, subverting foundational ratemaking principles. The WNA disincentivizes effective management, because it charges customers based on normalized weather sensitive usage rather than actual weather sensitive usage.³⁶³

Peoples argues that its WNA is a “symmetrical mechanism,” and, to support this argument, relies heavily on the fact that, since the WNA first went into effect on October 1, 2024, the net result of the WNA has been a net credit to customers.³⁶⁴ However, these net credits are due to the short sample size and the weather anomaly caused by winter storm Fern in January 2026.³⁶⁵ OCA witness Deupree provided analysis demonstrating that, excluding this anomalous weather event, Peoples' WNA would have produced more than \$8.0 million in net revenues for the Company through March 2026.³⁶⁶ In the long term, the WNA is far more likely to produce significant asymmetry and surcharge customers on net each year than it is to produce net credits, as demonstrated by the fact that every other WNA that has been in effect longer than Peoples has resulted in millions of dollars of net charges to consumers.³⁶⁷

For purposes of evaluating the WNA, the historic warming trend Pennsylvania has experienced and is expected to experience over the long term is essential to understanding the impact the WNA has had and will continue to have on customers in actual practice. Pennsylvania's weather is undergoing a long-term warming trend that experts project to continue.³⁶⁸ As the

³⁶³ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #1.

³⁶⁴ Peoples St. No. 17 at 43.

³⁶⁵ OCA St. 1 at 33; OSBA St. 1 at 15-16;

³⁶⁶ OCA St. 1 at 33.

³⁶⁷ CAUSE-PA St. 1 at 61-62; CAUSE-PA St. 1-SR at 14-15; see Pa. PUC v. Columbia Gas of Pa., Inc., Opinion and Order, Docket No. R-2025-3053499 at 279 at 289, 292 (Order entered Dec. 4, 2025) (Columbia's WNA resulted in \$74 million net surcharge); Pa. PUC v. UGI Utilities, Inc. – Gas Division, R-2025-3059523, Recommended Decision at 61 (Entered July 31, 2026) (UGI's WNA resulted in net surcharges of \$63.44 million); Pa. PUC v. National Fuel Gas Distribution Corporation, R-2025-3059428, Recommended Decision at 34, Finding of Fact 159 (Entered July 31, 2026) (NFG's WNA resulted in net surcharges of \$6.5 million).

³⁶⁸ CAUSE-PA St. 1 at 61-62.

Pennsylvania Department of Environmental Protection reports, Pennsylvania's annual total heating degree days are anticipated to decrease by 13% by mid-century and 25% by end-of-century compared to the historical baseline.³⁶⁹ No party to this proceeding, including Peoples, disputes that Pennsylvania's warming trend is projected to continue.³⁷⁰ Although weather varies year over year, the trend is projected to hold steady over time.³⁷¹ This warming trend means that Pennsylvania will experience fewer and fewer HDDs over time.³⁷² As a result, if allowed to continue, Peoples' WNA will impose greater and greater additional charges on customer bills.³⁷³ This factual context is critical to assessing the justness and reasonableness of the WNA. The WNA is mathematically symmetrical, but when applied to the actual and projected weather in Pennsylvania, it is far more likely to operate, on net, as a one-way surcharge that insulates the Company from the risk of warming weather at the expense of consumers.

These are costs that Peoples' low income customers simply cannot bear. Peoples' low income customers, who on average earn just over \$19,000 per year, do not have any margin, month in and month out, to spend more on energy costs.³⁷⁴ In winter months that turn out warmer than normal, these customers expect a lower bill—not a weather-adjusted bill.³⁷⁵ In stark contrast, utilities like Peoples benefit from regulatory frameworks that allow them to recover costs and earn a reasonable return on their investments from captive ratepayers. For example, in the current proceeding, Peoples is projecting its revenue needs based on a fully projected future test year and is allowed to establish a revenue requirement based on its projections of the world as it expects it

³⁶⁹ CAUSE-PA St. 1 at 61, fn. 112; Peoples St. 17 at 6.

³⁷⁰ CAUSE-PA St. 1 at 61; Peoples St. 17 at 6.

³⁷¹ CAUSE-PA St. 1 at 61-62.

³⁷² Id. at 61, fn. 112.

³⁷³ Id.

³⁷⁴ Id. at 59-60.

³⁷⁵ Id. at 60.

to be as of December 31, 2027.³⁷⁶ Peoples can also charge a DSIC of up to 5% of billed revenue for necessary infrastructure upgrades and capitalized costs after the end of the FPFTY.³⁷⁷ Together, these mechanisms afford Peoples the kind of financial protection that customers simply do not have and better position Peoples to absorb the effects of variable weather conditions without passing these risks down to consumers.³⁷⁸ Therefore, instead of allowing Peoples to offload this risk to ratepayers, the Commission should require Peoples to manage the risk without imposition of the WNA.³⁷⁹

Peoples' WNA is designed to stabilize the Company's revenue fluctuations caused by variations in weather, but it does so by creating a very real likelihood of disproportionately burdening low income customers, raising deep concerns about fairness and equity.³⁸⁰ While this mechanism protects Peoples from revenue volatility, it transfers the financial risk of warmer weather onto customers who may have already reduced their consumption to manage tight household budgets.³⁸¹ For low income households, which often face difficult choices between heating, food, and other essentials, these additional charges undermine their ability to plan for and manage utility expenses effectively.³⁸²

The timing and unpredictability of WNA-related charges will also exacerbate the financial stress experienced by low income customers.³⁸³ Because the WNA is applied retrospectively to account for weather variations, customers may face unexpected bill increases that are difficult to predict. These charges are also assessed in the months with the highest bills, thereby compounding

³⁷⁶ CAUSE-PA St. 1 at 60.

³⁷⁷ Id.

³⁷⁸ Id.

³⁷⁹ Id.

³⁸⁰ Id. at 63.

³⁸¹ Id.

³⁸² Id.

³⁸³ Id.

monthly bill unaffordability.³⁸⁴ This unpredictability is particularly harmful to low income households, where any deviation in monthly expenses can disrupt financial stability. The WNA introduces a variable that makes it more challenging for vulnerable households to manage their limited resources effectively.³⁸⁵

To protect the interests of Peoples' residential ratepayers the Commission must exercise the type of competitive restraint that would occur if Peoples were faced with competition for its services and reject its request to continue the WNA.

B. Peoples' WNA contradicts each of the enumerated factors in the Commission's Distribution Rates Policy Statement.³⁸⁶

Peoples has failed to carry its burden to demonstrate that its WNA produces just and reasonable rates as implemented and as proposed.³⁸⁷ Peoples has also failed to demonstrate that its WNA satisfies the Commission's objectives in its Distribution Rates Policy Statement, which was established to evaluate the justness and reasonableness of alternative rate design proposals.

1. 69.3302(a)(1): Peoples' WNA does not align revenues with cost causation principles.³⁸⁸

Peoples' WNA fails to align revenues with cost causation principles per Section 69.3302(a)(1). The WNA assumes that Peoples is entitled to recover its revenue requirement regardless of the usage or throughput of its customers due to variations in weather, despite the fact that Peoples is in a weather sensitive business.³⁸⁹ The WNA distorts the connection between revenues and cost causation principles by charging customers more when their usage is lower than normal and less when their usage is higher than normal.³⁹⁰ The WNA disincentivizes effective

³⁸⁴ CAUSE-PA St. 1 at 63.

³⁸⁵ Id.

³⁸⁶ 52 Pa. Code §§ 69.3301, 69.3302.

³⁸⁷ 66 Pa. C.S. §§ 315 (a), 1301, 1330.

³⁸⁸ 52 Pa. Code § 69.3302 (a)(1).

³⁸⁹ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #1.

³⁹⁰ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #1.

management, because it charges customers based on normalized weather sensitive usage rather than actual weather sensitive usage.³⁹¹ The WNA improperly enables essentially guaranteed rate recovery and assumes that Peoples is entitled to recover its revenue requirement regardless of the usage of its customers due to variations in weather, regardless of the Company's effectiveness at efficient management.

Further, under the WNA, ratepayers have a lower per-mcf incentive to reduce usage during unusually cold periods than under traditional volumetric rates.³⁹² Since gas distribution systems are designed to meet extreme weather demands, the traditional rate approach is more consistent with cost causation and with how costs are allocated in the allocated cost of service study.³⁹³

Therefore, this factor does not support continuation of the WNA, because it does nothing to align revenues with cost causation principles and, in fact, is less consistent with cost causation than a traditional ratemaking approach.

2. 69.3302(a)(2): Peoples' WNA is not beneficial to the Company's capacity utilization.³⁹⁴

Section 3302(a)(2) does not support continued operation of Peoples WNA. The WNA charges customers more when the weather is warmer than normal and they use *less* of the systems' capacity, and it credits customers when the weather is colder than normal and they use *more* of the system's capacity. In this way, the WNA inverts the relationship between capacity utilization and customer charges. As such, this factor does not support continued operation of the WNA.³⁹⁵

³⁹¹ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #1.

³⁹² OSBA St. 1 at 14.

³⁹³ Id.

³⁹⁴ 52 Pa. Code § 69.3302 (a)(2)

³⁹⁵ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #2.

3. 69.3302(a)(3): Peoples' WNA does not reflect the level of demand associated with the customer's anticipated consumption levels.³⁹⁶

Pursuant to Section 69.3302(a)(3), Peoples' WNA does not reflect the level of demand associated with customers' anticipated consumption levels. The WNA generates revenue for Peoples' only when consumption is less than projected and, therefore, demand is less than anticipated.³⁹⁷ It does not reflect the level of demand that is associated with customers' anticipated usage.³⁹⁸

By design, the WNA is targeted to meet the revenue requirement at a fixed point in time. While that design is based on anticipated consumption at the end of the FPFTY and will change with each rate case, it fixes that revenue requirement as an entitlement despite projections of revenue loss based on weather.³⁹⁹ Therefore, the WNA does not meet this criterion of the Commission's Alternative Ratemaking Policy Statement.⁴⁰⁰

4. 69.3302(a)(4): Peoples' WNA does nothing to limit or eliminate interclass and intraclass cost shifting.⁴⁰¹

The WNA could lead to *intraclass* cost shifting to the extent that customers with lower use have a larger percentage of their total bill be weather sensitive than customers with more use.⁴⁰² As OCA witness Deupree noted, some intraclass cost shifting may occur to the extent that smaller use residential customers typically have a greater percent of their gas use that is temperature-sensitive compared to residential customers who are larger users.⁴⁰³ This means that these

³⁹⁶ 52 Pa. Code § 69.3302 (a)(3).

³⁹⁷ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #3.

³⁹⁸ Id.

³⁹⁹ Id.

⁴⁰⁰ 52 Pa. Code § 69.3302 (a)(3).

⁴⁰¹ 52 Pa. Code § 69.3302 (a)(4).

⁴⁰² CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #4; OCA St. 1 Exhibit MWD-1 p. 1 of 2.

⁴⁰³ OCA St. 1 Exhibit MWD-1 p. 1 of 2.

customers will pay a larger share of WNA charges because a larger percentage of their bill would be subject to the WNA adjustment. This factor supports rejection of the WNA.

As the WNA is currently structured, *interclass* cost shifting is unlikely; however, the WNA does nothing to limit or eliminate interclass and intraclass cost shifting under this factor of the Policy Statement.⁴⁰⁴

5. 69.3302(a)(5): Peoples' WNA does not eliminate disincentives for the promotion of energy efficiency.⁴⁰⁵

The WNA does not incentivize additional energy efficiency funding and may discourage energy efficiency adoption to the extent customers believe that their energy efficiency investment will be eroded.⁴⁰⁶ Further, the WNA mechanism weakens price signals for energy conservation during extreme cold, because ratepayers have a lower per-mcf incentive to reduce usage during unusually cold periods than under traditional volumetric rates.⁴⁰⁷ The Company has not demonstrated that the lack of a WNA would present a major obstacle for the promotion of energy efficiency programs.⁴⁰⁸

6. 69.3302(a)(6): From the perspective of customers, Peoples' WNA disincentivizes adoption of residential efficiency measures.⁴⁰⁹

The WNA undercuts customers' overall bill savings achievable through energy efficiency and conservation. There is nothing about WNA that incentivizes energy efficiency. From the perspective of the customer, the existence of the WNA may well disincentivize energy efficiency to the extent customers' energy efficiency investments will return less bill savings.⁴¹⁰ The WNA may be perceived as a disincentive to employ energy efficiency measures for customers whose

⁴⁰⁴ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #4.

⁴⁰⁵ 52 Pa. Code § 69.3302 (a)(5).

⁴⁰⁶ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #5; OSBA St. 1 at 16.

⁴⁰⁷ OSBA St. 1 at 14.

⁴⁰⁸ OCA St. 1 Exhibit MWD-1 p. 1 of 2.

⁴⁰⁹ 52 Pa. Code § 69.3302 (a)(6).

⁴¹⁰ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #6.

energy efficiency initiative takes place during periods of warmer than normal weather, because these customers will see increased WNA charges after reducing usage through implementing energy efficiency initiatives.⁴¹¹

7. 69.3302(a)(7): Peoples WNA has a detrimental impact on low-income customers.⁴¹²

The WNA detrimentally impacts Peoples' low income customers and customer assistance programs. Approximately 75% of Peoples' low income customers are not enrolled in CAP and will bear the full brunt of WNA charges that are assessed.⁴¹³ Adding the WNA charge during the winter months, when non-CAP low income energy burdens are highest, compounds energy insecurity and unaffordable bills for Peoples' low income customers.⁴¹⁴ These additional charges, in turn, contributes to disproportionate levels of arrears and terminations for low income households.⁴¹⁵ The increased need for assistance caused by these additional costs further drives up the cost of providing bill discounts and arrearage forgiveness through CAP.⁴¹⁶

8. 69.3302(a)(8): Peoples' WNA has a detrimental impact on customer rate stability principles.⁴¹⁷

On a long term basis, there is no evidence that the WNA produces more stable rates. Low income customers are struggling to afford their monthly bills, at both present and proposed rates. The WNA adds another surcharge to customers' bills without any showing that the WNA would reduce the frequency of base rate case filings.⁴¹⁸ Additional WNA charges added to customers' bills exacerbates unaffordability, which destabilizes the ability of low income customers to afford

⁴¹¹ OCA St. 1 Exhibit MWD-1 p. 1 of 2.

⁴¹² 52 Pa. Code § 69.3302 (a)(7).

⁴¹³ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #7.

⁴¹⁴ CAUSE-PA St. 1 at 64-65.

⁴¹⁵ *Id.* at 27-29.

⁴¹⁶ CAUSE-PA St. 1-SR at 41-42.

⁴¹⁷ 52 Pa. Code § 69.3302 (a)(8).

⁴¹⁸ OCA St. 1 Exhibit MWD-1 p. 1 of 2.

and stay connected to services. The WNA does not improve rate stability for these customers – but instead further exacerbates bill affordability issues. The WNA provides the Company with additional stability by assuring that it receives an essentially guaranteed level of return, but does not provide that same security to Peoples’ low income customers, who do not benefit from a hypothetical concept of bill stability by paying more when weather is warmer than normal.⁴¹⁹ Further, bills that are stable but not affordable do not benefit low income consumers.⁴²⁰ Enrollment in CAP or budget billing is a far more effective way to achieve bill stabilization than through a mechanism that adds tens of millions of dollars in additional charges to customer bills.⁴²¹

Furthermore, as OCA witness Deupree points out, the WNA adds another surcharge to customers’ monthly bills without any evidence that the WNA would reduce the frequency of base rate base filings and therefore does not improve rate stability.⁴²² Thus, this factor supports elimination of the WNA.

9. 69.3302(a)(9): Peoples’ WNA inequitably shifts the financial risk of warming weather onto customers.⁴²³

While the WNA reduces weather related variation in revenue collection for Peoples, it does so by imposing that traditional business risk on residential customers who are less able to bear this risk.⁴²⁴ This is especially true of Peoples’ low income customers whose average household income is approximately \$19,000 per year.⁴²⁵ As explained above, the WNA shifts weather-related risk from the utility to customers by assuming that Peoples is entitled to revenue based on its calculation of so-called “normal” weather (according to the utility’s own calculations) at the time that the

⁴¹⁹ CAUSE-PA St. 1 at 60.

⁴²⁰ Id. at 55-56.

⁴²¹ Id.

⁴²² OCA St. 1 at Exhibit MWD-1, at 1.

⁴²³ 52 Pa. Code § 69.3302 (a)(9).

⁴²⁴ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #9.

⁴²⁵ CAUSE-PA St. 1 at 19-20.

revenue requirement is established.⁴²⁶ As a monopoly utility, Peoples is far better able to shoulder the risk of weather related variations than its residential customers - especially its low income customers.⁴²⁷ Due to warming weather trends, customers are very likely to have to pay ever increasing costs under the WNA if it is permitted to continue.⁴²⁸

10. 69.3302(a)(10): Peoples' WNA does not impact the frequency of rate case filings and affect regulatory lag.⁴²⁹

The WNA will not reduce the frequency of rate cases, it will merely allow the utility to collect more revenue and reduce the overall effectiveness of the regulatory paradigm, including the effectiveness of regulatory lag.⁴³⁰ The WNA increases the likelihood that Peoples will collect its projected revenue and decreases the likelihood that it will operate efficiently between rate cases.⁴³¹

The WNA is a surcharge that weakens all of the positive aspects of regulatory lag, such as cost containment between rate cases.⁴³² Rates are set at a point in time, based on the known and measurable costs and need for revenue by the utility based on data from a test year. Once set, the rates are prospective only and fixed until changed by the Commission in a subsequent rate case.⁴³³ This practice encourages the utility to operate efficiently because it cannot increase rates again without Commission permission.⁴³⁴ As a result, a utility faces the risk of under recovery due to normal business risks and management underperformance.⁴³⁵ Utilities also face the risk of under recovery due to the calculations about sales projections that were established in the case.⁴³⁶ This

⁴²⁶ CAUSE-PA St. 1 at 58-59.

⁴²⁷ Id. at 59-60.

⁴²⁸ Id. at 61.

⁴²⁹ 52 Pa. Code § 69.3302 (a)(10).

⁴³⁰ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #10.

⁴³¹ Id.

⁴³² Id.

⁴³³ CAUSE-PA St. 1 at 12.

⁴³⁴ CAUSE-PA St. 1 at 12.

⁴³⁵ Id.

⁴³⁶ Id.

lack of any guaranteed revenue is one of the most important protections that regulation and traditional cost of service ratemaking provides to consumers.⁴³⁷ The WNA removes these incentives and thus works in favor of the utility by increasing rates, but against consumers because it does not necessarily promote efficient use of the system nor does it reduce the frequency of rate cases.

11. 69.3302(a)(11): Peoples' DSIC applies to the WNA rider, which irrationally allows the Company to levy a surcharge on a surcharge.⁴³⁸

Peoples' DSIC charge is also assessed on the WNA rider, which means that Peoples receives DSIC revenue based not only on the revenue charged based on a customer's usage but also based on what Peoples calculated that the customer should have used had the weather been "normal."⁴³⁹ This compounds the complexity of WNA because it constitutes a surcharge on a surcharge, which works to increase Peoples' revenue at the expense of its customers.⁴⁴⁰

Because Peoples applies the DSIC to WNA revenue, the existence of the WNA will, in the long term, have the effect of increasing the dollars that Peoples is able to collect through its WNA.⁴⁴¹ This compounds the irrationality of the WNA because it charges a surcharge on a surcharge, which works to increase Peoples' billed revenue at the expense of its customers.

12. 69.3302(a)(12): Peoples' WNA lacks appropriate consumer protections, and in fact places consumers at greater risk of higher bills.⁴⁴²

The WNA does not include sufficient consumer protections and lacks any checks on overearnings to prevent overall rate increases through WNA reconciliations.⁴⁴³ The WNA is

⁴³⁷ Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944); Pittsburgh v. Pa. PUC, 69 A.2d 844 (Pa. Super Ct. 1949); Duquesne Light Co. v. Barasch, 488 U.S. 299, 310, 312 (1989).

⁴³⁸ 52 Pa. Code § 69.3302 (a)(11).

⁴³⁹ CAUSE-PA St. 1 at 62.

⁴⁴⁰ Id.

⁴⁴¹ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #11.

⁴⁴² 52 Pa. Code § 69.3302 (a)(12).

⁴⁴³ OCA St. 1, Exhibit MWD -1 p. 2 of 2.

neither fair nor transparent because it almost always benefits the utility and it is complicated to understand.⁴⁴⁴ The average Peoples' customer is extremely unlikely to know what a heating degree day is or how a utility's rates are set, nor are they likely to be able to follow the complicated algebraic equation need to determine their WNA charge.⁴⁴⁵

Peoples mischaracterizes several aspects of its WNA as “consumer protections,” claiming that the WNA would not allow the Company to collect more than its authorized revenue requirement, that there is not cross subsidization, that the Commission has regulatory oversight, and that the WNA is transparent to customers.⁴⁴⁶ The record does not support the conclusion that these claimed attributes are actually consumer protections. Further, the absence of cross subsidization is not a consumer protection.⁴⁴⁷ Since the WNA is set to achieve an overall revenue requirement for the class, it would actually benefit customers if were implemented on a class-wide basis, rather than on an individual basis as currently constructed.⁴⁴⁸

The Commission's regulatory oversight is also not a “consumer protection” in the context of the WNA. There is nothing inherent in the WNA that ensures regulatory oversight or reporting, it merely exists in the context of a broader regulatory system where rates are subject to Commission oversight more generally.⁴⁴⁹

Further, Peoples' lengthy WNA season – extending from October through May (that is, for *two-thirds of the year*) – does not accord with other regulatory protections related to the winter heating season. Peoples' WNA season extends far beyond the winter heating months of December through March recognized by the Commission and the General Assembly for critical consumer

⁴⁴⁴ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #12.

⁴⁴⁵ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #13.

⁴⁴⁶ Peoples Exhibit JDT-6; CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #12.

⁴⁴⁷ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #12.

⁴⁴⁸ Id.

⁴⁴⁹ Id.

protections, including the winter termination moratorium and distribution of LIHEAP assistance.⁴⁵⁰

While the WNA deadband technically works as a protection, in the absence of the WNA, there would be no need for a deadband.⁴⁵¹ It is merely a restraint or collar on the worst outcomes of the WNA.⁴⁵² Further, the 3% deadband featured in Peoples' WNA is inadequate to prevent adjustments for minor weather variations and is flatly out of step with the 5% deadband the Commission recently authorized in Columbia Gas's 2025 rate case, wherein the Commission stated that "a 5% deadband adequately captures what could be considered normal weather fluctuations in Pennsylvania" and "places more of the burden for calculating and forecasting weather variations back onto the Company as a normal part of doing business."⁴⁵³

Finally, while Peoples points to purported customer education related to its WNA, the WNA is a complicated mechanism that is based on an opaque formula, and simply providing customers with information does not mean that customers understand how the WNA operates.⁴⁵⁴ As such, this factor does not support continuation of the WNA.

13. 69.3302(a)(13): Peoples' WNA is overly complex and not understandable for consumers.⁴⁵⁵

Peoples' WNA is not understandable for consumers. The WNA requires an overly complicated and nuanced calculation that is difficult for customers to understand because it charges customers not for their actual usage but for their hypothetical usage. It is not reasonable to assume that customers understand the WNA or why it is in place.⁴⁵⁶ The concept that one must

⁴⁵⁰ CAUSE-PA St. 1 at 64.

⁴⁵¹ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #12.

⁴⁵² Id.

⁴⁵³ Pa. PUC v. Columbia Gas of Pa., Inc., Opinion and Order, Docket No. R-2025-3053499 at 301 (Order entered Dec. 9, 2025).

⁴⁵⁴ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #12.

⁴⁵⁵ 52 Pa. Code § 69.3302 (a)(13).

⁴⁵⁶ CAUSE-PA St. 1 at 60.

pay for services that Peoples anticipates that one would use in normal weather rather than what one used under actual weather is a difficult concept to understand.⁴⁵⁷

Customers understand that they should pay for gas distribution service they use, but do not understand that they should pay for service they do not use, but should have used.⁴⁵⁸ It is not reasonable for customers to have to understand each of the complicated concepts used to calculate this charge.⁴⁵⁹ It is a multivariable algebraic equation based on an abstract concept and is in no way straight forward.⁴⁶⁰ Peoples WNA tariff uses jargon and terms of art that are unique and in no way common or understandable to the typical customer.⁴⁶¹

14. 69.3302(a)(14): Peoples' WNA does not support improvements in utility reliability.⁴⁶²

Peoples has not provided evidence that the WNA would support improvements in utility reliability other than protecting its ability to collect its revenue requirement. There is no basis in the record to support Peoples' argument that the WNA would help to minimize volatility of the recovery of revenue requirement costs, and the Commission should scrutinize Peoples' claim thoroughly.⁴⁶³ The WNA is not tied to achievement of any reliability improvement or performance in any way by Peoples. It merely works to shore up guaranteed profits, while at the same time undermining incentive for Peoples to achieve its authorized revenue through operational efficiency.

As OCA witness Deupree notes, the WNA has not led to changes in the Company's quality of service, nor is it tied to achievement of increased service reliability performance, but has

⁴⁵⁷ CAUSE-PA St. 1 at 60.

⁴⁵⁸ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #13.

⁴⁵⁹ Id.

⁴⁶⁰ Id.

⁴⁶¹ Id.

⁴⁶² 52 Pa. Code § 69.3302 (a)(14).

⁴⁶³ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #13.

reduced the positive incentive of regulatory lag for the Company to control costs and led to customer confusion.⁴⁶⁴ The Company retains the ability to file rate cases using a projected future test year to address concerns associated with capital improvements required to facilitate reliable delivery of natural gas.⁴⁶⁵

C. Summary of Reasons to Deny WNA

Peoples' WNA is designed to stabilize Peoples' revenue fluctuations caused by variations in weather, but it does so by disproportionately burdening low income customers, raising deep concerns about fairness and equity.⁴⁶⁶ While this mechanism protects Peoples' from revenue volatility, it transfers the financial risk of warmer weather onto customers who may have already reduced their consumption to manage tight household budgets.⁴⁶⁷ For low income households, which often face difficult choices between heating, food, and other essentials, these additional charges undermine their ability to plan for and manage utility expenses effectively.⁴⁶⁸ Upon considering the Company's proposed WNA in the context of the Commission's guiding policy statements on alternative ratemaking methods, as well as the statutory basis for such methods, the Company's proposal should be rejected because the WNA:

- (1) undermines cost-of-service principles,
- (2) reduces consumer incentives to reduce energy usage,
- (3) obscures price signals and makes customer bills more unpredictable,
- (4) has a disproportionate impact on low-income customers,
- (5) is difficult to understand for consumers, and
- (6) lacks meaningful consumer protections.

CAUSE-PA urges the Commission to reject Peoples' request to continue its WNA and that the WNA cease upon implementation of rates in this case.⁴⁶⁹

⁴⁶⁴ OCA St. 1 at Exhibit MWD-1, at 2.

⁴⁶⁵ Id.

⁴⁶⁶ CAUSE-PA St. 1 at 63.

⁴⁶⁷ Id.

⁴⁶⁸ Id. at 63-64.

⁴⁶⁹ CAUSE-PA St. 1 at 63.

D. If the Commission allows the WNA to continue it should be substantially reformed.

As explained more fully above, Peoples has failed to meet its burden of demonstrating that the WNA produces just and reasonable rates and for all the reasons outlined above it should be denied. If the Commission determines that the WNA should remain in place, there are several reforms that should occur that would mitigate the worst outcomes of the WNA for consumers. Specifically, as CAUSE-PA witness Cicero explained in his direct testimony, it should be reformed as follows:

- (1) The WNA should not be approved for a period of more than three years, so its effectiveness can be assessed more frequently.⁴⁷⁰
- (2) The months in which the WNA is operable should be reduced to the period from December through March. These are the winter months recognized by the Commission and the General Assembly for other public policy purposes such as the winter termination rules that prevent termination of service to households with income at or below 250% FPL.⁴⁷¹ If these are the months when economically vulnerable households must retain service because of the possibility of cold weather, it is unreasonable to allow Peoples to assess a weather-related charge in the months of October, November, April, or May.⁴⁷²
- (3) WNA billed revenue should be excluded from the revenue upon which the DSIC is assessed. Peoples should not be allowed to assess an up to 5% surcharge on top of the WNA surcharge, because it compounds the harm to households for whom the WNA is assessed and inflates the revenue that Peoples collects through its DSIC.⁴⁷³
- (4) The deadband should be increased to 5% rather than the current 3%. This would bring the WNA in alignment with that which was recently permitted to continue in the Columbia Gas 2025 rate case and would produce fewer months where the WNA would be charged or credited and allow for actual significant deviations in weather to be adequately

⁴⁷⁰ CAUSE-PA St. 1 at 64.

⁴⁷¹ *Id.* at 64; 52 Pa. Code § 56.100(b) (Winter termination procedures for natural gas distribution utilities are effective

⁴⁷² CAUSE-PA St. 1 at 64 (Mr. Cicero recommended alternatively that, “At the very least, the months of October and May should be eliminated to be consistent with the Commission’s most recent decision in the Columbia Gas 2025 rate case where it approved Columbia’s WNA only for the months November through April.”).

⁴⁷³ CAUSE-PA St. 1 at 64.

addressed.⁴⁷⁴ “It [would] also place[] more of the burden for calculating and forecasting weather variations back onto the Company as a normal part of doing business.”⁴⁷⁵

- (5) To promote revenue stability, the WNA should be applied on a per class basis, reconciled annually, and surcharged over the full 12-months of the subsequent year rather than on a per customer basis. This change would eliminate the hardship that currently exists by imposing WNA charges during the highest usage and most expensive bills in the winter where energy burdens are at their highest.⁴⁷⁶ This process of further set out in Mr. Cicero’s Surrebuttal testimony.⁴⁷⁷
- (6) CAP customers should be exempt from the WNA.⁴⁷⁸ The WNA charges caused by warmer weather trends will increase the bill for CAP customers who are charged according to their average bill, up to the applicable percentage of income payment. These customers already lack the ability to afford their monthly expenses and should not be required to pay any more than necessary. Further, CAP customers who are enrolled in Peoples’ percentage of income payment do not pay the WNA charges directly because their bills are capped at their percentage of income bills. Since CAP customers do not pay their full tariff bill, the imposition of WNA charges on CAP bills needlessly increases the costs of the CAP program paid for by other residential customers.⁴⁷⁹

Thus, while CAUSE-PA strongly urges the Commission to order Peoples to discontinue its WNA, if the Commission decides to allow it to continue, it should only do so on the condition that it is amended in line with the recommendations above.

XII. EFFECTIVE DATE OF RATES

CAUSE-PA does not take a position on the effective date of rates in this Main Brief but reserves the right to address any issue raised by other parties in its Reply Brief.

⁴⁷⁴ Pa. PUC v. Columbia Gas of Pa., Inc., No. R-2025-3053499, Final Order at 301–02, (Order Entered Dec. 9, 2025).

⁴⁷⁵ CAUSE-PA St. 1 at 65; Pa. PUC v. Columbia Gas of Pa., Inc., No. R-2025-3053499, Final Order at 301–02, (Order Entered Dec. 9, 2025).

⁴⁷⁶ CAUSE-PA St. 1 at 65.

⁴⁷⁷ CAUSE-PA St. 1-SR at 39-40.

⁴⁷⁸ CAUSE-PA St. 1 at 41-42

⁴⁷⁹ CAUSE-PA St. 1-SR at 41.

XIII. UNIVERSAL SERVICE PROGRAM RIDER

A. One Time Credit Adjustment

CAUSE-PA does not take a position on the one-time credit adjustment in this Main Brief but reserves the right to address any issue raised by other parties in its Reply Brief.

B. Bad Debt Offset Calculation

CAUSE-PA does not take a position on the bad debt offset calculation in this Main Brief but reserves the right to address any issue raised by other parties in its Reply Brief.

C. Proposed Additional Costs to Universal Service Program Rider

Peoples' proposal to include additional costs within its Universal Service Program Rider should be rejected. Peoples' proposals are similar to those proposed by Columbia Gas of Pennsylvania in its last rate case to recover the costs of its Energy Assistance Team (EAT) through its Rider USP rather than base rates.⁴⁸⁰ There, the Commission concurred with the ALJs' recommendation that Columbia continue to recover its EAT costs through base rates.⁴⁸¹ The Commission stated, "shifting the recovery of EAT costs from the Company's base rates to its Rider USP provides Columbia with a *guaranteed* recovery of EAT labor costs and eliminates the Commission's authority to review the reasonableness and prudence of such costs."⁴⁸²

Here, Peoples proposes to add the following costs to its Rider Universal Service:

- Outreach costs related to CARES.
- Third-party costs associated with the Independent Evaluation of universal service programs, as required to comply with the BCS requirement to submit such evaluation on a recurrent basis.

⁴⁸⁰ Pa. PUC v. Columbia Gas of Pennsylvania, Inc., R-2025-3053499, Opinion and Order at 167-168 (Entered Dec. 4, 2025).

⁴⁸¹ Id.

⁴⁸² Id. (emphasis in original).

- The salary and benefits for Peoples' proposed LIURP Compliance Specialist to be included in the recoverable LIURP budget, which is a component of the Rider Universal Service.⁴⁸³

It is unreasonable for Peoples to assign these additional costs to its Universal Service Rider, while continuing to recover that rider solely from residential customers. While adopting a broader allocation of universal service costs would help alleviate the burden on residential customers, these costs are nonetheless more appropriately recovered through base rates.⁴⁸⁴ Shifting these costs to Peoples Universal Service rider would provide Peoples with a guaranteed recovery of those costs and truncates the ratemaking process that is designed to ensure the reasonableness and prudence of those costs.⁴⁸⁵

Peoples should be required to continue its current process and recover its CARES costs and its Independent Evaluation costs through base rates. Further, while CAUSE-PA supports the addition of a LIURP Compliance Specialist, the salary and benefits for that position are more appropriately recovered through base rates. These recommendations will allow the Commission to continue to review the reasonableness and prudence of these costs.

XIV. LOW INCOME CUSTOMER ISSUES

Chapter 15 of the Public Utility Code imposes crucial customer service standards on public utilities and requires Peoples to furnish and maintain adequate, efficient, safe, and reasonable service to its customers.⁴⁸⁶ Universal service issues are fundamental customer service issues, the standards for which are enshrined in the Choice Act and developed through decades of Commission precedent. The Commission must ensure that Peoples' universal service standards,

⁴⁸³ Peoples' St. 10 at 8:22-9-18.

⁴⁸⁴ CAUSE-PA St. 1 at 75

⁴⁸⁵ See Pa. PUC v. Columbia Gas of Pennsylvania, Inc., R-2025-3053499, Opinion and Order at 167-168 (Entered Dec. 4, 2025).

⁴⁸⁶ 66 Pa. C.S. § 1501 *et seq.*

regulations, and practices are just and reasonable to ensure the Company's low income customers can access and maintain adequate and reasonable service.⁴⁸⁷ Peoples is statutorily required to maintain a portfolio of universal service programs that is appropriately funded and available to assist low income households to connect and maintain service to their home.⁴⁸⁸ As it stands, and as detailed more fully below, Peoples' universal service programs are undersubscribed, underfunded, and insufficiently available to meet the demonstrated need of the Company's low income customers for assistance to afford and maintain service their homes. In light of Peoples' proposals in this case to substantially increase rates, the Commission must ensure that Peoples programs are meeting the needs of Peoples' low income customers and fulfilling all applicable statutory and regulatory requirements.

While low income programs are reviewed periodically through Universal Service and Energy Conservation Plan proceedings (USECPs), those proceedings are reviewed by the Commission through a comment proceeding. There is no opportunity provide a full evidentiary basis of review – nor do they allow for the Commission to account for changing and evolving circumstances which necessarily impact the reach and effectiveness of universal service and energy conservation programs.

The Commission has expressly concluded that universal service and energy conservation issues are a relevant and important area of inquiry in the context of determining whether a utility's rates are just and reasonable and should not be exclusively relegated to a utility's periodic USECP proceeding. For example, the Commission concluded in its recent Final-Form Rulemaking Order revising LIURP regulations that "rate case proceedings, for example, allow parties to, *inter alia*,

⁴⁸⁷ 66 Pa. C.S. § 1501.

⁴⁸⁸ 66 Pa. C.S. §§ 2202, 2203 (7)-(8).; 52 Pa. Code §§ 62.3, 62.4. *See* section I.B, above, for a full discussion of the applicable legal standards for universal service and energy conservation programs.

consider the justness and reasonableness of the cost of a public utility’s universal service programs including its LIURP.”⁴⁸⁹ The Commission also set forth this conclusion in its Final Order in the Philadelphia Gas Works 2023 base rate proceeding (*PGW 2023*), stating:

...[W]e share the concerns raised by the Parties and acknowledged by the ALJs that tabling consideration of [universal service] issues until PGW’s next USECP proceeding would result in denying low-income customer relief for an extended period. In our view, such a result is unreasonable and thwarts the purpose of universal service, which is to help low-income customers *maintain* their natural gas service. See, 66 Pa. C.S. § 2202. Further, we find CAUSE-PA/TURN’s argument, that a base rate case proceeding provides a more formal review process than the USECP review process, to be persuasive. Accordingly, we find that the instant proceeding is the more appropriate forum to address these low-income customer service issues and we shall deny PGW’s Exception No. 16.⁴⁹⁰

In *PGW 2023*, the Commission pointed to its policy statement regarding ratemaking procedures specific to PGW, which requires the Commission to consider “the effect on universal service” when reviewing the justness and reasonableness of PGW’s rates.⁴⁹¹ The Commission’s conclusion that universal service issues are appropriately addressed in a base rate proceeding, however, is not cabined to PGW. In the 2025 base rate proceeding of Columbia Gas of Pennsylvania, Inc. (*Columbia 2025*), the Commission adopted by reference the Conclusions of Law set forth in the ALJ’s Recommended Decision, including COL 73:

Universal service and energy conservation issues are a relevant and important area of inquiry in the context of determining whether a utility’s rates are just and reasonable and cannot be relegated to a utility’s periodic Universal Service and Energy Conservation Plan proceeding.⁴⁹²

⁴⁸⁹ Initiative to Review and Revise the Existing Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§ 58.1—58.18, Docket No. L-2016-2557886, Final Form Rulemaking Order at 123 (Entered March 13, 2025).

⁴⁹⁰ *Pa. PUC v. PGW*, Opinion and Order, Docket No. R-2023-3037933, at 216 (Entered Nov. 9, 2023) (emphasis in original).

⁴⁹¹ *Id.* at 215.

⁴⁹² *Pa. PUC v. Columbia Gas of Pa.*, Recommended Decision, Docket No. R-2025-3053499 at 678.

Thus, full review of universal service programs in the context of a rate proceeding – where the justness and reasonableness of a utility’s rates, programs, and terms and conditions are subject to searching review – is critically important. When examining a rate increase proposal, the Commission must examine whether existing programs are adequate to meet the needs of low income customers to afford and maintain service to their home, in line with the statutory and regulatory requirements, including Chapter 15.

A. Customer Assistance Program

1. *Peoples Proposed CAP Fraud tariff provision should be rejected because it is subjective and could lead to customers being unjustifiably removed from CAP.*

Peoples proposes to add Provision # 10 to its Rate CAP tariff page to allow it to remove customers who are found to have obtained CAP benefits fraudulently and require them to pay back the benefits incorrectly received.⁴⁹³ Peoples proposed Provision # 10 states:

If the Company determines a CAP participant obtained benefits through fraudulent means, such as failing to report all household income, benefits previously provided may be reversed and the customer will be responsible to pay back the benefits incorrectly received.⁴⁹⁴

Peoples’ proposed CAP fraud provision # 10 has a dangerous level of subjectivity that could lead to customers who are low income customers being unjustifiably removed from CAP, leading to service termination.⁴⁹⁵ Furthermore, there is no substantial evidence in the record to demonstrate that this process is necessary or that Peoples’ existing policies are insufficient. CAUSE-PA is further concerned that this danger is even more pronounced considering that Peoples does not conduct its own income screening of CAP applicants, because that duty is performed by its CAP administrator, Dollar Energy Fund.⁴⁹⁶ This system adds another layer of

⁴⁹³ Peoples St. 10 at 10.

⁴⁹⁴ Id. at 8:18-21; Peoples Natural Gas Company LLC Retail Tariff No. 49 page 43.

⁴⁹⁵ CAUSE-PA St. 1 at 71.

⁴⁹⁶ Id.

uncertainty as to whether, if a customer is over income, whether that customer was mistaken or whether an error was made in the processing of the income documentation.⁴⁹⁷

When asked how the Company intends to identify whether a customer “obtained benefits through fraudulent means,” the Company indicates that:

These situations are typically identified through a review of high usage accounts. For example, upon review, if the Company identifies the high usage is due to an large residence with significant property value and if there is no history of applying for or receiving LIHEAP and if there is undocumented income such as completion of the zero income form or 'other' income form or an appearance of unreported income, the Company will investigate further to determine if there are publicly available indications of unreported income (i.e. owns their own business, etc.).⁴⁹⁸

This methodology is rife with subjectivity as to what the Company would allege to be CAP fraud based upon the “appearance of unreported income” and the indications of unreported income would include if a customer owned their own business.⁴⁹⁹ Mr. Cicero explained that “there are many situations where low income customers could be classified as small business owners. Low income customers are often subject to jobs that classify them as independent contractors, such as restaurants, salons, ride shares, and delivery applications, etc.”⁵⁰⁰ He further explained that there are many situations where owners of small businesses fall upon tough times and would qualify as low income customers due to decreased revenues and increased expenses.⁵⁰¹

If Peoples were to implement its proposed CAP fraud provision, the process must be more clearly defined and objective. Peoples indicated that it has not developed a way for customers to dispute allegations of CAP fraud other than its existing dispute process and their ability to contact the Commission’s Bureau of Consumer Services.⁵⁰²

⁴⁹⁷ CAUSE-PA St. 1 at 71.

⁴⁹⁸ *Id.* at 71, Appendix B: Peoples Response to CAUSE-PA VI-002(b).

⁴⁹⁹ CAUSE-PA St. 1 at 71.

⁵⁰⁰ CAUSE-PA St. 1 at 71-72.

⁵⁰¹ *Id.* at 72.

⁵⁰² CAUSE-PA St. 1 at 72, Appendix B: Peoples Response to CAUSE-PA VI-002(c).

Mr. Cicero recommended that this tariff change be denied in this case and that Peoples consult its USAG to develop more clearly defined, objective parameters for identifying CAP fraud and distinguishing it from mistakes in the application process.⁵⁰³ He recommended the Company work with its USAG to develop guidelines for disputes related to allegations of CAP fraud and, make a proposal in its next rate case or USECP proceeding if it still deems the change necessary after consulting with the USAG.⁵⁰⁴

In her rebuttal testimony, Ms. Black notes that “this type of behavior from CAP customers is not in any way a common occurrence.”⁵⁰⁵ She points to a singular incident where the Company identified a CAP customer with a pool heater and reviewed the account and found the customer lived in a home that had a high assessed value that the customer had very high usage.⁵⁰⁶ Ms. Black indicates the Company took several steps to validate the customer’s eligibility, and the customer eventually enrolled in a payment plan – without recertifying for CAP.⁵⁰⁷ This singular example of suspected yet unproven fraud does not amount to substantial evidence to change tariff rules. Despite this, Ms. Black argues that, while this is a singular incident, absent a tariff change, the Company will be without recourse to remediate such situations in the future.⁵⁰⁸ This is incorrect. Peoples could handle the situation in the future as they handled it in the past.

In response to Peoples, Mr. Cicero stood by his recommendation, reiterating the necessity that the Company develop clearly defined, objective parameters for identifying CAP fraud and a specific dispute process for allegations of CAP fraud.⁵⁰⁹ He explained that the absence of information should not be presumed to indicate fraud, and that the situation described by Ms. Black

⁵⁰³ CAUSE-PA St. 1 at 72.

⁵⁰⁴ Id.

⁵⁰⁵ Peoples St. 10-R at 6:8-9.

⁵⁰⁶ Id. at 6.

⁵⁰⁷ Id.

⁵⁰⁸ Peoples St. 10-R at 6.

⁵⁰⁹ CAUSE-PA St. 1-SR at 44.

was a single instance of *suspected* CAP fraud and lacked actual proof of fraud.⁵¹⁰ He further explained that, from Ms. Black's description, the Company acted appropriately and there is no evidence that existing rules are insufficient to provide adequate recourse.⁵¹¹

Allegations of fraud must be proven before customers are punished for it. There should be a clearly defined, objective criteria and a dispute process for customers to defend themselves against such allegations. CAUSE-PA respectfully urges that CAP Tariff Provision # 10 be rejected and that Peoples be required to consult its USAG to develop more clearly defined, objective parameters for identifying CAP fraud, including a clearly defined dispute process.

2. *Peoples should be required to adopt the revisions to its CAP Recreational Use policies set out in witness Black's rebuttal testimony.*

Peoples proposes to add Provision # 9 to its Rate CAP tariff page to allow it to remove customers from the customer assistance program if they find unjustified usage because of recreational gas use.⁵¹² In his direct testimony, CAUSE-PA witness Cicero voiced concern that some of the uses identified by Peoples are not necessarily "recreational" or "unjustified."⁵¹³ He was concerned that low income customers, especially tenants, may have difficulty controlling whether those uses are included in their service.⁵¹⁴ He recommended Provision # 9 be rejected and that Peoples be ordered to work with its Universal Service Advisory Group (USAG) to develop objective criteria and a dispute process.

In her rebuttal testimony, Peoples witness Black explained that the prohibition on recreational CAP usage has been in the Company's Universal Service and Energy Conservation Plan (USECP) since 2014.⁵¹⁵ She further explained that the Company waives this provision if the

⁵¹⁰ CAUSE-PA St. 1-SR at 44.

⁵¹¹ Id.

⁵¹² Peoples St. 10 at 10.

⁵¹³ CAUSE-PA St. 1 at 68-69.

⁵¹⁴ Id.

⁵¹⁵ Peoples St. 10-R at 2-3.

customer submits verification of a medical need and that it is not the Company's practice to back bill customers for this usage.⁵¹⁶

Ms. Black proposed revising the proposed Provision # 9 to remove references to appliances other than pool heaters and to remove the reference to the unjustified usage being billed back to the customer.⁵¹⁷ She also indicated the Company will update its USECP to remove references to back billing and to specify that customers can provide a medical certificate to verify that the usage is necessary.⁵¹⁸ CAUSE-PA accepts that Ms. Black's proposed revisions to Provision # 9 are reasonable and address the concerns raised by Mr. Cicero.⁵¹⁹

CAUSE-PA urges that, if the Honorable ALJ and the Commission were to approve Provision # 9 to Peoples' Rate CAP tariff page, the proposed revisions in Ms. Black's rebuttal testimony be included in the Recommended Decision and Final Order in this proceeding.

3. *The significant and concerning increase in CAP Terminations should be studied by Peoples and be required in the Commission's Final Order.*

Enrollment in CAP should be the most significant, preventative mechanism to reduce the rate of service loss for low income customers.⁵²⁰ However, Peoples CAP terminations more than doubled from 1,500 in 2023 to 3,340 in 2024, resulting in a CAP termination rate of 10.6%, which was even higher than non-CAP confirmed low income customers (10.2%).⁵²¹ While People's CAP terminations decreased to a 6.5% termination rate in 2025, they remained elevated compared to pre-2024 levels and more than double the termination rate for general residential customers and triple the rate for non-low income households.⁵²² CAUSE-PA witness Cicero voiced concern about

⁵¹⁶ Peoples St. 10-R at 5.

⁵¹⁷ *Id.* at 4-5.

⁵¹⁸ *Id.* at 5.

⁵¹⁹ CAUSE-PA St. 1-SR at 43.

⁵²⁰ CAUSE-PA St. 1 at 29.

⁵²¹ *Id.* at 28-29, Table 5.

⁵²² CAUSE-PA St. 1 at 28, Table 5.

the increase in CAP customer terminations.⁵²³ He recommend that Peoples be required to conduct a root cause analysis to address why its CAP termination rate increased so significantly in 2024 and develop a plan to ensure that it continues to decrease.⁵²⁴

In rebuttal testimony, Peoples' witness Black argued that a root cause analysis is not necessary because the Company is undergoing an independent evaluation of its universal service programs.⁵²⁵ In response to discovery, Peoples indicated that it is currently undergoing a Universal Service Evaluation that will be completed in April 2027 and that as a part of the evaluation, they have requested that the evaluator look at CAP termination trends from 2019 to 2025.⁵²⁶ The Company's commitment to address this issue in its ongoing evaluation and discuss the results with its universal service advisory committee, satisfied Mr. Cicero's recommendation for a more thorough evaluation of these issues.⁵²⁷ Nevertheless, the Commission should include this commitment in its Final Order in this proceeding to ensure it is fulfilled.

4. *The significant number of customers who request a CAP Application but do not complete the application should be studied by Peoples and be required in the Commission's Final Order.*

In his direct testimony, CAUSE-PA witness Cicero recommended that Peoples conduct a root cause analysis to determine why a significant number of potentially eligible customers are not completing the application process.⁵²⁸ In rebuttal testimony, Peoples witness Black argues that a root cause analysis is not necessary because the Company is undergoing an independent evaluation of its universal service programs.⁵²⁹ In response to discovery, Peoples demonstrated that as of July 14, 2026, the independent evaluator is now tasked with reviewing Peoples' high rate of incomplete

⁵²³ CAUSE-PA St. 1 at 73.

⁵²⁴ Id.

⁵²⁵ Peoples St. 10-R at 13.

⁵²⁶ CAUSE-PA St. 1-SR at 45, Appendix A: Peoples Response to CAUSE-PA Set IX-002.

⁵²⁷ Id. at 45.

⁵²⁸ CAUSE-PA St. 1 at 73-74

⁵²⁹ Peoples St. 10-R at 13.

CAP applications.⁵³⁰ The Company's commitment to address this issue in its ongoing evaluation and to discuss the results its USAG satisfied Mr. Cicero's recommendation.⁵³¹ Nevertheless, the Commission should include this commitment in its Final Order in this proceeding to ensure it is fulfilled.

B. Low Income Usage Reduction Program

Weatherization Providers Task Force (PWPTF) witness Jennifer Warabak recommended that Peoples increase its annual budget for LIURP by \$975,000 to support serving an *additional* 75 customers per year.⁵³² Ms. Warabak explained that there is an unmet need for LIURP services as indicated by the number of the Company's low-income customers relative to the number customers served.⁵³³ She further explained that, "As a result of this proceeding rates are likely to increase, a customer's ability to conserve will decrease (if the fixed monthly charge is increased) yet no additional relief is being provided to customers that would allow them to increase their conservation of energy and decrease their monthly bills."⁵³⁴

In rebuttal testimony, Peoples witness Black argued that the Company already projects to exceed the number of customers recommended by Ms. Warabak.⁵³⁵ As discussed above, Peoples not only argues against any increase in LIURP services, but the Company also seeks to advance rate design that will erode the effectiveness of existing LIURP services. For their part, I&E witness Okum does not oppose the recommendation to serve 75 additional customers through LIURP, but instead argues that additional funds are not necessary to serve more households because Peoples has not spent its full LIURP budget in the past few years.⁵³⁶

⁵³⁰ CAUSE-PA St. 1-SR at 46, Appendix A: Peoples Response to CAUSE-PA Set IX-002, Attachment C.

⁵³¹ Id. at 46-47.

⁵³² PWPTF St. No. 1 at 6-7.

⁵³³ Id. at 6.

⁵³⁴ PWPTF St. No. 1 at 6.

⁵³⁵ Peoples St. 10-R at 21.

⁵³⁶ I&E St. 1-R at 2-4.

In his surrebuttal testimony, CAUSE-PA witness Cicero agreed with witness Warabak that Peoples' LIURP budget is not adequate to meet growing need for comprehensive usage reduction services.⁵³⁷ Mr. Cicero explained that Peoples' LIURP underspending in recent years is not indicative of a lack of need for LIURP services in its territory.⁵³⁸ As Ms. Black explained in her rebuttal, in 2024 and 2025, Peoples transitioned to a new program administrator, which slowed down LIURP production.⁵³⁹ In 2023, prior to this transition, the Company expended 97% of its LIURP budget.⁵⁴⁰ According to Ms. Black, since the transition has completed, the Company's LIURP production has greatly improved and is projected to exceed the number of customers previously served by the program.⁵⁴¹

The Choice Act is explicit that universal service and energy conservation programming must be appropriately funded and accessible to those in need.⁵⁴² As rates and costs continue to increase, so too does the need for expanded funding to ensure the program remains available, consistent with the mandates in the Choice Act. CAUSE-PA submits that Ms. Warabak's recommended LIURP budget is appropriate to support this increased production and to help mitigate the additional need created by any approved rate increase in this proceeding.⁵⁴³ CAUSE-PA respectfully urges the Commission to adopt Ms. Warabak's recommendation and order Peoples to increase its annual budget by \$975,000 to support serving an additional 75 customers per year through LIURP.⁵⁴⁴

⁵³⁷ CAUSE-PA St. 1-SR at 47-48.

⁵³⁸ *Id.* at 47.

⁵³⁹ Peoples St. 10-R at 21.

⁵⁴⁰ CAUSE-PA St. 1-SR at 47, Appendix A: Peoples Response to CAUSE-PA Set II-002, Attachment.

⁵⁴¹ Peoples St. 10-R at 21.

⁵⁴² 66 Pa. C.S. § 2203(8).

⁵⁴³ CAUSE-PA St. 1-SR at 47-48.

⁵⁴⁴ I&E St. 1-R at 2-4; PWPTF St. No. 1 at 6-7.

XV. CUSTOMER SERVICE ISSUES

A. Service Terminations

CAUSE-PA respectfully urges the Commission to adopt the recommendation of OCA witness Colton that Peoples be required to conduct an independent root cause analysis to determine what is driving the disproportionate level of utility disconnections within the Company's service territory.⁵⁴⁵ Mr. Colton recommended that, "Once this root cause analysis is conducted, Peoples should commit to taking steps to address the cause with the commitment of reducing the disproportionate level of disconnections. The extent to which Peoples mitigates the disproportionate disconnection of service for nonpayment in zip codes with high penetrations of Black households should be reviewed in Peoples next base rate case."⁵⁴⁶

Mr. Colton based this recommendation on a disparate impact test that determined that the nonpayment disconnections employed by Peoples have a disparate impact on Black and African- American populations.⁵⁴⁷ He found:

- While 30.07% of all residential customers live in Above-Average Black zip codes (householders), 42.97% of all residential nonpayment disconnections occur in those zip codes. Similarly, while 30.92% of all residential customers live in Above-Average Black zip codes (population), 43.80% of all residential nonpayment disconnections occur in those zip codes.⁵⁴⁸
- The pattern does not change if the data is limited to Confirmed Low-Income customers (rather than extending to all residential customers). While 32.73% of all Confirmed Low-Income customers live in Above-Average Black zip codes (householders), 45.42% of all Confirmed Low-Income nonpayment disconnections occur in those zip codes. Similarly, while 33.40% of all Confirmed Low-Income customers live in Above-Average Black zip codes (population), 46.13% of all Confirmed Low-Income nonpayment disconnections occur in those zip codes.⁵⁴⁹

⁵⁴⁵ OCA St. 4 at 4-5, 51-57.

⁵⁴⁶ Id. at 56.

⁵⁴⁷ Id. at 51-55.

⁵⁴⁸ Id. at 54.

⁵⁴⁹ Id.

He noted that these disparate impacts are not unique to peoples, pointing to an article in The Electricity Journal finding that neighborhoods with a greater concentration of people of color is associated with a meaningfully higher involuntary disconnection rate, even after controlling for economic and demographic factors.⁵⁵⁰

Mr. Colton noted that the disparate impact test was not a finding of intentional discrimination and that Peoples may not even be aware of the correlation.⁵⁵¹ However, he explained that the lack of intentionality, neither addresses nor remedies the fact that Peoples disproportionately disconnects service to Black households for nonpayment and that it is important to shed light on to this disparate impact to ensure that it can be remedied in the near term.⁵⁵² The lack of intentionality does not negate the need for Peoples and the Commission to take proactive steps toward fostering equity in the electric system through the principles of energy justice.⁵⁵³

In rebuttal, Peoples did not dispute that Peoples disproportionately disconnects service for nonpayment in communities with higher than average numbers of persons of color.⁵⁵⁴ Peoples witness Black provided heatmaps examining energy burdens and “risk of pipe freeze,” with the goal of noting where to promote universal service programs and identify at risk accounts due to high energy burdens for outreach.⁵⁵⁵ She argued that Peoples does not need to develop a root cause analysis of the cause for racially disproportionate nonpayment disconnections because Peoples “has already identified CAP eligible CLI populations in these geographical areas of concern.”⁵⁵⁶ However, as Mr. Colton points out, she seemingly concedes that the goals of the heat maps are not

⁵⁵⁰ OCA St. 4at 55.

⁵⁵¹ Id. at 51.

⁵⁵² Id. at 51.

⁵⁵³ Id. at 55-56.

⁵⁵⁴ OCA St. 4-SR at 19; Peoples St. 10-SR at 16-18.

⁵⁵⁵ Peoples St. 10-R at 17-18.

⁵⁵⁶ Id. at 18.

to identify racial disparities, to understand why those disparities exist, or to develop responses to redress those disparities.⁵⁵⁷

Further, Ms. Black does not explain why she believes improving energy burdens is the sole remedy to the disproportionate disconnection of service to communities of color, nor does she identify any relationship between the disproportionate disconnection of service to communities of color and the lack of CAP enrollment in those communities.⁵⁵⁸ She also fails to explain how reviewing “results of our outreach activities, specifically as it pertains to the use of the heat maps,” would be expected to remedy the disconnection of service for nonpayment in communities of color.⁵⁵⁹ Thus, while the heatmaps may be a useful tool for general CAP outreach, they do not address the cause of the disproportionate nonpayment disconnections in communities of color identified in Mr. Colton’s direct.⁵⁶⁰

In rejoinder testimony, Ms. Black argues that Mr. Colton did not prove that the households disconnected were actually households of color, because he relied on census based zip-code data.⁵⁶¹ She argues that Peoples cannot confirm how many households of color it terminates because the Company does not collect racial data about its customers.⁵⁶² However, Mr. Colton specifically explained that his analysis controlled for income status and other economic factors by comparing majority Black zip codes to all other zip codes.⁵⁶³ Further, the findings of disproportionate impact were consistent both when based on the number of households where the householder is Black and when based on the percentage of Black population.⁵⁶⁴ The fact that

⁵⁵⁷ OCA St. 4-SR at 20.

⁵⁵⁸ Id. at 19.

⁵⁵⁹ Id. at 20.

⁵⁶⁰ OCA St. 4-SR at 19.

⁵⁶¹ Peoples St. 10-RJ at 12.

⁵⁶² Id.

⁵⁶³ OCA St. 4 at 52-53.

⁵⁶⁴ Id.

Peoples does not collect racial data on the households it terminates does not excuse the Company from the obligation to address the disparate impacts identified in Mr. Colton's direct testimony. Peoples should not be able to deny the existence of racial disparities simply because it does not collect data that would confirm the existence of those disparities.

Such data is likely a necessary component of the root cause analysis recommended by Mr. Colton. Peoples should be required to address the cause of, and potential mechanisms through which to redress, the disproportionate nonpayment disconnections in communities of color identified by Mr. Colton.

XVI. PROPOSED TARIFF CHANGES

CAUSE-PA does not take a position on proposed tariff changes in this Main Brief, other than those addressed in other sections, including addressing Peoples' proposed Provision # 9 (Recreational Use) and Provision #10 (CAP Fraud) to its Rate CAP tariff page above in section XIV. (Low Income Customer Issues). CAUSE-PA reserves the right to address any issue raised by other parties in its Reply Brief.

XVII. HOT WATER TANK REBATE PILOT

The Commission should reject Peoples' proposed Natural Gas Hot Water Tank Rebate Pilot because it is a load building program that incentivizes fuel switching from electric to fossil fuel, and is not an appropriate use of ratepayer funds.⁵⁶⁵ Peoples proposes to implement a three-year pilot rebate program for customers to convert from electric to natural gas hot water tanks.⁵⁶⁶ The budget would be \$500,000 per year (\$1.5 million total) and would provide eligible residential customers with a \$1,000.00 rebate.⁵⁶⁷

⁵⁶⁵ CAUSE-PA St. 1 at 81-82.

⁵⁶⁶ Peoples St. 8 at 9-10

⁵⁶⁷ Id.

This is a load building program, which would add an additional 35 Mcf per year for each customer who converts from electric hot water heating to gas hot water heating through the Pilot.⁵⁶⁸ Further, Peoples has not applied any Total Resource Cost (TRC) test to determine the cost effectiveness of this Pilot.⁵⁶⁹

In the Act 129 context, the Commission has not traditionally allowed electric distributions companies (EDCs) to conduct fuel switching that builds load, because it runs counter to the objectives of reducing consumption and peak demand.⁵⁷⁰ The only exception to this rule is to support “beneficial electrification” that is co-funded by state and federal programs.⁵⁷¹ Peoples’ load building program is not “beneficial electrification” and, in fact runs counter to these goals by switching customers from electric to fossil fuel.⁵⁷²

Given the complicated history with fuel switching within Pennsylvania’s public policy landscape, it would be inappropriate to allow Peoples to spend ratepayer funds to switch customers from electric hot water heaters to gas hot water heaters.⁵⁷³ This is especially true when rebates for remediating or replacing aging electric hot water heaters may be available from a customer’s electric utility.⁵⁷⁴ The two EDCs with overlapping service territory are Duquesne Light and First Energy (West Penn Power), and both offer rebates for several different types of high efficiency electric hot water heaters at varying incentive levels through their respective Act 129 Phase V Energy Efficiency & Conservation Plans.⁵⁷⁵

⁵⁶⁸ CAUSE-PA St. 1 at 81.

⁵⁶⁹ Id. at 82.

⁵⁷⁰ Act 129 Phase V Energy Efficiency and Conservation Program, Docket No. M-2025-3052826, Final Implementation Order at 168, 173 (order entered June 18, 2025).

⁵⁷¹ Id. at 173-174.

⁵⁷² Id.

⁵⁷³ CAUSE-PA St. 1 at 82.

⁵⁷⁴ Id.

⁵⁷⁵ CAUSE-PA St. 1-SR at 53.

Peoples does not deny that this is a load building program.⁵⁷⁶ In rebuttal testimony, Peoples' witness Ravenstall acknowledges that this is a load building program but argues that the increased volume into Peoples' delivery system will help keep rates low for all customers and help reduce strain on the electric grid.⁵⁷⁷ Other than the axiomatic argument that all incremental throughput without incremental costs reduces rates, Mr. Ravenstall has provided no evidence to substantiate his claim that adding additional volume onto Peoples' gas system would in any way meaningfully put downward pressure on rates.⁵⁷⁸ Nor has he credibly shown that reducing electric hot water heating will reduce strain on the electric grid.⁵⁷⁹

The Commission should reject this pilot because it is inappropriate to use ratepayer funds to support a load building program that incentivizes fuel switching from electric to fossil fuel. To the extent that the Commission chooses to allow this pilot to go forward, it should require it be paid for by shareholders rather than ratepayer funds.⁵⁸⁰

XVIII. SAFETY

CAUSE-PA does not take a position on safety related issues in this Main Brief but reserves the right to address any issue raised by other parties in its Reply Brief.

XIX. PURCHASE OF RECEIVABLES PROGRAM

A. Introduction

The purpose of competition of natural gas commodity space is to lower costs not increase them. Unfortunately, in the context of retail, residential rates, this simply has not occurred. The evidence in this case is overwhelming: Over a 28-month period, from January 2024 through April

⁵⁷⁶ CAUSE-PA St. 1-SR at 52; Peoples St. 8-R at 10; see CAUSE-PA St. 1 at 82, Appendix B: Peoples Response to CAUSE-PA VI-011(b).

⁵⁷⁷ Peoples St. 8-R at 10.

⁵⁷⁸ CAUSE-PA St. 1-SR at 53.

⁵⁷⁹ Id. at 53.

⁵⁸⁰ CAUSE-PA St. 1 at 82.

2026, Peoples' residential shopping customers were charged \$51.9 million more than they would have otherwise would have been charged for default service.⁵⁸¹ \$7.4 million of that amount was attributable to confirmed low income customers.⁵⁸² These increases costs have a direct impact on Gross write offs: Over this same 28-month period, from January 2024 through April 2026, write offs for Peoples' residential shopping customers were 484% higher than for residential default service customers – amounting to an average write-off of \$602.13 for residential shopping accounts, compared to \$124.31 for default service accounts.⁵⁸³ For low income shopping customers, write offs are an astounding 853% higher than write offs for low income default service customers – amounting to an average of \$978.89 per low income shopping account, compared to \$114.75 for low income default service accounts.⁵⁸⁴

In light of overwhelming evidence of excessive prices and increased collections costs associated with increased gross write offs caused by the competitive market, the Commission should require Peoples to cease its purchase of receivables (POR) from natural gas suppliers (NGSs) unless the NGS's price is at or below Peoples' default service price.⁵⁸⁵ This is a reasonable and middle alternative to complete elimination of the POR for all suppliers. However, the Commission could determine, in the alternative to CAUSE-PA's proposal, that the POR should be eliminated in its entirety because it imposes unjust and unreasonable charges on other ratepayers in direct contravention of the public interest. It is simply not reasonable to maintain the status quo considering the plethora of harms to residential customers and low income customers, in particular. Considering these harms, there is not substantial evidence in this proceeding that would support

⁵⁸¹ CAUSE-PA St. 1 at 85-86.

⁵⁸² Id.

⁵⁸³ Id. at 87.

⁵⁸⁴ Id.

⁵⁸⁵ Id. at 83-89.

continuation of POR without substantial reforms, thus the POR program must be either reformed or discontinued.

B. POR Programs Shift Risk to Consumers and are Not Required by Law

POR programs to permit utilities to purchase receivables from suppliers before collecting those charges from the suppliers' customers – relieving suppliers “of the burdens associated with billing, collecting, and credit screening.”⁵⁸⁶ Under the terms of Peoples' POR program, suppliers are paid 97.8% of the suppliers' receivables, applying an assumed 2.2% discount representing the overall uncollectible rate.⁵⁸⁷ If the customer doesn't pay, Peoples performs collections activities on behalf of the supplier – including termination of service – and all associated collections costs and write-off expenses are socialized to other ratepayers.⁵⁸⁸ Suppliers no longer bear any responsibility for collections, regardless of the suppliers' actual uncollectible rate for each supplier is much higher than 2.2%.⁵⁸⁹ Thus, Peoples' POR programs gives suppliers very little incentive to moderate prices because Peoples pays the suppliers upfront for all charges – discounted only by the overall uncollectible rate.⁵⁹⁰

The risk of collections and all associated costs are borne first by Peoples and, ultimately, by other ratepayers. As Peoples' witness Steven Kolich explained:

When POR protections are coupled with unrestricted supplier pricing, the result can cause significant market distortions. POR programs insulate NGSs from much of the financial risk associated with uncollectible accounts and allow NGSs the ability to charge prices above or substantially above the utility's default service rate. This structure has led to excessive commodity charges and as a result, in most cases,

⁵⁸⁶ CAUSE-PA St. 1 at 83-84; Investigation of Pennsylvania's Retail Natural Gas Supply Market, Final Order, Docket No. I-2013-2381742, at 34 (order entered Dec. 18, 2014).

⁵⁸⁷ CAUSE-PA St. 1 at 83-84; see also Volume V, Peoples Exhibit 14 – Peoples Natural Gas Company, LLC, Supplement No. 2 to Gas – PA.P.U.C. No. S-4, First Revised page No. 35 (Rate SBS).

⁵⁸⁸ CAUSE-PA St. 1 at 84-85

⁵⁸⁹ Id. at 84.

⁵⁹⁰ Id. at 84-85; Peoples St. 21-SR at 5.

shopping customers are paying more than the Company's default service customers.⁵⁹¹

To be clear, POR programs are optional and voluntary retail market enhancement program, typically reviewed through a gas utilities' individual rate proceeding.⁵⁹² While the Commission has in the past recognized that POR programs have the potential to "promote efficiencies, reduce costs to consumers and reduce barriers to market entry by natural gas suppliers," the Commission has otherwise declined to establish statewide parameters for gas POR programs.⁵⁹³ Notably, the Commission adopted an explicit policy statement indicating that the public interest would be served by consideration of POR programs for electric utilities;⁵⁹⁴ however, **there is no similar policy statement regarding gas utilities.** Additionally, the Choice Act specifically prohibits the Commission from *requiring* gas utilities to make advance payment to suppliers:

No natural gas distribution company shall be required to forward payment to entities providing services to customers and on whose behalf the natural gas distribution company is billing those customers before the natural gas distribution company has received payment for those services from customers.⁵⁹⁵

In short, the Commission can authorize a proposed POR program as a matter of public policy when it is in the public interest, but it cannot otherwise compel a utility to operate a POR program.

As with all utility programs that impact rates, the Commission can only approve Peoples' POR program if it is just, reasonable, and in furtherance of the public interest – as supported by substantial record evidence.⁵⁹⁶ In response to clear and overwhelming evidence in this case that

⁵⁹¹ Peoples St. 21-R at 4.

⁵⁹² Investigation of Pennsylvania's Retail Natural Gas Supply Market, Final Order, Docket No. I-2013-2381742, at 35 (order entered Dec. 18, 2014), citing Investigation into the Natural Gas Supply Market: Report on Stakeholders' Working Group (SEARCH): Action Plan for Increasing Effective Competition in Pennsylvania's Retail Natural Gas Supply Services Market, Docket No. I-00040103F0002, (order entered August 21, 2014).

⁵⁹³ Investigation of Pennsylvania's Retail Natural Gas Supply Market, Final Order, Docket No. I-2013-2381742, at 35-37 (order entered Dec. 18, 2014).

⁵⁹⁴ 52 Pa. Code § 69.1814.

⁵⁹⁵ 66 Pa. C.S. § 2205(c)(5).

⁵⁹⁶ 66 Pa. C.S. § 1301; see also McCloskey v. Pa. PUC, 219 A.3d 1216, 1223 (Pa. Commw. Ct. 2019), citing 66 Pa. C.S. § 102 (defining 'rates' broadly).

Peoples' POR program unjustly drives higher rates for other customers, it is incumbent on the Commission to order amendments to Peoples' POR program or, alternatively, to deny Peoples' POR in its entirety.⁵⁹⁷

C. The Substantial Evidence in the Record Demonstrates that Supplier Charges that are substantially higher than the Price to Compare are driving increased Gross Write Offs and the eliminating POR for Contracts higher than the Price to Compare should be required.

The facts are clear: Peoples POR program is causing rates to increase unnecessarily for all customers through increased collections related costs. Over a 28-month period, from January 2024 through April 2026, Peoples' residential shopping customers were charged \$51.9 million more than they would have otherwise would have been charged for default service.⁵⁹⁸ \$7.4 million of that amount was attributable to confirmed low income customers.⁵⁹⁹ This breaks down to approximately \$683 per residential customer and \$704 per confirmed low income customer.⁶⁰⁰ **As of July 2026, Peoples reports that approximately 95.8% of residential shopping customers pay more than the PTC for commodity service, and the average supplier price is 82% above the PTC – *with some supplier prices reaching as much as ten times the PTC.***⁶⁰¹ Peoples witness Kolich provided the following table demonstrating the extent to which shopping customers are overcharged:

⁵⁹⁷66 Pa. C.S. § 2206(a); Investigation of Pennsylvania's Retail Natural Gas Supply Market, Docket No. I-2013-2381742, Final Order at 35 (Entered Dec. 18, 2014) (POR programs in the natural gas industry are typically litigated through the NGDCs' base-rate filings (in contrast to the electric industry, where POR programs are usually the subject of default service plan filings)).

⁵⁹⁸ CAUSE-PA St. 1 at 85-86.

⁵⁹⁹ Id.

⁶⁰⁰ CAUSE-PA St. 1, Appendix C: Exhibit Cicero C-3 (\$51,864,105.53/75,896 residential customers = \$683.36), Exhibit Cicero C-4 (\$7,379,496.80/10,485 confirmed low income customers = \$703.81).

⁶⁰¹ Peoples St. 21-R at 5.

Table 2: Customers (Residential & Human Needs Commercial) - Supplier Statistics⁶⁰²

P1 Customers (Residential & Human Needs Commercial) - Supplier Statistics								
Month	PTC	Wtd Avg NGS Price	% Above/ (Below) PTC	No. of Customer Participating	% of Customers Paying > PTC	Highest Price Charged	No. of Customer Paying > 2 X PTC	No. of Customer Paying > 3 X PTC
May-23	\$ 2.51	\$ 6.97	177%	83,338	99.4%	\$ 18.37	69,838	15,022
Dec-23	\$ 2.52	\$ 6.63	163%	79,830	97.8%	\$ 20.08	61,035	11,803
Aug-24	\$ 2.47	\$ 6.53	164%	78,381	96.5%	\$ 20.16	63,000	8,293
Nov-24	\$ 2.28	\$ 6.69	194%	69,832	98.8%	\$ 20.93	59,961	50,274
Jan-25	\$ 2.59	\$ 6.69	158%	69,832	95.5%	\$ 20.93	54,866	6,654
Aug-25	\$ 3.00	\$ 6.81	127%	74,895	97.1%	\$ 20.72	56,006	5,853
Dec-25	\$ 3.59	\$ 6.83	90%	75,536	92.2%	\$ 29.90	8,518	4,288
Jan-26	\$ 4.04	\$ 6.85	69%	73,141	87.3%	\$ 32.90	5,876	3,520
Feb-26	\$ 6.07	\$ 6.82	12%	71,038	72.0%	\$ 36.90	3,563	265
Mar-26	\$ 6.07	\$ 6.80	12%	75,983	71.6%	\$ 40.90	3,822	271
Apr-26	\$ 4.14	\$ 6.77	63%	76,144	85.8%	\$ 40.90	5,570	3,644
May-26	\$ 4.14	\$ 6.77	63%	73,377	86.8%	\$ 40.90	5,466	3,539
Jun-26	\$ 4.14	\$ 6.75	63%	76,755	87.2%	\$ 40.90	5,611	3,634
Jul-26	\$ 3.71	\$ 6.75	82%	76,755	95.8%	\$ 40.90	6,986	4,177

Over the last three years, the percentage of residential shopping customers on Peoples’ system who paid more than the PTC ranged from 71.6% to 99.4%.⁶⁰³ The vast majority of residential shopping customers were charged more than Peoples’ PTC for commodity supply, with many paying two to three times as much – with some charged more than \$40 per Mcf.⁶⁰⁴ For reference, the average Peoples PTC from January 2024 to April 2026 was \$3.21 per MCF.⁶⁰⁵ Low income shopping customers are charged even higher rates – with some facing charges as much as ten times higher than the applicable default service rate, exacerbating energy insecurity and increasing collections costs and write off expenses recovered from other ratepayers.⁶⁰⁶

⁶⁰² Peoples St. 21-SR at 4, Table P1.

⁶⁰³ *Id.* at 3.

⁶⁰⁴ *Id.* at 3-4.

⁶⁰⁵ CAUSE-PA St. 1 at 86, Table 15.

⁶⁰⁶ Peoples St. 21-R at 5:3-6.

Over this same 28-month period, from January 2024 through April 2026, write offs for Peoples’ residential shopping customers were 484% higher than for residential default service customers – amounting to an average write-off of \$602.13 for residential shopping accounts, compared to \$124.31 for default service accounts.⁶⁰⁷ For low income shopping customers, write offs are an astounding 853% higher than write offs for low income default service customers – amounting to an average of \$978.89 per low income shopping account, compared to \$114.75 for low income default service accounts.⁶⁰⁸ These stark write-off disparities are illustrated in the following table:

Table 3: Residential Write offs: Default v. Shopping Customers⁶⁰⁹

Customer Type for Period of January 2024 through April 2026	Average Amount of Write off per Customer with Debt Written off. (Shopping)	Average Amount of Write off per Customer with Debt Written off. (Default)	Amount Shopping Write Offs were higher than Default Write Offs	Percentage more that Shopping Write Offs were higher than Default
Residential Customers	\$602.13	\$124.31	\$477.82	484%
Confirmed Low Income (Non-CAP)	\$978.89	\$114.75	\$864.14	853%

Higher collections costs and write-off expenses flow through to the uncollectible expenses paid for by all ratepayers.⁶¹⁰

To help address these disparities in collections costs and write-off expenses, CAUSE-PA witness Cicero recommended that Peoples require NGSs participating in the POR to certify that its rates are at or below the applicable default service price at the time of contract initiation or

⁶⁰⁷ CAUSE-PA St. 1 at 87.

⁶⁰⁸ Id.

⁶⁰⁹ Id. at 87, Table 16.

⁶¹⁰ Id. at 87.

renewal.⁶¹¹ As explained, the POR is a voluntary program that provides a tremendous subsidy to suppliers by alleviating all costs and risk associated with credit and collections. That subsidy should not come at the expense of other ratepayers – including those that choose not to shop. If a supplier wants to take advantage of Peoples’ generous POR terms, it should not be permitted to charge rates that exceed the applicable default service price and, as such, may increase the collections risk borne by other ratepayers.⁶¹²

Importantly, under CAUSE-PA’s proposed POR reforms, NGSs would still be able to offer contracts to customers at any rate they wish, and could still participate in Peoples’ consolidated billing program.⁶¹³ But if the suppliers’ charges exceed the default service price, they would not be entitled to participate in Peoples’ POR and, as such, they would not be paid for their receivables until or unless Peoples was paid by the customers.⁶¹⁴ NGSs who elect not to participate in the POR because they wish to charge more than Peoples’ charges would be responsible for their own collections if their charges go unpaid.⁶¹⁵

To implement CAUSE-PA’s proposed POR program reforms, Mr. Cicero recommended the Commission require Peoples to issue a notice to all suppliers indicating that, effective June 1, 2027 and forward, all suppliers who wish to remain in the POR program will need to complete an updated POR Agreement and Affidavit.⁶¹⁶ The updated POR Agreement and Affidavit would require all charges for contracts or renewals of contracts entered after that period be at or below the default service price to compare in order to have any charges after that date be included in the POR program.⁶¹⁷ This change should be made on a forward going basis and would provide all

⁶¹¹ CAUSE-PA St. 1 at 88.

⁶¹² Id.

⁶¹³ Id.

⁶¹⁴ Id.

⁶¹⁵ Id.

⁶¹⁶ Id.

⁶¹⁷ Id.

suppliers with notice of the change before it goes into effect.⁶¹⁸ Mr. Cicero specifically explained that, “If a supplier elects to charge rates higher than Peoples’ charges, they could elect to remain in Peoples consolidated billing program, but their charges would be non-POR eligible.”⁶¹⁹

As Peoples’ witness Kolich acknowledged, Mr. Cicero’s recommendation would help reduce the risk that customers, including low-income customers, are overpaying for gas commodity without eliminating the Company’s POR program or consolidated billing option.⁶²⁰ It would allow suppliers to offer the same commodity pricing options currently available to customers.⁶²¹ Further, Peoples’ witness Kolich indicated that the Company expects any implementation costs to be minimal because it already has the capability for suppliers to operate both POR and non-POR pools.⁶²²

RESA argues that Mr. Cicero’s recommendations are anticompetitive and would set a price ceiling on NGS contracts and would be a regulation of EGS rates.⁶²³ However, these POR reforms would not restrict suppliers from offering contracts with prices above the PTC. Suppliers would be free to charge whatever price they want, and customers would be free to contract with any supplier. Suppliers would not have to send a separate bill and would still be able to utilize utility consolidated billing. The only change would be that a supplier who contracts with a customer for a rate that is higher than the PTC would not get paid for its receivable up front but would be paid only when Peoples collects on the bill. If Peoples is unable to collect on the account, then collections would revert to the supplier.⁶²⁴ This is not price regulation or anticompetitive.⁶²⁵

⁶¹⁸ CAUSE-PA St. 1 at 88.

⁶¹⁹ Id. at 89.

⁶²⁰ Peoples St. 21-R at 4.

⁶²¹ Id.

⁶²² Id. at 5.

⁶²³ RESA St. 1-R at 6-7

⁶²⁴ CAUSE-PA St. 1-SR at 56

⁶²⁵ Id.

Mr. Cicero's recommended POR reforms are a measured and iterative step to address clear harm to ratepayers caused by levying substantially higher collections costs and uncollectible expenses. If a supplier wishes to charge a price above the PTC and a customer wishes to contract for that price then the supplier and customer remain free to do so, but the supplier should not be entitled to socialize the incremental collection risk associated with that pricing through POR treatment.⁶²⁶

The record shows a clear and undeniable need to ensure that residential customers are protected from the excessive pricing being charged by certain retail suppliers. There is substantial evidence demonstrates that shopping customers have materially higher write-offs than customers on default service, and that excessive supplier pricing is contributing to broader affordability problems and uncollectible expenses.⁶²⁷ Mr. Cicero's recommendations provide a clear and appropriately narrow pathway to amend Peoples' POR program to help address that help address these harms, while still protecting direct access to the retail market consistent with the statutory requirements of the Public Utility Code. Mr. Cicero's proposal to reform Peoples' POR will help prevent unjust and unreasonable assignment of collections costs associated with excessive supplier charges on other ratepayers. Such a result is both appropriate and necessary to protect Peoples' residential customers from unnecessary costs and should be approved in this proceeding.

Alternatively, if the Commission is not inclined to accept CAUSE-PA's recommended reform to the POR, it is incumbent on the Commission to deny Peoples' POR, in whole, because it produces unjust and unreasonable rates. Indeed, there are no other viable alternatives on the

⁶²⁶ CAUSE-PA St 1-SR at 59, 61.

⁶²⁷ CAUSE-PA St. 1 at 83-89; CAUSE-PA St. 1-SR at 54-63; Peoples St. 21-R at 2-5; Peoples St. 21-SR at 2-8.

record to address the harm caused by Peoples' proposed POR.⁶²⁸ POR needs to either be reformed as recommended or eliminated in its entirety. Absent reform, this voluntary program is not in the public interest, produced unjust and unreasonable rates and must be eliminated.

XX. LOCAL PRODUCTION – GATHERING IN AND COST RECOVERY ISSUES

CAUSE-PA does not take a position in this Main Brief on local production and gathering cost recovery issues, though it reserves the right to respond to any such issue raised by other parties in its Reply Brief.

XXI. COMPETITIVE RATE DISCOUNTS

CAUSE-PA does not take a position in this Main Brief on competitive rate discounts, though it reserves the right to respond to any such issue raised by other parties in its Reply Brief.

XXII. MISCELLANEOUS/OTHER ISSUES

CAUSE-PA does not take a position in this Main Brief on any issues not addressed above, though it reserves the right to respond to any such issue raised by other parties in its Reply Brief.

XXIII. CONCLUSION

CAUSE-PA urges the Honorable Administrative Law Judge Charece Z. Collins and the Public Utility Commission, to deny Peoples' proposed revenue increase, as well as its excessive proposed fixed charge and its unjust and unreasonable Weather Normalization Adjustment. CAUSE-PA further urge adoption of the policy and programmatic recommendations throughout this Main Brief to mitigate the effects of Peoples' categorically unaffordable rates on low income

⁶²⁸ A restriction on competition is necessary when, one, there is a harm associated with competition and, two, there is no reasonable alternative to the rule that restricts competition. Retail Energy Supply Assoc. v. Pa. PUC, 230 C.D. 2017 (Pa. Commw. Ct. 2017), citing CAUSE-PA v. Pa. PUC, 120 A.3d 1087, 1101-1103 (Pa. Commw. Ct. 2015).

households, promote just and equitable rates, and ensure access to universal service and energy conservation programs that protect the ability for low income households to maintain safe and affordable services to their home.

Respectfully submitted,
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APPENDIX A: SUMMARY TABLES OF POSITION AND ADJUSTMENTS

CAUSE-PA has not taken a position on rate base adjustments and consequently is not providing a summary table of positions and adjustments.

APPENDIX B: BILL IMPACTS

CAUSE-PA's position in this proceeding is that there should be no rate increase, and the bill impacts should therefore remain static.

APPENDIX C: – PROPOSED FINDINGS OF FACT

Overall Position on Rate Increase and Affordability of Rates

1. Peoples' current rates are unaffordable for low income families.⁶²⁹
2. Peoples reported 144,131 estimated low income customers and 123,019 confirmed low income customers.⁶³⁰
3. 75% of Peoples' estimated low income customers are not enrolled in its customer assistance program (CAP).⁶³¹
4. Low income families already struggle to make ends meet each month and are regularly forced to make untenable choices between affording utility services and other basic necessities – such as food, medicine, medical care, and housing.⁶³²
5. Peoples' low income customers carry disproportionately high arrearages and experience termination at substantially higher rates than other residential customers.⁶³³
6. Peoples' confirmed low income customers have a utility termination rate that is approximately 500% higher than residential customers who are not low income.⁶³⁴
7. Even though Confirmed Low Income customers are approximately 19% of the total residential customer base, they accounted for approximately 54.1% of terminations in 2024 and 49.3% in 2025.⁶³⁵
8. The average arrearages carried by confirmed low income customers are approximately 400% of those carried by non-low income residential customers.⁶³⁶

⁶²⁹ CAUSE-PA St. 1 at 25-33.

⁶³⁰ Id. at 24.

⁶³¹ Id. at 18.

⁶³² Id. at 25.

⁶³³ Id. at 27-33.

⁶³⁴ Id. at 28.

⁶³⁵ Id.

⁶³⁶ Id. at 30, Table 7.

9. If the Commission approves Peoples' proposed rate increase, it will severely and detrimentally impact the ability of low income families to afford their monthly expenses and further hinder their ability to maintain gas service.⁶³⁷

Depreciation

10. Requiring adoption of the ALG method would still allow the Company to recover its original investment cost in depreciable plant but it would also afford Peoples' rate payers significant rate relief.⁶³⁸
11. Peoples' proposal to continued use of the ELG method would increase the annual depreciation accrual charged to customers by \$27.1 million in the 2025 Study, by \$31.4 million in the 2026 Study, and by \$36.4 million in the 2027 Study.⁶³⁹
12. Even absent other adjustments, simply using the ALG method alone will result in significantly lower depreciation rates and expense being passed onto ratepayers.⁶⁴⁰

Rate of Return

13. Residential consumers rely on the Commission to set rates that are fair, just, and reasonable and the Commission's job is to stand in the gap for consumers to protect them from a utility's monopolistic overreach.⁶⁴¹
14. Peoples' proposed 11.25% return on equity (ROE) as excessive and unsupported.⁶⁴²
15. Over the last five years, Peoples has had net income from its operations totaling approximately \$1.2 billion from 2021-2025.⁶⁴³

⁶³⁷ CAUSE-PA St. 1 at 25.

⁶³⁸ Pennsylvania Power & Light Co. v. Pennsylvania Public Utility Com., 311 A.2d 151, 157 (Pa. Commw. 1973)

⁶³⁹ OCA St. 3 at 9, 68.

⁶⁴⁰ Id.

⁶⁴¹ CAUSE-PA St. 1 at 8.

⁶⁴² Id. at 8, 34-49; CAUSE-PA St. 1-SR 17-30; OCA St. 3 at 3; I&E St. 2 at 6-12.

⁶⁴³ CAUSE-PA St. 1 at 35.

16. Peoples projects net income as of the end of December 2026 to be an additional \$261.9 million.⁶⁴⁴
17. *At current rates*, Peoples projects net income of more than \$261 million in the *current year* ending December 30, 2026.⁶⁴⁵
18. If rates are not increased, Peoples projects that it will yield an overall rate of return of 5.99%⁶⁴⁶ which equates to a return of common equity (ROE) of 7.14% at current rates.⁶⁴⁷
19. In a letter to utility CEOs on April 29, 2026, Governor Shapiro outlined a set of principles for setting an adequate ROE, among other things.⁶⁴⁸
20. Application of Governor Shapiro's principles would result in an authorized ROE of 7.68%.⁶⁴⁹
21. The Governor recommended that the equity portion of an operating utility's capital structure should generally not be more than the amount of equity employed by the utility's parent holding company.⁶⁵⁰
22. For both debt and equity, Peoples relies on its great-grandparent, Essential Utilities, which has not needed to flow equity infusions down to the Peoples operating company level since 2018.⁶⁵¹
23. Essential Utilities capital structure is 54.9% debt and 45.1% equity.⁶⁵²
24. Every ten basis points (0.10%) reduction in the ROE at the as-filed rate base and capital structure would reduce the overall revenue requirement by \$4.4 million per year.⁶⁵³

⁶⁴⁴ Peoples Filing Requirements, §53.53.II. A, Exhibit 16, Sc. 5.

⁶⁴⁵ See Peoples Filing Requirements, §53.53.II. A, Exhibit 16, Sc. 5.

⁶⁴⁶ See Peoples' Filing Exhibit 2, Schedule 4, Page 2 of 5, Line 27.

⁶⁴⁷ CAUSE-PA St. 1 at 36.

⁶⁴⁸ Governor's Exhibit 1.

⁶⁴⁹ CAUSE-PA St. 1 at 43.

⁶⁵⁰ Governor's Exhibit 1.

⁶⁵¹ CAUSE-PA St. 1 at 37.

⁶⁵² Id. at 44, Table 10.

⁶⁵³ Id. at 48-49.

Rate Design: Residential Customer Charge

25. Peoples proposes from \$16.80 per month to \$26 per month.⁶⁵⁴
26. Peoples' proposed fixed customer charge would result in an increase of \$110.40 per year that would be unavoidable for low income households struggling to maintain service.⁶⁵⁵
27. Any increase to the fixed charge would both undermine the goal of LIURP and make the existing program less cost effective.⁶⁵⁶
28. Low income customers are not benefited by having more of their bill fixed without the ability to mitigate higher bills through conservation or energy efficiency.⁶⁵⁷
29. By reducing the amount of bill reduction that can be obtained through LIURP measures, the proposed increase to the fixed charge threatens the continued effectiveness of ratepayer investments intended to reduce energy consumption, delinquencies, collections, and uncollectible costs.⁶⁵⁸
30. Enrollment in CAP provides a stable monthly bill based on a customer's ability to pay and is far more useful to create actual bill stability than a higher fixed customer charge.⁶⁵⁹
31. The combination of Peoples' substantial proposed increase to its customer charge and proposed continuation of its WNA work together to insulate Peoples from normal business risks, converting Peoples' opportunity to earn a fair rate or return to a guarantee.⁶⁶⁰

⁶⁵⁴ CAUSE-PA St. 1 at 51.

⁶⁵⁵ Id.

⁶⁵⁶ Id. at 54.

⁶⁵⁷ CAUSE-PA St. 1-SR at 34.

⁶⁵⁸ CAUSE-PA St. 1 at 53.

⁶⁵⁹ Id. at 55.

⁶⁶⁰ Id. at 59.

Allocation of Universal Service Program Costs

32. All the programs collected through Peoples Universal Service Rider are public purpose costs.⁶⁶¹
33. Under its current Universal Service Rider, Peoples assigns the costs of these programs only to residential customers.⁶⁶²
34. Contributions to utility universal service programs would not only help ameliorate the impact of rising energy prices for low-income universal service program participants but will also help all residential customers by relieving some of the cost burden of these programs, which are currently borne solely by residential electric customers.⁶⁶³
35. Residential customers do not cause poverty or energy insecurity.⁶⁶⁴
36. Poverty, poor housing stock, and other factors that contribute to households struggling to afford utility service are not just ‘residential class’ problems.”⁶⁶⁵
37. Universal Service Programs provide direct benefits to the economic climate of the entire community.⁶⁶⁶
38. In 2024, statewide, 30% of CAP customers, 31.7% of LIURP recipients, and 47% of customers who received a hardship fund were employed, but do not receive a wage that is adequate to afford basic household needs.⁶⁶⁷

⁶⁶¹ CAUSE-PA St. 1 at 77.

⁶⁶² Volume V, Peoples Exhibit 14 – Peoples Natural Gas Company, LLC, Supplement No. 20 to Gas – PA.P.U.C. No. 48, Nineteenth Revised page No. 38 (Summary of Rates).

⁶⁶³ Interconnection and Tariffs for Large Load Customers, Docket No. M-2025-3054271, Final Order at 107 (Adopted April 30, 2026, Entered May 12, 2026).

⁶⁶⁴ Final CAP Policy Statement and Order, Docket No. M-2019-3012599, at 97 (Order entered Nov. 5, 2019).

⁶⁶⁵ Id.; see also 52 Pa. Code §§ 69.265 (1), 69.266 (b).

⁶⁶⁶ Final CAP Policy Statement and Order, M-2019-3012599 at 7, 94-96, 107.

⁶⁶⁷ CAUSE-PA St. 1 at 80.

39. In the sixteen largest counties served by Peoples, approximately 700,000 fast food and counter workers, personal care aides, cashiers, waiters and waitresses, and retail salespersons earn substantially less than \$20 per hour.⁶⁶⁸
40. In the sixteen largest counties served by Peoples, approximately 1.75 million workers worked in industries with median hourly wages below what is necessary to afford basic household needs.⁶⁶⁹
41. Many low income assistance program participants are retired seniors or individuals on disability who do not receive sufficient social security, disability, or retirement benefits to afford basic life necessities, including energy services.⁶⁷⁰
42. The consequences of utility insecurity significantly undermine worker productivity, which in turn impacts businesses, nonprofits, governmental entities, schools, and other non-residential customer groups.⁶⁷¹
43. Low income customers who face utility insecurity often must take time away from work to arrange payments, locate or apply for assistance programs, and arrange for reconnections, and struggle with heightened levels of stress, anxiety and depression.⁶⁷²

Weather Normalization Adjustment

44. Pennsylvania's weather is undergoing a persistent, long-term warming trend that experts project will continue.⁶⁷³
45. As Pennsylvania's weather continues to warm, fewer Heating Degree Days (HDDs) will occur over time.⁶⁷⁴

⁶⁶⁸ OCA St. 4 at 19.

⁶⁶⁹ Id. at 19, Table 5.

⁶⁷⁰ CAUSE-PA St. 1 at 80.

⁶⁷¹ Id.

⁶⁷² Id.

⁶⁷³ Id. at 59-61.

⁶⁷⁴ Id. at 61, fn. 112.

46. Pennsylvania's warming weather will result in Peoples' WNA more likely imposing charges on customers' bills than yielding bill credits, with charges in greater amounts.⁶⁷⁵
47. The WNA shifts weather related risk from the utility to customers in a way that is inappropriate for a monopoly provider of essential services.⁶⁷⁶
48. The WNA improperly assumes that Peoples is entitled to revenue based on weather as it existed in the past rather than as it exists at the time the Company delivers service.⁶⁷⁷
49. The WNA is based on a complicated calculation and operates contrary to reasonable customer expectations that lower usage will result in lower bills.⁶⁷⁸
50. While mathematically bi-directional, over the long term, the WNA is likely to often work to the detriment of customers and the benefit of Peoples.⁶⁷⁹
51. The WNA distorts the connection between revenue and cost causation by charging customers more when their usage is lower than normal and less when their usage is higher than normal.⁶⁸⁰
52. The WNA inverts the relationship between capacity utilization and customer charges by crediting customers when weather is colder than normal and more of the Company's fixed capacity is utilized, and charging customers when weather is warmer than normal and less of the Company's fixed capacity is utilized.⁶⁸¹
53. The WNA does not reflect the level of demand associated with customers' anticipated consumption levels but instead aligns Peoples' revenue collection with revenue projections despite reduced demand based on weather.⁶⁸²

⁶⁷⁵ CAUSE-PA St. 1 at 61.

⁶⁷⁶ Id. at 58.

⁶⁷⁷ Id.

⁶⁷⁸ Id. at 59.

⁶⁷⁹ Id.

⁶⁸⁰ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #1.

⁶⁸¹ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #2.

⁶⁸² CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #3.

54. The WNA disincentivizes energy efficiency efforts by charging customers for reduced usage regardless of whether their usage reduction was attributable to weather or the deliberate adoption of energy efficiency and conservation measures.⁶⁸³
55. The WNA is based on an overly nuanced and complex calculation that results in charges or credits that subvert consumers' expectations about the relationship between their usage and their bills.⁶⁸⁴
56. The WNA charge inflates other riders collected by Peoples including its DSIC.⁶⁸⁵
57. WNA charges caused by warmer weather trends will increase the bill for CAP customers who are charged according to their average bill, up to the applicable percentage of income payment.⁶⁸⁶
58. The imposition of WNA charges on CAP bills needlessly increases the costs of the CAP program paid for by other residential customers.⁶⁸⁷

Universal Service Program Rider: Proposed Additional Costs

59. Peoples' proposal to include additional costs within its Universal Service Program Rider should be rejected. Peoples' proposals are similar to those proposed by Columbia Gas of Pennsylvania in its last rate case to recover the costs of its Energy Assistance Team (EAT) through its Rider USP rather than base rates.⁶⁸⁸

⁶⁸³ CAUSE-PA St. 1, Appendix C, Cicero Exhibit C-2, #6.

⁶⁸⁴ CAUSE-PA St. 1 at 60.

⁶⁸⁵ Id. 1 at 59.

⁶⁸⁶ CAUSE-PA St. 1-SR at 41.

⁶⁸⁷ Id.

⁶⁸⁸ Pa. PUC v. Columbia Gas of Pennsylvania, Inc., R-2025-3053499, Opinion and Order at 167-168 (Entered Dec. 4, 2025).

60. While adopting a broader allocation of universal service costs would help alleviate the burden on residential customers, these costs are nonetheless more appropriately recovered through base rates.⁶⁸⁹

61. Shifting these costs to Peoples Universal Service rider would provide Peoples with a guaranteed recovery of those costs and truncates the ratemaking process that is designed to ensure the reasonableness and prudence of those costs.⁶⁹⁰

Low Income Customer Issues

62. Peoples' proposed CAP fraud provision # 10 has a dangerous level of subjectivity that could lead to customers who are low income customers being unjustifiably removed from CAP, leading to service termination.⁶⁹¹

63. Peoples does not conduct its own income screening of CAP applicants, because that duty is performed by its CAP administrator, Dollar Energy Fund.⁶⁹²

64. Peoples indicated that it has not developed a way for customers to dispute allegations of CAP fraud other than its existing dispute process and their ability to contact the Commission's Bureau of Consumer Services.⁶⁹³

65. Peoples proposes to add Provision # 9 to its Rate CAP tariff page to allow it to remove customers from the customer assistance program if they find unjustified usage because of recreational gas use.⁶⁹⁴

66. Some of the uses identified by Peoples are not "recreational" or "unjustified."⁶⁹⁵

⁶⁸⁹ CAUSE-PA St. 1 at 75

⁶⁹⁰ See Pa. PUC v. Columbia Gas of Pennsylvania, Inc., R-2025-3053499, Opinion and Order at 167-168 (Entered Dec. 4, 2025).

⁶⁹¹ CAUSE-PA St. 1 at 71.

⁶⁹² Id.

⁶⁹³ Id. at 72, Appendix B: Peoples Response to CAUSE-PA VI-002(c).

⁶⁹⁴ Peoples St. 10 at 10.

⁶⁹⁵ CAUSE-PA St. 1 at 68-69.

67. The prohibition on recreational CAP usage has been in the Company's Universal Service and Energy Conservation Plan (USECP) since 2014.⁶⁹⁶
68. Peoples waives the provision if the customer submits verification of a medical need and that it is not the Company's practice to back bill customers for this usage.⁶⁹⁷
69. Peoples witness Black committed that Peoples would revise its proposed Provision # 9 to remove references to appliances other than pool heaters and to remove the reference to the unjustified usage being billed back to the customer.⁶⁹⁸
70. Peoples witness Black committed Peoples to update its USECP to remove references to back billing and to specify that customers can provide a medical certificate to verify that the usage is necessary.⁶⁹⁹
71. Peoples CAP terminations more than doubled from 1,500 in 2023 to 3,340 in 2024, resulting in a CAP termination rate of 10.6%, which was even higher than non-CAP confirmed low income customers (10.2%).⁷⁰⁰
72. Peoples is currently undergoing a Universal Service Evaluation that will be completed in April 2027 and that as a part of the evaluation, Peoples has requested that the evaluator look at CAP termination trends from 2019 to 2025 and will review the results with its USAG.⁷⁰¹
73. A significant number of potentially eligible customers are not completing the application process.⁷⁰²

⁶⁹⁶ Peoples St. 10-R at 2-3.

⁶⁹⁷ Id. at 5.

⁶⁹⁸ Id. at 4-5.

⁶⁹⁹ Id. at 5.

⁷⁰⁰ Id. at 28-29, Table 5.

⁷⁰¹ CAUSE-PA St. 1-SR at 45, Appendix A: Peoples Response to CAUSE-PA Set IX-002.

⁷⁰² CAUSE-PA St. 1 at 73-74

74. Peoples demonstrated that as of July 14, 2026, its independent evaluator is now tasked with reviewing Peoples' high rate of incomplete CAP applications, and it will address this issue in its ongoing evaluation and to discuss the results its USAG.⁷⁰³
75. There is an unmet need for LIURP services as indicated by the number of the Company's low-income customers relative to the number customers served.⁷⁰⁴
76. As a result of this proceeding rates are likely to increase, a customer's ability to conserve will decrease (if the fixed monthly charge is increased) yet no additional relief is being provided to customers that would allow them to increase their conservation of energy and decrease their monthly bills.⁷⁰⁵
77. Peoples' LIURP underspending in recent years is not indicative of a lack of need for LIURP services in its territory.⁷⁰⁶
78. In 2024 and 2025, Peoples transitioned to a new program administrator, which slowed down LIURP production.⁷⁰⁷
79. In 2023, prior to this transition, the Company expended 97% of its LIURP budget.⁷⁰⁸
80. Since the transition has completed, the Company's LIURP production has greatly improved and is projected to exceed the number of customers previously served by the program.⁷⁰⁹

⁷⁰³ CAUSE-PA St. 1-SR at 46, Appendix A: Peoples Response to CAUSE-PA Set IX-002, Attachment C.

⁷⁰⁴ PWPTF St. No. 1 at 6.

⁷⁰⁵ Id.

⁷⁰⁶ CAUSE-PA St. 1-SR at 47.

⁷⁰⁷ Peoples St. 10-R at 21.

⁷⁰⁸ CAUSE-PA St. 1-SR at 47, Appendix A: Peoples Response to CAUSE-PA Set II-002, Attachment.

⁷⁰⁹ Peoples St. 10-R at 21.

Customer Service Issues: Racially Disproportionate Service Terminations

81. While 30.07% of all residential customers live in Above-Average Black zip codes (householders), 42.97% of all residential nonpayment disconnections occur in those zip codes.⁷¹⁰
82. While 30.92% of all residential customers live in Above-Average Black zip codes (population), 43.80% of all residential nonpayment disconnections occur in those zip codes.⁷¹¹
83. While 32.73% of all Confirmed Low-Income customers live in Above-Average Black zip codes (householders), 45.42% of all Confirmed Low-Income nonpayment disconnections occur in those zip codes.⁷¹²
84. While 33.40% of all Confirmed Low-Income customers live in Above-Average Black zip codes (population), 46.13% of all Confirmed Low-Income nonpayment disconnections occur in those zip codes.⁷¹³
85. Neighborhoods with a greater concentration of people of color is associated with a meaningfully higher involuntary disconnection rate, even after controlling for economic and demographic factors.⁷¹⁴
86. Lack of intentionality, neither addresses nor remedies the fact that Peoples disproportionately disconnects service to Black households for nonpayment and that it is important to shed light on to this disparate impact to ensure that it can be remedied in the near term.⁷¹⁵

⁷¹⁰ OCA St. 4 at 54.

⁷¹¹ Id.

⁷¹² Id.

⁷¹³ Id.

⁷¹⁴ Id. at 55.

⁷¹⁵ Id. at 51.

Natural Gas Hot Water Tank Rebate Pilot

87. Peoples' proposed Natural Gas Hot Water Tank Rebate Pilot is a load building program, which would add an additional 35 Mcf per year for each customer who converts from electric hot water heating to gas hot water heating through the Pilot.⁷¹⁶
88. Peoples has not applied any Total Resource Cost (TRC) test to determine the cost effectiveness of this Pilot.⁷¹⁷
89. The two EDCs with overlapping service territory are Duquesne Light and First Energy (West Penn Power), and both offer rebates for several different types of high efficiency electric hot water heaters at varying incentive levels through their respective Act 129 Phase V Energy Efficiency & Conservation Plans.⁷¹⁸

Purchase of Receivables Program

90. From January 2024 through April 2026, residential shopping customers were charged, in aggregate, \$51.9 million more than the applicable default service rate for the same period, this breaks down to approximately \$683 per residential customer.⁷¹⁹
91. From January 2024 through April 2026, confirmed low income shopping customers were charged, in aggregate, \$7.4 million more than the applicable default service price, this breaks down to \$704 per confirmed low income customer.⁷²⁰
92. From January 2024 through April 2026, confirmed low income shopping customers were charged higher prices on average than residential shopping customers for a comparable period.⁷²¹

⁷¹⁶ CAUSE-PA St. 1 at 81.

⁷¹⁷ Id. at 82.

⁷¹⁸ CAUSE-PA St. 1-SR at 53.

⁷¹⁹ CAUSE-PA St. 1 at 85.

⁷²⁰ Id. at 86.

⁷²¹ Id.

93. Write offs for shopping customers were 484% higher than for residential customers on default service, amounting to an average write-off of \$602.13⁷²²
94. For low income customers, write offs for those customers shopping were an astounding 853% higher than write offs for low income customers who were charged the default service rate, amounting to an average of \$978.89 per low income shopping account.⁷²³
95. As of July 2026, approximately 95.8% of residential shopping customers pay more than the PTC for commodity service, and the average supplier price is 82% above the PTC – with some supplier prices reaching as much as ten times the PTC.⁷²⁴
96. The vast majority of residential shopping customers were charged more than Peoples’ PTC for commodity supply, with many paying two to three times as much – with some charged more than \$40 per Mcf.⁷²⁵ For reference, the average Peoples PTC from January 2024 to April 2026 was \$3.21 per MCF.⁷²⁶
97. Peoples’ Purchase of Receivables (POR) program has led to significant and adverse cost impacts for residential and confirmed low income customers not enrolled in CAP who have chosen to shop with a competitive gas supplier.⁷²⁷
98. Low income customers already face high energy burdens, which are exacerbated by excessive NGS charges, and these higher costs flow through to the uncollectible expenses paid for by all ratepayers.⁷²⁸

⁷²² CAUSE-PA St. 1 at 87.

⁷²³ Id.

⁷²⁴ Peoples St. 21-R at 5.

⁷²⁵ Peoples St. 21-SR at 3-4.

⁷²⁶ CAUSE-PA St. 1 at 86, Table 15.

⁷²⁷ Id. at 84-86.

⁷²⁸ Id. at 87.

99. If a supplier participates in POR, then the uncollected account balance is owned by Peoples and Peoples proceeds to bill and collect those charges like it would for all charges that it bills and collects for default service customers, including service termination.⁷²⁹

⁷²⁹ CAUSE-PA St. 1 at 87-88.

APPENDIX D: PROPOSED CONCLUSIONS OF LAW

Legal Standards: Just and Reasonable Rates

1. The Commission has a fundamental duty to restrain the monopolistic tendencies of public utilities through the regulation of utility rates and attendant terms and conditions of service.⁷³⁰
2. Rates must be just and reasonable – and must conform with all other laws, regulations, and orders of the Commission.⁷³¹
3. Important ratemaking concerns include quality of service, rate gradualism, and rate affordability.⁷³²
4. In determining just and reasonable rates, the Commission has the “power to make and apply policy” – including, *inter alia*, the discretion to decide the proper balance between interests of ratepayers and utilities.⁷³³
5. A fair return for public utility service is not equivalent to “profits such as are realized or anticipated in highly profitable enterprises or speculative ventures”⁷³⁴ – and “does not insure that the business shall produce net revenues.”⁷³⁵
6. Section 102 of the Public Utility Code defines “rates” broadly to include any compensation whatsoever that is made, demanded, or received for any service, whether directly or

⁷³⁰ Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, L-2012-2317273, Final Form Order at 4 (order entered Jan. 8, 2025),

⁷³¹ 66 Pa. C.S. § 1301.

⁷³² Pa. PUC v. Columbia Gas of Pa., Inc., R-2020-3018835 Opinion and Order, at 46-47 (Entered Feb. 19, 2021) (citing 66 Pa. C.S. §§ 523, 526 (a); Lloyd v. Pa. PUC, 904 A.2d 1010, 1019-21 (Pa. Commw. Ct. 2006); Pa. PUC v. Twin Lakes Util., Inc., 2020 Pa. PUC LEXIS 340, *46-54 (order entered Mar. 26, 2020).

⁷³³ Popowsky v. Pa. PUC, 665 A.2d 808, 812 (Pa. 1995).

⁷³⁴ Bluefield Water Works & Improvement Co. v. Public Serv. Comm’n of W. Va., 262 U.S. 679, 692- 93 (1923).

⁷³⁵ Federal Power Comm’n v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944).

indirectly, along with any rules, regulations, practices, classifications or contracts affecting any such compensation.⁷³⁶

7. The significance of both the context and frequency of rate case requests and the impact and recent and current economic conditions are all relevant to setting just and reasonable rates.⁷³⁷

Legal Standards: Customer Service Standards

8. A base rate case is the proper venue for consideration of customer service issues raised by parties.⁷³⁸
9. To determine the lawfulness, justness, and reasonableness of Peoples' rates, rules, and regulations, the Commission must necessarily consider concerns raised by parties regarding the quality of Peoples' customer service.⁷³⁹
10. In the context of balancing the interests of consumers and setting just and reasonable rates, the impacts upon customer service, and the quality of service provided, important considerations.⁷⁴⁰

Legal Standards: Gas Choice Act

11. The overarching goal of competition through deregulation of the energy supply industry is to reduce energy costs for consumers.⁷⁴¹

⁷³⁶ McCloskey v. Pa. PUC, 219 A.3d 1216, 1223 (Pa. Commw. Ct. 2019) (citing 66 Pa. C.S. § 102).

⁷³⁷ 2026 PAWC Rate Case Order, R-2025-3057983, at 41.

⁷³⁸ Pa. PUC v. Philadelphia Gas Works, R-2023-3037933, Opinion and Order at 193 (Entered Nov. 9, 2023).

⁷³⁹ April 24, 2025 Suspension and Investigation Order at 3, ¶ 4.

⁷⁴⁰ Pa. PUC v. Columbia Gas of Pa., Inc., Docket No. R-2020-3018835 Opinion and Order, at 46-47 (Entered Feb. 19, 2021), citing 66 Pa. C.S. §§ 523, 526 (a).

⁷⁴¹ Retail Energy Supply Assoc. v. Pa. PUC, 230 C.D. 2017 (Pa. Commw. Ct. 2017), citing CAUSE-PA v. Pa. PUC, 120 A.3d 1087, 1101 (Pa. Commw. Ct. 2015) (“[T]he overarching goal of the Choice Act is competition through deregulation of the energy supply industry, leading to reduced electricity costs for consumers[;]” however, this “scheme does not demand absolute and unbridled competition.”). While this case was interpreting the Electric Choice and Competition Act, the two Acts are parallel in their intent and application.

12. The term “universal service and energy conservation programs” is broadly defined as the “[p]olicies, practices and services that help residential low-income retail customers ... to maintain natural gas supply and distribution services.”⁷⁴² The term explicitly includes: “retail gas customer assistance programs, termination of service protections and consumer protection policies and services that help residential low-income customers and other residential customers experiencing temporary emergencies to reduce or manage energy consumption in a cost-effective manner, such as low-income usage reduction programs and consumer education.”⁷⁴³
13. The Choice Act requires that the Commission “ensure that universal service and energy conservation policies, activities and services are appropriately funded and available in each natural gas distribution service territory” to, *inter alia*, “assist low-income retail customers to afford natural gas service.”⁷⁴⁴
14. The Commission has expressly concluded that universal service and energy conservation issues are a relevant and important area of inquiry in the context of a determining whether a utility’s rates are just and reasonable, and should not be exclusively relegated to a utility’s periodic Universal Service and Energy Conservation Plan proceeding.⁷⁴⁵
15. The Choice Act specifically states that NGDCs are not required to forward advance payment to NGS on whose behalf the NGDC is billing customers, if the NGDC has not first received payment for those services from customers.⁷⁴⁶

⁷⁴² 66 Pa. C.S. § 2202 (emphasis added).

⁷⁴³ 66 Pa. C.S. § 2202.

⁷⁴⁴ 66 Pa. C.S. § 2203 (8).

⁷⁴⁵ Initiative to Review and Revise the Existing Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§ 58.1—58.18, Final Form Rulemaking Order, Docket No. L-2016-2557886, at 50, 123 (order entered March 13, 2025); see also Pa. PUC v. PGW, Opinion and Order, Docket No. R-2023-3037933, at 216 (order entered Nov. 9, 2023).

⁷⁴⁶ 66 Pa. C.S. § 2205 (c)(5).

Legal Standards: Burden of Proof

16. Peoples has the burden of proof to establish the justness and reasonableness of each element of its requested rate increase – inclusive of all attendant policies, programs, and services.⁷⁴⁷
17. The burden of proof remains with the Peoples throughout the case and does not shift to parties challenging a rate increase.⁷⁴⁸
18. Peoples has failed to meet its burden in the present proceeding to show that its proposed rate increase and alternative rate mechanisms – and associated programs, terms, and conditions of service – are in the public interest and will result in just and reasonable rates consistent with the Public Utility Code.⁷⁴⁹

Overall Position on Rate Increase and Affordability of Rates

19. A public utility may obtain “a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers[,] as well as a reasonable rate of return on its investment.”⁷⁵⁰
20. The Commission “has broad discretion in determining whether rates are reasonable” and “is vested with discretion to decide what factors it will consider in setting or evaluating a utility’s rates.”⁷⁵¹
21. The Commission has the “power to make and apply policy” concerning the appropriate balance between rates charged to consumers and returns allowed to utility investors.⁷⁵²

⁷⁴⁷ 66 Pa. C.S. §§ 315 (a), 1308 (a).

⁷⁴⁸ Pa. PUC v. Pa.-American Water Co., 2004 Pa. PUC LEXIS 29 at *16-18 (Jan. 29, 2004), citing Berner v. Pa. PUC, 116 A.2d 738 (Pa. 1955) (“It is well-established that in general rate increase proceedings, the burden of proof does not shift to parties challenging a requested rate increase.”); see also Univ. of Pa. v. Pa. PUC, 485 A.2d 1217 (Pa. Commw. Ct. 1984).

⁷⁴⁹ 66 Pa. C.S. § 1301.

⁷⁵⁰ City of Lancaster Sewer Fund v. Pa. PUC, 793 A.2d 978, 982 (Pa. Commw. Ct. 2002).

⁷⁵¹ Popowsky v. Pa. PUC, 683 A.2d 958, 961 (Pa. Commw. Ct. 1996).

⁷⁵² Popowsky v. Pa. PUC, 665 A.2d 808, 812 (Pa. 1995).

22. Given that a utility’s general rate increase request will substantially affect the interests of consumers, the Commission must “consistent with its other statutory responsibilities, take such action with due consideration to the interests of consumers.”⁷⁵³
23. The Commission is not bound by a prescribed ratemaking formula and has broad discretion in determining whether rates are just and reasonable, and it “is vested with discretion to decide what factors it will consider in setting or evaluating a utility’s rates.”⁷⁵⁴
24. While the Commission has acknowledged the existence of a set of ratemaking norms, or traditional ratemaking methodologies that have developed over time, the Commission has rejected the notion that the use of such methodologies limits consideration and weighing of other important factors or principles.⁷⁵⁵
25. In setting just and reasonable rates, such important factors and principles include quality of service, gradualism, and rate affordability.⁷⁵⁶
26. The Commission has acknowledged that the legal standards for ratemaking require the Commission to do more than adhere to a traditional ratemaking methodology to the exclusion of all other considerations.⁷⁵⁷
27. The Commission has an obligation “to balance between the interests of the utility’s customers, investors, and the public interest,” which it interpreted as additionally requiring the Commission “to weigh evidence or unique considerations related to changes in service, market forces, and the economy.”⁷⁵⁸

⁷⁵³ 71 P.S. § 309-5.

⁷⁵⁴ PA PUC v. Columbia Gas of Pennsylvania, Inc., R-2025-3053499, Opinion and Order at 32 (Entered Dec. 4, 2025).

⁷⁵⁵ Id. at 33.

⁷⁵⁶ Id.

⁷⁵⁷ Id.

⁷⁵⁸ Id.

28. A public utility which dedicates its facilities and assets to public service is entitled to no more than a reasonable opportunity to earn a fair rate of return on shareholder investment.⁷⁵⁹
29. In setting just and reasonable rates, there are few considerations as important as affordability. “Affordable bills ... maximize revenues for the Company and will enable ratepayers to continue to receive an essential service.”⁷⁶⁰
30. When setting rates for “essential, non-discretionary services . . . affordability should be a central consideration when determining whether . . . proposed rates are ‘just and reasonable.’”⁷⁶¹
31. Affordability is an issue that must be addressed for all customers, not just for those who apply for and are found eligible to receive low-income assistance.⁷⁶²
32. The Commission must consider the economic impact on Peoples consumers and exercises its duty to act a proxy for a competitive market and exert downward pressure on the profit-maximizing prices Peoples proposes charge.⁷⁶³
33. Peoples must be required to adopt substantial reforms to its policies, procedures, programs, and services to ensure low income customers can maintain service to their homes consistent with the requirements in the Choice Act.⁷⁶⁴
34. Peoples has failed to meet its burden of proving its proposed rate increase is just and reasonable.

⁷⁵⁹ City of Pittsburgh v. Pa. PUC, 126 A.2d 777, 785 (Pa. Super. 1956) (City of Pittsburgh II).

⁷⁶⁰ Pa. PUC v. Roaring Creek Water Co., Docket No. R-00943177, 1995 Pa. PUC LEXIS 67 at *116 (Order entered May 31, 1995) (Roaring Creek 1995).

⁷⁶¹ See Pa. Pub. Utility Comm’n v. Pennsylvania American Water Co., Docket No. R-2025-3057983, Opinion and Order at 37 (Order entered July 27, 2026) (“2026 PAWC Rate Case Order”).

⁷⁶² 2026 PAWC Rate Case Order, R-2025-3057983 at 41 (emphasis added).

⁷⁶³ Id.; Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Docket No. L-2012-2317273, Final Form Order at 4 (order entered January 8, 2025).

⁷⁶⁴ 66 Pa. C.S. §§ 2202, 2203 (8), 2206 (c).

Depreciation

35. The Commission is not bound by any particular methodology or procedure in determining annual depreciation expense,⁷⁶⁵
36. Merely because a utility used a depreciation procedure in the past, it is neither a justification nor a limitation for determining what constitutes just and reasonable rates in this proceeding.⁷⁶⁶

Rate of Return

37. Setting Peoples' ROE is one of many areas where the Commission has an abundance of discretion.⁷⁶⁷
38. While Peoples and its corporate parents are entitled to the opportunity to earn a *fair* rate of return on its capital investment, they are not entitled to *guaranteed* profit.⁷⁶⁸
39. The Commission is vested with significant discretion in determining what constitutes a fair rate of return, and there is no single way to arrive at just and reasonable rates and the Commission has broad authority on both these matters.⁷⁶⁹
40. A utility's return on equity should be a proxy for the cost of equity in the markets.⁷⁷⁰

⁷⁶⁵ Pa. Power & Light Co. v. Pa. Pub. Util. Com., 311 A.2d 151, 158 (Pa.Cmwlth. 1973) (citing Pittsburgh v. Pa. Pub. Util. Comm'n, 222 A. 2d 395 (Pa. Super. 1966); Philadelphia v. Pa. Pub. Util. Comm'n, 102 A. 2d 428 (Pa. Super. 1954)).

⁷⁶⁶ Pa. Power & Light Co. v. Pa. Pub. Util. Com., 311 A.2d 151, 158.

⁷⁶⁷ Permian Basin Area Rate Cases, 390 U.S. 747, 797 (1968) (Permian Basin), citing Atlantic Ref. Co. v. Pub. Serv. Comm'n, 360 U.S. 378, 388 (1981).

⁷⁶⁸ Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944); Pittsburgh v. Pa. PUC, 69 A.2d 844 (Pa. Super Ct. 1949); Duquesne Light Co. v. Barasch, 488 U.S. 299, 310, 312 (1989).

⁷⁶⁹ See Pa. P.U.C. et al. v UGI Utilities, Inc. – Gas Division, Docket No. R-2024-3052716, Recommended Decision at 22 (August 8, 2025) (quoting Popowsky v. Pa. Pub. Util. Comm'n, 683 A.2d 958, 961 (Pa. Cmwlth. 1996) (adopted by Commission via Order dated September 11, 2025) (“2025 UGI RD”). See also 2025 UGI RD at 51 (citing Duquesne Light Co v. Barasch, 488 U.S. 299, 315-16 (1989) (quoting Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591 (1944), and stating “the Commission was not bound to the use of any single formula or combination of formulae in determining rates”).

⁷⁷⁰ FPFTY Final Form Order, L-2012-2317273, at 4; See e.g., Bluefield Water Works & Improvement v. Pub. Serv. Comm'n of W.Va., 262 U.S. 679, 692-93 1923; FPC v Hope Natural Gas, 320 U.S. 591, 602 (1944).

41. The fact that the Governor recommends a more fair and transparent process for establishing a return on equity and capital structure that is different from how the Commission has historically conducted this analysis does not mean that this method should be disregarded.⁷⁷¹
42. Under the statutory standard of ‘just and reasonable’ it is the result reached not the method employed which is controlling. It is not the theory but the impact of the rate order which counts.⁷⁷²
43. Peoples’ claimed capital structure is too heavily weighted to equity, which unreasonably and unnecessarily increases the rates charged to customers.⁷⁷³
44. The Commission is not restrained to accept the capitalization ratio proposed by Peoples and can impute a revised capitalization ratio for ratemaking purposes.⁷⁷⁴
45. The capital structure of utilities that are wholly-owned subsidiaries may not be one which it would maintain if it were obliged to obtain its debt and equity financing on the open market rather than from a parent company.⁷⁷⁵
46. The Commission must closely examine the total relevant record evidence in this proceeding when setting the appropriate capital structure.⁷⁷⁶
47. There are situations in which the Commission must diverge from the use of an actual capital structure.”⁷⁷⁷

⁷⁷¹ See Hope Natural Gas, 320 U.S. at 602

⁷⁷² Hope Natural Gas, 320 U.S. at 602

⁷⁷³ Riverton Consol. Water Co. v. Pa. P.U.C., 140 A.2d 114, 121 (Pa. Super. Ct. 1958) (*Riverton*).

⁷⁷⁴ Id.

⁷⁷⁵ Id.

⁷⁷⁶ PA. PUC v. Pennsylvania-American Water Company, Docket No. R-2025-3057983, Opinion and Order at 184 (Adopted July 16, 2026, Entered July 27, 2026).

⁷⁷⁷ Id. at 185.

48. The Commission has a responsibility to ensure that rates are affordable, that service is accessible to those in need, and that the Company is not taking undue and unfair advantage of its customers.⁷⁷⁸

49. Residential consumers rely on the Commission to set rates that are fair, just, and reasonable and the Commission's job is to stand in the gap for consumers to protect them from a utility's monopolistic overreach.⁷⁷⁹

50. Monopolies like Peoples, with no competitors, are inclined to seek rates that are excessive and extractive.⁷⁸⁰

Rate Design: Residential Customer Charge

51. When setting fixed customer charges, the Commission must consider factors such as gradualism, affordability, and incentives to conserve energy, especially to scale back proposed customer charges from the cost of service.⁷⁸¹

52. High fixed charges violate the Commission's policies encouraging energy efficiency and conservation, as it hinders customers' ability to reduce their bill through conservation or energy efficiency measures.⁷⁸²

53. High fixed charges weaken the ability of low income households to save money on their bills through careful conservation and participation in Peoples' Low Income Usage

⁷⁷⁸ Federal Power Comm'n v. Hope Nat'l Gas Co., 320 U.S. 591, 603 (1944); Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Docket No. L-2012-2317273, Final Form Order at 4 (Entered January 8, 2025).

⁷⁷⁹ Id.; 66 Pa. C.S. § 1301.

⁷⁸⁰ Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Docket No. L-2012-2317273, Final Form Order at 4 (Entered January 8, 2025).

⁷⁸¹ See, e.g., Pa. PUC v. PECO Energy Company – Gas Division, Docket No. R-2020-3018929, Opinion and Order at 274 (Entered June 22, 2021) (“Rate design requires a careful balance of the competing interests of customer classes as well as prudent application of the principles of cost causation, gradualism, and overall fairness”).

⁷⁸² Pa. PUC v. Columbia Gas of Pa., Inc., Opinion and Order, Docket No. R-2020-3018835, at 264-265 (order entered Feb. 19, 2021) (Columbia's proposed fixed charge was “contrary to the Commission's goal of encouraging customers to conserve energy.”).

Reduction Program (LIURP), undercutting the purpose of LIURP to reduce bills for low income customers.⁷⁸³

54. LIURP is intended to assist low-income customers conserve energy and reduce residential energy bills. The reduction in energy bills should decrease the incidence and risk of customer payment delinquencies and the attendant utility costs associated with uncollectible accounts expense, collection costs and arrearage carrying costs.”⁷⁸⁴

Allocation of Universal Service Program Costs

55. Universal Service and Energy Conservation Programs are required by state law to be offered and effectively implemented by Peoples and are overseen by the Commission.⁷⁸⁵

56. The Competition Act and Commission regulations, do not restrict the recovery of universal service costs to residential ratepayers.⁷⁸⁶

57. The Competition Act required the Commission to, “*at a minimum*, continue the level and nature of the consumers protections, policies and services within its jurisdiction that are in existence as of the effective date of this chapter to assist low-income retail gas customers to afford natural gas services.”⁷⁸⁷

58. The Choice Act specifically requires that the Commission “ensure that universal service and energy conservation policies, activities and services are appropriately funded and available in each natural gas distribution service territory.”⁷⁸⁸

⁷⁸³ 52 Pa. Code § 58.1.

⁷⁸⁴ Id.

⁷⁸⁵ 66 Pa. C.S. § 2203 (6)-(8).

⁷⁸⁶ Final CAP Policy Statement and Order, Docket No. M-2019-3012599, at 80; 66 Pa. C.S. Ch. 22; 52 Pa. Code Chs. 54, 58, 62.

⁷⁸⁷ 66 Pa. C.S. § 2203 (7).

⁷⁸⁸ 66 Pa. C.S. § 2203 (8).

59. The Commission will no longer routinely exempt non-residential classes from universal service obligations.⁷⁸⁹
60. Formal Commission policy directs that “Utilities should be prepared to address recovery of CAP costs (and other universal service costs) from any ratepayer classes in their individual rate case filing.”⁷⁹⁰
61. “In rate cases, parties may raise the issue of recovery of CAP costs, whether specifically or as part of universal service program costs in general, from all ratepayer classes.”⁷⁹¹
62. For purposes of this case, all the programs collected through Peoples’ existing and proposed Universal Service Rider meet the definition of the public purpose costs that the General Assembly has required Peoples to develop, offer and implement.⁷⁹²
63. As a public good, the cost of ensuring affordable access to very basic human needs should be borne by all those who enjoy the benefits of the public utility.
64. In Lloyd v. Pa. PUC the Commonwealth Court affirmed the right to recover the costs of “public purpose programming” from all rate classes.⁷⁹³
65. In Lloyd, the Commonwealth Court affirmed the continued recovery of public purpose program costs from all ratepayers and definitively concluded that “SEF funding was not a tax, hidden or otherwise, but a conservation program directly related to conservation programs that the General Assembly permitted to be funded.”⁷⁹⁴

⁷⁸⁹ Final CAP Policy Statement and Order, M-2019-3012599 at 97; see also 52 Pa. Code § 69.266 (b).

⁷⁹⁰ Final CAP Policy Statement and Order, Docket No. M-2019-3012599, at 80 (Order entered Nov. 5, 2019) (emphasis in original).

⁷⁹¹ 52 Pa. Code § 69.266 (b).

⁷⁹² Lloyd v. Pa. PUC, 904 A.2d 1010 (Pa. Commw. Ct. 2006).

⁷⁹³ Id.

⁷⁹⁴ Id. at 1027.

Weather Normalization Adjustment

66. Peoples has the burden of proof to demonstrate that its Weather Normalization Adjustment (WNA) produces just and reasonable rates as implemented and as proposed.⁷⁹⁵
67. The Commission has the authority and discretion to permit alternative ratemaking where it will enhance the safety, security, reliability, or availability of utility infrastructure and is consistent with efficient consumption of utility service.⁷⁹⁶
68. Utilities are not entitled to assurance during ratemaking that they will be able to recover net revenues; instead, utilities are granted the opportunity to recover their authorized revenue increase, and the public interest weighs against guaranteeing particular levels of revenue.⁷⁹⁷
69. The Commission's Distribution Rates Policy Statement enumerates factors to evaluate alternative ratemaking proposals, including Peoples' WNA.⁷⁹⁸
70. An evaluation of the Distribution Rates Policy Statement factors demonstrates that Peoples' WNA is unjust and unreasonable.⁷⁹⁹

Universal Service Program Rider: Proposed Additional Costs

71. Peoples should recover its CARES costs, its Independent Evaluation costs, and its LIURP Specialist salary and benefits through base rates, because shifting these costs to a rider would provide Peoples with a guaranteed recovery of those costs and would eliminate the Commission's authority to review the reasonableness and prudence of those costs.⁸⁰⁰

⁷⁹⁵ 66 Pa. C.S. §§ 315 (a), 1301, 1330.

⁷⁹⁶ 66 Pa. C.S. § 1330 (a)(2).

⁷⁹⁷ Hope at 603; Pa. Elec. Co. v. Pa. PUC, 502 A.2d 130, 133-35 (Pa. 1985).

⁷⁹⁸ 52 Pa. Code § 69.3302 (a).

⁷⁹⁹ Id.

⁸⁰⁰ See Pa. PUC v. Columbia Gas of Pennsylvania, Inc., R-2025-3053499, Opinion and Order at 167-168 (Entered Dec. 4, 2025).

Low Income Customer Issues

72. Chapter 15 of the Public Utility Code imposes crucial customer service standards on public utilities and requires Peoples to furnish and maintain adequate, efficient, safe, and reasonable service to its customers.⁸⁰¹

73. The Commission has expressly concluded that universal service and energy conservation issues are a relevant and important area of inquiry in the context of determining whether a utility's rates are just and reasonable and should not be exclusively relegated to a utility's periodic USECP proceeding.⁸⁰²

74. Universal service and energy conservation issues are a relevant and important area of inquiry in the context of determining whether a utility's rates are just and reasonable and cannot be relegated to a utility's periodic Universal Service and Energy Conservation Plan proceeding.⁸⁰³

Hot Water Tank Rebate Pilot

75. The Commission has not traditionally allowed the use of ratepayer funds to conduct fuel switching that builds load, because it runs counter to the objectives of reducing consumption and peak demand.⁸⁰⁴ The only exception to this rule is to support "beneficial electrification" that is co-funded by state and federal programs.⁸⁰⁵

⁸⁰¹ 66 Pa. C.S. § 1501 *et seq.*

⁸⁰² Pa. PUC v. PGW, Opinion and Order, Docket No. R-2023-3037933, at 216 (Entered Nov. 9, 2023).

⁸⁰³ Id. at 16; Pa. PUC v. Columbia Gas of Pa., Recommended Decision, Docket No. R-2025-3053499 at 678.

⁸⁰⁴ Act 129 Phase V Energy Efficiency and Conservation Program, Docket No. M-2025-3052826, Final Implementation Order at 168, 173 (Entered June 18, 2025).

⁸⁰⁵ Id. at 173-174.

76. Peoples' Hot Water Tank Rebate Pilot is a load building program is not "beneficial electrification" and, in fact runs counter to these goals by switching customers from electric to fossil fuel.⁸⁰⁶

Purchase of Receivables Program

77. Peoples has not met its burden of proof to show that its proposed POR program is just, reasonable, and consistent with the public interest.⁸⁰⁷

78. CAUSE-PA's proposed POR program reforms offer the least restrictive option on the record to address clear harm to ratepayers caused by excessive prices in the competitive market.⁸⁰⁸

79. POR programs are optional and voluntary retail market enhancement program, typically reviewed through a gas utilities' individual rate proceeding.⁸⁰⁹

80. While the Commission has in the past recognized that POR programs have the potential to "promote efficiencies, reduce costs to consumers and reduce barriers to market entry by natural gas suppliers," the Commission has otherwise declined to establish statewide parameters for gas POR programs.⁸¹⁰

81. The Choice Act does not expressly authorize POR programs, though it does *forbid* the Commission from requiring gas utilities to make advance payment to suppliers.⁸¹¹

⁸⁰⁶ Act 129 Phase V Energy Efficiency and Conservation Program, Docket No. M-2025-3052826, Final Implementation Order at 173-174 (Entered June 18, 2025).

⁸⁰⁷ 66 Pa. C.S. § 1301.

⁸⁰⁸ Retail Energy Supply Assoc. v. Pa. PUC, 230 C.D. 2017 (Pa. Commw. Ct. 2017), citing CAUSE-PA v. Pa. PUC, 120 A.3d 1087, 1101-1103 (Pa. Commw. Ct. 2015).

⁸⁰⁹ Investigation of Pennsylvania's Retail Natural Gas Supply Market, Final Order, Docket No. I-2013-2381742, at 35 (order entered Dec. 18, 2014), citing Investigation into the Natural Gas Supply Market: Report on Stakeholders' Working Group (SEARCH); Action Plan for Increasing Effective Competition in Pennsylvania's Retail Natural Gas Supply Services Market, Docket No. I-00040103F0002, (order entered August 21, 2014).

⁸¹⁰ Investigation of Pennsylvania's Retail Natural Gas Supply Market, Final Order, Docket No. I-2013-2381742, at 35-37 (order entered Dec. 18, 2014).

⁸¹¹ 66 Pa. C.S. § 2205 (c)(5).

82. The Choice Act states, “No natural gas distribution company shall be required to forward payment to entities providing services to customers and on whose behalf the natural gas distribution company is billing those customers before the natural gas distribution company has received payment for those services from customers.”⁸¹²
83. Apart from CAUSE-PA witness Cicero’s recommendations, there are no other viable alternatives on the record to address the harm caused by Peoples’ proposed POR.⁸¹³

⁸¹² 66 Pa. C.S. § 2205 (c)(5).

⁸¹³ Retail Energy Supply Assoc. v. Pa. PUC, 230 C.D. 2017 (Pa. Commw. Ct. 2017), citing CAUSE-PA v. Pa. PUC, 120 A.3d 1087, 1101-1103 (Pa. Commw. Ct. 2015).

APPENDIX E: PROPOSED ORDERING PARAGRAPHS

It is hereby ORDERED THAT:

1. Peoples Natural Gas Company LLC shall not place into effect the rates, rules, and regulations contained in its tariff, which have been found to be unjust, unreasonable and, therefore, unlawful.
2. Peoples Natural Gas Company LLC's residential customer charge shall remain at \$16.80.
3. Peoples Natural Gas Company LLC shall cease operation of its pilot WNA on the effective date of rates approved in this Order.
4. Peoples Natural Gas Company LLC's proposed Provision # 9 to its Rate CAP tariff page shall be revised to remove references to appliances other than pool heaters and to remove the reference to the unjustified usage being billed back to the customer.
5. Peoples Natural Gas Company LLC shall update its USECP to remove references to back billing for recreational CAP use and to specify that customers can provide a medical certificate to verify that the usage is necessary.
6. Peoples Natural Gas Company LLC's Peoples proposed Provision #10 to its Rate CAP tariff page is hereby rejected.
7. Peoples Natural Gas Company LLC's Natural Gas Hot Water Tank Rebate Pilot is rejected.
8. Peoples Natural Gas Company LLC shall issue a notice to all suppliers indicating that, effective July 1, 2027 and forward, all suppliers who wish to remain in the POR program will need to complete an updated POR Agreement and Affidavit requiring all charges for contracts or renewals of contracts to be at or below the default service price to compare in order to have any charges after that date be included in the POR program.

9. Peoples Natural Gas Company LLC's proposal to add CARES costs, independent evaluation costs, and LIURP compliance specialist salary and benefits to its Universal Service Program Rider is rejected.
10. Peoples Natural Gas Company LLC shall update its Universal Service Program to allocate costs to all rate classes based on their respective distribution revenue requirements per the Company's cost of service study (COSS) filed in the current case.
11. Peoples Natural Gas Company LLC shall conduct an independent root cause analysis to determine what is driving the disproportionate level of utility disconnections within the Company's service territory.