
Lindsay A. Berkstresser

lberkstresser@postschell.com
717-612-6022 Direct
717-731-1985 Direct Fax
File #: 203798

August 26, 2026

VIA ELECTRONIC FILING

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

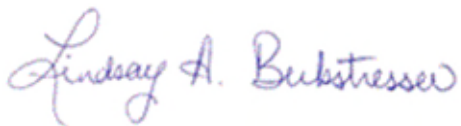
Re: Pennsylvania Public Utility Commission, *et al.* v. Peoples Natural Gas Company LLC
Docket Nos. R-2026-3060855, *et al.*

Dear Secretary Homsher:

Enclosed for filing is the Main Brief on behalf of Peoples Natural Gas Company LLC in the above-referenced proceedings.

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

Respectfully submitted,



Lindsay A. Berkstresser

LAB/sll
Attachment

cc: Honorable Charece Z. Collins (*via email; w/attachment*)
Certificate of Service

CERTIFICATE OF SERVICE

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

VIA E-MAIL

Steve Gray, Esq.
Senior Attorney
Assistant Small Business Advocate
Office of Small Business Advocate
Forum Place
555 Walnut Street, 1st Floor
Harrisburg, PA 17101
sgray@pa.gov
Counsel for OSBA

Joel H. Cheskis, Esq.
Jacob Guthrie, Esq.
Ryan M. Morden, Esq.
Olivia M. Spergel, Esq.
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
JCheskis@paoca.org
OCAPeoplesBRC2026@paoca.org
Counsel for OCA

Michael A. Podskoch, Jr., Esq.
Carrie Wright, Esq.
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street, Harrisburg, PA 17120
mpodskoch@pa.gov
carwright@pa.gov
Counsel for I&E

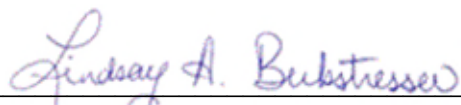
John W. Sweet, Esq.
Ria M. Pereira, Esq.
Elizabeth R. Marx, Esq.
Lauren N. Berman, Esq.
Levi A. Phillips, Esq.
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101
pulp@pautilitylawproject.org
Counsel for CAUSE-PA

Joseph L. Vullo, Esq.
Burke Vullo Reilly Roberts
1460 Wyoming Avenue
Forty Fort, PA 18704
jlvullo@bvrrlaw.com
*Counsel for Pennsylvania Weatherization
Providers Task Force*

Todd M. Pappasergi, Esq.
Pennsylvania Independent Oil & Gas
Association
100 Allegheny Drive, Suite 104
Warrendale, PA 15086
todd@pioga.org
Counsel for PIOGA

Todd S. Stewart, Esq.
HMS Legal LLP
501 Corporate Circle, Suite 302
Harrisburg, PA 17110
tsstewart@hmslegal.com

Dated: August 26, 2026



Lindsay A. Berkstresser

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, <i>et al.</i>	:	Docket Nos. R-2026-3060855
	:	C-2026-3061455
v.	:	C-2026-3061593
	:	C-2026-3061685
Peoples Natural Gas Company LLC	:	
	:	

MAIN BRIEF OF PEOPLES NATURAL GAS COMPANY LLC

Meagan Moore (ID # 317975)
PNG Companies LLC
375 North Shore Drive
Pittsburgh, PA 15212
Phone: 412-208-6527
Email: meagan.moore@peoples-gas.com

Lindsay A. Berkstresser (I.D. No. 318370)
Anthony D. Kanagy (I.D. No. 85522)
Michael W. Gang (I.D. No. 25670)
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, Pennsylvania 17101-1601
Phone: 717-612-6034
Fax: 717-731-1985
E-mail: akanagy@postschell.com
mgang@postschell.com
lberkstresser@postschell.com

Hayley E. Wilburn (ID # 336055)
Post & Schell, P.C.
301 Grant Street
Suite 3010
Pittsburgh, PA 15219
Phone: 412-506-6362
E-mail: hwilburn@postschell.com

Dated: August 26, 2026

*Counsel for Peoples Natural Gas Company
LLC.*

TABLE OF CONTENTS

I.	INTRODUCTION	1
A.	DESCRIPTION OF PEOPLES NATURAL GAS COMPANY LLC.....	1
B.	PROCEDURAL HISTORY.....	1
C.	LEGAL STANDARDS	1
II.	SUMMARY OF ARGUMENT	2
III.	OVERALL POSITION ON RATE CASE AND AFFORDABILITY OF RATES	3
IV.	RATE BASE.....	12
V.	REVENUES.....	13
A.	HEATING DEGREE DAY METHODOLOGY	13
VI.	EXPENSES.....	13
A.	UPDATES TO ORIGINAL FILING.....	13
B.	PROJECTED COST INCREASE ADJUSTMENTS	14
1.	Average Annual Increases	14
2.	Inflation Adjustments.....	17
C.	LABOR/VACANCY EXPENSE	18
D.	INCENTIVE COMPENSATION.....	20
E.	EMPLOYEE BENEFITS EXPENSE	23
F.	CORPORATE INSURANCE.....	24
G.	EMPLOYEE EXPENSE.....	24
H.	TRAVEL AND ENTERTAINMENT EXPENSE.....	26
I.	COMPANY MEMBERSHIPS	27
J.	LICENSE AND PERMIT EXPENSE	29
K.	UTILITIES AND FUEL EXPENSE	29
L.	ADVERTISING EXPENSE	29
O.	RATE CASE EXPENSE	32

P.	PENSION EXPENSE	34
Q.	OUSIDE SERVICES	36
1.	Contracted	36
2.	Administrative and General (“A&G”)	36
R.	NATURAL GAS HOT WATER TANK REBATE PILOT	36
T.	BUILDING LEASES.....	38
U.	UNIVERSAL SERVICE PROGRAM RIDER	38
V.	PUBLIC UTILITY COMMISSION ASSESSMENT	38
W.	RESIDENTIAL COLLECTION EXPENSE	38
X.	INTEREST SYNCHRONIZATION	40
Y.	COST OF OTHER PARTIES’ PROPOSALS.....	41
Z.	UNCOLLECTIBLE ACCOUNTS EXPENSE.....	42
VII.	DEPRECIATION	42
A.	OVERVIEW OF PARTIES’ POSITIONS AS TO DEPRECIATION EXPENSE	42
B.	DETERMINATION OF ANNUAL DEPRECIATION ACCRUALS	44
C.	SERVICE LIFE FOR PLANT ACCOUNT 380.00, SERVICES.....	45
D.	DESCRIPTION OF ELG AND ASL PROCEDURES	47
E.	OCA’S ARGUMENTS TO SWITCH FROM THE ELG TO THE ASL PROCEDURE ARE WITHOUT MERIT	50
F.	CONCLUSION WITH REGARD TO DEPRECIATION EXPENSE	55
VIII.	TAXES.....	55
IX.	RATE OF RETURN	55
A.	INTRODUCTION	55
1.	Rate of Return Standards	57
2.	Rate of Return Components.....	59
B.	CAPITAL STRUCTURE	59

1.	The Company’s Actual Capital Structure is Reasonable and Should be Accepted.	59
2.	I&E’s, OCA’s, and CAUSE-PA’s use of a Hypothetical Capital Structure is Unjustified and Should be Rejected.	60
i.	Applicable Legal Standards	60
ii.	I&E, OCA and CAUSE-PA Have Failed to Demonstrate that the Company’s Proposed Capital Structure is Atypical.....	64
3.	Conclusion as to Capital Structure.....	68
C.	DEBT COST RATE	69
D.	RETURN ON COMMON EQUITY	69
1.	Summary of Recommended Return on Common Equity	69
2.	Proxy Group.....	73
3.	Discounted Cash Flow (“DCF”)	75
4.	Capital Asset Pricing Model (“CAPM”).....	77
5.	Risk Premium.....	80
6.	Comparable Earnings.....	81
7.	Management Effectiveness Adjustment	81
E.	ALTERNATIVE COST OF CAPITAL PROPOSALS.....	84
F.	CONCLUSION AS TO RATE OF RETURN.....	90
X.	REVENUE ALLOCATION AND RATE DESIGN	91
A.	INTRODUCTION	91
B.	COST OF SERVICE.....	91
1.	Allocated Cost of Service Principles	91
2.	The Parties Presented Multiple ACOS Studies in this Case.	92
C.	REVENUE ALLOCATION	94
1.	Peoples’ Proposed Revenue Allocation	94
2.	Other Parties’ Revenue Allocation Proposals.....	96

B.	RATE DESIGN	98
1.	Introduction.....	98
2.	Residential Rate Design.....	98
3.	Nonresidential Rate Design	102
4.	Scale Back.....	103
5.	Merchant Function Charge	103
C.	ALLOCATION OF UNIVERSAL SERVICE COSTS.....	103
D.	COMPETITIVE RATE CUSTOMERS	104
XI.	WEATHER NORMALIZATION ADJUSTMENT (“WNA”)	105
A.	INTRODUCTION	105
B.	OCA’S AND CAUSE-PA’S CONTENTIONS THAT THE WNA SHOULD BE TERMINATED ARE NOT SUPPORTED BY THE EVIDENCE IN THIS CASE	106
C.	OTHER PARTIES’ PROPOSED MODIFICATIONS TO THE WNA ARE NOT SUPPORTED BY THE EVIDENCE IN THIS CASE.....	108
D.	THE WNA DOES NOT NEGATIVELY IMPACT LOW INCOME CUSTOMERS.....	110
E.	OTHER WNA PROPOSALS	111
F.	NORMALIZATION METHODOLOGY USED TO DEVELOP HDDS	112
G.	TIMING OF ANY WNA CHANGES.....	114
XII.	EFFECTIVE DATE OF RATES	114
XIII.	UNIVERSAL SERVICE PROGRAM RIDER	115
A.	ONE-TIME CREDIT ADJUSTMENT.....	115
B.	BAD DEBT OFFSET CALCULATION.....	117
XIV.	LOW-INCOME CUSTOMER ISSUES	118
A.	CUSTOMER ASSISTANCE PROGRAM (“CAP”).....	118
1.	CAP Participation Levels.....	118

2.	Identification of Low-Income Customers	120
3.	Public Input Hearing Testimony Regarding CAP Eligibility	121
B.	B. LOW-INCOME USAGE REDUCTION PROGRAM (“LIURP”).....	121
1.	LIURP Program Funding.....	121
2.	Addition of a LIURP Compliance Specialist.....	122
C.	HARDSHIP FUND.....	123
D.	SEASONALITY OF BILLS.....	123
E.	ALTERNATIVE MEASURES OF INCOME.....	124
XV.	CUSTOMER SERVICE ISSUES	125
A.	SERVICE TERMINATIONS	125
B.	INFORMAL AND FORMAL COMPLAINTS.....	127
C.	PAYMENT ARRANGEMENTS	127
1.	Residential Payment Arrangements.....	127
2.	Payment Arrangements for SGS and MGS Customers	128
D.	USE OF SOCIAL SECURITY NUMBERS (“SSN”).....	128
E.	CUSTOMER SERVICE PERFORMANCE.....	129
1.	Call Center Performance and Staffing	129
2.	2024 Billing Events.....	129
3.	Bill Engagement.....	131
XVI.	PROPOSED TARIFF CHANGES	132
A.	RATE CAP	132
1.	Recreational Gas Use	132
2.	Fraudulent CAP Participation	133
A.	RIDER UNIVERSAL SERVICE	135
1.	Costs Associated with CARES	135
2.	Independent Program Evaluation Costs.....	136

3.	LIURP Compliance Specialist Costs	137
4.	Other Changes to Rider USP	138
F.	NONLIABILITY OF COMPANY/LIMITATION OF LIABILITY	138
B.	DISHONORED PAYMENTS	139
C.	OTHER TARIFF REVISIONS.....	141
XVII.	HOT WATER TANK REBATE PILOT PROGRAM.....	141
XVIII.	SAFETY	142
A.	DAMAGE PREVENTION.....	142
B.	METHANE DETECTION.....	142
XIX.	PURCHASE OF RECEIVABLES “POR” PROGRAM	143
XX.	LOCAL PRODUCTION – GATHERING AND COST RECOVERY ISSUES.....	145
A.	RATE SCHEDULE APPALACHIAN GATHERING SERVICE (“RATE AGS”)	145
B.	OPERATIONAL CONCERNS	147
XXI.	COMPETITIVE RATE DISCOUNTS	148
XXII.	MISCELLANEOUS/OTHER ISSUES	149
A.	MERGER OF PNG GATHERING INTO PEOPLES	149
B.	FPFTY REPORTING	149
XXIII.	CONCLUSION.....	150
APPENDIX A – Summary Tables of Position and Adjustments		
APPENDIX B – Bill Impacts		
APPENDIX C – Proposed Findings of Fact		
APPENDIX D – Proposed Conclusions of Law		
APPENDIX E – Proposed Ordering Paragraphs		
APPENDIX F – Procedural History		

TABLE OF AUTHORITIES

Cases

<i>Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia</i> , 262 U.S. 679 (1923)	57
<i>Butler Township v. Pa. PUC</i> , 473 A.2d 219, 221 (Pa. Cmwlth. 1984)	41
<i>Carnegie National Gas Co. v. Pa. PUC</i> , 433 A.2d 938, 940 (Pa. Cmwlth. 1981)	60
<i>City of Pittsburgh v. Pa. PUC</i> , 182 Pa. Super. 376, 126 A.2d 777 (1956)	58
<i>Duquesne Light Co. v. Barasch</i> 488 U.S. 299, 109 S. Ct. 609, 102 L. Ed. 2d 646, 661 (1989) ...	58
<i>Federal Power Commission v. Hope Natural Gas Co.</i> , 320 U.S. 591, 603 (1944)	58
<i>Lloyd v. Pa. P.U.C.</i> , 904 A.2d 1010 (Pa. Cmwlth. 2006)	91
<i>Lower Paxton Twp. v. Pa. PUC</i> , 13 Pa. Cmwlth. 135, 317 A.2d 917 (1974)	58
<i>Octoraro Water Co. v. Pa. PUC</i> , 391 A.2d 1129 (Pa. Cmwlth. 1978)	59
<i>Ohio Bell Telephone Co. v. Pub. Util. Comm. of Ohio</i> , 301 U.S. 292 (1937)	59
<i>Pa. PUC v. Pa. Gas and Water Co. - Water Division</i> , 341 A.2d 239 (Pa. Cmwlth. 1975)	58
<i>Philadelphia Suburban Water Company v. Pa. Pub. Util. Comm’n.</i> , 808 A.2d 1044, 1060 (Pa. Cmwlth. 2002)	91
<i>Riverton Consolidated Water Co. v. Pa. PUC</i> , 186 Pa. Super. 1, 140 A.2d 114 (1958)	58
<i>T.W. Phillips Gas and Oil Co. v. Pa. PUC</i> , 474 A.2d 355 (Pa. Cmwlth. 1984)	41
<i>United States Steel Corp. v. Pa. PUC</i> , 390 A.2d 849 (Pa. Cmwlth. 1978)	59

Statutes

66 Pa. C.S. § 102	1, 11, 16, 30, 31, 81, 108
66 Pa. C.S. § 2202	1
66 Pa.C.S. § 1301	1
66 Pa.C.S. § 1304	1
66 Pa.C.S. § 315(a)	1, 81

Regulations

52 Pa. Code § 56.94	140
52 Pa. Code § 58.2	137
52 Pa. Code § 62.221	144
52 Pa. Code § 62.224	145
52 Pa. Code § 73.5	45
52 Pa. Code § 73.9(c)	43, 45, 53

Commission Decisions

<i>Allegheny Center Assocs. v. Pa. PUC</i> , 570 A.2d 149, 153 (Pa. Cmwlth. 1990)	2
<i>Columbia 2025</i> , p. 111; <i>PA American 2026</i> (Recommended Decision May 15, 2026) (Order entered July 27, 2026)	51
<i>PA PUC v. Citizens’ Electric Company of Lewisburg, PA</i> , Docket No. R-2019-3008212 (Order entered April 27, 2020)	34
<i>PA PUC v. PECO Energy Company – Gas Division</i> , Docket No. R-2020-3018929 (Order entered June 22, 2021)	17

<i>PA PUC v. PECO Energy Company – Gas Division</i> , Docket No. R-2020-3018929, Order entered June 22, 2021	27
<i>Pa PUC v. UGI Electric</i> , Docket No. R-2017-2640058 (Order entered October 25, 2018)	25
<i>Pa. P.U.C. v. Pennsylvania Power & Light Co.</i> , 55 PUR 4 th 185 (Order Aug. 19, 1983)	92
<i>Pa. P.U.C. v. West Penn Power Co.</i> , Docket Nos. R-901609, 1990 Pa. PUC LEXIS 142 (Order Dec. 13, 1990).....	92
<i>Pa. Publ. Util. Cmm’n, et al. v. PPL Electric Utilities Corporation</i> , Docket Nos. R-00049255, et al., 2007 Pa. PUC LEXIS 55 (Order on Remand entered July 25, 2007	91
<i>Pa. PUC et. al v. PPL Electric Utilities Corporation</i> , 2010 Pa. PUC LEXIS 2001, Docket No. R-2010-2161694 et. al (Order Entered December 21, 2010	144
<i>Pa. PUC v. ALLTEL Pa., Inc.</i> , Docket Nos. R-942710 et al., Pa. PUC LEXIS 53 (Order entered May 24, 1985).....	61
<i>Pa. PUC v. Aqua Pennsylvania, Inc. and Aqua Pennsylvania Wastewater, Inc.</i> , Docket Nos. R-2021-3027385, et al. (Order entered May 16, 2022).....	17
<i>Pa. PUC v. Aqua Pennsylvania, Inc.</i> , Docket No. R-00038805, 2004 Pa. PUC LEXIS 39 (Order entered Aug. 5, 2004).....	1
<i>Pa. PUC v. Aqua Pennsylvania, Inc.</i> , Docket No. R-00072711, 2008 Pa. PUC LEXIS 50 (Order July 31, 2008).....	20
<i>Pa. PUC v. Aqua Pennsylvania, Inc.</i> , Docket No. R-2021-3027385 (Order entered May 16, 2022)	62
<i>Pa. PUC v. City of Bethlehem</i> , 84 Pa. P.U.C. 275, 304 (1995)	60
<i>Pa. PUC v. City of Lancaster – Water</i> , 1999 Pa. PUC Lexis 37	60, 61
<i>Pa. PUC v. Columbia Gas of Pa., Inc.</i> , Docket No. R-2025-3053499 (Order entered Dec.9, 2025)	21
<i>Pa. PUC v. Columbia Gas of Pennsylvania, Inc.</i> , R-2025-3053499, Opinion and Order.....	135
<i>Pa. PUC v. Columbia Gas of Pennsylvania</i> , R-2020-3018835, Opinion and Order entered February 19, 2021	66
<i>Pa. PUC v. Duquesne Light Co.</i> , 1987 Pa. PUC LEXIS 342 (Order March 10, 1987).....	20
<i>Pa. PUC v. Gen. Tel. Co. of Pa.</i> , Docket No. R-822109 (Order entered Sep. 16, 1983)	66
<i>Pa. PUC v. Metropolitan Edison Company, et al. Docket Nos. R-00061366 et al.</i> , 2007 Pa. PUC LEXIS 5 (Order entered Jan. 11, 2007).....	2
<i>Pa. PUC v. Pa. Elec. Co.</i> , Docket No. R-78040599 (Order entered Jan. 11, 1979).....	66
<i>Pa. PUC v. Pa. Gas & Water Co.</i> , Docket No. R-00922482 (Order entered June 23, 1993)	66
<i>Pa. PUC v. PECO Energy Company</i> , R-2020-3018929, Opinion and Order, at page 145 (June 22, 2020)	66
<i>Pa. PUC v. Pennsylvania-American Water Company</i> , Docket No R-2023-3043189 (Order entered July 22, 2024).....	22, 27, 62
<i>Pa. PUC v. Pennsylvania-American Water Company</i> , Docket No. R-00943231, 1995 Pa. PUC LEXIS 170 (Order entered July 24, 1995).....	27
<i>Pa. PUC v. Pennsylvania-American Water Company</i> , Docket Nos. R-2025-3057983, et al. (Order entered July 27, 2026)	22
<i>Pa. PUC v. Peoples Natural Gas Company LLC</i> , Docket No. R-2023-3044549 (Order entered Sept. 12, 2024)	105
<i>Pa. PUC v. Peoples Natural Gas</i> , Docket No. R-2023-3044549 (Order entered Sept. 12, 2024)	110
<i>Pa. PUC v. Philadelphia Gas Works</i> , Docket No. R-2008-2073938, 2008 Pa. PUC LEXIS 32 (Order Dec. 19, 2008)	20

<i>Pa. PUC v. Philadelphia Gas Works</i> , Docket Nos. R-00061931, <i>et al.</i> , 2007 Pa. PUC LEXIS 45, at *165-68 (Order entered Sept. 28, 2007)	2, 107
<i>Pa. PUC v. PPL Electric Utilities Corp.</i> , Docket No. R-2012-2290597, (Order entered Dec. 28, 2012)	20
<i>Pa. PUC v. PPL Electric Utilities Corp.</i> , Docket No. R-2012-2290597, 2012 Pa. PUC LEXIS 1757 (Recommended Decision Oct. 19, 2012).....	20
<i>Pa. PUC v. PPL Gas Utilities Corporation</i> , Docket No. R-00061398 (Order Feb. 8, 2007)	20
<i>Pa. PUC v. UGI Utilities, Inc. – Electric Division</i> , Docket No. R-2017-2640058 (Order entered Oct. 25, 2018)	21
<i>Application of Metropolitan Edison Co.</i> , R-00974008 (Order June 30, 1998)	92

I. INTRODUCTION

On March 27, 2026, Peoples Natural Gas Company LLC (“Peoples” or the “Company”) filed with the Pennsylvania Public Utility Commission (“Commission”) its 2026 Base Rate Case (“Filing”). Pursuant Section 1308 of the Public Utility Code (“Code”), Peoples requests a revenue increase of approximately \$163.2 million annually, exclusive of the roll-in of surcharges.

This is the Company’s first rate increase request since December 29, 2023. The primary driver for this request is the Company’s ongoing infrastructure modernization program, which is supported by significant capital investments, involving the replacement of aging infrastructure that will enhance the safety, reliability, sustainability, and integrity of the Company’s system.

For the reasons explained below and in its Filing, testimony, and exhibits presented in this case, Peoples’ proposed distribution rate increase is just and reasonable, and should be approved.

A. DESCRIPTION OF PEOPLES NATURAL GAS COMPANY LLC

Peoples is a “public utility” and a “natural gas distribution company” (“NGDC”) as those terms are defined under the Code, 66 Pa. C.S. §§ 102 and 2202, subject to the regulatory jurisdiction of the Commission. Peoples provides natural gas service to approximately 740,000 customers throughout its service territory, which includes a large portion of Western Pennsylvania.

B. PROCEDURAL HISTORY

The procedural history of this case is set forth in Appendix F.

C. LEGAL STANDARDS

Under the Public Utility Code, a public utility’s rates must be just and reasonable and cannot result in unreasonable rate discrimination.¹ A public utility seeking a general rate increase has the burden of proof to establish the justness and reasonableness of every element of the rate increase request.²

¹ 66 Pa.C.S. §§ 315(a), 1301 and 1304.

² 66 Pa.C.S. § 315(a); *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket No. R-00038805, 2004 Pa. PUC LEXIS 39 (Order entered Aug. 5, 2004) (“*Aqua 2004*”).

However, a public utility, in proving that its proposed rates are just and reasonable, does not have the burden to affirmatively defend claims made in its filing that no other party has questioned. As the Commonwealth Court has explained, while it is axiomatic that a utility has the burden of proving the justness and reasonableness of its proposed rates, it cannot be called upon to account for every action absent prior notice that such action is to be challenged.³

Tariff provisions previously approved by the Commission are deemed just and reasonable, and, therefore, a party challenging a previously-approved tariff provision bears the burden to demonstrate that the Commission's prior approval is no longer justified.⁴

Further, a party that raises an issue that is not included in a public utility's general rate case filing bears the burden of proof. For example, in *Pa. PUC v. Metropolitan Edison Company, et al.*,⁵ a party offered proposals to have the companies incur expenses not included in their filings. The ALJ held that, as the proponent of a Commission order with respect to its proposals, the party bears the burden of proof as to proposals that are not included in the companies' filings. The Commission agreed and adopted the ALJ's conclusion that Section 315(a) of the Public Utility Code cannot reasonably be read to place the burden of proof on the utility with respect to an issue the utility did not include in its general rate case filing and which the utility would oppose.⁶

II. SUMMARY OF ARGUMENT

The Company's need for the requested rate relief in this case is driven primarily by its significant investments in modernizing and improving the safety and reliability of its distribution system. Notably, no party has challenged the reasonableness or prudence of the Company's distribution system investments or its plant additions. Instead, one of the primary contested issues

³ *Allegheny Center Assocs. v. Pa. PUC*, 570 A.2d 149, 153 (Pa. Cmwlth. 1990).

⁴ *See, e.g., Pa. PUC v. Philadelphia Gas Works*, Docket Nos. R-00061931, *et al.*, 2007 Pa. PUC LEXIS 45, at *165-68 (Order entered Sept. 28, 2007) (adopting the ALJ's discussion on burden of proof).

⁵ Docket Nos. R-00061366 *et al.*, 2007 Pa. PUC LEXIS 5 (Order entered Jan. 11, 2007).

⁶ *Pa. PUC v. Metropolitan Edison Company, et al.*, Docket Nos. R-00061366, *et al.*, 2007 Pa. PUC LEXIS 5 (Order entered Jan. 11, 2007), at *111-12.

in this case is the appropriate rate of return on those investments. The record fully supports the Company's requested return on equity of 11.25%. Additionally, maintaining the Company's actual equity ratio is especially important during this ongoing period of substantial investment.

As discussed herein, many of the Company's FPFTY expenses are at issue in this case. In particular, OCA has challenged the Company's long-standing practice of using the equal life group method to determine depreciation. The Commission recently rejected the OCA's very same argument in other rate cases and should also do so in this case.

Several parties raise concerns surrounding customer affordability and the impact of the Company's proposed rate increase. The Company is committed to the long-term affordability of its rates as demonstrated herein and by the record in this case.

Finally, multiple parties seek to either terminate or modify the WNA despite the substantial credits that have been provided to reduce residential bills. The Commission approved the WNA in the Company's last base rate case. The WNA has been operating as intended and should continue.

For the reasons explained below, Peoples' requested revenue increase, revenue allocation and rate design, and the other proposals set forth by the Company in this case should be approved.

III. OVERALL POSITION ON RATE CASE AND AFFORDABILITY OF RATES

In this case, Peoples proposes rates that are designed to produce additional revenues of approximately \$163.2 million annually,⁷ primarily to support the Company's ongoing investment in infrastructure improvements to maintain the safety and reliability of its system. Since its last base rate case in 2023 through the end of the FPFTY, the Company anticipates that it will spend nearly \$2.3 billion to replace more than 1,250 miles of its aging infrastructure. For 2026 and 2027, the Company is projected to spend more than \$1.2 billion in LTIIP investments, with more than \$600 million in 2026 and \$650 million in 2027.⁸ The Company's LTIIP program represents

⁷ Peoples St. No. 3, pp. 2-4; Peoples Exh. 2, Sch. 4.

⁸ Peoples St. No. 1, p. 4.

approximately 80% of the capital expenditures included in this proceeding.⁹

Peoples' top priority is safety. The Company's LTIIP capital investments are necessary to enhance the overall safety, reliability, sustainability, and integrity of the Company's distribution system. The Company has already seen significant improvements to its system as a result of these investments. For example, Grade 1 and 2 leaks have been reduced by more than 90% since 2018.¹⁰ However, there is more work to be done. Peoples' current LTIIP targets the replacement of 930 miles of at-risk pipe for a total cost of approximately \$3.2 billion.¹¹ Peoples has committed to replace all at-risk pipe, including bare steel and cast/wrought iron and first-generation plastic pipe, by 2038 and to reduce methane emissions by 60% by 2034.¹²

Peoples recognizes the importance of balancing its investment in infrastructure modernization with the need to maintain bills at a level that is affordable for customers. Affordability is another top priority for Peoples as evidenced by the Company's multifaceted approach to ensuring that its rates remain as low as reasonably possible. The Company employs many strategies to keep rates affordable, including (1) corporate efficiencies and tax strategies, (2) customer programs and education; (3) cost containment strategies; and (4) prudent gas procurement.¹³

The Company prudently manages its finances to maintain financial stability and strong credit, which allows the Company to access capital at a reasonable cost to support its infrastructure modernization program.¹⁴ The Company has driven corporate efficiencies by acquiring three of the four largest Southwestern Pennsylvania natural gas utilities and consolidating their operations

⁹ Peoples Exh. No. 19.

¹⁰ Peoples St. No. 1, p. 12.

¹¹ Peoples Exh. No. PB-2R.

¹² Peoples St. No. 1, pp. 10-11.

¹³ *Id.* at p. 15.

¹⁴ Peoples St. No. 19-R, pp. 3-7; Peoples St. 15-R, pp. 44-47.

over the time period since 2010 with the final consolidation of rates to occur in this proceeding.¹⁵ As a result of the Tax Repairs Deduction, Peoples was able to pass back over \$100 million annually to its customers in the last rate case. That amount is over \$130 million in this case.¹⁶

Peoples offers a comprehensive suite of universal service programs to support low-income households and actively promotes these programs to its customers and the community.¹⁷ The Customer Assistance Program (“CAP”) is its flagship program and allows customers to pay the lower of either their average bill amount or a percentage of their income.¹⁸ In 2016, the Company expanded CAP eligibility to customers whose income is between 151% to 200% of the Federal Poverty Level. This expanded CAP or “ECAP” is only available to customers of Peoples as no other NGDC in Pennsylvania offers this type of expanded CAP eligibility.¹⁹ As a result of the Company’s focused efforts to enroll customers, CAP participation grew by 18% in 2025.²⁰

Through the Hardship Fund, customers with incomes up to twice the poverty level can obtain grants to further reduce their account balances. The Company donated \$4.8 million of non-customer funds to the Hardship Fund over the past five years.²¹ The Company uses many different channels to promote LIHEAP, including through its call center, direct mailing of LIHEAP applications, and a media campaign.²² The Company also offers Low-Income Usage Reduction Program (“LIURP”) weatherization and emergency furnace and service line repair (“EFSL”) programs to help low-income households conserve energy and address emergency heating needs. The Company obtained two increases to its EFSL program in the past two years.²³

In addition to these programs, the Company offers payment arrangements and waivers of

¹⁵ Peoples St. No. 1, at pp. 15-16.

¹⁶ *Id.* at pp. 16-17.

¹⁷ Peoples St. No. 1, p. 18.

¹⁸ Peoples St. No. 10, pp. 3-5.

¹⁹ *Id.* at 17-19.

²⁰ *Id.* at pp. 5-8.

²¹ Peoples St. No. 1-R, p. 8.

²² Peoples’ St. No. 1, pp. 17-19.

²³ Peoples St. No. 1-R, pp. 8-9.

security deposits and connection/reconnection fees for qualifying customers. Budget billing is available to all residential customers and allows higher winter heating bills to be spread across the entire year, allowing for a more stable and predictable payment.

The Company's operating and maintenance ("O&M") expenses have remained relatively flat since its last base rate proceeding, which is driven by the Company's overall commitment to cost containment and prudent spending.²⁴ Peoples focuses on driving efficiencies for its pipeline replacement projects. For example, the Company has achieved savings by coordinating its restoration work with other utilities and local municipalities. Modernization of the Company's facilities also reduces O&M costs associated with activities like leak repair.

The Company avails itself of the affordable gas supply that exists locally within Southwestern Pennsylvania to the benefit of its customers. Locally produced gas has traditionally been cheaper compared to gas prices in other regions of the country. Lower gas costs help to maintain affordable rates while the Company increases its system modernization efforts.²⁵

Peoples also has a history of infrequent rate case filings, having filed just three rate cases in the past thirteen years, despite having invested over \$2.9 billion under its LTIP alone during this period.²⁶ The Company's customers have benefited from the Company's prudent management, which has allowed it to maintain customers' rates at a relatively stable level over the past decade despite rising costs due to inflation and other factors.

The evidence in this case demonstrates that Peoples' efforts to keep its rates affordable have been effective. Peoples has the third lowest delivered energy cost of any NGDC or EDC in Pennsylvania and is only four cents per MMBtu higher than the second lowest NGDC.²⁷ Peoples is 34% less than the most expensive NGDC and 13% less than the average NGDC. Peoples is 80%

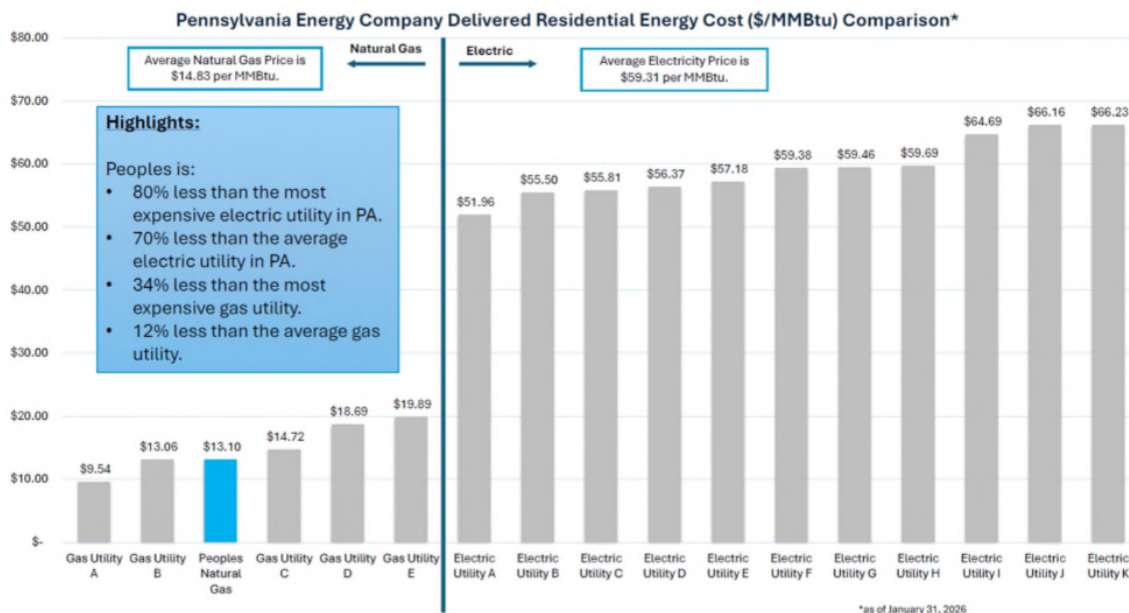
²⁴ *Id.* at pp. 19-20.

²⁵ *Id.* at p. 21.

²⁶ Peoples St. No. 3-SR, pp. 5-6; Peoples St. No. 6, p. 6.

²⁷ Peoples' St. No. 1-R, p. 13.

less than the most expensive EDC and 70% less than the average EDC.²⁸ This information is based on the Commission’s Rate Comparison Report for 2026 and is summarized in the following chart comparing the per MMBtu price of all regulated gas and electric utilities in Pennsylvania:²⁹



Even at the full requested residential rate increase of 13.1%, Peoples’ price would increase from \$13.10 per MMBtu to \$14.81 per MMBtu which is still below the average price for a NGDC.³⁰ Accordingly, Peoples plays a meaningful role in supporting energy affordability in Pennsylvania.

The Company’s commitment to affordability and disciplined financial management is further supported by the gas burden analysis presented in this proceeding. Peoples engaged Atrium Economics to conduct a customer-level gas-burden analysis. Ms. Fang’s customer-level analysis shows that, under current rates, residential customers included in the study have an average gas burden of 3.40%, and 90% have gas burdens at or below 6.30%. Under proposed rates, those figures increase to 4.60% and 8.60%, respectively. The analysis also shows that CAP materially

²⁸ Peoples St. No. 1-R, pp. 10-14; Peoples St. No. 20-RJ, p. 6.

²⁹ Peoples Exh. No. MAH-1R Revised.

³⁰ See Peoples St. No. 1-R, p. 11; Peoples Exh. JDT-5, p. 1. See also Appendix B (Bill Impacts), which is based on gas costs at the time rates were filed and will be recalculated with final rate design including the gas costs in effect at the time new rates are implemented.

mitigates burdens for enrolled customers, reducing the average burden falling from 10.50% without CAP benefits to 4.00% with CAP benefits, and remaining at 4.00% under proposed rates.³¹ The study therefore supports the Company's position that the proposed increase remains reasonable when considered within a balanced affordability framework that includes CAP mitigation and the Company's need to recover prudent costs.

In addition, the Company has presented several proposals in this case that would help mitigate the requested rate increase. These proposals include credits to the Universal Service Program ("USP") Rider associated with the Company's tax refunds and a Hot Water Tank Rebate Pilot Program that will promote the adoption of an efficient natural gas appliance and produce measurable energy savings without requiring customers to pay the full up-front costs of installing the appliance.³² Specifically, any rate increase approved in this case will be offset during the first two winter heating seasons by the Company's proposal to credit approximately \$20.1 million in tax refunds to non-CAP residential customers.³³

Additionally, the Company's Weather Normalization Adjustment ("WNA") moderates the bill impacts of unusually warm or cold weather, provides customers with greater stability, and aligns billed revenues more closely with the Commission-approved revenue requirement.³⁴ During the past heating season, customers received just over \$10 million in credits through the WNA.³⁵

Certain parties in this proceeding have suggested that the Company's entire requested rate increase should be denied or that the Commission should impose drastic and unwarranted reductions to the Company's return on equity and equity ratio as a means to address affordability concerns.³⁶ The Company does not dismiss customer hardship or contend that affordability is

³¹ Peoples St. No. 20-R, pp. 23-24.

³² Peoples St. No. 3, pp. 5-7; Peoples St. No. 8, pp. 9-13.

³³ Peoples Exh. No. CAS-1 and CAS-2.

³⁴ Peoples St. No. 17, pp.37-38; Peoples St. No. 17-R, pp. 53.

³⁵ Peoples St. No. 1-R, p. 8.

³⁶ OCA St. No. 3, pp. 48-60; CAUSE-PA St. No. 1, pp. 34-49; I&E St. No. 12, pp. 12-19.

irrelevant. Rather, the Company submits that affordability concerns should be considered within the Commission's traditional ratemaking framework and do not justify denying recovery of prudent costs or using base rates as the primary affordability tool. Affordability is appropriately addressed through the Company's prudent management and targeted customer programs.

With respect to the contention that the Company's entire request for rate relief be denied, the Commission has previously considered and rejected similar contentions to deny a utility rate relief due to broader economic concerns. In *Columbia 2021*, the Commission declined to deny Columbia's requested rate relief due to the pandemic's impact and continued its use of traditional ratemaking methodologies. Peoples need for rate relief is supported by the robust evidentiary record in this case and is based on the Commission's accepted ratemaking methodologies. The parties' affordability concerns should be considered, but they do not support denying the Company's requested revenue increase or converting this base rate case into a vehicle to resolve broader macroeconomic affordability pressures such as inflation, housing costs, healthcare costs, or other household budget pressures outside the provision of regulated gas service.

Similarly, unjustly and artificially lowering the Company's equity return or equity ratio should not be used as a means to address affordability. Ms. Nelson explained that while these proposals may appear to reduce rates on the surface, they would in fact be harmful to customers by making it difficult for the Company to access cost-effective capital, in which case the Company would have to turn to higher cost sources to finance its ongoing investments.³⁷ Access to cost-effective capital is crucial because one of the primary drivers of the need for rate relief is the Company's increasing investment in rate base. Ultimately, the parties' proposals regarding equity return and equity ratio would raise customers' rates, not lower them.

³⁷ Peoples St. No 15., pp. 53-54.

Regarding affordability and access to capital, Ms. Nelson explained:³⁸

Q. DO CONCERNS REGARDING CUSTOMER AFFORDABILITY CHANGE THE ANALYSIS OF A FAIR RETURN?

A. Customer affordability is an important concern, and I do not dismiss the effect that any rate increase can have on customers. However, affordability concerns do not justify overriding the fair return standards established by *Hope* and *Bluefield*. A utility's authorized return must be sufficient to maintain financial integrity and attract capital on reasonable terms. If the allowed return is set too low, the utility may face higher financing costs, weaker credit metrics, reduced investor demand, and diminished access to capital. Those consequences ultimately harm customers through higher long-term financing costs and potential reductions in service quality or infrastructure investment. As explained by the National Association of Regulatory Utility Commissioners in an April 2020 report:

Customers benefit by having a financially stable utility that has the earnings and cash flow sufficient to attract equity and debt on reasonable terms, and the resulting ability to provide safe, reliable, and affordable utility service. Receiving a reasonable authorized ROE and capital structure from regulators is an important contributor to financial stability. The customer benefits that result from being served by a financially healthy utility outweigh the illusory short-term "benefits" of a negative regulatory climate that heightens regulatory risk.

Regulators are charged with balancing the interests of investors and customers. Utility management has a fiduciary responsibility to deploy investors' capital productively. Investors recognize the importance of regulatory and stakeholder relationships and expect utility management to provide safe, reliable, and affordable service to customers in order to preserve and enhance the value of their invested capital. In many ways, the interests of investors and customers are aligned and not in conflict and can become more aligned through regulatory policy. **Regulators are more effective at serving customers when they harness investors' desire to provide capital rather than constrain it.**

³⁸ Peoples St. No. 15-R, pp. 56-57 (citing *Cost of Capital and Capital Markets: A Primer for Utility Regulators*, prepared for USAID by the National Association of Regulatory Utility Commissioners (NARUC), April 2020, at 8 (emphasis added)).

The Company's requested return on equity and capital structure are reasonable and designed to support its ability to continue operating as a low-cost provider of natural gas distribution service while making the necessary investments in its system to enhance safety and reliability. The Company's proposals reflect market-based standards and Commission precedent and allow the Company to access capital at the lowest reasonable overall cost.

Customers benefit from a financially strong utility. Like other utilities, Peoples has a legal obligation to serve its customers in a safe and reliable manner.³⁹ The Company's ability to access capital on reasonable terms is critical to meet the Company's obligation to serve.⁴⁰ Unlike many unregulated companies, Peoples cannot adjust the timing and amount of major capital expenditures to align with economic cycles and defer investments to better match market conditions. Rather, Peoples must maintain its commitment to investing in its system and providing safe and reliable service to customers at all times.⁴¹

Customers benefit from Peoples reinvesting its profits back into its system. For example, the Company's ratio of capital expenditures to retained earnings between 2021 and 2025 has been approximately 2.3x on average, meaning that Peoples' capital needs exceed its internally generated funds by more than double.⁴² Peoples is investing billions of dollars in system improvements rather than the flowback of capital to investors.⁴³

Without the requested rate relief, the Company's annual revenue and rate of return would be insufficient to support its ongoing capital investment at the accelerated levels committed to in its LTIP.⁴⁴ The parties' proposals to completely deny Peoples the rate relief that it needs to recover its prudently incurred expenses and capital investments as well as the proposals to drastically

³⁹ 66 Pa. C.S. § 1501.

⁴⁰ Peoples Se. No. 15-R, p. 22-23.

⁴¹ *Id.*

⁴² Peoples St. No. 15-RJ, pp. 21-22.

⁴³ Peoples St. No. 19-R, pp. 8-9.

⁴⁴ Without rate relief, the overall return would be 5.99%, and the equity return would be 7.14% for the FPFTY.

reduce the Company's ROE and impose a lower hypothetical equity ratio are not supported by the record evidence and represent an unwarranted and illegal departure from Commission and appellate court precedent.

Peoples' demonstrated track record of having the third lowest delivered energy cost in Pennsylvania along with the relative infrequency of its rate increase requests is tangible evidence that the Company has managed its operations in manner that has promoted sustainable affordability for its ratepayers over the long term. The Company believes that its requested rate increase is necessary to maintain its investment in improving system safety and reliability while also appropriately balancing the need to maintain affordable rates.

IV. RATE BASE

No party to this case challenged the Company's plant additions.

The Company updated its Cash Working Capital ("CWC") claim to reflect the updates to O&M Expense identified by Mr. Wachter. The Company's revised CWC claim is \$46,932,677.⁴⁵

The revised CWC claim includes I&E witness Okum's recommendation to remove uncollectible accounts expense from the CWC calculation.⁴⁶ It does not, however, include the CWC adjustments proposed by I&E as a result of I&E's other expense adjustments because the Company does not accept I&E's other expense adjustments as discussed in Section VI.

The revised CWC does not include OCA witness Geiger's adjustments because Peoples does not accept the expense adjustments that impact the CWC claim. The revised CWC claim also does not include Mr. Geiger's adjusted calculation of the interest component of CWC related to OCA's long-term debt ratio since the Company does not accept Mr. Geiger's long-term debt ratio.⁴⁷

⁴⁵ Peoples Exh. No. AR-1.

⁴⁶ Peoples St. No. 14-R, p. 5.

⁴⁷ *Id.* at pp. 5-6.

OCA witness Garrett proposes to reduce accumulated depreciation by \$36.8 million as a result of his recommendation to switch to the ALG method. For the reasons explained in Section VII, his adjustment should be rejected.

V. REVENUES

A. HEATING DEGREE DAY METHODOLOGY

To calculate the billing determinants, the Company proposes to use a regression methodology based on 65 years of annual Heating Degree Day (“HDD”) for the Pittsburgh area.⁴⁸ The regression trend results in an annual HDD estimate of 5,086 for the FPFTY.⁴⁹

While a 10-year or 20-year average may reflect relatively recent conditions, it does not account for the directional trend observed across the broader historical record. As a result, it embeds legacy weather patterns that are not representative of forward-looking expectations.⁵⁰ The regression methodology, by contrast, reflects both the long-term record and the directional evolution of HDD. Reliance solely on the regression methodology provides a more transparent and analytically sound estimate of normal HDD and should be approved in this case.

As explained herein, the Company is proposing to use the same regression methodology for purposes of the WNA. The other parties’ objections to the use of a 65-year regression are addressed in Section XI below.

VI. EXPENSES

A. UPDATES TO ORIGINAL FILING

The Company identified three adjustments to its claim in the course of responding to discovery and preparing rebuttal testimony. The Company provided these adjustments to parties in discovery and reflected the updates in its rebuttal testimony. These adjustments included: 1) an increase in existing revenue of \$206,179, which reduces the claim; 2) a reduction in O&M of

⁴⁸ Peoples St. No. 17, pp. 3-4.

⁴⁹ *Id.* at p. 5.

⁵⁰ *Id.* at pp. 6-7.

\$785,433 related to building leases, which reduces the claim; and 3) an increase in O&M of \$1,738,446 related to insurance expense, which increases the claim. The net impact of these adjustments increases the Company's claim by approximately \$746,834 excluding CWC.⁵¹

It is normal practice in a base rate proceeding for a utility to include updates to its claim, including both increases or decreases, to correct mistakes or to reflect new information. No party presented testimony disputing the Company's updates to its claim⁵² and some parties reflected the updates in their testimonies. Therefore, the Company's updates to its claim should be accepted.

B. PROJECTED COST INCREASE ADJUSTMENTS

1. Average Annual Increases

The Company's claim includes adjustments to reflect known and recently incurred activity for several expense accounts. These expenses include Outside Services – Contracted, Outside Services – IT, Outside Services – A&G, Corporate Insurance, Travel, Memberships, Licenses & Permits, Utilities & Fuel, Advertising, Fleet, Materials & Supplies, and PUC Assessment. For these accounts, the Company used a multi-year historical percentage experience change for each individual expense type and applied it to the Historic Test Year ("HTY") balances to determine the amount of change expected in the Future Test Year ("FTY") and Fully Projected Future Test Year ("FPFTY").⁵³ The Company utilized a five-year average increase for all categories except Outside Services – IT, Outside Services – A&G, and Licenses and Permits where a four-year average was used and Company Memberships where a two-year average was used. The Company used a shorter period for these expense categories due to the existence of abnormal items in the longer historical period, which enabled the Company to provide a more normalized percentage increase for these categories.⁵⁴

⁵¹ Peoples St. No. 2-R, pp. 3-4.

⁵² Peoples St. No. 2-RJ, pp. 6-7.

⁵³ Peoples St. No. 2-R, p. 4.

⁵⁴ *Id.* at p. 7.

I&E witness Okum and OCA witness Geiger recommended disallowing or modifying certain of the Company's average annual increases. Ms. Okum's proposed adjustment related to her rejection of the average annual increases in expense categories is \$6,514,263. Mr. Geiger's proposed adjustment related to his rejection of the average annual increases in expense categories is \$7,695,809. Ms. Okum claims that the average annual increases should be rejected based on her belief that the increased expenses are not "known and measurable" because they are not based on contractual terms or other known variables. Throughout her testimony, Ms. Okum characterizes these increases in expenses as "speculative."⁵⁵ Mr. Geiger also cites a lack of contractual terms with escalation provisions to support his argument.⁵⁶

The rationale cited by I&E and OCA to support their recommended adjustments is flawed, and their adjustments should not be accepted. As Mr. Wachter explained in rebuttal testimony, I&E's and OCA's criticisms of the increases in expenses are unfounded. The increased expenses are far from speculative and are based on known and measurable changes that were experienced by the Company in each of the expense categories using the most recent historic data available.⁵⁷

I&E and OCA confuse the average annual increases proposed by the Company with a blanket inflation adjustment that is unrelated to the specific expense. Mr. Wachter explained that utilizing average annual increases is different than utilizing a generic inflation adjustment because the average annual increase methodology uses known and measurable historic increases for each specific expense account.⁵⁸ The adjustments to each category of expenses are based on actual historic increases for that specific category, so they are a better predictor of future expense levels.

OCA's and I&E's arguments against the average annual increases are premised on the notion that the Company's costs will not continue to rise, which is completely contrary to and

⁵⁵ I&E St. No. 1.

⁵⁶ OCA St. No. 2, p. 22.

⁵⁷ Peoples St. No. 2-R, p. 6.

⁵⁸ *Id.* at pp. 4-5.

inconsistent with the arguments presented in the other parties' own testimony. OCA witness Deupree, for example, explains in his testimony that inflation is expected to continue when discussing the impact of the proposed rate increase on customers.⁵⁹ OCA cannot on the one hand argue that inflation will continue when it comes to discussing customers' rates but on the other hand argue that it is inappropriate to allow the Company recovery of known and measurable cost increases when it comes to the Company's expense categories.⁶⁰ It is simply unrealistic to expect that the Company's costs will not continue to rise.⁶¹

I&E's and OCA's positions are also unreasonable because they effectively limit non-contractual expense increases to the HTY expense level. This is contrary to established ratemaking principles in Pennsylvania which allow utilities to project expenses for both the FTY and FPFTY. Section 315(e) of the Public Utility Code expressly allows the use of a FPFTY and allows utilities to estimate expenses for the FPFTY when the utility provides "appropriate data evidencing the accuracy of the estimates contained in the FTY or FPFTY."⁶² The Company's provision of actual historical increases experienced on an annual basis meets this statutory standard. I&E's and OCA's attempts to limit the effectiveness of the FTY and FPFTY should not be accepted, especially where the Company is experiencing increases in costs on an annual basis. Further, Peoples witness Wachter presented data demonstrating that inflation has occurred in most months for the last six decades. It is therefore reasonable to expect that the Company's costs will continue to increase.⁶³

The Commission has previously accepted similar adjustments in other cases to reflect average annual increases. For example, in *Aqua 2022*, the Commission approved the use of a three-year, year-over-year, average increase to adjust general liability insurance.⁶⁴ The ALJ and

⁵⁹ OCA St. No. 1, p. 19.

⁶⁰ Peoples St. No. 2-RJ, pp. 7-8.

⁶¹ Peoples St. No. 2-R, p. 9; Peoples St. No. 2-RJ, pp. 7-8.

⁶² 66 Pa. C.S. § 315(e).

⁶³ Peoples St. No. 2-R, p. 10.

⁶⁴ See *Pa. PUC v. Aqua Pennsylvania, Inc. and Aqua Pennsylvania Wastewater, Inc.*, Docket Nos. R-2021-3027385,

the Commission should approve the Company's year-over-year increases in this case.

2. Inflation Adjustments

The Company claimed limited general inflation adjustments with respect to the categories of expenses: Payment Processing (\$77,284 adjustment) and Advertising (\$75,656 adjustment). The Company utilized the CPI – Consumer Price Index for both of these categories of 2.70%.⁶⁵ Due to the fluctuating nature of these expenses, it was more reasonable to use an index-based approach rather than an average annual increase methodology to establish the FPFTY costs for these expense categories.⁶⁶

I&E witness Okum opposes the Company's proposal to apply the general inflation adjustment for these two limited categories. She states that using a general inflation percentage is speculative and not known or measurable.⁶⁷

I&E's proposal to disallow inflation adjustments for these two expense categories should be denied. Peoples witness Wachter presented data demonstrating that inflation has occurred in most months for the last six decades. It is reasonable to expect that inflation will continue.⁶⁸ In fact, the other parties' own testimony in this case supports the fact that inflation will continue, which further validates the appropriateness of the Company's inflation adjustments.⁶⁹

The Commission has allowed general inflation adjustments when they are applied to limited categories of expenses. For example, in *PECO Gas*, the Commission approved the application of the Consumer Price Index to Outside Services Costs.⁷⁰ The Company's proposal to include general inflation factors for these two limited categories is reasonable and should be

et al. (Order entered May 16, 2022) (“Aqua 2022”).

⁶⁵ Peoples Volume 1, Exhibit No. 4, Schedule 1, p. 32.

⁶⁶ Peoples St. No. 2-R, p. 9.

⁶⁷ I&E St. No. 1, pp. 44-50.

⁶⁸ Peoples St. No. 2-R, p. 10.

⁶⁹ OCA St. No. 1, p. 19.

⁷⁰ *PA PUC v. PECO Energy Company – Gas Division*, Docket No. R-2020-3018929 (Order entered June 22, 2021), p. 10 (“*PECO Gas*”).

approved.

C. LABOR/VACANCY EXPENSE

In this proceeding, the Company proposed a vacancy adjustment of 30 open positions for the FTY and 8 open positions for the FPFTY.⁷¹

I&E and OCA both proposed adjustments to the Company's proposed vacancies. I&E witness Okum proposed a vacancy rate of 4.98%, resulting in a reduction to the Company's labor expense of \$3,013,545.⁷² This includes \$2,921,936 related to Ms. Okum's vacancy credit and \$91,609 related to her LIURP position adjustment. OCA witness Geiger proposed a vacancy rate of 5.25%, resulting in a reduction to the Company's labor expense of \$2,985,171.⁷³

I&E's and OCA's labor expense adjustments should be rejected for several reasons. First, Peoples' expectation that employee vacancies will decline during the forecast period is supported by the Company's recent experience. The Company has already demonstrated progress in filling open positions. The vacancy rate for the months of December 2025 through March 2026 was 4.38%, down 14% from the average during the twelve months ended November 30, 2025. The Company's substantial improvement in recruiting effectiveness and workforce replenishment efforts is demonstrated by the reduction in vacancy rate.⁷⁴

Second, broader labor market trends support the Company's proposed vacancy adjustments. The unprecedented recruiting and retention challenges that were present following the COVID-19 pandemic have moderated significantly. The U.S. Bureau of Labor Statistics reported that (1) the national quits rate remained approximately 1.9% during 2026, which is significantly below post-pandemic turnover levels, and (2) job openings have stabilized following

⁷¹ Peoples St. No. 2, p. 10.

⁷² I&E's proposed adjustment reflects corrections to its original adjustment that were accepted by Ms. Okum in surrebuttal testimony. See I&E St. No. 1-SR, pp. 8-11.

⁷³ OCA's proposed adjustment reflects corrections to its original adjustment that were accepted by Mr. Geiger in surrebuttal testimony. See OCA St. No. 2SR, pp. 14-15.

⁷⁴ Peoples St. No. 2-R, pp. 11-12.

several years of exceptionally high vacancy levels. As Peoples witness Wachter explained, these trends indicate that employees are changing jobs less frequently, and employers are facing a more balanced labor market than existed several years ago.⁷⁵

Third, as discussed by Peoples witness Wachter, external labor market research similarly demonstrates that hiring conditions have become more favorable for employers. Indeed Hiring Lab reported that hiring demand has largely returned to pre-pandemic levels, and the ratio of vacancies to employed workers has declined substantially from the pandemic, including improved availability of candidates.⁷⁶

Fourth, the Company's forecasted vacancy rate is not based only on general economic conditions but rather is supported by the Company's specific recruiting and retention initiatives, including enhanced workforce planning, targeted recruiting efforts, competitive compensation programs, employee development initiatives, and succession planning activities. These efforts are designed to improve employee retention while accelerating the filling of vacant positions.⁷⁷

Fifth, it is not reasonable to rely exclusively on historical vacancy rates when forecasting future vacancies as both I&E and OCA have done in this case. Although historic vacancy rates are an important consideration, the forecast should consider known and measurable changes in the Company's recruiting performance and labor market conditions.⁷⁸ Neither I&E nor OCA consider these important factors in their proposed vacancy rates. Therefore, I&E's and OCA's adjustments to labor expense should be rejected.

I&E and OCA also make several corresponding adjustments to labor-related expenses based upon their vacancy adjustments. These include adjustments to employee benefits and payroll taxes. If the parties' vacancy adjustments are denied, the related adjustments to employee benefits

⁷⁵ Peoples St. No. 2-R, p. 12.

⁷⁶ *Id.* at p. 12.

⁷⁷ *Id.* at p. 13.

⁷⁸ *Id.* at pp. 13-14.

and payroll taxes should also be denied.⁷⁹

D. INCENTIVE COMPENSATION

I&E proposes to reduce the Company's claim for incentive compensation by \$4,610,153 and rate base by \$1,318,847.⁸⁰ OCA proposes to reduce the Company's claim for incentive compensation by \$2,520,984.⁸¹ The adjustments proposed by I&E and OCA are based on the incorrect assumption that financial goals do not benefit ratepayers. The parties' adjustments should be rejected because Peoples has demonstrated that its incentive compensation program, including the financial metrics contained therein, provide material benefits to ratepayers.⁸²

Peoples' incentive compensation program includes various metrics that are designed to benefit customers by providing market based compensation which supports retention of talented employees. These metrics include safety, customer satisfaction, environmental stewardship, and financial goals. I&E and OCA argue that because the Company's incentive compensation includes financial goals, that portion of the Company's incentive compensation expense should not be recoverable.⁸³ This position has been specifically rejected by the Commission in numerous prior rate cases where the Commission has reviewed and approved the recovery of expenses for incentive compensation programs.⁸⁴ In these cases, the Commission has established a bright line test for incentive compensation expense. If the incentive compensation programs of the utility are reasonable and provide a benefit to ratepayers, they may be recovered in their entirety.⁸⁵ The

⁷⁹ *Id.* at pp. 15-16.

⁸⁰ I&E St. No. 1-SR, p. 15.

⁸¹ OCA St. No. 2-SR, p. 9.

⁸² Peoples St. No. 2-R, pp. 16-22.

⁸³ I&E St. No. 1, pp. 12-14; OCA St. No. 1, pp. 11-12.

⁸⁴ See e.g., *Pa. PUC v. PPL Electric Utilities Corp.*, Docket No. R-2012-2290597, 2012 Pa. PUC LEXIS 1757 (Recommended Decision Oct. 19, 2012) ("PPL Electric 2012 RD"); *Pa. PUC v. PPL Electric Utilities Corp.*, Docket No. R-2012-2290597, at p. 26 (Order entered Dec. 28, 2012) ("PPL Electric 2012"); *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket No. R-00072711, 2008 Pa. PUC LEXIS 50 at *20-26 (Order July 31, 2008) ("Aqua 2008"); *Pa. PUC v. Duquesne Light Co.*, 1987 Pa. PUC LEXIS 342 (Order March 10, 1987); *Pa. PUC v. PPL Gas Utilities Corporation*, Docket No. R-00061398 (Order Feb. 8, 2007); *Pa. PUC v. Philadelphia Gas Works*, Docket No. R-2008-2073938, 2008 Pa. PUC LEXIS 32 (Order Dec. 19, 2008).

⁸⁵ *PPL Electric 2012*, p. 26.

Commission has reaffirmed this standard in recent cases.⁸⁶ In *UGI Electric*, the Commission rejected a proposal to disallow incentive compensation that included, in part, a financial metric, stating:⁸⁷

We find that [UGI] has provided substantial evidence of record to demonstrate that the incentive compensation program as a whole includes both financial and operating metrics and goals which benefit customers.

Where, as here, the incentive program as a whole establishes that the employees' eligibility to receive the benefit is based on performance duties and metrics directly related to the provision of service, the fact that the program includes a financial metric does not disqualify it from allowance as an expense for inclusion in the rate base. We find that because UGI's incentive compensation plan is reasonable, prudently incurred, and is not excessive in amount, UGI is permitted full recovery of this expense.

I&E witness Okum cites to the Commission's ruling in the recent *Columbia Gas and Pennsylvania American Water* cases as support for her position.⁸⁸ However, the Commission's rationale for disallowing portions of incentive compensation tied to financial metrics in those cases does not apply to the facts of this case. Importantly, in *Columbia's* 2025 rate case, the Commission did not determine that incentive compensation linked in part to financial goals is unrecoverable or that financial goals do not benefit ratepayers. Rather, the Commission found that the utility had failed to demonstrate that its financial goals benefited ratepayers.⁸⁹ Unlike in *Columbia 2025*, Peoples has shown that its incentive compensation program, inclusive of the financial performance metric, benefits ratepayers because (1) it is necessary for the Company to attract and retain talent, (2) it promotes cost containment and efficiencies, (3) it promotes a financially healthy Company, which in turn benefits ratepayers in the form of safe and reliable service, and (4) it is reasonable

⁸⁶ See *Pa. PUC v. UGI Utilities, Inc. – Electric Division*, Docket No. R-2017-2640058 (Order entered Oct. 25, 2018) ("*UGI Electric*"), pp. 73-74; *Aqua 2022*, p. 100.

⁸⁷ *UGI Electric*, pp. 73-74.

⁸⁸ I&E St. No. 1-SR, pp. 13-14.

⁸⁹ *Pa. PUC v. Columbia Gas of Pa., Inc.*, Docket No. R-2025-3053499 (Order entered Dec. 9, 2025) ("*Columbia 2025*"), p. 123.

and prudently incurred.

The Commission's recent ruling in Pennsylvania-American Water's rate case is also distinguishable from the facts of this case.⁹⁰ In *PA American 2026*, the Commission determined that the utility failed to demonstrate that its financial metrics provided a benefit to ratepayers or that the financial metrics pertained to providing safe and reliable service.⁹¹ Here, the Company has demonstrated that its incentive compensation plans include both financial and operating goals that benefit customers. The inclusion of financial performance metrics in the Company's incentive compensation program benefits customers by incentivizing employees and management to reduce and control costs, seek out and develop productivity improvements, and use Company resources in the most efficient manner possible. For example, the impact that most employees have on financial targets is to achieve their O&M budgets, which drives employees to be efficient with the costs that they incur and to improve operational effectiveness. These cost savings are ultimately reflected in rates.⁹²

The inclusion of financial metrics in the Company's incentive compensation program also benefits customers by supporting the delivery of safe, reliable, and affordable utility service. Maintaining financial strength provides the Company with the ability to attract capital and financing on more favorable terms, invest in infrastructure, maintain credit quality, and provide quality service at the lowest reasonable long-term cost. Because financing costs are ultimately reflected in rates, maintaining financial health can contribute to lower costs for customers over time. These outcomes provide both direct and indirect benefits to customers.⁹³ Further, as Company witness Wachter explained, strong financial health is necessary for the Company to

⁹⁰ See *Pa. PUC v. Pennsylvania-American Water Company*, Docket Nos. R-2025-3057983, et al. (Order entered July 27, 2026) ("*PA American 2026*")

⁹¹ *PA American 2026* at p. 114.

⁹² Peoples St. No. 2-R, pp. 18-19.

⁹³ Peoples St. No. 2-R, pp. 19-20.

continually provide safe and reliable service to its customers as financially healthy companies are in a better position to invest in infrastructure improvements and maintain the resources dedicated to improving reliability and quality of service, including responding to emergencies.⁹⁴

The Company further demonstrated that its incentive compensation is reasonable, prudently incurred, and not excessive in amount. No party challenged the amount of the Company's claim for incentive compensation, only the fact that financial metrics are part of incentive compensation. The Company's incentive compensation is market-based and is necessary for the Company to attract and retain employees, which directly benefits customers. Eliminating or reducing the Company's incentive compensation program would have a significant impact on the Company's ability to attract and retain competent employees. The Company's compensation programs are regularly reviewed to ensure market competitiveness. The Company uses several third-party compensation surveys to compare itself against market data and trends.⁹⁵

The Company's incentive compensation program, inclusive of its financial metric, advances several important objectives that provide meaningful benefits to customers, including customer service, affordability, reliability, safety, and operational efficiency.⁹⁶ Therefore, the Company's incentive compensation claim is reasonable and should be approved.

E. EMPLOYEE BENEFITS EXPENSE

I&E witness Okum recommended two adjustments related to employee benefits expense, both of which should be denied. The first adjustment corresponds to Ms. Okum's recommended vacancy adjustment to labor expense. For the same reasons that I&E's adjustment to labor expense should be rejected as explained in Section VI.V of this Main Brief, the corresponding adjustment to employee benefits expense should also be rejected. The second adjustment is to add back the

⁹⁴ *Id.* at pp. 17-21.

⁹⁵ *Id.* at p. 21.

⁹⁶ *Id.* at p. 20.

costs associated with the Company's proposed LIURP Compliance Specialist position that the Company has proposed to recover through the USP Rider. This adjustment is also improper because, as explained in Section XVI.B of this Main Brief, the costs of the LIURP Compliance Specialist are properly recovered through the USP Rider.

F. CORPORATE INSURANCE

The Company's corrected claim for corporate insurance is \$7,668,379.⁹⁷ I&E accepted the Company's adjusted claim amount except for the proposed increase resulting from the historic average annual increases. As discussed in Section VI.B above, I&E's rejection of the Company's average annual increase methodology is improper. Therefore, the entire amount of the Company's corrected claim for corporate insurance should be approved. Likewise, OCA accepted the Company's corrected claim for corporate insurance but made an erroneous adjustment of \$150,963 based on an incorrect statement of the Company's original claim as discussed by Company witness Wachter.⁹⁸ The full amount of the Company's corrected claim for corporate insurance should be approved.

G. EMPLOYEE EXPENSE

Peoples' claim in this proceeding includes \$756,875 in employee expenses broken down as follows:⁹⁹

e. Employee Activity Costs:	Peoples Natural Gas Company LLC
EMPLOYEE EVENTS	51,541
MANAGEMENT LEADERSHIP MEETING	768
DEVICE REIMBURSEMENT	126,820
OTHER	74,402
PARKING LEASES	203,085
SERVICE/SAFETY AWARDS	247,078
< \$500	34,305
SAFETY-RELATED	18,875
Total Employee Activity Costs	\$ 756,875

⁹⁷ Peoples St. No. 2-R, p. 23; Peoples Exhibit No. APW-1R.

⁹⁸ *Id.* at p. 24.

⁹⁹ Peoples St. No. 2-R, p. 25.

OCA witness Geiger challenged the inclusion of the employee expenses in the Company's claim but accepted the \$203,085 for parking leases and \$126,820 for cell phone devices in surrebuttal testimony.¹⁰⁰ OCA offers no basis for the rejection of the remaining employee expenses other than a generic argument that ratepayers should not be responsible for expenses that do not relate to the provision of safe and reliable utility service.¹⁰¹

OCA's adjustment for employee expenses should be rejected. The Company has demonstrated that these are prudently incurred costs that are necessary, normal course employee expenses and further can help to attract and retain employees.¹⁰² The Company hosts small employee gatherings, such as the Special Olympics Polar Plunge event and team lunches. These events are an integral part of the Company's employee recognition and engagement program and are necessary to encourage an engaged workforce. Service and Safety Awards are another important part of the Company's employee recognition programs. Service Awards recognize employees who have committed their careers to the Company. These awards are an important part of employee satisfaction as evidenced by the feedback received when the Company surveyed its employees.¹⁰³ These awards also encourage employees to work safely, which saves the Company and customers money.

OCA does not recognize the benefits of encouraging employees to remain with the Company and to perform their duties safely. OCA also does not recognize the benefits of promoting employee unity and camaraderie. The OCA's proposal to disallow these expenses is contrary to Commission precedent and should be denied.¹⁰⁴ In UGI Electric's 2017 base rate case, the Commission allowed employee expenses that involved an element of employee recognition.¹⁰⁵

¹⁰⁰ OCA St. 2-SR, pp. 10-11.

¹⁰¹ OCA St. No. 2, p. 18.

¹⁰² Peoples St. No. 2-R, pp. 25-26.

¹⁰³ Peoples St. No. 2-R, pp. 25-26.

¹⁰⁴ *Id.* at pp. 25-26.

¹⁰⁵ *Pa PUC v. UGI Electric*, Docket No. R-2017-2640058 (Order entered October 25, 2018), pp. 70-71.

The Employee Service and Safety Awards and Employee Event costs are an integral part of the Company's employee recognition and engagement program. An engaged and tenured workforce is necessary for the Company to continue to provide safe and reliable service to customers. These costs should be approved.

H. TRAVEL AND ENTERTAINMENT EXPENSE

The Company proposed to recover \$799,375 of travel and entertainment expenses in this proceeding. I&E witness Okum proposed to eliminate the Company's multi-year average annual increase for travel and entertainment expense. The Company explained why this adjustment is improper in Section VI.B above. OCA witness Geiger proposed to remove \$799,375 of travel and entertainment expenses that he claims are "discretionary entertainment and promotional expenses."¹⁰⁶

Peoples witness Wachter provided a detailed explanation of the expenses and why they are appropriate as summarized below.¹⁰⁷

Description	Amount	Reason for Inclusion
Employee events	\$269,797	These costs mainly relate to the costs associated with an employee picnic at Kennywood, an annual employee event at Lerner Speedway and other such events. These are important employee events that act as a way to build camaraderie and reward employees for hard work. The best places to work have these types of activities.
Sports Sponsorship Related expense	\$207,066	Costs represent costs related to corporate functions at sporting venues and other company events. These costs include the value of the tickets received in conjunction with the advertising partnerships the Company has with the various sports teams among other costs. These tickets are used for employee recognition and other such business purposes.
Service Awards & Related	\$112,213	These costs relate to the service awards provided to employees to recognize their service anniversary and to reward them for their commitment to serving our customers. This also includes costs related to

¹⁰⁶ OCA St. No. 2, pp. 18-19.

¹⁰⁷ Peoples St. No. 2-R, pp. 27-28.

		employee items such as Company shirts for the annual picnic.
Misc. Employee Spending	\$210,299	Represents other employee related costs such as other reimbursable meals incurred during approved overtime, business related meals and working meals. This equates to about \$110 per employee.
Total	\$799,375	

As demonstrated on the table, these are regular business expenses for travel, employee recognition and employee meals. These are normal, reasonable costs of doing business and are consistent with the Commission's precedent allowing costs related to employee activities.¹⁰⁸ OCA's proposed adjustments should be denied.

The Company's claim for Travel, Meals and Entertainment expenses should be approved.

I. COMPANY MEMBERSHIPS

The Company is a member of certain organizations which assist it in operating efficiently and maintaining awareness of regulatory trends and issues.¹⁰⁹ I&E witness Okum proposed to eliminate the Company's multi-year average annual increase adjustments to Company Memberships. The Company explained why this adjustment is improper in Section VI.B above. OCA witness Geiger proposed to disallow \$115,828 in expenses related to the Company's memberships.¹¹⁰

The OCA's proposed disallowance of certain Company memberships is unreasonable and should be rejected. Peoples witness Wachter presented the following summary of the Company's memberships and the reasons for their inclusion in the Company's claim:¹¹¹

¹⁰⁸ See *UGI Electric* at 70-71 (allowing employee recognition costs); see also *PA PUC v. PECO Energy Company – Gas Division*, Docket No. R-2020-3018929, Order entered June 22, 2021, p. 101 (allowing Travel, Meals and Entertainment Costs); *Pa. PUC v. Pennsylvania-American Water Company*, Docket No. R-00943231, 1995 Pa. PUC LEXIS 170 at *37-39 (Order entered July 24, 1995) (allowing expenditures on employee activities that have a positive impact on employee morale and productivity).

¹⁰⁹ Peoples St. No. 2-R, pp. 28-29.

¹¹⁰ OCA St. No. 2, pp. 16-17

¹¹¹ Peoples St. No. 2-R, pp. 28-29.

Organization	Amount	Basis for Inclusion in the Claim
AI Horizons	\$28,716	This is a business development group comparable to a chamber with a focus on attracting business & industry related to artificial intelligence and data centers to Western Pennsylvania. The Company joined the group to support their economic development in the region.
African American Chamber of Commerce, Beaver County Chamber of Commerce, Greater Pittsburgh Chamber of Commerce, North Side Chamber of commerce, Pittsburgh Airport Area Chamber of commerce, Pennsylvania Chamber of Business & Industry, Downtown Neighbors Alliance, Pittsburgh Metropolitan Area Hispanic Chamber of Commerce, and Downtown Neighbors Alliance	\$68,619	These organizations are created to serve both the companies and the individuals in these specific regions to improve the economy and quality of life through legislative and regulatory improvements. These are a “unified voice” to convey the needs and priorities of the region to local, state, and federal decision makers. Without being part of these organizations that are created for the greater good of our region, the organizations lose power in their voice to do right by our region and its inhabitants.
Curate Solutions Inc.	\$13,701	This is a technology that allows our business to track city and county ordinances, policies and regulations that could impact our business. This technology keeps us abreast of any policy changes that could affect Peoples Gas and its customers.
Leadership Pittsburgh Inc.	\$13,324	The Company supports participation in Leadership Pittsburgh Inc. because it provides valuable leadership development, community engagement, and regional collaboration opportunities that ultimately benefit both the Company and its customers. Leadership Pittsburgh's mission is to strengthen regional leadership through programs, partnerships, and connections that bring together leaders from business, government, nonprofit, and civic organizations to address issues affecting Southwestern Pennsylvania. Participation in Leadership Pittsburgh enhances an employee's understanding of the economic, social, and infrastructure challenges

		facing the communities the Company serves. Through interaction with leaders from diverse sectors, participants gain broader perspectives, learn best practices, and develop relationships that can facilitate collaboration on issues affecting customers and the region. From a customer perspective, these experiences help Company leaders become more informed and effective decision-makers. Improved leadership capabilities support better strategic planning, stronger stakeholder engagement, and more responsive customer-focused policies. In addition, the program's emphasis on regional problem-solving and community impact aligns with the Company's obligation to provide safe, reliable, and affordable utility service while contributing positively to the economic vitality of the communities it serves. The Company has numerous leaders participate in this development program.
Total	\$115,828	

Peoples has demonstrated that its membership in these organizations benefits customers, and the Company's membership costs should be approved.

J. LICENSE AND PERMIT EXPENSE

The only adjustment to license and permit expense was presented by I&E witness Okum. Ms. Okum proposed to eliminate the Company's multi-year average annual increase adjustments. The Company explained why this adjustment is improper in Section VI.B above.

K. UTILITIES AND FUEL EXPENSE

The only adjustment to utilities and fuel expense was presented by I&E witness Okum. Ms. Okum proposed to eliminate the Company's multi-year average annual increase adjustments. The Company explained why this adjustment is improper in Section VI.B above.

L. ADVERTISING EXPENSE

The Company's claim for advertising expense in this proceeding is \$1,458,032.¹¹² I&E

¹¹² Peoples Volume 1, Exhibit No. 4, Schedule 1, p. 2, line 16.

witness Okum proposed to eliminate \$997,630 related to the Company's advertising associated with sports partnerships.¹¹³ I&E and OCA also proposed to remove \$125,000 for the Holiday Market costs. However, as explained by Peoples witness Wachter, the Holiday Market costs were not included in the Company's claim in this case and therefore no adjustment is needed.¹¹⁴ OCA witness Geiger removed his adjustment related to the Holiday Market in his Surrebuttal testimony.¹¹⁵

I&E's adjustment to remove advertising that provides important messaging and benefits to customers simply because it is "sports related" is contrary to law and should be rejected. The Public Utility Code expressly authorizes the recovery of advertising expenses which meet any of the following criteria:¹¹⁶

- (1) Is required by law or regulation.
- (2) Is in support of the issuance, marketing or acquisition of securities or other forms of financing.
- (3) Encourages energy independence by promoting the wise development and use of domestic sources of coal, oil or natural gas and does not promote one method of generating electricity as preferable to other methods of generating electricity.
- (4) Provides important information to the public regarding safety, rate changes, means of reducing usage or bills, load management or energy conservation.
- (5) Provides a direct benefit to ratepayers.
- (6) Is for the promotion of community service or economic development.

The Company's sports related messaging meets several of the statutory criteria for recovery. As explained by Peoples witness Wachter, the Company uses partnerships with local professional sports teams to increase customer and public awareness of critical safety information in the seasons which most closely correspond to potential dangers. For example, Peoples leverages

¹¹³ I&E witness Okum also proposed to eliminate the Company's multi-year average annual increase for an adjustment of \$75,656, which the Company addressed in Section VI.B, above.

¹¹⁴ Peoples St. No. 2-R, p. 31.

¹¹⁵ OCA St. No. 2SR, p. 13.

¹¹⁶ 66 Pa. C.S. § 1316(a).

its partnerships with the Altoona Curve to promote “Call 811” safe digging practices in print and video advertisements at the ballpark. The advertisements refer customers to the Company’s website where they can find information regarding safe digging and other important gas safety information, which has been viewed more than 47,000 times from 2024-July 2026 as a result of the Company’s advertising efforts.¹¹⁷ Peoples also partners with the Pittsburgh Steelers and Pittsburgh Penguins to educate the public about how to use your senses to recognize and respond to natural gas leaks and how to detect and prevent carbon monoxide poisoning. Peoples uses all three of its sports partnerships to communicate about bill assistance programs such as LIHEAP and Dollar Energy Fund during the winter heating seasons.

Not only do customers benefit from the Company’s sports partnership advertising campaigns regarding safety and bill assistance, but these partnerships also provide economic development benefits to the community. The Company’s professional sports partners are catalysts for economic development in the City of Pittsburgh and the western Pennsylvania region. For example, a 2024 PricewaterhouseCoopers LLC study estimated the Pittsburgh Steelers generated approximately \$3.4 billion in direct or indirect contributions to Allegheny County and helped create more than 3,000 jobs in a four-year period, in addition to providing \$140 million in tax revenue to local and state governments.¹¹⁸ The Company’s professional sports partners are also engaged in many community service projects throughout the region. For example, the Pittsburgh Penguins Foundation’s most recent Community Impact Report cites charitable investments exceeding \$6 million benefiting more than 200 local organizations in 2024-2025.¹¹⁹

Peoples’ sports partnerships advertising provides direct benefits to the Company’s customers and the local community and these advertising expenses are properly recoverable.¹²⁰

¹¹⁷ Peoples St. No. 2-R, p. 33-34.

¹¹⁸ Peoples St. No. 2-R, pp. 35-36.

¹¹⁹ *Id.* at p. 36.

¹²⁰ 66 Pa. C.S. § 1316(a).

M. FLEET EXPENSE

The only adjustment to fleet expense was presented by I&E witness Okum. Ms. Okum proposed to eliminate the Company's multi-year average annual increase adjustments. The Company explained why this adjustment is improper in Section VI.B above.

N. MATERIALS AND SUPPLIES EXPENSE

I&E witness Okum proposed to eliminate the Company's multi-year average annual increase adjustments for Materials and Supplies Expense. OCA witness Geiger proposed to use a three-year average of expenses. The Company explained why these adjustments are improper in Section VI.B above.

O. RATE CASE EXPENSE

Peoples proposed to normalize rate case expense over a two-year period based on the estimated filing time between this case and the Company's next rate case. The Company anticipates spending over \$1.23 billion in 2028 and 2029 under its Long-Term Infrastructure Improvement Plan ("LTIIP").¹²¹ As explained by Peoples witness Wachter, the Distribution System Improvement Charge ("DSIC") would provide insufficient revenue to cover LTIIP expenditures during 2028 and 2029. The revenue requirement on \$1.23 billion in investment would be over \$100 million; whereas the DSIC capped at 5% of distribution revenue is less than \$45 million. Thus, the DSIC would recover less than half of the revenue requirement on the Company's LTIIP spend. This illustrates that DSIC revenue is insufficient to provide an adequate return on two years of LTIIP capital expenditures for infrastructure replacement beyond the FPFTY.¹²²

OCA and I&E both proposed to increase the normalization period of rate case expense based on the Company's rate case filing history. OCA witness Geiger proposed a five-year

¹²¹ Peoples St. No. 2-R, pp. 37-41.

¹²² Peoples St. No. 2-R, pp. 39-40.

normalization period.¹²³ This reduces the Company's annual claim of \$960,000 by \$411,429 to \$548,571. I&E witness Okum proposed a 56-month normalization period.¹²⁴ I&E's proposed adjustment reduces the Company's claim of \$960,000 by \$548,571 to \$411,429.

Neither OCA's nor I&E's adjustments should be accepted. Peoples witness Wachter explained that the historical time period between cases was affected by stay-out periods due to the unique circumstances of an acquisition and the Internal Revenue Service tax repair election.¹²⁵ Moreover, the most important factor to consider is when the next case will be filed. Mr. Wachter explained that in order to meet its LTIIIP requirements, the Company must file within a two-year period or it will experience insufficient revenues to provide an adequate revenue requirement.¹²⁶

In recent cases, the Commission has held that rate case expenses, like other expenses, can be based on future projections. In *UGI Electric*, the Commission adopted UGI's rate case normalization period based on future projections stating as follows:¹²⁷

We agree with UGI that the ALJs did not properly consider the Company's planned acceleration of its capital expenditures in determining the appropriate normalization period.

The Company has shown that its Long-Term Infrastructure Improvement Plan (LTIIIP) plan has significantly increased capital spending in order to repair, replace or improve qualifying distribution asset categories such as poles, underground and overhead conductor and transformers. Pursuant to its LTIIIP, the Company will be spending over \$8 million per year on these capital projects in each of the years following the FPFTY, which over a three-year period would amount to \$24 million in capital expenditures. UGI has established that this \$24 million expenditure would approximate a \$3 million revenue requirement shortfall and would require the Company to seek relief pursuant to a base rate case. [citation omitted]

The record evidence supports a finding that a long period between rate base proceedings is highly unlikely and that the Company's

¹²³ OCA St. No. 2, pp. 7-8.

¹²⁴ I&E St. No. 1, p. 54.

¹²⁵ Peoples St. No. 2-R, pp. 38-39.

¹²⁶ Peoples St. No. 2-R, pp. 39-40.

¹²⁷ *UGI Electric* at 59-60.

proposed use of a three-year normalization period for rate case expense is appropriate. Accordingly, we shall adopt the proposed rate case expenses in the amount of \$676,000 and permit amortization of this expense over a three-year period, resulting in a normalized claim of \$225,000 per year.

The Commission held the same in *Citizens' Electric*, stating as follows:¹²⁸

We note further that this proceeding is premised on the use of a FPFTY and the recognition that certain expenses may be based on future expectations. Consistent with our determination in the *UGI Order*, the normalization period for rate case expense is one of those expenses. Thus, we may depart from the common practice of setting a normalization period based on historic filing frequency where substantial evidence exists to support a different normalization period. Such is the case here, where Citizens' has enumerated convincingly the reasons that support a shortened filing frequency cycle.

Notably, Mr. Geiger updated his position to a 3.5-year amortization period in response to Mr. Wachter's testimony and based upon Mr. Geiger recognizing that the stay out period between 2012 to 2019 is less representative of future base rate case filing frequency.¹²⁹ The same logic should be applied to the period of 2019 to 2023.

In this case, Peoples has unequivocally demonstrated that using a two-year normalization period of rate case expenses is justified based on its LTIP expenditures alone. OCA and I&E have not provided substantial evidence to rebut the Company's claims regarding the expected filing date of its next base rate proceeding, and their proposed adjustments should be rejected.

P. PENSION EXPENSE

The Company's claim for pension expense is \$3,164,136.¹³⁰ The Company used a four-year average of pension expense to determine its claim in this proceeding, which is the same methodology that I&E proposed in the Company's rate case at Docket No. R-2024-3044549.

¹²⁸ *PA PUC v. Citizens' Electric Company of Lewisburg, PA*, Docket No. R-2019-3008212 (Order entered April 27, 2020) ("*Citizens' Electric*"), p. 80.

¹²⁹ Peoples St. No. 2-RJ, p. 17.

¹³⁰ Peoples Volume 1, Exhibit No. 4, Schedule No. 1, p. 2, line 3.

However, in this case, I&E witness Okum proposes to disallow the entire FPFTY claim for pension expense based solely on her belief that it is “questionable” whether the Company will need to make a contribution in 2026 or 2027 due to the overfunded status of the plan.¹³¹ I&E’s proposed disallowance of the Company’s pension expense is speculative and does not reflect how the Company funds its pension plan. Mr. Wachter explained the Company’s prudent approach to funding its pension plan¹³²:

The existence of an overfunded pension at a particular point in time does not mean that future pension contributions are unnecessary or imprudent. Rather, pension funding decisions are based on long-term obligations and funding policies designed to ensure that sufficient assets are available to meet promised retirement benefits over many decades.

A pension plan's funded status is highly sensitive to factors that are outside of management's control, including investment performance, discount rates, employee demographics, mortality assumptions, retirement patterns, and other actuarial factors. As a result, a funded position that appears favorable in one year can change materially in subsequent years. Consequently, prudent pension management requires the Company to evaluate funding needs on a prospective basis rather than relying solely on a snapshot of the plan's funded status at a single point in time.

The Company also seeks to maintain an appropriate funding cushion to mitigate the effects of potential market volatility and changing actuarial assumptions. Maintaining a strong funded status reduces the risk that significant future contribution requirements could arise during periods of economic stress. This approach benefits both employees and customers by promoting long-term financial stability and reducing the likelihood of substantial swings in future pension expense.

Furthermore, pension contributions reflect cash funding requirements and funding policies that are distinct from pension accounting measurements. The accounting funded status reported on the balance sheet does not, by itself, determine the amount of prudent future contributions. Pension funding decisions are based upon actuarial evaluations of future obligations, expected benefit payments, regulatory requirements, and the Company's long-term funding objectives.

The Company's approach is consistent with sound financial management principles. A well-funded pension plan strengthens benefit security for employees, supports long-term financial stability, and reduces the potential for larger funding requirements in future periods. For these reasons, the mere existence of an overfunded pension position does not support eliminating pension expense from rates or concluding that future pension contributions are unnecessary.

¹³¹ I&E St. No. 1, p. 18.

¹³² Peoples St. No. 2-R, pp. 42-43.

Peoples has consistently funded its pension plan in a prudent manner and will continue to do so in the future. Ms. Okum has presented no evidence in this case to demonstrate otherwise. I&E's adjustment for pension expense should be rejected.

Q. OUTSIDE SERVICES

1. Contracted

The only adjustment to Outside Services - Contracted was presented by I&E witness Okum. Ms. Okum proposed to eliminate the Company's multi-year average annual increase adjustments. The Company explained why this adjustment is improper in Section VI.B above.

2. Administrative and General ("A&G")

I&E witness Okum proposed to eliminate the Company's multi-year average annual increase adjustments for Outside Services – A&G. OCA witness Geiger proposed to use a three-year average of expenses. Peoples explained why these adjustments are improper in Section VI.B.

R. NATURAL GAS HOT WATER TANK REBATE PILOT

Peoples included \$500,000 in its claim for expense related to the Company's proposed Natural Gas Hot Water Tank Rebate Pilot.¹³³ OCA witness Geiger made an adjustment to reject the full \$500,000 based on OCA's position that the Pilot be denied. For the reasons explained in Section XVII, the Pilot should be approved as well as the corresponding \$500,000 expense.

S. PAYMENT PROCESSING EXPENSE

Peoples claim for payment processing expense is \$2,939,659.¹³⁴ The Company adjusted the FTY and FPFTY expense by 22% or \$939,253 to account for the expected increased adoption of the payment processing service by customers and increased the FPFTY expense by 2.7% or \$77,284. The 22% represents the average percentage increase of payment processing fees over the last two years mainly resulting from an increase in customer usage for these payment channels.¹³⁵

¹³³ Peoples St. No. 2-R, p. 44.

¹³⁴ Peoples Volume 1, Exhibit No. 4, Schedule No. 1, p. 2, line 21.

¹³⁵ Peoples St. No. 2-R, p. 45.

I&E and OCA proposed to use the HTY expense and rejected the Company's adjustments.

As Mr. Wachter explained, there are several reasons to expect that a growing percentage of customers will pay their utility bills using credit cards:¹³⁶

First, national payment studies conducted by the Federal Reserve demonstrate a continuing migration toward electronic and card-based payments. The Federal Reserve's 2025 *Diary of Consumer Payment Choice* found that credit cards accounted for 35% of all consumer payments, making them the most frequently used payment instrument in the United States. The study further found that increased credit card usage, remote payments, and mobile-device payments were significant contributors to the growth in overall consumer payment activity. Consumers made an average of 48 digital payments per month in 2024, reflecting a continuation of the trend toward digital payment methods.

Second, the Federal Reserve has documented long-term growth in non-cash payment activity. Data from the Federal Reserve Payments Study show continuing increases in card payment volumes and values across the U.S. economy. The growth of general-purpose card payments has been persistent over multiple reporting periods, demonstrating widespread consumer acceptance of electronic payment methods for both recurring and discretionary expenses.

Third, utility-specific research shows that consumers increasingly view credit cards as an acceptable and convenient method for paying utility bills. A 2025 study of consumer bill-payment behavior found that 70% of consumers use credit cards to pay at least some of their bills, including utility bills. The same study reported that 42% of respondents specifically use credit cards for utility payments and that approximately one-half of respondents believe credit cards make it easier to pay bills on time. The research also found that consumers often use credit cards to gain convenience, financial flexibility, rewards benefits, and automated payment capabilities.

Fourth, utility customers increasingly expect digital and mobile payment options. The Federal Reserve's consumer payment studies indicate that remote and mobile payments continue to grow. Remote payments have increased year after year since 2021, while mobile-phone-based payments have nearly tripled since 2018. These findings demonstrate that customers increasingly prefer payment methods that allow them to make payments electronically without mailing checks or visiting payment locations.

I&E and OCA do not provide sufficient evidence to overcome the Company's evidence supporting the increased utilization of electronic and card-based payments and the associated processing fees. The Company's claim for processing fees should be accepted.

¹³⁶ *Id.* at pp. 46-47.

T. BUILDING LEASES

The Company's updated claim for building leases is \$3,908,207. The updated claim reflects a reduction of \$785,433 from the original claim, which was accepted by I&E. No party challenged the Company's claim for building leases, and it should be accepted.¹³⁷

U. UNIVERSAL SERVICE PROGRAM RIDER

In this proceeding, the Company proposed to recover three incremental costs through the USP Rider: (1) costs associated with a new LIURP Compliance Specialist; (2) costs associated with the recurring Independent Program Evaluation, which was normalized over a six-year period corresponding with the frequency of this evaluation; and (3) certain costs related to the Company's Cares Program.¹³⁸ These costs are appropriate for inclusion in the USP Rider and are addressed in Sections XVI.B below.

V. PUBLIC UTILITY COMMISSION ASSESSMENT

The Company's claim for PUC Assessment expense is \$3.859 million. Peoples based its claim for PUC Assessment expense on the 2025 invoice amount plus a 6% increase. The 6% increase represents the average of increases over a five-year period. OCA witness Geiger disagreed with the Company's application of the 6% increase to the 2025 invoice amount and instead proposed to normalize the PUC Assessment expense by taking the average of the most recent three years, which resulted in an adjustment of \$823,737.¹³⁹ For the reasons explained in Section VI.B above, Mr. Geiger's proposed adjustment is improper.

W. RESIDENTIAL COLLECTION EXPENSE

OCA witness Geiger proposes to adopt OCA witness Colton's recommendation with respect to residential collection expense. Mr. Colton proposes that Peoples be directed to implement a 50-50 sharing of credit and collection expenses, which OCA claims amounts to a

¹³⁷ Peoples St. No. 2-R, p. 24; I&E St. No. 1, pp. 30-31.

¹³⁸ Peoples St. No. 2-R, p. 48.

¹³⁹ OCA St. No. 2, pp. 24-25.

reduction of \$3,833,503.¹⁴⁰ The OCA's proposed 50-50 sharing of residential collection expense is improper, and the Company should be permitted to recover the entire amount of its residential collection expense. However, as explained by Mr. Wachter, if the OCA's proposal were to be adopted, it overstates the adjustment by \$575,244 by double counting the amount of confirmed low-income collection expense.¹⁴¹ Mr. Colton recognized that he inadvertently double counted the 41,150,487 of low-income collection expense in his adjustment. As such, he reduced his proposed disallowance by \$575,244.¹⁴²

The OCA's proposed disallowance of 50% of the Company's residential collection expense is based on Mr. Colton's belief that the Company's collection practices are ineffective and his concern regarding Customer Assistance Program ("CAP") enrollment.¹⁴³ Neither of Mr. Colton's reasons justify the OCA's proposal to deny half of the Company's cost recovery. The Company's payment arrangement practices are consistent with the Commission's regulations at 52 Pa. Code § 54.75 as reflected in its justified Commission-issued Payment Arrangement ("PAR") rate, which is one third of the industry average.¹⁴⁴ With respect to CAP, as Company witness Black explained, the Company's CAP enrollment has grown significantly.¹⁴⁵

The annual collection operating expense that Mr. Colton refers to in his recommendation is not intended to be used for ratemaking purposes, and Mr. Colton's recommendation to base a ratemaking adjustment on this figure is inappropriate. Instead, this figure is reported to the Commission pursuant to the requirements of the Universal Service Reporting Requirements Data Dictionary and includes the following: "administrative expenses associated with termination activity, negotiating payment arrangements, budget counseling, investigation and resolving

¹⁴⁰ OCA St. No. 4, pp. 4, 50.

¹⁴¹ Peoples St. No. 2-R, pp. 49-50.

¹⁴² OCA St. No. 4SR, p. 30.

¹⁴³ OCA St. No. 4, pp. 43-50.

¹⁴⁴ Peoples St. No. 18-R, pp. 6-7.

¹⁴⁵ Peoples St. No. 10-R, pp. 11-14.

informal and formal complaints associated with payment arrangements, securing and maintaining deposits, tracking delinquent accounts, collection agencies' expenses, litigation expenses other than Commission related, dunning expenses and winter survey expenses."¹⁴⁶ The Data Dictionary also provides that CAP recipients should be excluded from the calculation of this figure. The expense amount is not limited to directly identifiable expenses and includes estimated labor costs to perform the activity.¹⁴⁷ While this figure may serve as a useful comparison point between utilities regarding credit and collection activities, it does not form the appropriate basis for the OCA's ratemaking adjustment.

The OCA's proposal to share credit and collection expenses should be denied.

X. INTEREST SYNCHRONIZATION

OCA witness Geiger proposed a reduction in state income tax expense of \$2.2 million and federal income taxes expense of \$6 million based on OCA's proposed adjustments to the Company's capital structure.¹⁴⁸ For the reasons explained in Section IX.B, the OCA's capital structure should be rejected, and therefore the interest synchronization adjustment should also be rejected. However, even if OCA's capital structure adjustment is accepted, the interest synchronization adjustment should still be rejected.¹⁴⁹

Although interest expense is tax deductible, the resulting increase in revenue is taxable. Thus, there is no impact on income taxes. Stated differently, a reduction in interest would create lower taxes, but there would be a corresponding increase in revenue which would increase taxes. Mr. Wachter presented the following chart to illustrate this point.¹⁵⁰

¹⁴⁶ Peoples St. No. 18-R, pp. 7-8.

¹⁴⁷ *Id.*

¹⁴⁸ OCA St. No. 2, p. 28.

¹⁴⁹ Peoples St. No. 2-R, pp. 50-53.

¹⁵⁰ *Id.* at p. 51.

<i>in 000s</i>	Increase Tax Expense	Flow Reduced Interest through Rate Increase	Total
Revenue		\$ 31,172	\$ 31,172
Interest	\$ 31,172		\$ 31,172
Pre-Tax Book Income	\$ (31,172)	\$ 31,172	\$ -
Income Taxes at 21%	\$ (6,546)	\$ 6,546	\$ -
Net Income	\$ (24,626)	\$ 24,626	\$ -

Not only is Mr. Geiger's proposed interest synchronization adjustment improper, but his calculation is also erroneous. Mr. Geiger used the wrong income tax rates as the Company is not requesting nor is it currently recovering state income taxes, and the federal income tax rate is 21%. The OCA has presented no evidence rebutting the Company's position that its interest synchronization adjustment is improper.¹⁵¹ Therefore, OCA's adjustment should be rejected.

Y. COST OF OTHER PARTIES' PROPOSALS

The OCA and CAUSE-PA made certain recommendations in this proceeding that, if adopted, would result in the Company incurring additional costs. These proposals relate to the Company's customer service and low-income programs and are described on pages 52-53 of Peoples St. No. 2-R. Even though the parties seek to require the Company to implement their proposals, the parties did not identify the costs associated with these proposals.¹⁵²

The Company is opposed to adopting the parties' proposals for the reasons explained in this Main Brief. However, in the event that the Company is ordered to implement any of the proposals, the Company must be permitted to recover all prudently incurred expenses.¹⁵³ Therefore, the Company requests that if the Commission requires it to implement any of these proposals that the Commission's order also include provisions for future recovery of incremental

¹⁵¹ Peoples St. No. 2-R, pp. 51-52; Peoples St. No. 2-RJ, p. 23.

¹⁵² Peoples St. No. 2-R, p. 53.

¹⁵³ See *Butler Township v. Pa. PUC*, 473 A.2d 219, 221 (Pa. Cmwlth. 1984); *T.W. Phillips Gas and Oil Co. v. Pa. PUC*, 474 A.2d 355 (Pa. Cmwlth. 1984).

costs incurred as a result of implementing the proposals.¹⁵⁴

Z. UNCOLLECTIBLE ACCOUNTS EXPENSE

In the revenue requirements recommended by I&E witness Okum and OCA witness Geiger, they both rolled back their allowance for uncollectible accounts expense concurrently with their reduction to the Company's overall claim. As explained herein as well as in the Company's rebuttal, surrebuttal, and rejoinder testimonies, both I&E's and OCA's revenue adjustments are unreasonable and should be rejected. Therefore, I&E's and OCA's adjustments to uncollectible accounts expense should also be rejected. Ultimate recovery of incremental uncollectible accounts expense should be calculated based on the rate increase approved in this proceeding.¹⁵⁵

VII. DEPRECIATION

A. OVERVIEW OF PARTIES' POSITIONS AS TO DEPRECIATION EXPENSE

Peoples' depreciation expense and net salvage claim is \$18.2 million.¹⁵⁶ The calculation of annual depreciation expense and amortization of net salvage was prepared in accordance with standard procedures long accepted by this Commission.¹⁵⁷

OCA proposes a downward adjustment of \$36.8 million to depreciation expense based on its proposal to recompute annual depreciation accruals using the Average Service Life ("ASL") procedure and its proposed adjustment to lengthen the average service life for Account 380.00, Services.¹⁵⁸

As explained in the following section of this brief, OCA's proposal to change the Commission's long-standing precedent regarding use of the ELG procedure in Pennsylvania is inappropriate and will shift costs to future customers that should be charged to current customers.

¹⁵⁴ Peoples St. No. 2-R, p. 52; Peoples St. No. 2-RJ, pp. 23-24.

¹⁵⁵ Peoples St. No. 2-RJ, p. 24.

¹⁵⁶ Peoples Exhibit No. 2, Sch. 4, page 2 rows 4 and 5.

¹⁵⁷ Peoples St. No. 16-R, p. 2.

¹⁵⁸ The ASL procedure is also known as the Average Life Group ("ALG") procedure.

OCA's proposed change to the ASL procedure will create a higher, and continually increasing, rate base in the future and will result in increased rates over time compared to the continued use of the ELG procedure. Further, the ELG procedure provides a more precise calculation of depreciation expense, and OCA has offered no justification for a change other than to produce a short-lived reduction to rates. OCA's proposal to adopt the ASL procedure for all vintages is short-sighted, contrary to precedent and therefore should be rejected.

OCA's proposal to extend the service life for Account 380.00, Services should also be rejected. Mr. Garrett does not use a sound approach to determining service lives, and his recommendation is outside the upper end of the industry ranges for this asset class. His recommendation is also inconsistent with the Company's most recent service life study filed in 2023.¹⁵⁹ Mr. Garrett does not provide sufficient support for his proposal to change the service life for this account despite having the burden to do so.¹⁶⁰

As Mr. Spanos correctly observed, there are a number of flaws with Mr. Garrett's depreciation calculation:

Q. Please explain all of the factors that affect the development of a depreciation rate.

A. Depreciation rates are determined on many factors or key components that each affect the depreciation rate that should be used to properly recover the full service value of all assets by account. Additionally, this should be done in a systematic and rational manner. The first two key components are the service life and net salvage percentage. The service life estimate is represented by the survivor curve. The net salvage component is typically a percentage of cost of removal minus gross salvage that are applied to the accrual rate in order to recover the full service value over the life of the asset. Pennsylvania is unique to all other states in that the net salvage component is a five-year amortization of the incurred costs after the asset is retired. Thus, a deferral. Second, is the depreciation procedure and method. Procedures are ALG or ELG, and the method is either remaining life or whole life. The next component to focus on is the plant to reserve ratio at the test year dates. Finally, the age

¹⁵⁹ Peoples St. No. 16-R, pp. 26-30.

¹⁶⁰ See 52 Pa. Code § 73.9(c).

of the surviving plant at the test year dates. Each of these factors has an impact on the depreciation rate. It is not simply the depreciation procedure. Additionally, one must consider all of these factors when comparing to other utilities within the same state as well as those in other state jurisdictions.

Q. Has Mr. Garrett considered all of these factors in developing his testimony?

A. Disturbingly, it appears not. He clearly ignores the special handling of the net salvage recovery deferral in Pennsylvania. He does not consider how close the theoretical reserve to book reserve variance is, which clearly shows the recovery of many years has been fair and reasonable based on the factors in place and the expected plant investment that has taken place over the past and forecasted into the future.¹⁶¹

For the reasons explain herein and in the testimony of Peoples witness Spanos, the Company's claim for depreciation expense should be approved, and the OCA's proposed adjustments should be denied.

B. DETERMINATION OF ANNUAL DEPRECIATION ACCRUALS

The unrecovered original cost of property (original cost less accrued depreciation) must be recovered over the life of the property as part of the cost of providing service. The Company uses the straight line, remaining life depreciation method, with the ELG procedure, to allocate the unrecovered original cost to the annual revenue requirement to be borne by current and future customers.¹⁶²

In determining the service lives of Peoples' various assets, and the resulting depreciation rates, the Company engages the services of Gannett Fleming and its President, Mr. John Spanos. Mr. Spanos has over 39 years of depreciation experience and has presented expert testimony before approximately 47 regulatory commissions.¹⁶³ To develop service lives, Gannett Fleming performed a service life study in 2023 as the standard five year cycle within Pennsylvania to

¹⁶¹Peoples St. No. 16-R, pp. 21-22.

¹⁶² *Id.* at pp. 4-6.

¹⁶³ Peoples St. No. 16, p. 2.

establish the estimated service lives of the Company's property. Mr. Spanos described the procedure used to perform the service life studies:

The service life studies consisted of assembling and compiling historical data from the records related to the gas utility plant of the Company; statistically analyzing such data to obtain historical trends of survivor characteristics; obtaining supplementary information from management and operating personnel concerning Company practices and plans as they relate to plant operations; and interpreting the above data to form judgments of service life characteristics. Iowa type survivor curves were used to describe the estimated survivor characteristics of the mass property groups. Individual service lives were used for major individual units of plant, such as reservoirs and buildings housing offices and shops. The life span concept was recognized by coordinating the lives of associated plant installed in subsequent years with the probable retirement date defined by the life estimated for the major unit.¹⁶⁴

C. SERVICE LIFE FOR PLANT ACCOUNT 380.00, SERVICES

OCA witness Garrett proposes to modify the service life for Account 380.00, Services by extending the average service life by seven years, which results in a twelve-year maximum life increase.¹⁶⁵ In Pennsylvania, utilities file service life studies with the Commission every five years.¹⁶⁶ In 2023, Peoples submitted its most recent five-year service life study to the Commission, and all depreciation parameters and methods, including the use of the ELG procedure, were approved.¹⁶⁷ In accordance with the Commission's regulations, as the party challenging the Company's approved service lives, OCA has the burden to demonstrate that the Company's service lives are not reasonable. OCA has not met this burden.¹⁶⁸

Mr. Garrett's proposal to change Account 380.00 from the approved 55-R2 survivor curve to the 62-R2 survivor curve suffers many flaws. Mr. Garrett inappropriately bases his analysis entirely on mathematical curve fitting and uses service life data through 2022, which

¹⁶⁴ *Id.* at pp. 6-7.

¹⁶⁵ Peoples St. No. 16-R, p. 26.

¹⁶⁶ 52 Pa. Code § 73.5.

¹⁶⁷ See Docket No. M-2023-3042647. The Commission took no action for 180 days following the filing of the service life study, and pursuant to 52 Pa. Code § 73.9(c), the service lives were deemed approved.

¹⁶⁸ 52 Pa. Code § 73.9(c).

inappropriately excludes the most up-to-date transactional data.¹⁶⁹ As Peoples witness Spanos explained, depreciation, and estimating service lives in particular, is a forecast of the future and not merely a calculation of what happened in the past.¹⁷⁰ The National Association of Regulatory Utility Commissioners (“NARUC”) explains that analysis of historical data is only one part of the process of estimating service lives:

A depreciation study is commonly described as having three periods of analysis: the past, present, and future. The past and present can usually be analyzed with great accuracy using many currently available analytical tools. The future still must be predicted and must largely include some subjective analysis. Informed judgment is a term used to define the subjective portion of the depreciation study process. It is based on a combination of general experience, knowledge of the properties and a physical inspection, information gathered throughout the industry, and other factors which assist the analyst in making a knowledgeable estimate.

The use of informed judgment can be a major factor in forecasting. A logical process of examining and prioritizing the usefulness of information must be employed, since there are many sources of data that must be considered and weighed by importance. For example, the following forces of retirement need to be considered: Do the past and current service life dispersions represent the future? Will scrap prices rise or fall? What will be the impact of future technological obsolescence? Will the company be in existence in the future? The analyst must rank the factors and decide the relative weight to apply to each. The final estimate might not resemble any one of the specific factors; however, the result would be a decision based upon a combination of the components.¹⁷¹

Mr. Garrett did not use informed judgment in his recommendation and instead relies solely on mathematical curve fitting. Unlike Mr. Garrett, Mr. Spanos incorporated the various factors discussed by NARUC into his service life estimates, including conducting site visits to familiarize himself with the assets that are the subject of the study.¹⁷²

For Account 380.00 in particular, Mr. Garrett fails to consider how much of the gas services will be replaced along with the replacement of low pressure mains, nor does he consider the service life estimates used by other gas companies.¹⁷³ The 62-year average life for gas services is beyond

¹⁶⁹ Peoples St. No. 16-R, p. 35.

¹⁷⁰ *Id.* at, p. 27.

¹⁷¹ *Id.* at pp. 29-30 (citing NARUC Treatise, p. 126-128, emphasis added).

¹⁷² *Id.* at pp. 30-31.

¹⁷³ *Id.* at p. 37.

the upper end of the industry ranges.¹⁷⁴

The Company's service life for Account 380.00, which was approved in the Company's most recent service life study filed with the Commission, is the more reasonable estimate because it is more consistent with the mortality characteristics for the account through the entire life cycle and is more consistent with the estimates for other gas utilities.¹⁷⁵

The OCA's proposal to change the previously approved service life for Account 380.00 should be rejected.

D. DESCRIPTION OF ELG AND ASL PROCEDURES

Peoples witness Spanos explained the difference between the ELG and the ASL procedures:

For the ELG procedure, a group of property (e.g., a vintage within a property account) is subdivided into groups having equal service lives. The size of these "equal life groups" is based on the estimated survivor characteristics of the account. Depreciation can then be calculated for each equal life group based on the straight line method, meaning that an equal amount of the group's service value is recorded as depreciation expense in each year of service. The total depreciation for an account is the summation of the calculated depreciation for each equal life group. Based on the survivor curve estimate for an account, the ELG procedure mathematically estimates the life for each unit in the account, and then depreciates each unit over its expected life. The procedure is also known as the Unit Summation Procedure.

* * *

While the ELG procedure calculates depreciation for each equal life group, the ASL (or ALG) procedure depreciates every asset within an account over the average life of the entire account. Using equal life groups, rather than an average life, as the basis for depreciation provides a more precise calculation that better matches recovery with consumption of assets by depreciating assets that have shorter lives than the average over their shorter lives (and the longer-lived assets over their longer lives) as opposed to depreciating all assets

¹⁷⁴ *Id.* at p. 26.

¹⁷⁵ *Id.* at pp. 37-38.

over the average life for the group.¹⁷⁶

The ELG procedure appropriately matches cost recovery to service consumption of the asset, thereby better ensuring that current customers are paying for the assets in use.¹⁷⁷ Peoples witness Spanos provided a simple example of the merits of the ELG procedure. Assume there are two assets within a group, each costing \$1,000. Further assume that Unit A will be in service for 5 years and Unit B will be in service for 15 years. There is no net salvage for these units. Under the ELG procedure, this means there are two equal life groups. The annual depreciation rate for Unit A is 20% (1/5), producing an annual accrual of \$200, and the annual depreciation rate for Unit B is 6.67% (1/15), producing an annual accrual of \$66.67. Thus the annual accruals for the first five years would be \$266.67. At the end of year 5, Unit A is retired. Under asset accounting procedures, when Unit A is retired, its original cost of \$1,000 is removed from plant in service, and the accumulated depreciation reserve is likewise reduced by \$1,000. Beginning in Year 6, the original cost of Unit B of \$1,000 continues in plant in service, and there remains an amount of \$333.33 in the depreciation reserve (\$66.67 x 5). Thus with 5 years of Unit 2's 15 year life consumed, accumulated depreciation is exactly one-third of the original cost. Annual depreciation expense for Unit 2 will continue at \$66.67. Further, net rate base beginning in Year 6 will be \$666.67, and will decline each year thereafter.¹⁷⁸

In contrast, using the same assumptions and employing the ASL procedure, the average service life of the units is 10 years ($([5+15]/2)$). For the first five years, the annual depreciation amount is \$200 ($\$2,000 \times 10\%$), or \$1,000 after 5 years. When Unit A is retired after Year 5, \$1,000 is removed from both plant in service and the accumulated depreciation reserve. At the start of Year 6, Unit B remains in service with an accumulated depreciation reserve balance of \$0.

¹⁷⁶ Peoples St. No. 16-R, pp. 3-4.

¹⁷⁷ *Id.*

¹⁷⁸ *Id.* at pp. 4-6.

Therefore, for the next 10 years, \$100 ($\$1,000 \times 10\%$) of annual depreciation expense must be recovered under the ASL procedure, even though Unit B is 1/3 of the way through its service life. Moreover, net rate base as of the beginning of Year 6 (\$1,000) will be above the net rate base under the ELG procedure (\$666.67).¹⁷⁹ As Mr. Spanos summarized, the foregoing examples demonstrate that the ELG procedure better matches the cost recovery of both units with their service lives:

The end of year 5 provides the best illustration of the difference between the two procedures. Under the ELG procedure, Unit A is fully recovered when retired at the end of year 5; Unit B is one-third through its service life and has had one-third of its cost recovered. This contrasts with the ASL procedure, in which accumulated depreciation is \$0 at the end of year 5, even though the only unit remaining in service has consumed one-third of its service life. Clearly, the ELG procedure provides a better match regarding the consumption of the service value for the two units.¹⁸⁰

The same principles apply to large property groups with many units of property. The survivor curve developed for each property account is used to divide an account into equal life groups. Under the ELG procedure, the survivor curve determines the percentages of the property account that is in each equal life group, which allows for the calculation of the annual accrual for the entire property group.¹⁸¹ In contrast, under the ASL procedure, the depreciation expense for all property in the account is calculated based on the average service life of the entire group. In so doing, the ASL procedure fails to take into account the reality of dispersion of retirements in a large group.¹⁸²

In actual utility operations, only a small percentage of a plant account will be retired at the average service life. To demonstrate this, Mr. Spanos provided a chart of the frequency curve for the 80-R2.5 Iowa survivor curve. The frequency curve shows the percentage of property in this

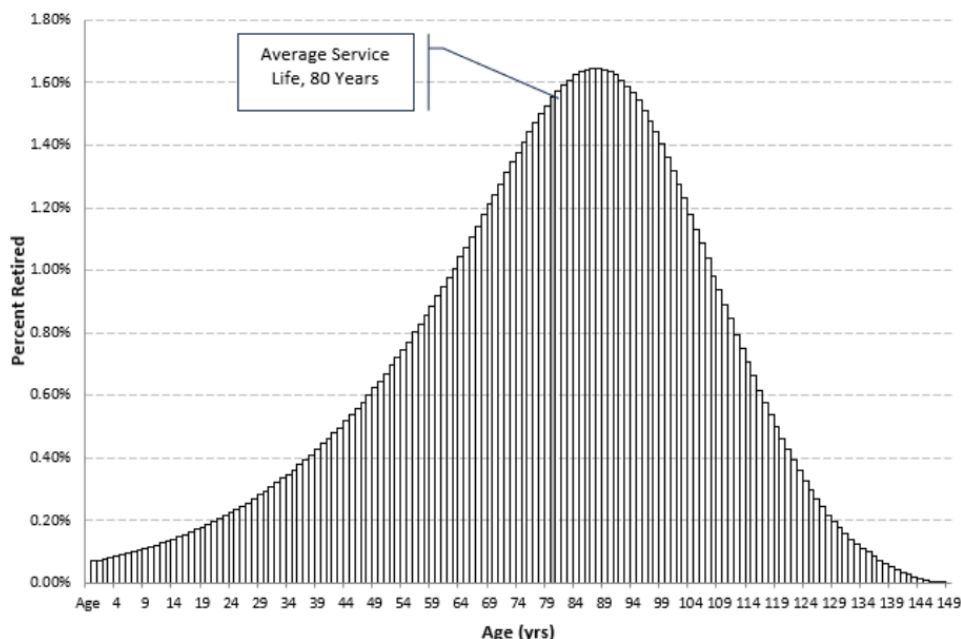
¹⁷⁹ *Id.* at pp. 4-6.

¹⁸⁰ *Id.* at pp. 6-7.

¹⁸¹ *Id.* at pp. 7-8.

¹⁸² *Id.* at p. 8.

account that will be retired at each age, based on the estimated survivor curve. This percentage is also the size of each equal life group:¹⁸³



As this survivor curve shows, only a small percentage, approximately 1.55%, of the assets will have an 80 year service life. The majority of these assets will have a service life different than 80 years. The ELG procedure allocates depreciation expense in a manner that approximates the actual life of each equal life group. In contrast, the ASL depreciates all assets as if they have the same life, even though that will be wrong over 98% of the time.¹⁸⁴

E. OCA’S ARGUMENTS TO SWITCH FROM THE ELG TO THE ASL PROCEDURE ARE WITHOUT MERIT

OCA offers various arguments in support of its proposal to change from the use of the ELG procedure to the use of the ASL procedure. These arguments are without merit and should be rejected. In fact, OCA’s proposal contradicts over 40 years of Commission precedent approving the use of ELG for ratemaking purposes, including most recently in the Commission’s *Columbia 2025* order and again last month in the Commission’s *PA American 2026* decision when the

¹⁸³ *Id.* at pp. 8-9.

¹⁸⁴ *Id.*

Commission expressly rejected the very same proposal that OCA is making in this case.¹⁸⁵

OCA witness Garrett contends that the ELG procedure causes current customers to pay more than future customers.¹⁸⁶ This argument is true only by comparing ELG and ASL depreciation rates at a spot in time and, in fact, Mr. Garrett's position is harmful to customers in the longer term. As Mr. Spanos explained:

The longstanding use of ELG depreciation rates for Pennsylvania utilities has resulted in a lower rate base than if ASL had been used. Customers today pay lower customer rates than if ASL had been used during the years since ELG's adoption. As a result, it has been in customers' interest not only to use ELG but also to use it consistently.

Over time ASL will result in higher customer rates than ELG. It is correct to assume that if the Company were to switch from ELG to ASL there would be a *short-term* benefit to current customers. However, this is not because ASL is in customers' best interest in the long term, but only because current customers would benefit from both lower ASL depreciation rates and from the lower rate base that exists due to the longstanding use of ELG.

Mr. Garrett's proposal is therefore not a recommendation that is in the long-term interest of lower customer rates. It is instead a short-term subsidy only to current customers who benefit from ELG depreciation rates that were paid by a previous generation of customers. The costs of a higher rate base will be paid for by future customers who will have to pay higher overall customer rates. Adopting ALG would serve as an intergenerational subsidy to current customers at the expense of other generations of customers.¹⁸⁷

While ELG leads to higher depreciation expenses in the short term, it results in lower revenue requirements over the long term.¹⁸⁸ To illustrate this point, Mr. Spanos prepared a roughly 25-year forecast of plant and depreciation reserve balances for Peoples under the two scenarios of maintaining the currently approved ELG procedure or changing to the ASL procedure. This

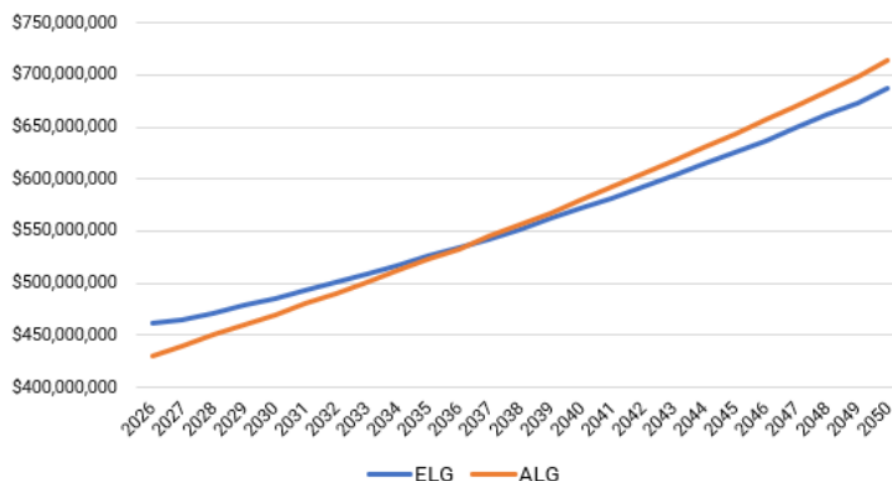
¹⁸⁵ See *Columbia 2025*, p. 111; *PA American 2026* (Recommended Decision May 15, 2026), p. 222; (Order entered July 27, 2026).

¹⁸⁶ OCA St. No. 3, pp. 62-68.

¹⁸⁷ Peoples St. No. 8-R, pp. 16-17.

¹⁸⁸ Peoples St. No. 16-R, p. 17.

forecast demonstrates that the change to the ASL procedure results in higher rates over time than continuation of the ELG procedure.¹⁸⁹



OCA witness Garrett further argues that ELG results in intergenerational inequity for customers.¹⁹⁰ Mr. Garrett's unsupported argument is incorrect, as Mr. Spanos explained:

Q. Does the use of the ALG procedure produce Intergenerational Inequity?

A. No, quite the opposite. The very nature of the ELG procedure more precisely calculates depreciation expense for assets with like lives within a depreciable group and sums that expense to develop an annual depreciation accrual rate applicable to the depreciable group. As a result, it more appropriately matches the recovery of the asset's cost to the period of time over which it is providing service to rate payers.

In contrast, there is a stronger argument that the ALG procedure results in intergenerational inequity. Because depreciation expense on shorter-lived assets occurs over the average service life, recovery for these assets is deferred. ELG produces a more equitable recovery by recovering these costs over the actual, shorter, service lives.¹⁹¹

In fact, it is Mr. Garrett's proposal that would result in intergenerational inequity. In this case, switching from ELG to ALG would result in a major swing in depreciation expense that contradicts

¹⁸⁹ *Id.*

¹⁹⁰ OCA St. No. 3-SR, p. 15

¹⁹¹ Peoples St. No. 16-R, p. 20.

the concept of systematic and rational recovery that is foundational to depreciation.¹⁹²

Mr. Garrett is simply incorrect that the longstanding use of ELG costs customers more than ASL, and in fact, the opposite is true. Current customers benefit from the continued use of the ELG because rate base is lower than had ASL been used for this time. The more precise recovery through ELG benefits customers over time because shorter-lived assets are correctly recovered over their useful lives, resulting in lower rate base and lower return on rate base that exceeds the higher annual depreciation expense.¹⁹³ Mr. Garrett's claimed "benefit" results from the *change* in procedure, not from the procedure itself. Over time, ASL depreciation rates will result in higher rate base and higher overall costs to customers.¹⁹⁴

OCA witness Garrett also contends, without factual support, that in order for a utility to properly apply ELG, it would need to revise depreciation rates every year. In response, Mr. Spanos explained that Mr. Garrett's statement is incorrect. Moreover, in Pennsylvania utilities are required to conduct annual depreciation updates. The Company submits annual depreciation reports to the Commission each year updating the Company's depreciation accrual rates for book purposes as well as identifying the underlying depreciation parameters and calculation methods and procedures used to determine depreciation expense. The Company's most recent annual depreciation report was filed on June 30, 2026, and was approved for accounting purposes using the ELG procedure.

Under the Commission's regulations at 52 Pa. Code § 73.9(c):

In subsequent ratemaking proceedings, the most recent annual depreciation report or service life study approved or deemed approved for accounting purposes only under this chapter, constitutes a rebuttable presumption as to the reasonableness of the accrued depreciation claimed for ratemaking purposes, and the burden of proving the unreasonableness of the accrued depreciation shall be on the challenging party.

Mr. Garrett has not met his burden of proving that the Company's depreciation rates are

¹⁹² Peoples St. No. 16-RJ, p. 3.

¹⁹³ Peoples St. No. 16-R, p. 12.

¹⁹⁴ Peoples St. No. 16-R, p. 12.

unreasonable.

Mr. Garrett incorrectly refers to ELG as an “accelerated” procedure.¹⁹⁵ Mr. Spanos explained why Mr. Garrett’s characterization of ELG as an accelerated procedure is not accurate. From the HTY to the FPFTY, when investments are projected to increase by over 20%, the composite rate change is very minimal (increase of 0.02%) using the ELG procedure.¹⁹⁶

OCA asserts that most other jurisdictions use the ALG procedure.¹⁹⁷ However, the relevant standard should not be whether jurisdictions outside of Pennsylvania use different depreciation methods. Ratemaking differences among jurisdictions are not unusual, and this Commission has never determined that it is bound by approaches used in other jurisdictions.¹⁹⁸ What is relevant is that ELG is the predominant method used in Pennsylvania for gas, electric and water utilities, including Peoples Natural Gas, and has been used consistently for over 40 years.¹⁹⁹ The ELG method is also supported by depreciation authorities like Robley Winfrey who referred to ELG as “the only mathematically correct procedure.”²⁰⁰

Mr. Garrett cites to decisions from the Indiana Utilities Regulatory Commission (“IURC”) and the Kentucky Public Service Commission (“Kentucky PSC”) rejecting use of the ELG method.²⁰¹ However, important facts distinguish the IURC and Kentucky PSC decisions. As Mr. Spanos explained, the decisions referenced by Mr. Garrett were cases involving electric utilities with an asset base including electric generation, transmission, and distribution assets, which are significantly different assets involving different costs being recovered over much shorter remaining lives than originally planned.²⁰² These circumstances are not present for Peoples. Mr.

¹⁹⁵ OCA St. No. 3, p. 68.

¹⁹⁶ Peoples St. No. 16-R, pp. 22-23.

¹⁹⁷ OCA St. No. 3, p. 63.

¹⁹⁸ *See Columbia 2025*.

¹⁹⁹ Peoples St. No. 16-R, p. 2.

²⁰⁰ Robley Winfrey, *Depreciation of Group Properties*, Bulletin 155 (Ames, IA: Iowa State University Press, 1942, reprinted 1969).

²⁰¹ OCA St. No. 3, pp. 62-65.

²⁰² Peoples St. No. 16-R, p. 23.

Garrett also ignores recent decisions from IURC approving the use of the ELG procedure.²⁰³

F. CONCLUSION WITH REGARD TO DEPRECIATION EXPENSE

The use of the straight-line, remaining life depreciation method, with the ELG procedure, has been a common and long-accepted depreciation process in Pennsylvania. OCA has not offered sufficient evidence to justify a change to the ASL procedure nor has it overcome its burden to change the service life for a single asset account from the service life established in the Company's previously approved service life study. The Company's depreciation expense claim should be accepted.

VIII. TAXES

As explained on pages 28-29 of the direct testimony of Peoples witness Jiang, the Company is requesting to continue to certain tax related provisions from its 2023 base rate case settlement as updated in this case in order to maintain consistency in tax treatment. No party challenged these proposals. Therefore, they should be approved.

IX. RATE OF RETURN

A. INTRODUCTION

As explained in prior sections of this brief, the Company has a long-term program to modernize its distribution system and replace at risk pipe within its service territory with more than \$1.2 billion in planned investments through 2027.²⁰⁴ The Company's significant capital expenditures place pressure on cash flows and credit metrics.²⁰⁵ At the same time, Peoples is facing increased capital costs as a result of the current long-term interest rate and inflationary environment as explained by Peoples witness Nelson.²⁰⁶

The Company's accelerated pipeline investments must be supported by a reasonable return

²⁰³ *Id.* citing IURC Cause No. 45988 and Cause No. 46334.

²⁰⁴ Peoples St. No. 1, p. 4.

²⁰⁵ Peoples St. No. 15, p. 45-46, 47.

²⁰⁶ Peoples St. No. 15-R, pp. 5-10.

to continue attracting the capital necessary to finance these investments. It is critical that the Commission demonstrate that Pennsylvania remains a constructive and supportive regulatory environment, through a fair rate of return. As the Commission observed in *PPL Electric 2012*:

Furthermore, we note that the setting of the proper return on equity is even more critical in this proceeding as our Pennsylvania jurisdictional utilities implement plans to accelerate the greatly needed replacement of aging infrastructure. Attracting capital to Pennsylvania at reasonable rates to accomplish this infrastructure replacement has never been more important to PPL, its customers and the Commonwealth of Pennsylvania.²⁰⁷

The OCA and CAUSE-PA propose drastic reductions to the Company's ROE as they claim that reducing the ROE will make rates more affordable. The OCA, CAUSE-PA, and I&E recommend a reduced equity ratio as opposed to the Company's actual equity ratio. While a reduction to the Company's ROE and equity ratio would reduce the overall revenue requirement in this case, the parties do not acknowledge that their proposals would be harmful to customers over time by jeopardizing the Company's ability to execute its long-term infrastructure improvement program in a cost-effective manner.

The OCA's recommended ROE of 8.80% is unjustly low and insufficient to support ongoing infrastructure investment. In fact, it is below all but one authorized ROE for natural gas utilities in the past 46 years.²⁰⁸ Although CAUSE-PA does not set forth a specific ROE recommendation, its reference to a 7.68% ROE is 112 basis points lower than OCA's recommendation and falls below all authorized ROEs for natural gas utilities in the past 46 years.²⁰⁹

The OCA's and CAUSE-PA's positions regarding ROE seriously threaten the Company's ability to continue to attract the capital necessary to support its infrastructure replacement program as no rational investor would invest in Peoples if they could earn a return hundreds of basis points

²⁰⁷ *PPL Electric 2012* at p. 81.

²⁰⁸ Peoples St. No. 15-R, p. 4.

²⁰⁹ *Id.*

higher by investing in another gas utility.²¹⁰ In addition to seriously jeopardizing the Company's ability to compete with other utilities for long-term capital, OCA's and CAUSE-PA's ROE proposals could have adverse consequences for all Pennsylvania utilities by introducing significant uncertainty in the stability and consistency of the regulatory environment in Pennsylvania.²¹¹ The OCA's and CAUSE-PA's positions represent an extreme departure from the Commission's precedent without any corresponding decline in risk or capital costs and should be rejected.

As explained in detail below, use of the Company's actual capital structure is necessary and in accordance with precedent, and the Company's ROE should be set at Ms. Nelson's recommended 11.25%.

1. Rate of Return Standards

A public utility, whose facilities and assets have been dedicated to the service of the public, is entitled to an opportunity to earn a fair rate of return on its investment. The standards to be used by the Commission in determining what return rate is fair are well-established, having been set forth by the United States Supreme Court in *Bluefield Waterworks and Imp. Co. v. P.S.C. of West Virginia* ("*Bluefield*")²¹² over 100 years ago: Rates which are not sufficient to yield a reasonable return on the value of the property at the time it is being used to render service are unjust, unreasonable, and confiscatory, and their enforcement deprives the public utility of its property in violation of the Fourteenth Amendment.

The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties.²¹³ These principles have been adopted and applied by the appellate courts of Pennsylvania

²¹⁰ *Id.* at pp. 4, 9.

²¹¹ *Id.* at pp. 9-10.

²¹² 262 U.S. 679, 690 (1923).

²¹³ *Bluefield*, p. 693.

in numerous cases.²¹⁴

The return allowed to investors must be commensurate with the risk assumed, as the Supreme Court has stated in three landmark opinions. *Bluefield* requires that the rate of return reflect:

. . . a return on the value of the [utility's] property which it employs for the convenience of the public equal to that generally being made at the same time on investments in other business undertakings which are attended by corresponding risks and uncertainties. . . .²¹⁵

Twenty-one years after *Bluefield*, the Supreme Court reiterated that standard in *Federal Power Commission v. Hope Natural Gas Co.*,²¹⁶ as follows:

From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock. By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.

Later, in reaffirming *Hope*, the Supreme Court, in *Duquesne Light Co. v. Barasch*²¹⁷ observed that “[o]ne of the elements always relevant to setting the rate under *Hope* is the return investors expect given the risk of the enterprise.”

The determination of a fair rate of return thus requires the review of many factors, including: (1) the earnings that are necessary to assure confidence in the financial integrity of the company and to provide a reasonable credit profile to permit access to capital markets on reasonable terms, and (2) the amount of the investment, the size and nature of the utility and, its business and financial risks, in comparison to other enterprises.²¹⁸ Moreover, the Commission’s

²¹⁴ See, e.g., *Riverton Consolidated Water Co. v. Pa. PUC*, 186 Pa. Super. 1, 140 A.2d 114 (1958); *City of Pittsburgh v. Pa. PUC*, 182 Pa. Super. 376, 126 A.2d 777 (1956); *Lower Paxton Twp. v. Pa. PUC*, 13 Pa. Cmwlth. 135, 317 A.2d 917 (1974) (“*Lower Paxton Twp.*”).

²¹⁵ *Bluefield*, p. 692.

²¹⁶ 320 U.S. 591, 603 (1944) (“*Hope*”).

²¹⁷ 488 U.S. 299, 109 S. Ct. 609, 102 L. Ed. 2d 646, 661 (1989).

²¹⁸ *Pa. PUC v. Pa. Gas and Water Co. - Water Division*, 341 A.2d 239 (Pa. Cmwlth. 1975); *Lower Paxton Twp.*,

findings must be based upon substantial and competent evidence on the record before it, not upon speculation or hypothesis.²¹⁹

2. Rate of Return Components

In determining the overall rate of return, the Commission uses the weighted average cost of capital method. This method determines the percentages of long-term debt and common equity in the Company's capital structure. It then determines the cost rate of capital for each component and weighs it by multiplying the percentages of each class of capital by the applicable cost rate. The Company's proposed cost of capital is as follows:²²⁰

Type of Capital	Ratio	Cost Rate	Weighted Cost Rate
Long-Term Debt	45.53%	4.61%	2.10%
Common Equity	54.47%	11.25%	<u>6.13%</u>
Total	100%		<u>8.23%</u>

No party has challenged the Company's claimed cost rates for long-term debt. The issues of dispute involve the proxy group, the Company's capital structure ratio, and cost rate of common equity.

B. CAPITAL STRUCTURE

I&E, OCA, and CAUSE-PA each recommended a hypothetical capital structure. I&E and CAUSE-PA recommended a capital structure of 50% equity and 50% debt while OCA recommended a capital structure of 49% equity and 51% debt.²²¹ The parties' use of hypothetical capital structures instead of the Company's actual capital structure is unreasonable, contrary to precedent, and should be rejected.

1. The Company's Actual Capital Structure is Reasonable and Should be Accepted.

The Company's FPFTY capital structure consists of 54.47% common equity and 45.53%

supra.

²¹⁹ *Ohio Bell Telephone Co. v. Pub. Util. Comm. of Ohio*, 301 U.S. 292 (1937); *United States Steel Corp. v. Pa. PUC*, 390 A.2d 849 (Pa. Cmwlth. 1978); *Octoraro Water Co. v. Pa. PUC*, 391 A.2d 1129 (Pa. Cmwlth. 1978).

²²⁰ Peoples St. No. 15, p. 6.

²²¹ I&E St. No. 2, p. 15; CAUSE-PA St. No. 1, p. 47; OCA St. No. 3, p. 59.

long-term debt.²²² In support of the Company's capital structure, Peoples witness Nelson explained that the Company's common equity ratio is within the range of actual common equity ratios of the proxy group of gas companies used in this proceeding.²²³ Ms. Nelson calculated the average capital structure for each of the proxy group operating companies over the last three years. The proxy group operating companies finance their regulated natural gas distribution operations with an average of 54.51% common equity (and a median of 55.39%), within a range of 48.70% to 60.15%.²²⁴ When comparing the Company's equity ratio to the five-year average equity ratio that ranges from 48.15% to 60.07%, the Company's equity ratio is within the range of the proxy group, and in fact, is slightly below the proxy group mean and median of 54.63% and 55.04%, respectively.²²⁵ Thus, the Company has demonstrated that its capital structure is consistent with its peers. In *Columbia 2025*, the Commission allowed Columbia an equity ratio of 54.40%, where the equity ratio range was 35.96% to 60.16%.²²⁶ The other parties have not presented sufficient evidence to depart from that precedent here.

2. I&E's, OCA's, and CAUSE-PA's use of a Hypothetical Capital Structure is Unjustified and Should be Rejected.

i. Applicable Legal Standards

The Commission has determined that a utility's actual capital structure is to be used, absent circumstances where the actual capital structure is atypical for the type of utility service being offered.²²⁷ In determining whether the claimed capital structure is atypical, the Commission has reviewed the capital structure used by the utility to the range of capital structures employed by the barometer group of companies considered in the rate of return analysis. If a utility's capital

²²² Peoples St. No. 15, p. 56; Peoples Exh. No. JEN-10.

²²³ Peoples St. No. 15, pp. 59-60.

²²⁴ Peoples St. No. 15-R, p. 25; Peoples Exh. No. JEN-6R.

²²⁵ Peoples St. No. 15-R, p. 19; Peoples Exh. JEN-6R.

²²⁶ *Columbia 2025*, pp. 209-10.

²²⁷ See *Pa. PUC v. City of Lancaster – Water*, 1999 Pa. PUC Lexis 37 at *17; *Pa. PUC v. City of Bethlehem*, 84 Pa. P.U.C. 275, 304 (1995); *Carnegie National Gas Co. v. Pa. PUC*, 433 A.2d 938, 940 (Pa. Cmwlth. 1981).

structure is within a reasonable range of similar risk barometer group companies, the utility's capital structure should be used and not a hypothetical capital structure. For example, in *ALLTEL*, the Commission stated as follows:

The ALJ recommended use of the Company's stand-alone capital structure since it met the following characteristics of an appropriate capital structure: (1) It was within a reasonable range of similar risk barometer group companies. (2) It reflected the Company's actual capital structure and projected near term capital structure. (3) It is consistent with the Company's apparent capital structure goal. (R.D., p. 28).

We concur with the recommendation of the ALJ, particularly for the reason that the Company's actual capital structure falls within a range employed by similar risk barometer group companies, described by Mr. Shiavo as commensurate with capital ratios employed by other independent telephone operating companies.²²⁸

This analysis was reaffirmed by the Commission in *PPL Electric 2012*. In that case, PPL Electric proposed to use its actual capital structure. Both I&E and OCA proposed to use a hypothetical capital structure. I&E argued in favor of a hypothetical capital structure based upon a calculated industry average. OCA proposed a hypothetical capital structure that was based on an average of PPL Electric's capital structure for a recent five-year period. OCA also attempted to support its proposal by reference to the average common equity ratio of the barometer group sponsored by PPL.²²⁹ The Commission rejected I&E's and OCA's contentions and adopted the Company's proposed capital structure, concluding:

Absent a finding by the Commission that a utility's actual capital structure is atypical or too heavily weighted on either the debt or equity side, we would not normally exercise our discretion with regard to implementing a hypothetical capital structure. *See, Pa. PUC v. City of Lancaster – Water*, 1999 Pa. PUC Lexis 37 at *17; *Carnegie Natural Gas Co. v. Pa. PUC*, 433 A.2d 938, 940 (Pa. Cmwlth. 1981). With regard to these factors, we are persuaded by the arguments of PPL that its actual capital structure is not atypical, is with a range of reasonableness, and, pursuant to precedent,

²²⁸ *Pa. PUC v. ALLTEL Pa., Inc.*, Docket Nos. R-942710 *et al.*, Pa. PUC LEXIS 53, *106-107, (Order entered May 24, 1985) (“*ALLTEL*”).

²²⁹ *PPL Electric 2012*, pp. 63-65.

provides no basis to employ a hypothetical capital structure. Also, we are further swayed by PPL’s assertion that it requires an equity ratio near the high end of the historic range employed by the barometer group companies to support its expanded infrastructure replacement program and its credit rating.²³⁰

The Commission has reaffirmed its prior decisions on capital structure in several recent decisions. In *Columbia 2021*, the Commission rejected an OCA proposal to adopt a hypothetical capital structure of 50% common equity and 50% debt, stating “we find no reason to deviate from the established Commission precedent, or to impose OCA’s hypothetical capital structure on the Company.”²³¹ The Commission adopted similar conclusions in *Aqua 2022*, *PAWC 2024*, and *Columbia 2025*.²³²

In the recent Pennsylvania American Water Company rate case, the Commission reduced the allowed equity ratio to below the top of the barometer group range. In that case, the Commission adopted I&E’s recommended hypothetical capital structure (55.00% common equity, 44.99% long-term debt, and 0.01% preferred stock) because PAWC’s proposed equity ratio was slightly above the proxy group range.²³³ The Commission acknowledged that “the Company’s common equity ratio of 56.31% in its proposed actual capital structure is only 0.70% above the high end of the five-year average range of the common equity ratios, i.e., 55.61%,” and thus determined that only a slight adjustment to the capital structure was warranted.²³⁴ The Commission rejected OCA’s hypothetical 50-50 capital structure, stating:

Moreover, as discussed in our examination of the information in Table 34, *supra*, when examining only the most recent year for the Companies in the I&E proxy group, PAWC’s proposed actual common equity ratio fits squarely within the range of the proxy group companies’ individual common equity ratios for 2024. As

²³⁰ *PPL Electric 2012*, p. 68.

²³¹ *Columbia 2021*, p. 118.

²³² See also *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket No. R-2021-3027385 (Order entered May 16, 2022) (“*Aqua 2022*”), pp. 138-41; *Pa. PUC v. Pennsylvania-American Water Company*, (“*PAWC 2024*”) Docket No R-2023-3043189 (Order entered July 22, 2024), pp. 157-60.

²³³ *PAWC 2024* at p. 180.

²³⁴ *Id.* at p. 185

such, we are of the opinion that imposing a hypothetical capital structure upon PAWC of 50% long-term debt and 50% common equity for its water operations would, in and of itself, result in a capital structure that is atypical.²³⁵conf

Further, NARUC has stated that actual capital structure ratios should be used unless they “greatly diverge” from sound industry practice:

A utility management must be permitted latitude, discretion, and flexibility in managing capital structure ratios. Since there is no practical methodology to pinpoint theoretically optimal capital structure ratios, targeted ratios can only be broadly conceptualized. Appropriate ratios may shift over time as capital market conditions or business risk characteristics change. Additionally, the timing of upcoming issuances and maturities may influence the capital structure ratios because both the size and frequency of issuances are affected by the relative cost-effectiveness of various issuance increments.

Given these practical considerations, capital structure ratios cannot be deemed to be inappropriate unless the ratios greatly diverge from sound industry practice and cause a lack of financial flexibility that may lead to higher overall costs.

As increasing financial leverage shifts the weight from common equity to lower cost debt, it also increases both the cost of debt and the cost of common equity. In practice, these offsetting impacts cancel each other out over a wide range of capital structure ratios”.²³⁶

In the seminal text Principles of Public Utility Rates, James C. Bonbright stated that a hypothetical capital structure should be used only when actual capital structures are “clearly unsound” or “extravagantly conservative,” reasoning that using hypothetical capital structures “substitutes an estimate of what the capital cost would be under non-existing conditions for what it actually is or will soon be under prevailing conditions.”²³⁷

As explained below and as well as in the testimony of Ms. Nelson, none of the other parties have demonstrated that Peoples’ actual capital structure is atypical or deviates from industry standards. Rather, the Company’s capital structure is well within industry standards and the capital

²³⁵ *Id.* (emphasis added).

²³⁶ Peoples St. No. 15-R, pp. 57-58 (citing NARUC, *A Cost of Capital and Capital Markets Primer for Utility Regulators* (April 2020) at 11).

²³⁷ Peoples St. No. 15, p. 58 (citing James C. Bonbright, Principles of Public Utility Rates, at 243-44).

structures of its peers.

ii. I&E, OCA and CAUSE-PA Have Failed to Demonstrate that the Company's Proposed Capital Structure is Atypical

I&E, OCA, and CAUSE-PA have not offered sufficient evidence to support the conclusion that the Company's proposed capital structure is atypical such that the use of a hypothetical capital structure would be required. As explained below, none of the parties' arguments support their request to impose a hypothetical capital structure.

I&E witness Patel and OCA witness Garrett err by using consolidated holding company capital structures in their analyses. As Ms. Nelson explained:

Q. WHEN SETTING THE AUTHORIZED CAPITAL STRUCTURE, IS IT CORRECT TO ANALYZE THE PROXY GROUP HOLDING COMPANY CAPITAL STRUCTURE, RATHER THAN THE PROXY GROUP OPERATING COMPANY CAPITAL STRUCTURE?

A. No. Mr. Patel and Mr. Garrett reference equity ratios reported by Value Line and S&P at the holding company level. Such comparisons are apples-to-oranges comparisons and suggest that the Commission should ignore relevant data that accurately represents the financial risk profiles and common financing practices of regulated natural gas utility operating companies. Because capital at the consolidated holding company level may finance unregulated operations, comparisons to the parent company capital structure leads to flawed and misleading conclusions. As explained above, regulated utilities' obligation to serve presents a unique set of constraints that affect their financing practices compared to unregulated operations, which reduces financing flexibility that is critical for utilities.

Consolidated holding companies are financed differently than their regulated operating subsidiaries because capital at the holding company level finances a variety of business segments (both regulated and unregulated) each with different risk profiles and return requirements. For these reasons, the proper comparison of the Company's capital structure is to the capital structures that finance the proxy companies' regulated natural gas operations.²³⁸

Using consolidated holding company capital structures does not accurately reflect how natural gas

²³⁸ Peoples St. No. 15-R, pp. 24-25.

distribution utilities are financed because they are at the holding company level, not the operating company level and do not reflect the common financing constraints faced by regulated operating subsidiaries with the obligation to serve.²³⁹ For these reasons, no weight should be given to I&E's and OCA's analyses based on consolidated holding company capital structures.²⁴⁰ Even if the Commission were to consider the consolidated holding company capital structures, Peoples' equity ratio of 54.47% is still within the proxy group equity ratio ranges presented by Mr. Patel and Mr. Garrett and therefore meets the Commission's standards as described above.²⁴¹

Mr. Patel's review of recent authorized equity ratios for natural gas utilities suffers from several flaws and does not support his conclusion to impose a hypothetical capital structure. Only 15 of the 52 rate cases referenced in his analysis are for companies included in Mr. Patel's or Ms. Nelson's proxy group. Notably, the average authorized equity ratio for those companies is 53.89%, which is not far removed from Peoples' equity ratio.²⁴² Mr. Patel's analysis fails to acknowledge that the authorized equity ratios referenced report the percentage of equity to total capital, which may include short-term debt and non-investor supplied sources of capital that are not included in Peoples' capital structure.²⁴³ Moreover, authorized equity ratios in 2025 and 2026 range from 43.17% to 61.05%. The Company's equity ratio of 54.47% is well within this range.²⁴⁴ More than 61% of the 52 rate cases with an equity ratio determination in 2025 and 2026 are above Mr. Patel's recommended equity ratio of 50%, and more than one-third of those above 50% are equal to or greater than 54%.²⁴⁵ Therefore, Mr. Patel's own analysis supports that the Company's equity ratio is reasonable and should be approved.

²³⁹ *Id.* at p. 25.

²⁴⁰ *Id.*; Peoples St. No. 15-RJ, p. 8.

²⁴¹ Peoples St. No. 15-R, p. 26.

²⁴² *Id.* at pp. 27-28; Peoples Exh. JEN7-R.

²⁴³ Peoples St. No. 15-R, p. 28.

²⁴⁴ *Id.* at pp. 28-29.

²⁴⁵ *Id.*

Mr. Garrett contends that the Company is engaging in “double leverage” to the benefit of its parent company.²⁴⁶ The concept of “double leverage” refers to the financial practice in which a parent company borrows money to invest in the equity of its subsidiary.²⁴⁷ Ms. Nelson explained that because the source of an investor’s funds is not determinative of the investor-required return, Mr. Garrett’s reference to debt held at the parent level is irrelevant.²⁴⁸ The Commission has rejected such double leverage arguments in the past as have several other state utility commissions.²⁴⁹

Mr. Patel and Mr. Cicero claim that a hypothetical capital structure would result in savings to customers.²⁵⁰ As Ms. Nelson explained, their argument relies on the faulty assumption that if the debt leverage in Peoples’ capital structure was increased from its actual equity ratio that the cost of debt and equity would remain the same. They would not. The cost of debt depends, in part, on the amount of financial risk associated with the proportion of debt in the capital structure.²⁵¹ While Mr. Patel and Mr. Cicero suggest increasing leverage, they do not account for the cost implications of the additional long-term debt in their proposed hypothetical capital structures. Higher levels of debt increases financial risk, which increases the cost of debt and equity, all else equal. Yet, Mr. Patel and Mr. Cicero do not reflect the higher cost of debt in their analysis.²⁵² This higher cost of debt would *increase* customers’ rates. Ms. Nelson explained the following effects

²⁴⁶ OCA St. No. 3, p. 6.

²⁴⁷ Peoples St. No. 15-R, p. 32.

²⁴⁸ *Id.* at pp. 33-34.

²⁴⁹ See *Pa. PUC v. Pa. Gas & Water Co.*, Docket No. R-00922482 (Order entered June 23, 1993); *Pa. PUC v. Gen. Tel. Co. of Pa.*, Docket No. R-822109 (Order entered Sep. 16, 1983); *Pa. PUC v. Pa. Elec. Co.*, Docket No. R-78040599 (Order entered Jan. 11, 1979). See also Peoples St. No. 15-R, pp. 35-36.

²⁵⁰ I&E St. No. 2, p. 18; CAUSE-PA St. No. 1, pp. 34.

²⁵¹ Peoples St. No. 15-R, pp. 36-37. (The Commission has acknowledged that “there is a direct relationship between the cost of debt and the amount of financial risk shown by the debt ratio.” See *e.g.*, *Pa. PUC v. PECO Energy Company*, R-2020-3018929, Opinion and Order, at page 145 (June 22, 2020). See also *Pa. PUC v. Columbia Gas of Pennsylvania*, R-2020-3018835, Opinion and Order entered February 19, 2021, at 116, where the Commission noted that Columbia Gas’s “actual capitalization forms the basis upon which Columbia attracts capital. For example, proposed long-term debt cost rate of 4.73%, *infra*, fully reflects the capitalization determined by the Company to be appropriate.”)

²⁵² Peoples St. No. 15-R, pp. 36-37; Peoples St. No. 15-RJ, p. 6.

on customers:²⁵³

Q. HOW COULD THE USE OF A HOLDING COMPANY CAPITAL STRUCTURE AFFECT CUSTOMERS?

A. Imputing the parent company's higher financial risk to the operating utility could harm customers over time. If a regulatory regime requires an operating utility to use a capital structure with insufficient equity, credit rating agencies may view the utility as financially weaker, which can increase the risk of credit downgrades and raise the cost of both debt and equity capital. Those higher financing costs ultimately flow through to customers in future rates. Any near-term savings from a lower equity ratio may therefore be offset, or more than offset, by higher borrowing costs, increased financial risk, and reduced access to capital.

Q. DOES ENCOURAGING GREATER RELIANCE ON LOWER-COST DEBT NECESSARILY REDUCE CUSTOMER COSTS?

A. No. Although debt is typically less expensive than equity, increasing debt does not automatically reduce the overall cost of capital or customer costs over the long term. Higher leverage increases financial risk, which can weaken credit metrics, reduce financial flexibility, and place pressure on credit ratings. To compensate for greater financial risk, both debt and equity investors will then require higher returns. Debt lenders may demand higher interest rates or more restrictive terms. Similarly, equity investors will require a higher return to compensate for greater financial risk as increased debt erodes the cushion of earnings to shareholders that have a subordinate claim on earnings after debt is paid. As a result, excessive reliance on debt can increase, rather than decrease, total financing costs and can increase longer-term costs for customers.

Mr. Garrett cites the capital structures of various companies in other industries, which he claims supports his suggestion of a hypothetical capital structure.²⁵⁴ Mr. Garrett's reference to these companies is irrelevant to the analysis in this proceeding. As Ms. Nelson explained:

While companies in other sectors have more flexibility as to when they issue debt or equity, raise or lower prices, change product offerings or even temporarily cease operations based on changing economic and capital market conditions, regulated utilities do not have those options because the obligation to serve compels utilities to provide service to all customers in their footprint without discrimination, and to meet customers' energy demands every day regardless of the prevailing economic or capital market

²⁵³ Peoples St. No. 15-R, pp. 54-55.

²⁵⁴ OCA St. No. 3, pp. 54-56.

environment. As explained in my Direct Testimony, unlike non-regulated firms, a regulated utility cannot decide to whom it provides utility service in its footprint, how much service it delivers, nor when it provides service; for these reasons, utilities require more financial flexibility than unregulated entities and the ability to access capital in all market environments. (Peoples St. No. 15, pp. 14-15.)²⁵⁵

No weight should be given to Mr. Garrett’s comparisons to non-utility capital structures.

Finally, as Ms. Nelson explained, imputing a hypothetical capital structure that is materially more leveraged as some of the parties have suggested in this case could result in Peoples facing a credit downgrade as was the case for some utilities in other states.²⁵⁶ A credit downgrade could make it more difficult for the Company to access cost-effective capital to support its investments and thus result in higher financing costs, which would ultimately be reflected in rates. Such an increase in financing costs would *increase* customers’ rates.

I&E, OCA, and CAUSE-PA have not demonstrated that Peoples’ capital structure is outside the norm for comparable gas companies. Having failed to do so, these parties impermissibly attempt to interfere in the management discretion of the Company to determine the necessary capital structure.²⁵⁷ It is important to note that the Commission has recognized the importance of an above average equity ratio when accelerated pipeline replacement program is underway as is the case for Peoples.²⁵⁸ The parties have failed to demonstrate that the Company’s actual capital structure is atypical and, therefore, the use of a hypothetical capital structure is inappropriate.

3. Conclusion as to Capital Structure

The Company is acting prudently to replace aging plant so that it can continue providing

²⁵⁵ Peoples St. No. 15-R, pp. 37-38.

²⁵⁶ Peoples St. No. 15-R, pp.31-32.

²⁵⁷ *Aqua 2022*, pp. 138-39 (“The use of an actual capital structure represents the Company’s decision, in which it has *full discretion*, on how to capitalize its rate base” (emphasis added)).

²⁵⁸ *See PPL Electric 2012*.

safe and reliable service to its customers. Relatedly, the Company is maintaining a financial profile that will enable it to obtain the necessary financing to execute its long-term infrastructure investment program in a cost-effective manner. The Company's financial profile is within the range of capital structure ratios of the proxy groups presented in this proceeding. The other parties' hypothetical capital structures should be rejected.

C. DEBT COST RATE

The Company's proposed debt cost rate to be used in determining the rate of return is 4.61%.²⁵⁹ There is no dispute concerning the debt cost rate, and the Company's debt cost rate should be accepted.

D. RETURN ON COMMON EQUITY

1. Summary of Recommended Return on Common Equity

The Company's rate of return witness, Ms. Nelson, recommends a ROE of 11.25, inclusive of 25 basis points for management performance. Ms. Nelson used three methods to determine the cost of equity. They are the Discounted Cash Flow ("DCF") model, the Capital Asset Pricing model ("CAPM") (including the Empirical CAPM or "ECAPM"), and the Bond Yield Plus Risk Premium model ("Risk Premium"). Ms. Nelson's direct testimony provides the results of these models, which resulted in a range of 10.11% to 13.91% for the cost of equity.²⁶⁰ Ms. Nelson updated the result of her models to market data as of May 31, 2026, but maintained her recommended ROE of 11.25%.²⁶¹ The following table summarizes the results of Ms. Nelson's analysis.²⁶²

²⁵⁹ Peoples St. No. 15, p. 61.

²⁶⁰ *Id.* at p. 4.

²⁶¹ Peoples St. No. 15-R, p. 112.

²⁶² *Id.* at p. 15.

Figure 3: Summary of Updated Results

Model	ROE Model Results (As Filed)	ROE Model Results (5/29/26)	Change
Constant Growth DCF	10.79%	10.93%	+0.14%
Quarterly Growth DCF	11.03%	11.14%	+0.11%
Average DCF	10.91%	11.03%	+0.12%
Forward CAPM	13.09%	12.17%	-0.92%
Forward ECAPM	13.91%	12.94%	-0.97%
Historical CAPM	10.11%	10.05%	-0.06%
Historical ECAPM	10.64%	10.60%	-0.04%
Average CAPM	11.94%	11.44%	-0.50%
Risk Premium	10.24%	10.30%	0.06%
3-Model Average	11.03%	10.92%	-0.10%
Range of Model Results (Rounded)	10.20%-11.90%	10.30%-11.40%	-
Base ROE Recommendation	11.00%	11.00%	No change

The other parties' recommended ROEs are summarized in the following table.²⁶³

Figure 1: ROE Ranges and Recommendations of the Witnesses

	I&E Witness Patel	OCA Witness Garrett	CAUSE-PA Witness Cicero	OSBA Witness Ewen	OCA Witness Deupree
DCF Results (Range)	11.33% (11.23% - 11.42%)	(7.1% - 7.6%)	NA	NA	NA
CAPM Results (Range)	9.57% (8.86%-10.28%)	8.8% (8.7%-9.2%)	NA	NA	NA
ROE Recommendation	10.20%	8.8% (49% equity); 8.5% (54% equity)⁵	7.68%	NA	NA
Equity Ratio Recommendation	50%	49%	50%	NA	NA

It is critical that Peoples maintain a strong financial profile in order to provide safe and reliable service to the benefit of its customers. Ms. Nelson's recommended ROE of 11.25% is appropriately supported by market data and accepted financial models. The reasonableness of Ms. Nelson's recommended ROE is further supported by I&E witness Patel's DCF result of 11.33% and his recommended ROE of 10.20%.

²⁶³ *Id.* at p. 6.

While I&E witness Patel's recommended ROE overlaps with Ms. Nelson's estimates, OCA's and CAUSE-PA's estimates are materially below industry benchmarks for a comparable return and are inconsistent with the higher cost of capital environment that the Company is facing.²⁶⁴ As explained above, Mr. Cicero's ROE estimate is below all authorized ROEs for other natural gas utilities since 1980, while Mr. Garrett's ROE estimate is below all but one.²⁶⁵ Mr. Garrett's and Mr. Cicero's suggested ROE estimates fail to meet the fair return standards set forth in *Hope* and *Bluefield* and would impede the Company's ability to compete for the external capital it needs to fund necessary investments.

As explained herein as well as in Ms. Nelson's testimony, Mr. Garrett employs a flawed analytical approach that is simply aimed at producing the lowest possible ROE. Mr. Garrett applies unreasonable inputs and disregards current capital market conditions in his analysis.²⁶⁶

Mr. Cicero did not perform a traditional cost-of-equity analysis, yet he asks that the Commission authorize the lowest possible ROE for Peoples.²⁶⁷ Mr. Cicero has not established that he is an expert in cost of capital matters nor has he performed any market analysis to support his claims.²⁶⁸ Therefore, the Commission should give no weight to Mr. Cicero's claims regarding an appropriate ROE in this case.

The only defensible, reliable way to estimate the cost of equity is through the rigorous application of financial models using market data considered together with the utility's risk profile.²⁶⁹ Mr. Cicero's and Mr. Garrett's recommendations do not meet the *Hope* and *Bluefield* requirements that a return be commensurate with the returns investors expect on other investments

²⁶⁴ *Id.* at p. 14.

²⁶⁵ *Id.*

²⁶⁶ *Id.*

²⁶⁷ CAUSE-PA St. No. 1, pp. 48-49.; CAUSE-PA St. No. 1-SR, p. 4.

²⁶⁸ See CAUSE-PA St. No. 1, Appendix A.

²⁶⁹ Peoples St. No. 15-R, p. 7; Peoples St. No. 15-RJ, p. 18.

of comparable risk and sufficient to assure the utility's financial integrity and attract capital.²⁷⁰

NARUC recently affirmed these standards in its resolution Regarding Sound Public Utility Ratemaking Principles:²⁷¹

Resolved, that the Board of Directors of the National Association of Regulatory Utility Commissioners, convened at its 2026 Summer Policy Summit in Minneapolis, Minnesota, reaffirms that sound public utility ratemaking should remain grounded in the evidentiary record, governing law, and the informed judgment of state commissions, consistent with the principles reflected in Munn, Bluefield, and Hope; supports regulatory frameworks that preserve and optimize commission authority to determine return on equity and other ratemaking components based on the facts and circumstances presented in each proceeding; maintains that under rate-of-return regulation, commissions determine appropriate returns on equity, and other rate case elements, based on case-specific analysis, expert evaluation, and record evidence rather than imposing arbitrary limits; and supports the technical expertise of commissions to resolve issues that clearly fall within their statutory jurisdiction.

Mr. Garrett's and Mr. Cicero's ROE estimates fail to recognize that under existing market conditions, the cost of capital is increasing.²⁷² For example, government and utility bond yields are, on average, approximately 55-100 basis points higher than they were at the time of Peoples' last rate case.²⁷³ Mr. Garrett and Mr. Cicero continue to suggest a ROE lower than the Commission's authorized DSIC ROE of 10.25% even though the cost of capital has increased.²⁷⁴

Several witnesses in this case have suggested that lowering the Company's ROE would produce more affordable rates. These claims are misguided. As explained above, lowering the Company's claimed ROE is not the proper manner in which to address affordability concerns. The Company has demonstrated that its proposed rates are affordable both as compared to the rates of other Pennsylvania utilities and based on the Company's energy burden analysis performed by Ms.

²⁷⁰ Peoples St. No. 15-R, p. 4, 7, 45-46; Peoples St. No. 15-RJ, pp. 18-19.

²⁷¹ Peoples Exh. JEN-2RJ.

²⁷² Peoples St. No. 15-R, p. 66.

²⁷³ *Id.* at pp. 9-10.

²⁷⁴ *Id.* at p. 10.

Fang. The Company also has numerous programs that are available to customers who need assistance with their utility bill as explained by Ms. Black.

Not only is the parties' suggestion to lower the Company's ROE unnecessary to produce affordable rates, doing so would have the opposite effect, *i.e.* it would produce *higher* rates for customers in the long run. The other parties fail to consider that lowering the Company's ROE as they have suggested would make the Company less attractive from an investment standpoint and thus impede the Company's ability to access cost-effective sources of capital that are necessary to fund its infrastructure replacement program.²⁷⁵ The Company would then need to obtain alternative, higher-cost financing sources in order to meet its infrastructure replacement commitments. Because the Company's costs of financing its investments are ultimately reflected in rates, these increases in financing costs would be borne by customers.²⁷⁶

The reasonableness of Ms. Nelson's ROE of 11.25% is further evidenced by the fact that it falls within the range of results for I&E's ROE analysis. Ms. Nelson's recommended ROE of 11.25% should be accepted.

2. Proxy Group

In evaluating the capital structure and determining the required ROE, it is important to develop a group of companies that is both publicly traded and comparable to the Company. Data for the "proxy group" provides market information particularly for investors' required ROE. On pages 16 through 21 of her direct testimony, Peoples witness Nelson explained how she developed the proxy group, which is comprised of seven companies.

OCA witness Garrett accepted Ms. Nelson's proxy group.²⁷⁷ I&E witness Patel included an eighth company – Chesapeake Utilities Corp. – in his proxy group.²⁷⁸ In order to narrow the

²⁷⁵ Peoples St. No. 15-RJ, pp. 18-19.

²⁷⁶ *Id.*

²⁷⁷ OCA St. No. 3, p. 16.

²⁷⁸ I&E St. No. 2, pp. 10-12.

scope of contested issues regarding rate of return in this case, Ms. Nelson accepted Mr. Patel's inclusion of Chesapeake Utilities Corp. and also excluded the S&P high earnings growth rate for Southwest Gas Holdings, Inc. in her DCF analysis as Mr. Patel suggested.²⁷⁹

As Ms. Nelson explained, there are many factors specific to Peoples that elevate its risk profile in relation to the proxy group. The Company is undertaking a substantial capital expenditure program to replace at-risk pipe, totaling nearly \$4.0 billion from 2026-2030. This substantial level of capital expenditure increases the Company's risk of under recovery or delayed recovery of the invested capital, and the risk of an inadequate return puts downward pressure on key credit metrics.²⁸⁰ Peoples' ratio of projected capital expenditures to net utility plant is higher than all of the proxy group companies and is 1.49 times higher than the median ratio of the proxy group of 67.08%.²⁸¹

Despite the Company's significant investment in its system, the company has carefully managed its business to avoid filing frequent rate cases. In fact, the Company has filed only three rate cases in the past thirteen years but has invested over \$2.9 billion under its LTIIP alone during this period.²⁸²

Peoples is also particularly susceptible to the risk of bypass, meaning that certain large-volume and industrial customers could reduce their reliance on the Company's distribution service – or bypass it altogether – by physically connecting to an interstate pipeline or other upstream facility (or in Peoples' case another local distribution company with an overlapping service territory) or securing an alternative fuel source.²⁸³ The threat of bypass affects the Company's risk profile through throughput loss, increased pressure on recovery of fixed costs, volatility in revenue

²⁷⁹ Peoples St. No. 15-R, pp. 67-68.

²⁸⁰ Peoples St. No. 15, pp. 43-44.

²⁸¹ Peoples St. No. 15, p. 46; Peoples Exh. JEN-7.

²⁸² Peoples St. No. 3-SR, pp. 5-6; Peoples St. No. 6, p. 6.

²⁸³ Peoples St. No. 15 at pp. 48-49.

recovery, and impacts to cash flow metrics and credit quality.²⁸⁴

Mr. Patel, Mr. Deupree, Mr. Ewen, and Mr. Cicero claim that mechanisms such as the DSIC, FPFTY and the WNA lower risk.²⁸⁵ However, they fail to acknowledge that the majority of operating companies in the proxy group utilize similar mechanisms.²⁸⁶ Therefore, any reduction in risk associated with these regulatory mechanisms is already reflected in the risk profiles of the proxy group and accounted for in Ms. Nelson's analysis.²⁸⁷ Moreover, the Company has demonstrated that due to its high level of capital investment, its ability to use the DSIC to reduce regulatory lag has been limited. Company witness Scanlon explained that because the DSIC is currently capped at 5% of distribution revenue, the Company was only able to use the DSIC for approximately 15 months (April 1, 2025 through July 1, 2026) before reaching the cap.²⁸⁸ The parties have failed to present sufficient evidence demonstrating that the Company's risk is materially lower than that of the proxy group based on the existence of these regulatory mechanisms.

3. Discounted Cash Flow ("DCF")

The Commission has used the DCF model as the primary model for establishing the cost of equity.²⁸⁹ Use of the DCF model based upon analysts' projected earnings provides a strong basis for determining the cost of equity during the period that the rates set in this proceeding will be in effect.²⁹⁰ Ms. Nelson calculated a 10.91% DCF result based on analysts' projections of earnings, which she calculated by averaging the Constant Growth DCF of 10.79% and the Quarterly Growth DCF of 11.03%.²⁹¹ Ms. Nelson updated her analysis in her Rebuttal Testimony

²⁸⁴ *Id.*

²⁸⁵ I&E St. No. 2, p. 47; CAUSE-PA St. No. 1, p. 13; OCA St. No. 1, pp. 27-29; OSBA St. No. 2, p. 4.

²⁸⁶ Exhibit No. JEN-8; Peoples St. No. 15, pp. 52-53; Peoples St. No. 15-R, p. 13, 106-07.

²⁸⁷ Peoples St. No. 15-R, pp. 13-14.

²⁸⁸ Peoples St. No. 3-SR, p. 3-5.

²⁸⁹ *Columbia 2025*, p. 216.

²⁹⁰ Peoples St. No. 15-R, pp. 70-71.

²⁹¹ Peoples St. No. 15, p. 4.

and the average of her Constant Growth and Quarterly Growth DCF results increased by 12 basis points to 11.03%.²⁹²

The results of Ms. Nelson's DCF analysis are similar to Mr. Patel's DCF results and the methodology that has been previously accepted by the Commission, although Mr. Patel's analysis produced a slightly higher result.²⁹³ I&E witness Patel calculated a DCF cost of equity based on analysts' projections of 11.33%, which is 33 basis points higher than Ms. Nelson's base ROE recommendation of 11.0% and 8 basis points higher than Ms. Nelson's 11.25% ROE inclusive of management performance.²⁹⁴ The overall closeness of these results demonstrates the general agreement on the inputs and explains the Commission's reliance on this method.

OCA witness Garrett's DCF analysis produced ROE estimates ranging from 7.1% to 7.6% depending on his growth rate assumption.²⁹⁵ Ms. Nelson explained why Mr. Garrett's reliance on alternative measures of growth such as dividend growth and GDP growth are flawed. Dividend growth projections are not widely reported or relied on by investors. Ultimately, dividend growth can only be sustained by earnings growth, and dividend growth is subject to near-term management decisions regarding dividend payouts, which may not be reflective of a company's long-term growth prospects.²⁹⁶ Notably, the growth rates used by Mr. Garrett in his analysis are *below current utility bond yields*. Mr. Garrett's use of a GDP growth rate in the DCF model is similarly flawed because the use of a uniform growth rate for each of the proxy companies is inconsistent with the model itself, which is based on the expectations of an individual company's growth.²⁹⁷ For these reasons, Mr. Garrett's DCF analysis should not be given any weight.

²⁹² Peoples St. No. 15-R, p. 15; Peoples Exh. No. JEN-1R, Peoples Exh. No. JEN-2R.

²⁹³ Peoples St. No. 15-R, p. 76.

²⁹⁴ I&E St. No. 2, p. 7.

²⁹⁵ OCA St. No. 3, p. 32.

²⁹⁶ Peoples St. No. 15-R, p. 72.

²⁹⁷ *Id.* at pp. 72-73.

4. Capital Asset Pricing Model (“CAPM”)

In *Columbia 2025*, the Commission concluded that the CAPM is a useful tool in setting the ROE.²⁹⁸ Applying the CAPM using the risk-free rates and forward-looking estimates of market return produces a ROE range of 13.06% to 13.11%.²⁹⁹ Ms. Nelson also considered the ECAPM, which resulted in a forward-looking range of 13.93% to 13.89%. As Ms. Nelson explained, the ECAPM is useful because it addresses the tendency of the CAPM to underestimate cost of equity for companies such as regulated utilities with relatively low Beta coefficients.³⁰⁰ ECPAM is supported by academic studies and is used by investors as well as certain regulatory commissions.³⁰¹ The average of all of Ms. Nelson’s CAPM and ECAPM results using historical and forward market returns as presented on page 15 of her direct testimony is 11.94%.

Mr. Garrett and Mr. Patel each presented their own CAPM analysis. Mr. Patel uses Value Line Beta coefficients and a projected yield on the 10-year Treasury bond. Mr. Patel estimates a 10.28% CAPM cost of equity using a forecasted and historical market return average and an 8.86% ROE using Kroll’s recommended equity risk premium.³⁰² Mr. Garrett also uses Value Line Beta coefficients but instead uses the 30-day average yield of the 30-year U.S. Treasury bond.³⁰³

Mr. Garrett arrives at his overall estimate of the equity risk premium by taking the average equity risk premium from four sources: (1) the 2026 IESE Business School Survey, (2) Kroll, (3) NYU Professor Dr. Aswath Damodaran’s equity risk premium estimate, and (4) Mr. Garrett’s own implied equity risk premium calculation.³⁰⁴ Mr. Garrett’s estimates a CAPM cost of equity of 8.8% if his recommended 49 percent equity ratio is used. If the Company’s recommended equity ratio

²⁹⁸ *Columbia 2025*, p. 226.

²⁹⁹ Peoples St. No. 15, p. 39.

³⁰⁰ *Id.* at p. 35.

³⁰¹ *Id.* at pp. 37-38.

³⁰² I&E Exh. No. 2, Sch. 10.

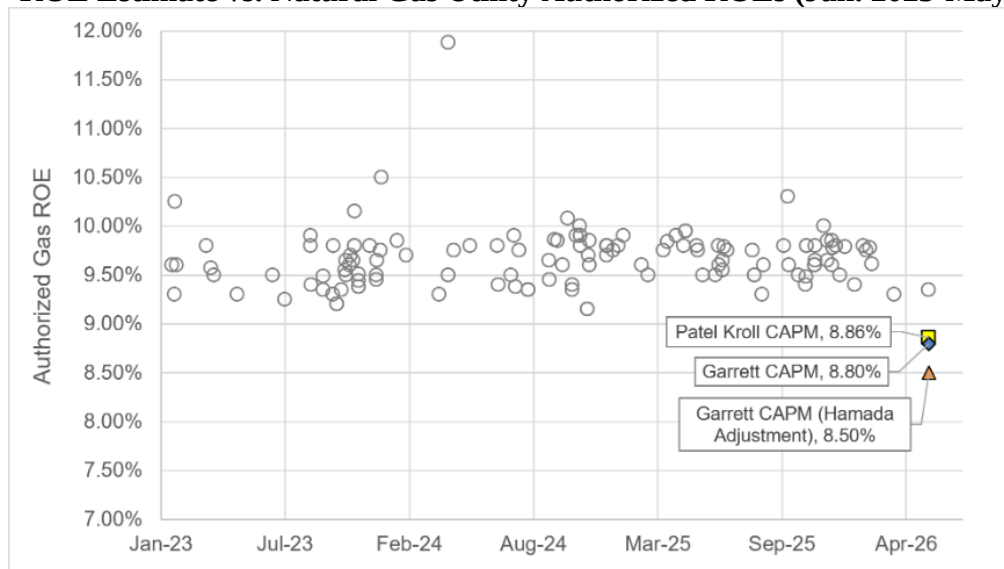
³⁰³ OCA St. No. 3, p. 35

³⁰⁴ OCA St. No. 3, p. 42.

of approximately 54 percent is used, Mr. Garrett estimates an 8.5% CAPM-based ROE.³⁰⁵ On pages 87 to 90 of her rebuttal testimony, Ms. Nelson explains why Mr. Garrett’s reliance on these various sources for his CAPM is flawed and produces an unrealistically low ROE.

Mr. Garrett’s CAPM estimates and Mr. Patel’s CAPM estimate based on Kroll’s recommended equity risk premium are fundamentally flawed and do not meet the comparable return standard as required by *Hope* and *Bluefield*. As Ms. Nelson demonstrated in the following chart, Mr. Garrett’s CAPM estimates and Mr. Patel’s Kroll-based CAPM are well below the recently authorized ROEs for natural gas utilities and are counter to the higher interest rate environment.³⁰⁶

Figure 14: Mr. Garrett’s CAPM ROE Estimates and Mr. Patel’s Kroll MRP CAPM ROE Estimate vs. Natural Gas Utility Authorized ROEs (Jan. 2023-May 2026)



Regarding the CAPM risk free rate, Mr. Garrett correctly uses a 30-year Treasury bond yield while Mr. Patel understates the CAPM cost rate by using only a 10-year Treasury bond yield. In determining the security most relevant to the application of the CAPM, it is important to select the term that best matches the life of the underlying investment. The 30-year Treasury bond better

³⁰⁵ *Id.* at pp. 42-43.

³⁰⁶ Peoples St. No. 15-R, pp. 78-79.

matches the life of long-duration utility investments.³⁰⁷

Mr. Garrett erroneously applied a Hamada adjustment to his CAPM analysis. As Ms. Nelson explained, Mr. Garrett incorrectly applied the Hamada adjustment to the Company's book value when it should have been applied to the market value of the Company's capital structure. In doing so, Mr. Garrett's Hamada adjustment distorts the cost of equity. Because the proxy companies' equity on a market value basis is greater than the book values of equity, a properly applied Hamada adjustment should result in an upward adjustment to ROE, not a downward adjustment as Mr. Garrett has applied.³⁰⁸

Mr. Garrett recommends an alternative ROE of 8.5% if the Commission does not impose a hypothetical capital structure, which is based on his Hamada adjustment.³⁰⁹ As explained by Company witness Nelson, OCA's alternative ROE is not market based and misuses the Hamada model. The Commission should reject OCA's alternative ROE recommendation, which is simply an attempt to bypass the well-established precedents on capital structure by reducing the ROE.

Both Mr. Patel and Mr. Garrett reference Kroll in determining their market risk premium. Their use of Kroll is unsupported and should be rejected. Ms. Nelson demonstrated that Kroll's equity risk premium is not developed in relation to its risk-free rate even though academic studies have shown that there is an inverse relationship between the two metrics.³¹⁰ Kroll's equity risk premium does not provide a reliable basis for the CAPM analysis in this case.

For the reasons explained above and in Ms. Nelson's testimony, Mr. Garrett's CAPM-based ROE estimates and Mr. Patel's Kroll CAPM ROE produce unrealistically low ROEs in violation of the *Hope* and *Bluefield* standards and should be outright rejected. While Mr. Patel's forecasted CAPM analysis also suffers from several flaws, Ms. Nelson demonstrated that

³⁰⁷ Peoples St. No. 15-R, pp. 79-81.

³⁰⁸ *Id.* at pp. 82-83.

³⁰⁹ OCA St. No. 3, p. 59.

³¹⁰ Peoples St. No. 15-R, pp. 85-86; Peoples St. No. 15-RJ, pp. 10-11.

correcting these errors raises Mr. Patel's forecasted CAPM from 10.28% to 12.11%.³¹¹

5. Risk Premium

The Commission should also consider the Risk Premium method in reaching a ROE. This method indicates a cost of equity between 10.21% and 10.35%.³¹² This model is important because of its connection of interest rates and inflation through utility bond rates and recognizes that risk premiums change inversely as interest rates change.³¹³ The Commission has recognized the usefulness of the Risk Premium method as a check on the results of the DCF.³¹⁴ Risk Premium is relied upon by many other state regulatory commissions as well.³¹⁵

In developing a recommended ROE, I&E witness Patel gives 1/3 weight to the national average authorized returns for natural gas utilities and claims that Ms. Nelson's recommended ROE is too high relative to the national authorized returns of other gas utilities.³¹⁶ Authorized ROEs of gas utilities in other states alone are not determinative of the appropriate ROE for Peoples. Authorized ROEs are a trailing indicator because they are established based on market conditions that existed at the time those proceedings were litigated and decided. For this reason, a more appropriate approach is to model the relationship between the equity risk premium and the prevailing interest rate environment as Ms. Nelson did in her Bond Yield Plus Risk Premium analysis.³¹⁷ The returns cited by Mr. Patel reflect a narrow subset of gas utility authorized ROEs and are backward looking, whereas Ms. Nelson's analysis estimates the ROE based on a statistical relationship using current and projected market conditions.³¹⁸

³¹¹ Peoples St. No. 15-R, pp. 97-98; Peoples Exh. No. JEN-10R.

³¹² Peoples Exh. No. JEN-6 and Peoples Exh. No. JEN-5R.

³¹³ Peoples St. No. 15, pp. 39-43.

³¹⁴ See *PPL Electric 2012 Order* at 81-81; see also *Aqua 2022 Order* at 154-155.

³¹⁵ Peoples St. No. 15-R, p. 101.

³¹⁶ I&E St. No. 2, pp. 37-38, 63.

³¹⁷ Peoples St. No. 15, pp. 39-43; Peoples St. No. 15-R, pp. 58-59.

³¹⁸ Peoples St. No. 15-R, pp. 58-59.

6. Comparable Earnings

The Company did not prepare a Comparable Earnings Analysis.

7. Management Effectiveness Adjustment

Peoples witness Huwar explained that the Commission should provide an upward adjustment of 0.25% to the equity cost rate for exemplary management performance. The management performance adjustment would result in a ROE of 11.25%, which is within the range of equity cost rates presented by the Company and I&E.

OCA witness Larkin-Connolly argues that the Company has not demonstrated that its performance is exceptional, and I&E witness Patel argues that utilities should not receive a management performance adjustment for providing service that is required under 66 Pa. C.S. § 1501.³¹⁹ However, neither the Public Utility Code nor the Commission's decisions support this contention.

Section 523(a) of the Public Utility Code provides, in part as follows:

- (a) Considerations- The commission should consider, in addition to all other relevant evidence of record, the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates under this title.³²⁰

This statutory provision clearly focuses on the Company's service, the costs of which are to be included in base rates set under Section 1308 of the Public Utility Code in this proceeding. Accordingly, the analysis of the permissible management performance allowance is clearly focused on services provided to customers. In addition, Section 523(b) provides that:

...the commission shall set forth criteria by which it will evaluate future fixed utility performance of a fixed utility in assessing the performance of a fixed utility in accordance with subsection (a).³²¹

The primary criteria for which the Commission requires reports concern customer service

³¹⁹ OCA St. No. 5, p. 50; I&E St. No. 2, pp. 55-56.

³²⁰ 66 Pa.C.S. § 523(a).

³²¹ 66 Pa. C.S. § 523(b).

metrics and safety measures. The record in this proceeding demonstrates that Peoples has provided exemplary performance in these categories as compared to other Pennsylvania gas distribution utilities.

Peoples witness Huwar explained the many ways in which the Company has improved the safety and reliability of its system. In this regard, the Company has significantly reduced leaks in its pipelines. Since 2018, the Company has reduced its outstanding Grade 1 and 2 leaks by more than 90%.³²² Since 2020, the Company has reduced its damage rates by 26% despite receiving more locate ticket requests and marking more tickets year-over-year. The Company has one of the largest LTIIPs in Pennsylvania, demonstrating its commitment to reducing methane emissions and keeping its system safe and reliable.³²³

An important example of Peoples' operational performance is the Goodwin Tombaugh project. In 2020, the Company agreed to undertake a project to replace a troubled gathering system that needed substantial improvement in order to continue serving 1,600 utility customers.³²⁴ The project included the replacement of more than 300 miles of bare steel gathering pipeline with an estimated budget of \$120 million over a seven-year period. As the close of this seven-year period approaches, the project is on track to be completed by year's end and to be under budget as well.³²⁵

The Commission has previously awarded additional basis points to a utility's ROE based on the acquisition and rehabilitation of troubled systems. In both *Aqua 2022* and *PA American 2026*, the Commission awarded additional basis points to recognize the companies' efforts in rescuing troubled water and wastewater systems.³²⁶ Mr. Huwar described how Peoples' acquisition of the troubled gathering system is akin to the troubled water and wastewater systems that were

³²² Peoples St. No. 1, p. 12.

³²³ Peoples St. No. 1-R, p. 5.

³²⁴ *Id.* at p. 5.

³²⁵ *Id.* at pp. 5-6.

³²⁶ *Aqua 2022 Order* at 168-173; *PA American 2026 Order* at 203-206.

the subject of the *Aqua 2022* and *PA American 2026* cases:

In my opinion, the Company's project for its Goodwin Tombaugh system is comparable to "rescuing a troubled water and wastewater system", although in this case it was a "troubled natural gas gathering system." When the Company took over this system, it agreed to do an engineering assessment of the system. That assessment concluded that due to the age, state of the facilities and other factors, it was not economically viable to continue operating. However, the Company agreed to take over the distressed system and find a way to improve the facilities in a cost-effective way. The alternative would have been to abandon the system which would mean leaving more than 1,600 customers without natural gas service.

As I mentioned previously, the Company is nearing the end of 2026 and by that time it will have addressed more than 300 miles of a primarily bare steel gathering system for under the budgeted amount of \$120 million. Despite the numerous permitting issues at the start of the project and throughout, the Company has worked tirelessly to retire and replace the system, converting it from gathering pipe into distribution assets and moving about 80 miles of pipe from private property into public rights of way. Perhaps the most significant achievement in this process is that the Company did not have to abandon a single customer in completing this project. As of June 2026, for a total investment of approximately \$85 million, Peoples has replaced 218 miles of bare steel with new plastic pipe and retired 106 miles of bare steel with no adverse impacts to customers as its kept over 1,600 customers in natural gas distribution service on the Goodwin Tombaugh system.³²⁷

Mr. Huwar also explained how management has operated the Company in a prudent manner to keep rates affordable for customers as described in Section III above. The ability of the Company to file only three base rate cases in the past thirteen years during a period of extensive investment demonstrates these efficiencies and the Company's commitment to keeping its rates as low as reasonably possible.³²⁸

The Company demonstrated that its customer service statistics are at or near the top of the range for Pennsylvania gas distribution companies.³²⁹ For example, the Company's consumer

³²⁷ *Id.* at pp. 6-7.

³²⁸ Peoples St. No. 3-SR, pp. 5-6.

³²⁹ Peoples St. No. 1, pp. 24-26.

complaint rate remains lower than the average for Pennsylvania NGDCs. Peoples is tied for the lowest justified PAR rate of its NGDC peers, and its infraction rates continue to remain very low compared to other NGDCs.³³⁰ The Company has also undertaken several initiatives to improve its customer service as explained by Mr. Huwar.³³¹

Peoples' outstanding performance and continual improvements in the categories of safe and reliable services, management efficiencies, and customer service justifies recognition of the Company through a 25 basis point addition to its ROE.

E. ALTERNATIVE COST OF CAPITAL PROPOSALS

In this proceeding, certain parties reference the April 29, 2026 letter from Governor Shapiro addressed to all Pennsylvania utilities, which suggested a number of reforms to the way in which a utility determines its cost of capital. The Governor's letter suggested that utilities should (1) seek to raise capital through the most cost-effective sources, including greater reliance on debt, and any equity share above the equity employees by the utility's holding company would require "extraordinary justification," (2) identify specific reliability or safety concerns being addressed through its investments and demonstrate that the investments will provide meaningful customer benefits, and (3) provide "transparent, justifiable equity returns" either through a public competitive process for a benchmark portion of incremental equity or by limiting the requested ROE to a formula based on the current 10-year Treasury yield plus the five-year median of the equity risk premium as published in the *Federal Reserve's Financial Stability Reports*.³³²

There are several problems with this approach, as Ms. Nelson explained:

Q. PLEASE SUMMARIZE YOUR CONCERNS REGARDING THE IMPLICATIONS OF GOVERNOR SHAPIRO'S LETTER ON THE COST OF EQUITY FOR PEOPLES AND ALL PENNSYLVANIA UTILITIES.

³³⁰ *Id.* at pp. 23-26.

³³¹ *Id.* at pp. 26-28.

³³² I&E Exhibit No. 2, Schedule 2, pp. 13-16.

A. My primary concern is that Governor Shapiro’s letter would move the cost-of-capital analysis away from a case-specific evaluation of utility risk and toward general benchmarks that may produce returns closer to returns on utility bonds than the return required by equity investors. The proposed ROE methodology does not adequately consider utility-specific business risks, including capital investment needs, regulatory lag, credit quality, access to capital, and the obligation to provide safe and reliable service. Those concerns are not merely theoretical: Moody’s has already characterized the Governor’s letter as credit negative because it represents a material escalation of political involvement in Pennsylvania utility rate-setting and could weaken the predictability and consistency of the regulatory framework. Historical examples from Arizona, Connecticut, and other jurisdictions further demonstrate that adverse or unexpectedly restrictive regulatory outcomes can lead to credit downgrades, higher borrowing costs, reduced investor confidence, and lower levels of utility investment—outcomes that ultimately can increase, rather than reduce, long-term customer costs. In the end, Pennsylvania utilities would be at a severe disadvantage in their ability to compete for capital among other utilities that operate in more stable and constructive regulatory environments.³³³

As explained above, public utility regulation is grounded in the principle that utilities are entitled to a fair rate of return sufficient to attract the capital required to provide safe and reliable public utility service for customers at reasonable rates. A fair and reasonable rate of return must satisfy the following three Constitutional standards as set forth in the *Hope* and *Bluefield* decisions: (1) commensurate with returns investors expect to earn on other investments of similar risk, (2) sufficient to assure confidence in the company’s financial integrity, and (3) adequate to maintain and support the company’s credit and to attract capital.³³⁴ The proposal outlined in Governor Shapiro’s letter fails to meet these standards.³³⁵

The proposal would not produce returns that are comparable to investments of similar risk. It does not account for the differences in risk in a Pennsylvania utility’s ROE for ratemaking

³³³ *Id.* at pp. 12-13 (citing Moody’s Ratings, Sector In-Depth, “Regulated Utilities – Pennsylvania, Political intervention in rate process is credit negative for electric, gas and water utilities,” May 19, 2026).

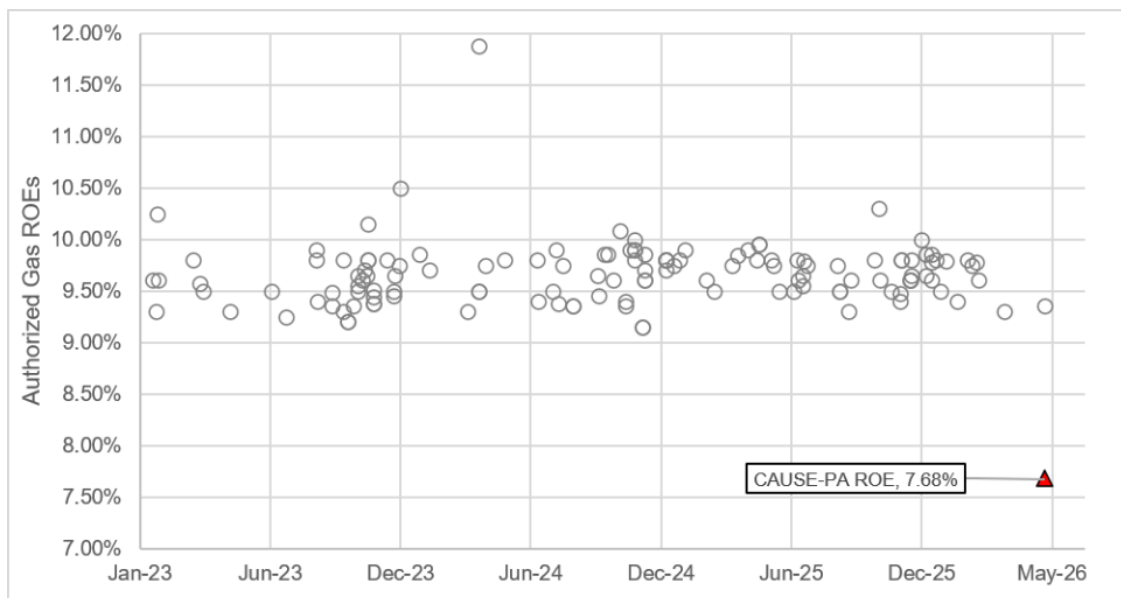
³³⁴ Peoples St. No. 15-R, pp. 40-41 (citing *Bluefield* and *Hope*).

³³⁵ *Id.* at p. 41.

purposes. Instead, every utility – whether electric, natural gas, or water – would receive the same ROE assuming the same risk-free rate and equity risk premium were used. This approach is counter to the financial principle that the risk of the investment drives the cost of capital.³³⁶ This type of formulaic benchmarking is not a substitute for comprehensive analysis of current capital market conditions, investor expectations, utility-specific risk, and the need to maintain financial integrity and attract capital, all of which are rigorously examined by the various parties to a rate proceeding as well as by the Commission.³³⁷

CAUSE-PA witness Cicero estimated the Company’s ROE based on the methodology outlined in the Governor’s letter to be 7.68%.³³⁸ This ROE does not meet the *Hope* and *Bluefield* comparable return standard. Ms. Nelson prepared the following chart, which demonstrates the extreme departure of a 7.68% ROE as compared to recent authorized ROEs available for other natural gas utilities:³³⁹

Figure 5: Governor Shapiro’s Proposed ROE Methodology vs. Authorized ROEs for Natural Gas Utilities (Jan. 2023 – May 2026)



³³⁶ *Id.*

³³⁷ *Id.* at p. 43.

³³⁸ CAUSE-PACAUSE-PA St. No. 1, p. 34.

³³⁹ Peoples St. No. 15-R, pp. 45-46.

The proposal is not sufficient to assure confidence in the utility's financial integrity nor is it adequate to maintain and support the utility's credit and attract capital. Reducing both the ROE and equity ratio by hundreds of basis points each would place significant pressure on the utility's credit profile, financial integrity, and ability to attract capital.³⁴⁰ As Ms. Nelson explained:

[T]he significant shift away from the transparent and predictable regulatory framework under which the Commission has operated for decades would substantially increase the regulatory risk for all Pennsylvania utilities, thus increasing the cost of capital to customers. As explained in my Direct Testimony, Peoples Statement No. 15, at pages 49 and 50, the regulatory environment weighs heavily in the assessment of a utility's risk and its credit rating. In fact, the rating agencies and the market [have] reacted negatively to the Governor's proposal, demonstrating that the financial community perceives that the proposal may adversely affect Pennsylvania utilities' risk, credit profile, and financial integrity.

* * *

In the two days following the Governor's letter, the stock prices for all major utilities providing service in Pennsylvania fell, demonstrating an increase in capital costs for utility investments in Pennsylvania, all else equal. S&P's Regulatory Research Associates expressed its view that "this most recent action further increases regulatory risk for utility investors in the state and could lead to a change in the state's ranking in the next comprehensive assessment." More recently, Moody's Ratings published a report on May 19, 2026, noting that "[t]he governor's letter is credit negative because it represents a material escalation of political involvement in the utility rate-setting process that could weaken the predictability and consistency of the state's regulatory framework and the estimated \$24 billion of capital investment that state utilities have planned through 2028." While the intention of the policies contained in the Governor's letter is to lower costs to customers, so far, the effect has been upward pressure on capital costs.³⁴¹

Ms. Nelson explained that the Federal Reserve's *Financial Stability Report* is not an appropriate source to determine a utility's equity risk premium. The *Financial Stability Report* is not designed to estimate the cost of equity for regulated utilities. Rather, it is intended to identify

³⁴⁰ *Id.* at pp. 41-42.

³⁴¹ *Id.* at pp. 42-43 (citing S&P Regulatory Research Associates, "Pa. governor tells utilities to 'change behaviors causing rate increases,'" May 1, 2026 and Moody's Ratings, *Political intervention in rate process is credit negative for electric, gas and water utilities*, May 19, 2026, at 1.)

potential vulnerabilities in the financial and banking systems. Unlike a utility's cost of equity, the Financial Stability Report is backward-looking and slow to adjust to current market conditions.³⁴² Ms. Nelson also explained that the 10-year Treasury yield is not the appropriate benchmark for utility ROE determinations because it does not reflect the long-term nature of utility infrastructure investment, which is often thirty years or more.³⁴³

With respect to the ratemaking capital structure, the methodology proposed in the Governor's letter inappropriately relies on holding company capital structures. As explained in Section IX.B above, as well as in the testimony of Ms. Nelson, the reliance on holding company capital structure is misplaced as it does not reflect the operating utility's specific risks, financing needs, or cost of service, nor does not acknowledge the utility's obligation to serve, which requires it to effectively access capital in all market conditions.³⁴⁴ Relying on consolidated holding company capital structures could produce inequitable and arbitrary outcomes. For example, two utilities with similar operations, customers, and risk profiles could be authorized two very different capital structures simply because one has a conservatively financed pure play parent while the other has a more leveraged, diversified parent.³⁴⁵ Neither appropriately reflects the risk of the underlying investment.

At the public input hearings, Mr. Szybist, the Governor's Special Counsel for Energy Affordability, testified that the Governor has called on utilities to raise capital in the most effective way possible. In response, Peoples witness Schuller explained how the Company raises capital in a highly efficient, cost-effective manner. Mr. Schuller explained:

Essential, on behalf of Peoples, raises capital in a highly effective manner and, in my opinion, in the most cost-effective manner possible. Essential, as a public company, raises both equity and debt capital for funding its operations and capital investments

³⁴² *Id.* at pp. 46-37.

³⁴³ *Id.* at pp. 47-48.

³⁴⁴ *Id.* at pp. 52-53.

³⁴⁵ *Id.* at p. 53.

in the existing, well-functioning United States capital markets, which are recognized to be the most liquid markets in the world. For equity financing, Essential is listed on the New York Stock Exchange or NYSE as WTRG and is able to efficiently raise equity via a variety of offering types, including issuing additional WTRG shares under an At-the-Market Program or ATM, whereby we can issue shares directly into the market on an opportunistic basis, paying a minimal discount to do so.

Additionally, we undertake multiple efforts to obtain low-cost debt financing. These efforts include but are not limited to engaging with credit rating agencies to obtain the highest credit rating possible to facilitate our competitive, market-based debt financing process. Since Essential has owned Peoples, we have worked hard to maintain investment grade credit metrics at both the Essential and PNG levels to ensure the most favorable borrowing costs.

*

*

*

One example of our public market borrowings, is our most recent 10-year \$500 million public debt offering, where the issuance was oversubscribed by seven (7) times, allowing us to reduce the credit spread (i.e., the interest amount paid over the 10-year treasury rate) from 130 basis points at the initial announcement to 100 basis points, resulting in an all-in borrowing cost of 5.142%.³⁴⁶

*

*

*

Mr. Schuller further explained that through the push down debt process, Peoples' parent company, Essential, issues debt in the market and then loans it to Peoples via intercompany notes, pursuant to which the Company's customers pay the same interest rate that Essential is paying on the public debt.³⁴⁷

Moreover, the Governor's proposal to rely more heavily on lower-cost debt will not necessarily reduce customer costs, and in fact, could increase total financing costs for customers. As explained in Section IX.B above and in the testimony of Ms. Nelson, higher leverage increases financial risk. Both debt and equity investors will require higher returns to compensate for greater financial risk. As a result, greater reliance on debt can increase longer-term costs for customers.³⁴⁸

³⁴⁶ Peoples St. No. 19-R, pp. 3-4.

³⁴⁷ *Id.* at p. 7.

³⁴⁸ Peoples St. No. 15-R at p. 54.

The Governor's letter proposes a competitive equity framework, which Ms. Nelson explained raises significant concern. The proposed equity auction is vague, untested, and potentially disruptive to utility financing.³⁴⁹ It is unclear who would participate, what instrument would be sold, how ownership rights would be determined, how liquidity would be provided, or how the auction would result in a durable regulatory ROE for an operating utility. Because utilities must provide safe and reliable service to their customers, an experimental mechanism that could impair access to capital is not appropriate.³⁵⁰

With regard to the letter's request for investment-specific information, Peoples has provided this information to the parties involved in this proceeding as well as through its publicly available, Commission-approved LTIP and Asset Optimization Plans.³⁵¹ Additionally, several Company witness testified regarding the Company's program to modernize its infrastructure so that it can continue providing safe and reliable service to the benefit of its customers.³⁵²

For these reasons, and the reasons explained in the testimonies of Ms. Nelson and Mr. Schuller, no weight should be given to the parties' references to the cost of capital proposals outlined in the Governor's letter.

F. CONCLUSION AS TO RATE OF RETURN

As described above, the Company has consistently managed its operations in a way that is sensitive to customer affordability concerns and has further demonstrated that sensitivity through its comprehensive customer programs as well as the proposals in this case. It is important that the Commission also support the efforts of the Company to maintain a financial profile that will enable the Company to attract capital on reasonable terms and continue investing in its infrastructure replacement program and providing safe and reliable service to customers. The Company's

³⁴⁹ *Id.* at p. 55.

³⁵⁰ *Id.* at pp. 55-56.

³⁵¹ Peoples Exh. PB-2R; Peoples Exh. PB-3R.

³⁵² Peoples St. No. 1, pp. 10-11; Peoples St. No. 6, pp. 3-4.

proposed ROE of 11.25% and a strong equity ratio is appropriate in this case.

X. REVENUE ALLOCATION AND RATE DESIGN

A. INTRODUCTION

Peoples' proposed allocation of the \$163.2 million increase in annual operating revenues is provided in Peoples Exhibit 11. Peoples' proposed revenue allocation fairly considers the results of the allocated cost of service ("ACOS") studies in determining customer classes' total revenue responsibility, while also taking into account other important principles such as gradualism and value of service. In designing rates to recover the proposed revenue increase, Peoples' primary objective was to create an efficient rate design that produces an accurate basis for customers' decisions and affords the Company an opportunity to recover the cost of service.

B. COST OF SERVICE

1. Allocated Cost of Service Principles

Peoples' proposed allocation of revenue among the rate classes is primarily driven by the cost to serve each class. Cost of service is the "polestar" of utility rates.³⁵³ While other factors, such as gradualism, may be considered, these factors are not permitted to trump cost of service as the primary basis for allocating the revenue increase.³⁵⁴ Consistent with the Commonwealth Court's directive in *Lloyd*, a proposed revenue allocation will only be found to be reasonable where it moves distribution rates for each class closer to the full cost of providing service.³⁵⁵

Even prior to *Lloyd*, Pennsylvania appellate courts recognized the importance of properly allocating a proposed revenue increase among a utility's rate classes. In *Philadelphia Suburban Water Company v. Pa. Pub. Util. Comm'n.*, the court stated that:

In order for a rate differential to survive a challenge brought under Section 1304 of the Public Utility Code [bar against rate

³⁵³ *Lloyd v. Pa. P.U.C.*, 904 A.2d 1010, 1020 (Pa. Cmwlth. 2006) *appeal denied*, 591 Pa. 676, 916 A.2d 1104 (2007) ("*Lloyd*").

³⁵⁴ *Id.* at 1020-21.

³⁵⁵ *Pa. Publ. Util. Comm'n., et al. v. PPL Electric Utilities Corporation*, Docket Nos. R-00049255, et al., 2007 Pa. PUC LEXIS 55 (Order on Remand entered July 25, 2007).

discrimination], the utility must show that the differential [different rates among the classes] can be justified by the difference in costs required to deliver service to each class. The rate cannot be illegally high for one class and illegally low for another.³⁵⁶

Indeed, any significant departure from the results of a cost of service study requires the proponent to fully justify the deviation.

Although cost of service studies may appear to have great precision, the Commission has repeatedly recognized that the cost of service study is a guide to designing rates and is only one factor, albeit an important one, to be considered in the rate setting process.³⁵⁷ As is often stated, cost allocation studies require a considerable amount of judgment and are often described as more of an accounting/engineering art rather than science.³⁵⁸

2. The Parties Presented Multiple ACOS Studies in this Case.

Peoples prepared its ACOS study using an Average Study that combines the results of a Customer-Demand study and a Demand-Commodity study.³⁵⁹ Under the Customer-Demand study, mains costs are classified between customer and demand components based on the results of a Minimum System (“MSS”) study. Under the Demand-Commodity study, mains costs are classified on a 50/50 basis between demand and commodity components. The Average Study reflects an equal weighting of these two approaches.³⁶⁰

Other parties, including OCA, I&E, and OSBA, propose various alternatives regarding revenue apportionment.³⁶¹ The primary issue in assigning costs to the customer classes is how to assign the costs of mains.

³⁵⁶ 808 A.2d 1044, 1060 (Pa. Cmwlth. 2002).

³⁵⁷ See, e.g., *Aqua 2008*; *Pa. P.U.C. v. West Penn Power Co.*, Docket Nos. R-901609, 1990 Pa. PUC LEXIS 142 (Order Dec. 13, 1990); *Pa. P.U.C. v. Pennsylvania Power & Light Co.*, 55 PUR 4th 185, 249 (Order Aug. 19, 1983).

³⁵⁸ *Application of Metropolitan Edison Co.*, R-00974008 (Order June 30, 1998); *Pa. P.U.C. v. Pennsylvania Power & Light Co.*, 55 PUR 4th 185 (Order Aug. 19, 1983).

³⁵⁹ Peoples St. No. 17, pp. 24-25.

³⁶⁰ *Id.*

³⁶¹ OCA St. No. 1, pp. 76-77; I&E St. No. 3, p. 25; OSBA St. No. 2., pp. 11-12. CAUSE-PA generally supports OCA’s approach.

OCA witness Deupree and I&E witness Cline recommend that the Commission rely on the Peak & Average methodology and reject the Company's MSS approach as well as the related customer classification of a portion of distribution mains.³⁶² Mr. Cline's and Mr. Deupree's recommendations are based on the premise that distribution mains should be allocated exclusively on a load-related basis and that customer-related classification of distribution mains is inappropriate.

Mr. Cline's and Mr. Deupree's positions do not accurately reflect how the system is designed. As Mr. Taylor explained:³⁶³

Q. DO YOU AGREE WITH THE CONTENTION OF WITNESSES DEUPREE AND CLINE THAT COST CAUSATION PRINCIPLES REQUIRE EXCLUSIVE RELIANCE ON A PEAK-AND-AVERAGE METHODOLOGY?

A. The key to a reasonable cost allocation is a thorough understanding of cost causation. Witnesses Deupree and Cline place too much emphasis on a single dimension of cost causation while giving insufficient recognition to the customer-related characteristics of the distribution system. Simply stated, system use is not the same as cost causation.

Distribution mains recognize two cost-causative realities. First, mains investment is driven by the need to connect and maintain an integrated delivery system for a given number and geographic dispersion of customers. Second, mains must be sized to provide sufficient capacity to serve coincident peak-day requirements safely and reliably.

Therefore, distribution facilities are not constructed solely to accommodate annual throughput; if they were built to this standard, there would be massive outages and significant safety implications. They are also constructed to connect customers to the system, provide access to service, and maintain sufficient capacity to meet customer requirements. The Company's blended methodology recognizes both realities and therefore provides a more balanced assessment of cost causation than an approach that relies exclusively on a single methodology.

Unlike Mr. Cline and Mr. Deupree, Mr. Taylor does not suggest that the Commission

³⁶² OCA St. No. 1, pp. 4-5; I&E St. No. 1, pp. 25-27.

³⁶³ Peoples St. No. 17-R, p. 17.

should choose exclusively between competing methodologies. Rather, Mr. Taylor evaluated both approaches and incorporated both into the proposed ACOS study.³⁶⁴ The equal weighting approach used by Mr. Taylor more fairly and reasonably reflects the multiple parties’ perspectives on the factors that drive distribution system investment than either methodology standing alone.

The Commission should approve the Company’s Average ACOS study because it reasonably recognizes both customer-related and load-related cost causation while also incorporating accepted ratemaking considerations such as gradualism and rate stability.³⁶⁵ The Average ACOS represents a balanced assessment of class cost responsibility and provides a reasonable foundation for revenue apportionment and rate design.

C. REVENUE ALLOCATION

1. Peoples’ Proposed Revenue Allocation

As discussed above, Peoples witness Taylor used the Average ACOS study to guide the revenue allocation and rate design process. The proposed revenue allocation reflects a deliberate effort to move all rate classes closer to the overall system rate of return, thereby reducing the subsidies that currently exist between classes.³⁶⁶ This approach is consistent with long-standing regulatory practice and precedent, including the *Lloyd* decision. The table below summarizes the Company’s revenue allocation proposal.

Table 5 – Proposed Class Revenue Apportionment

Customer Classes	Current Revenues	Proposed Revenue Change	Proposed Percentage Change	Proposed Rate of Return	Proposed Revenue to Cost Ratio (Parity Ratio)
Residential	\$ 875,171,173	\$ 118,163,447	13.50%	8.1%	0.99
Small General	\$ 116,045,549	\$ 21,443,151	18.48%	6.6%	0.94
Medium General	\$ 108,167,260	\$ 21,264,419	19.66%	8.0%	0.99
Large General	\$ 72,051,809	\$ -	0.00%	15.5%	1.38
Mainline Service	\$ 13,178,274	\$ -	0.00%	1.0%	0.74
Total	\$ 1,184,614,065	\$ 160,871,017	13.58%		

³⁶⁴ Peoples St. No. 17-R, p. 11.

³⁶⁵ *Id.* at pp. 3, 8.

³⁶⁶ Peoples St. No. 17, p. 31.

The foregoing allocation reflects the full amount of the Company's proposed rate increase.³⁶⁷ To the extent the allowed increase is less than that proposed by the Company, the Company's revenue allocation should be used to scale back rate proportionally.

The increase was allocated based on the goal of moving toward full parity for all classes over time, while addressing issues of gradualism.³⁶⁸ Mr. Talyor explained the Company's revenue allocation process as follows:³⁶⁹

It was decided that this fully cost-based option was not the preferred solution to the interclass revenue issue, given the large decrease that was required for the Large General class which would result in more of an increase needed from the other classes, and the fact that the vast majority of revenues within the Mainline Service class are from negotiated contract customers. After discussions with the Company, the increase proposed in this case was allocated based on a desire to move toward full parity over time, while addressing issues of gradualism and recognizing these dynamics with the Large General and Mainline Service classes. To accomplish this, the Company first set Large General and Mainline Service's proposed revenues to their current revenues. Second, capped the increase to the Small General class to 1.5 times the overall system increase and set the targeted increase for Residential and Medium General to their cost to serve. Finally, allocated the additional increase required between Residential and Medium General based on the relative targeted revenue increase for each class, which ultimately results in Residential's increase at 1.05 times the overall system increase and Medium General at 1.25 times. While there are various yardsticks used to measure the degree of movement toward cost of service, the Company evaluated two metrics: (1) the percentage movement towards the system rate of return; and (2) the reduction in the subsidies occurring between classes.

The following table shows the parity ratios for each class.³⁷⁰

³⁶⁷ The difference between the \$163.2 million proposed increase and \$160.8 million shown in the table represents other miscellaneous service fees and gathering.

³⁶⁸ Id. at pp. 31-32.

³⁶⁹ Id. at P. 32.

³⁷⁰ Id. at p. 33.

Table 6 - Comparison of Relative Rate of Return by Rate Class

Customer Classes	Current Total Revenues	Total Revenues at Proposed	Current Return	Proposed Return	Current Revenue to Cost Parity Ratio	Proposed Revenue to Cost Parity Ratio
Residential	\$ 875,171,173	\$ 994,520,060	5.8%	8.1%	1.00	0.99
Small General	\$ 116,045,549	\$ 137,617,255	3.1%	6.6%	0.90	0.94
Medium General	\$ 108,167,260	\$ 129,662,826	5.3%	8.0%	0.94	0.99
Large General	\$ 72,051,809	\$ 72,454,884	18.1%	15.5%	1.57	1.38
Mainline Service	\$ 13,178,274	\$ 13,530,978	0.6%	1.0%	0.82	0.74
Total System	\$ 1,184,614,065	\$ 1,347,786,003	6.0%	8.2%	1.00	1.00

The Company's proposed revenue allocation results in the reduction of existing subsidies and excesses among the rate classes and moves the return for all rate classes closer to the indicated cost of service for each class. The Company's proposed revenue allocation represents a fair allocation of the proposed revenue increase among the customer classes and should be approved.

2. Other Parties' Revenue Allocation Proposals

The other parties' revenue allocation proposals are set forth in the table below:³⁷¹

Table 1 - Revenue Apportionment Comparison

Rate Classes	Peoples	OCA	I&E	OSBA	Average (OCA, I&E, OSBA)
Residential	73%	72%	51%	73%	65%
Small General	13%	10%	21%	12%	14%
Medium General	13%	12%	25%	11%	16%
Large General	0%	5%	0%	3%	3%
Mainline Service	0%	1%	3%	0%	1%
Total	100%	100%	100%	100%	100%

OCA witness Deupree also recommends that "the Commission cap the proposed rate increase to any single customer class to no more than 1.15 times the system average increase" and that "no class receive a rate increase less than 0.50 times the system average increase."³⁷² As Company witness Taylor explained, "while gradualism is an appropriate consideration in revenue apportionment, the specific caps and floors proposed by Witness Deupree are not derived from any cost-of-service principle. Rather, they are policy constraints that override the cost

³⁷¹ Peoples St. No. 17-R, p. 5, Table 1.

³⁷² OCA St. 1, at p. 5.

responsibility reflected in the underlying study. The practical effect of such constraints is to preserve existing disparities in class rates of return and slow movement toward rates that more closely identify the costs incurred to serve each class.”³⁷³

OSBA witness Ewen does not present a separate ACROSS methodology or recommend a specific alternative treatment of distribution mains. Rather, he recommends modifications to the allocation of the Company’s requested revenue increase based primarily on considerations of gradualism and value-of-service principles.³⁷⁴ In response, Mr. Taylor explained:³⁷⁵

Revenue apportionment necessarily involves the exercise of judgment and consideration of multiple ratemaking objectives. However, in my opinion, cost responsibility should remain the primary guide in determining how a utility's revenue requirement is allocated among customer classes. Other considerations, including gradualism, customer impacts, and value-of-service considerations, may appropriately influence the final result, but they should not replace cost responsibility as the starting point for revenue allocation decisions.

Witness Ewen's recommendations place significant emphasis on gradualism and value-of-service considerations. While those factors may be relevant, I do not believe they should be given greater weight than the cost responsibility reflected in a reasonable cost of service study. Doing so risks perpetuating existing disparities among classes and weakening the relationship between rates and the costs incurred to serve those classes. There is also a subjective level of interpretation when it comes to value-of-service considerations, which is not fully vetted or explained by Witness Ewen.

The Company’s revenue allocation proposal is a reasonable proposal that moves all classes closer to unity under the Average ACOS study. The other parties’ allocation proposals are simply designed to reduce allocations to their respective classes. For these reasons explained herein and in the testimony of Company witness John Taylor, the Commission should accept the Company’s revenue allocation proposal.

³⁷³ Peoples St. No. 17-R, p. 7.

³⁷⁴ OSBA St. No. 2, at p. 10.

³⁷⁵ Peoples St. No. 17-R, pp. 7-8.

B. RATE DESIGN

1. Introduction

Peoples' rate design strategy in this case is to make incremental movements toward reflecting the Company's relative cost of serving each rate class. Peoples proposes to increase the customer charges for the rate classes shown in the following table, with the remaining proposed increase to be recovered in the volumetric charge.³⁷⁶

Table 7 – Fixed Monthly Customer Charges

Rate Schedule	Annual Consumption	Current	Proposed
Residential	All	\$ 16.80	\$ 26.00
SGS	0 to 499 Mcf	\$ 22.00	\$ 32.14
SGS	500 to 999 Mcf	\$ 44.00	\$ 64.28
MGS	1,000 to 2,499 Mcf	\$ 101.00	\$ 110.00
MGS	2,500 to 24,999 Mcf	\$ 145.00	\$ 158.00
LGS	25,000 to 49,999 Mcf	\$ 940.00	\$ 987.00
LGS	50,000 to 99,999 Mcf	\$ 1,465.00	\$ 1,538.00
LGS	100,000 to 199,999 Mcf	\$ 2,130.00	\$ 2,237.00
LGS	Over 200,000 Mcf	\$ 5,630.00	\$ 5,912.00
MLS	Over 500,000 Mcf	\$ 5,630.00	\$ 5,912.00

Even with the proposed customer charge increases, the customer charges for all classes remain below the customer-related unit costs identified for those classes.³⁷⁷ The other parties present different views on the Company's customer charges, which were addressed by Company witness Taylor.³⁷⁸

2. Residential Rate Design

Peoples proposes to increase the Residential customer charge from \$16.80 to \$26.00 as supported by the Company's customer cost analysis. As noted above, developing rates that reflect cost of service is a "polestar" of ratemaking. Developing cost of service rates does not just apply

³⁷⁶ Peoples St. No. 17, pp. 33-34.

³⁷⁷ *Id.* at p. 22.

³⁷⁸ As stated above, the Company does not agree with the alternative cost allocation methodologies of witnesses Deupree and Cline. Likewise, the Company does not agree with the customer charge recommendations that flow from those methodologies.

to revenue allocation but also applies to designing the rates themselves.³⁷⁹

The Company's proposal supports more cost-reflective rates by recovering a greater portion of customer-related fixed costs through the monthly customer charge while continuing to preserve substantial recovery through volumetric delivery charges.³⁸⁰ The Commission has recognized that it is appropriate to set a customer charge that ensures the recovery of those fixed costs that are "clearly more customer-related than usage-related, while still allowing some revenue to be recovered through usage-based charges."³⁸¹ In particular, the Commission noted that an increase to the customer charge is reasonable when usage-based charges still comprise a greater portion of the total bill so that customers will still have a clear opportunity to reduce their total bills through conservation. The Company's proposed residential customer charge represents a meaningful movement toward appropriate full fixed cost recovery while also allowing for substantial recovery through usage-based charges and should be approved.

OCA, I&E, CAUSE-PA, and PWPTF oppose the Company's proposed increase to the residential customer charge for various reasons, including affordability, conservation, bill impacts to low-income customers, and customer bill management. These parties recommend rejecting or modifying aspects of the Company's proposed residential rate design, including the proposed residential customer charge increases, or urge the Commission to place greater emphasis on affordability and customer bill impacts when evaluating the Company's proposal. None of these arguments support rejecting the Company's proposed residential customer charge.

The proposed residential customer charge does not disproportionately impact low-income customers as the proposed rate design produces generally consistent annual bill impacts across the

³⁷⁹ See *PPL Electric 2012*.

³⁸⁰ *Id.*

³⁸¹ *PPL Electric 2012* (rejecting I&E's and OCA's position of "no increase" to the customer charge because it was not based on a proper cost analysis) citing *Pa. Publ. Util. Comm'n v. Aqua Pennsylvania, Inc.*, Docket No. R-00038805, 2004 Pa. PUC LEXIS 39, 236 P.U.R.4th 218 (August 5, 2004).

customer groups.³⁸² In fact, increasing the customer charge as the Company has proposed benefits low-income customers with higher-than-average usage by reducing their total bill.³⁸³ Mr. Taylor prepared an analysis comparing the annual bill increases under the Company's proposed customer charge and the existing customer charge with no increase. The results showed that the representative CAP customer's bill would be approximately \$36 higher if the Commission were to maintain the current residential customer charge rather than accept the Company's proposed customer charge in this case.³⁸⁴

The Company's proposed customer charge would not impair customers' ability to reduce their bills through conservation. Customers will retain the ability to reduce their bills by lowering usage because approximately 65% of the residential distribution base rate revenues would still be recovered through volumetric delivery charges.³⁸⁵ Accordingly, a majority of the Company's distribution base rate revenues, and all commodity costs, will remain associated with usage, allowing customers to continue to realize meaningful savings through conservation. Evaluating the proposed customer charge in the context of a customer's total bill demonstrates that the customer charges make up 20% of the average customer's annual bill, and approximately 80% of the bill continues to consist of delivery charges, commodity costs, and volumetric rider charges.³⁸⁶

Witness Taylor cautioned that "[p]lacing too much emphasis on conservation in designing customer charges risks shifting fixed customer-related costs into volumetric delivery rates."³⁸⁷ These costs do not vary with usage, so recovering them through volumetric charges can produce less stable recovery of fixed distribution costs over time while weakening the relationship between costs and how they are recovered. This can create less accurate price signals because customers

³⁸² Peoples St. 17-R, p. 33.

³⁸³ *Id.* at p. 33-35.

³⁸⁴ *Id.* at pp. 34-35.

³⁸⁵ *Id.* at p. 29.

³⁸⁶ *Id.* at pp. 29-31.

³⁸⁷ *Id.* at p. 28.

may believe they can avoid fixed distribution costs by reducing usage, even though many of those costs do not change when usage declines. Further, Peoples Witness Taylor explained that energy efficiency can be promoted in other ways, including through volumetric delivery rates, commodity charges, and targeted conservation programs that don't compromise the appropriate recovery of customer-related fixed costs.³⁸⁸

Recovering more of the Company's fixed costs through the customer charge helps stabilize bills by spreading distribution costs throughout the year. Stabilizing distribution rates benefits low-income customers by charging less for distribution service in the winter months when usage, as well as arrears, are typically higher and moving that recovery to summer months when usage is typically lower.³⁸⁹

CAUSE-PA, OCA, and WPTF raise concerns that the Company's proposed increase in the fixed monthly customer charge will reduce the amount of bill reduction that can be obtained through LIURP measures.³⁹⁰ Their concerns have no basis. As of the Company's 2024 LIURP Annual Report, 97% of LIURP participants were also CAP participants.³⁹¹ CAP payments are not affected by the fixed or variable charges on those customers' monthly bills.³⁹² Therefore, it is not accurate to state that the Company's proposal will undermine LIURP, because the Company's LIURP participants are almost entirely enrolled in a program which allows them to make payments that are not based on monthly fixed or variable charge amounts. Further, LIURP participation results in significant reductions in annual usage for customers, averaging a reduction of 24.89% as of 2024.³⁹³ Thus, the savings resulting to customers from LIURP participation would not be undermined by an increase in the fixed customer charge, because LIURP savings often result in a

³⁸⁸ *Id.*

³⁸⁹ Peoples St. No. 17-R, pp. 35-37.

³⁹⁰ CAUSE-PA Statement 1, pp. 53-54; OCA Statement 1R, p. 3; Task Force Statement No. 1, p. 7.

³⁹¹ Peoples Statement No. 10-R, p. 21.

³⁹² *Id.*

³⁹³ Peoples Statement No. 10-SR, p. 4.

reduction in customer usage that is more significant than the increase to the customer charge.³⁹⁴

The Company's proposed \$26.00 residential customer charge should be approved.

3. Nonresidential Rate Design

The proposed customer charges for nonresidential customers, which includes rate classes SGS, MGS, LGS, and MLS, are set forth in the Table above and on page 34 of Peoples St. No. 17.

OSBA Witness Kubas did not present a customer cost study but claims that the Company failed to provide sufficient support for the proposed SGS customer charge and recommends retaining the current SGS customer charge for customers using between 0 and 499 Mcf annually.³⁹⁵

In response, Mr. Taylor explained that Mr. Kubas does not identify any specific cost that is improperly included in the Company's customer cost analysis, nor does he demonstrate that the customer-related costs reflected in the ACOS study are unreasonable.³⁹⁶ The Company's ACOS study provides the information necessary to evaluate the customer-related costs supporting the proposed customer charge.

Witness Kubas also disputes the Company's discussion of intra-class equity and fixed cost recovery.³⁹⁷ However, those considerations follow directly from the customer cost analysis. To the extent customer-related costs exceed the existing customer charge, a greater portion of those costs must be recovered through volumetric rates, resulting in differing contributions toward recovery of customer-related costs among customers within the class. The Company's proposal represents a reasonable movement toward improved alignment between customer-related costs and customer-related revenues.

The Company's proposed nonresidential customer charges should be approved.

³⁹⁴ *Id.*

³⁹⁵ OSBA St. No. 1, at p 6.

³⁹⁶ Peoples St. No. 17-R, at p. 26.

³⁹⁷ OSBA St. No. 1, at p 8.

4. Scale Back

If the approved revenue increase in this case is ultimately lower than that proposed by the Company, each class's increase should be scaled back proportionately as explained above. However, the proposed customer charges should be retained for each class, and the remainder of the increase for each class should be assigned to that class's volumetric rates. Mr. Taylor explained why customer charges should not be included in any proportional scale back. The purpose of the customer charge is to recover customer-related fixed costs. A reduction in the overall revenue requirement does not necessarily alter the customer-related costs identified in the customer cost analysis. Consequently, a mechanical scale back of customer charges could disconnect customer charges from cost causation and shift additional fixed costs into volumetric rates.³⁹⁸

5. Merchant Function Charge

Mr. Taylor proposes that the Merchant Function Charge reflected in the Company's final tariff implementing approved rates be updated based upon current gas cost information rather than the commodity prices in place when the case was filed.³⁹⁹ No party opposed this proposal. It is reasonable and should be approved.

C. ALLOCATION OF UNIVERSAL SERVICE COSTS

CAUSE-PA Witness Cicero recommends that the costs of the Company's Universal Service Programs ("USP") be borne by all ratepayers, not just the residential class.⁴⁰⁰ Mr. Cicero raises a policy question regarding whether universal service costs should continue to be recovered exclusively from residential customers. This policy issue impacts the entire utility industry and should not be isolated to this case. CAUSE-PA's proposal would materially change the recovery of these costs by shifting a portion of them to commercial and industrial customers that do not

³⁹⁸ Peoples St. No. 17-R, p. 29.

³⁹⁹ *Id.* at pp. 40-43.

⁴⁰⁰ CAUSE-PA St. No. 1, at pp. 78-81.

currently pay the USP rider. This proposal would impose an obligation on Peoples' non-residential customers that is not placed on the non-residential customers of other utilities in Pennsylvania.⁴⁰¹ Singling out Peoples' non-residential customers is inappropriate, as other similar customers, including customers of Peoples' competitors, are not required to pay for these programs.

CAUSE-PA's proposal also fails to take into account that universal service costs are recovered pursuant to a reconciled recovery mechanism, the Universal Service Rider.⁴⁰² Whether universal service costs are recovered through a fixed monthly charge, a volumetric charge, or some combination of the two can produce significantly different outcomes for customers with different usage characteristics and load factors. For example, a predominantly fixed recovery mechanism would generally place a proportionally greater burden on smaller-use customers, while a volumetric recovery would affect higher-volume customers more significantly. Before modifying the recovery of universal service costs, the Commission should evaluate both the proposed allocation among customer classes and the resulting bill impacts under the proposed recovery mechanism to ensure the costs are recovered equitably and reasonably.

D. COMPETITIVE RATE CUSTOMERS

For purposes of the ACOS study, the Company places negotiated-rate customers within the tariff classes under which they receive service.⁴⁰³ Witness Kubas recommends that future cost-of-service studies separately identify negotiated-rate customers and the associated revenues as a distinct negotiated customer class.⁴⁰⁴ According to Mr. Kubas, presenting negotiated-rate customers separately would allow the Commission and interested parties to evaluate the cost responsibility and revenue relationships of tariff-rate customers independently of negotiated-rate

⁴⁰¹ Peoples St. No. 17-R, at pp. 21-22.

⁴⁰² *Id.*, at pp. 20-21.

⁴⁰³ Peoples St. No. 17-R, at p. 19.

⁴⁰⁴ OSBA St. No. 1, at p. 10.

customers.⁴⁰⁵

While separately identifying negotiated-rate customers represents an alternative study design, Mr. Kubas has not shown that any modification to the Company's ACOS study or revenue allocation is warranted in this proceeding. The Company's study evaluates the tariff classes as they currently exist while separately recognizing negotiated delivery volumes and negotiated delivery rates in the revenue proof. As a result, negotiated delivery revenues are reflected based upon the negotiated rates actually associated with those customers, rather than being assumed to pay otherwise applicable tariff rates.

Negotiated-rate arrangements are generally intended to retain customers that may have competitive alternatives while continuing to recover a portion of the Company's fixed costs from those customers. Witness Kubas has not demonstrated that the Company's current treatment of negotiated-rate customers results in unreasonable cost allocations, unreasonable revenue apportionment, or unreasonable rates in this proceeding. Accordingly, the Company disagrees with any modification to the Company's ACOS study, revenue allocation, or proposed rates based on Witness Kubas' recommendation.

XI. WEATHER NORMALIZATION ADJUSTMENT ("WNA")

A. INTRODUCTION

The WNA was approved in the Company's last base rate proceeding.⁴⁰⁶ The key features of the WNA are that it (1) applies to residential and small/medium general service customers; (2) operates during the months of October through May; (3) includes a 3% deadband; (4) is calculated on a bills-rendered basis; (5) includes a limiter for bills rendered in May such that the WNA adjustment will not exceed 100% of the billed distribution amount (delivery charge plus customer charge) for that same billing period; and (6) requires annual reporting of billed WNA revenues,

⁴⁰⁵ *Id.*, at pp. 10-11.

⁴⁰⁶ *Pa. PUC v. Peoples Natural Gas Company LLC*, Docket No. R-2023-3044549 (Order entered Sept. 12, 2024)

actual and normal HDD, and bill impact information.⁴⁰⁷

In this proceeding, the Company did not make any changes to its currently approved WNA other than to update the normal weather methodology used to determine HDD as required by its tariff.⁴⁰⁸ Upon review and evaluation of the WNA, the Company determined that it has been operating effectively pursuant to its existing structure.⁴⁰⁹ Through mid-March 2026, the WNA provided customers with a total net credit of \$10.8 million since inception. During the 2025-2026 heating season alone, which was much colder than normal, the WNA provided customers with a credit of \$22.6 million as of mid-March 2026.⁴¹⁰

Importantly, the Company's actual operating experience demonstrates the symmetrical operation of the WNA: both credits and charges have occurred during each heating season, with credits occurring during colder-than-normal periods and charges occurring during warmer-than-normal periods. Those results are consistent with the intended operation of the mechanism and demonstrate that the WNA is not a one-way surcharge mechanism.

The OCA and CAUSE-PA propose to end the WNA and I&E and OSBA propose to make certain changes to the WNA. For the reasons explained in this Main Brief and in Company witness Taylor's rebuttal and rejoinder testimony, the parties have not met their burden of demonstrating the Company's existing WNA should be discontinued or that the requested modifications to the WNA are reasonable or necessary.

B. OCA'S AND CAUSE-PA'S CONTENTIONS THAT THE WNA SHOULD BE TERMINATED ARE NOT SUPPORTED BY THE EVIDENCE IN THIS CASE

OCA and CAUSE-PA argue that the WNA should be terminated. The Company's WNA

⁴⁰⁷ Peoples St. No. 17, pp. 39-40.

⁴⁰⁸ *Id.* at p. 40.

⁴⁰⁹ *Id.* at p. 42.

⁴¹⁰ Peoples St. No. 17, p. 3.

has been approved by the Commission and is therefore deemed just and reasonable. OCA and CAUSE-PA have the burden of demonstrating that circumstances have changed so that the WNA is no longer just and reasonable, which they have not done.⁴¹¹

OCA and CAUSE-PA contend that the WNA is not needed due to the Company's use of the FPFTY and DSIC.⁴¹² The OCA and CAUSE-PA conflate several regulatory mechanisms that serve different purposes. As Mr. Taylor explained:⁴¹³

The Company's FPFTY is intended to better align authorized rates with the costs expected during the period rates will be in effect, thereby reducing traditional regulatory lag associated with historic test years. Likewise, the DSIC provides a mechanism for recovering qualifying infrastructure investments between general rate cases.

The WNA serves a different purpose. While the FPFTY and DSIC address the timing of cost recovery and infrastructure investment recovery, the WNA addresses the impact of abnormal weather on weather-sensitive distribution revenues after rates have been established. It does so by normalizing customer bills to the same estimate of normal weather that was used in developing the Company's billing determinants.

Accordingly, the existence of a FPFTY or other regulatory mechanisms does not eliminate the effects of abnormal weather or diminish the need for an appropriate weather normalization mechanism. Those mechanisms are complementary rather than duplicative because each addresses a different source of revenue or bill variability. The WNA also benefits customers by moderating bill impacts caused solely by weather deviations from normal, thereby reducing the extent to which customers experience higher or lower bills because actual weather differs from the weather assumptions used to set rates.

The OCA and CAUSE-PA expressed concern over how the WNA manages weather-related risk and its impacts on customers.⁴¹⁴ Mr. Taylor explained that the WNA is not a revenue guarantee nor is it a way to limit risk only for the benefit of the Company. Abnormal weather affects both customers and the Company because colder-than-normal weather can materially increase customer

⁴¹¹ See, e.g., *Pa. PUC v. Philadelphia Gas Works*, Docket Nos. R-00061931, *et al.*, 2007 Pa. PUC LEXIS 45, at *165-68 (Order entered Sept. 28, 2007) (adopting the ALJ's discussion on burden of proof).

⁴¹² OCA St. No. 1, pp. 37-38; CAUSE-PA St. No. 1, pp. 58-66,

⁴¹³ Peoples St. No. 17-R, pp. 56-57.

⁴¹⁴ OCA St. No. 1, pp. 32-33; CAUSE-PA St. No. 1, p. 59.

bills, while warmer-than-normal weather can reduce usage and produce under recovery of weather sensitive distribution revenues.⁴¹⁵ In this regard, the WNA works to provide stability to both the Company and its customers. Had the WNA not been in place during this past heating season, customers would have missed out on a total net credit of \$10.8 million through March 2026. Moreover, the Public Utility Code specifically permits the Commission to authorize a WNA.⁴¹⁶

C. OTHER PARTIES' PROPOSED MODIFICATIONS TO THE WNA ARE NOT SUPPORTED BY THE EVIDENCE IN THIS CASE

Other parties propose various modifications to the Company's Commission-approved WNA, none of which should be accepted.

I&E, OCA, and OSBA propose to expand the deadband in which WNA does not apply from 3% to 5%.⁴¹⁷ This proposal should be rejected because it would reduce the effectiveness of the WNA by allowing a greater amount of weather-related revenue variation to remain outside the mechanism before any adjustment occurs. The Company's existing 3% deadband already limits the application of the WNA by excluding relatively small weather deviations.⁴¹⁸

Further, the deadband level should not be viewed in isolation and instead should be examined within the specific facts of this case. The Company has proposed to implement a 65-year regression trend that better represents forward-looking weather expectations. This change narrows the circumstances in which the WNA will produce adjustments by making the definition of "normal" weather more representative of what is expected to be normal moving forward. Increasing the deadband to 5% in addition to the 65-year regression trend is unnecessary.⁴¹⁹

Increasing the deadband to 5% would not benefit customers. A larger deadband would

⁴¹⁵ Peoples St. No. 17-R at p. 58.

⁴¹⁶ 66 Pa. C.S. § 1330.

⁴¹⁷ I&E St. No. 1, p. 15; OCA St. No. 1, p. 38; OSBA St. No. 2, p. 16-17.

⁴¹⁸ Peoples St. No. 17-R, p. 63.

⁴¹⁹ Peoples St. No. 17-RJ, p. 6.

reduce surcharges in some warmer-than-normal periods, but it would also reduce credits to customers in colder-than-normal periods. A 5% deadband would have reduced the amount of credit that customers received during the recent colder-than-normal period.⁴²⁰

The parties have not demonstrated that the existing 3% deadband has failed to function as intended or has produced unreasonable results. Rather, their recommendation is simply a preference to shift additional weather-related variability outside of the WNA.⁴²¹ The 3% deadband should be maintained.

The OCA proposes to remove the months of October and May from the WNA.⁴²² Mr. Taylor does not dispute that these shoulder months are likely to have more variable weather. However, that is the very reason for the WNA— to normalize variable weather — and supports including those months in the WNA.⁴²³ The existence of greater weather variability in a certain month is not a valid reason to exclude that month from the WNA. Moreover, Witness Deupree did not demonstrate that including October and May has produced unreasonable WNA results or that excluding those months would improve the operation of the mechanism. Excluding those months would also reduce consistency in the Company’s weather-normalization framework by treating portions of the heating season differently from the remainder of the period. As such, the proposals to remove October and May from the WNA should be rejected.

The Company should be permitted to continue its WNA as it is currently operating. The Company’s approved WNA continues to serve its intended purpose of reducing the impact of abnormal weather on the recovery of authorized weather-sensitive distribution revenues while preserving symmetrical treatment of both the Company and its customers.⁴²⁴ The other parties’

⁴²⁰ *Id.* at p. 7.

⁴²¹ *Id.*

⁴²² OCA St. No. 1, p. 35.

⁴²³ Peoples St. No. 17-R, p. 64.

⁴²⁴ Peoples St. No. 17-R, p. 53.

have not met their burden of proving that their proposals to modify the existing WNA are reasonable or necessary based on the evidence presented in this case, and these proposals should be denied.

D. THE WNA DOES NOT NEGATIVELY IMPACT LOW INCOME CUSTOMERS

CAUSE-PA raises concerns regarding the effects of the WNA on low-income customers and proposes to exclude the WNA from CAP customers' bills.⁴²⁵ Mr. Cicero's argument that the WNA will increase costs to low-income customers is based on his prediction that temperatures will always be warmer than normal.⁴²⁶ This assumption is not true. Simply looking at the recent 2025-2026 heating season, which was colder than normal and produced substantial credits to customers, disproves Mr. Cicero's assumption. As Mr. Taylor explained, a long-term warming trend does not mean that each future year or heating season will be warmer than normal. Weather remains variable around the trend, resulting in both warmer- and colder-than normal periods. Mr. Taylor examined annual HDDs for Pennsylvania and observed that, even when applying a 65-year *average* definition of normal HDD, there are years that are colder than normal in which customers would receive a credit.⁴²⁷ Moreover, even when considering CAUSE-PA's argument that there is an overall warming trend, this position only further supports the need for a WNA. In the Company's last base rate case approving the WNA, the Commission found that a warming trend does "not negate the need for the WNA [but rather,] it further supports the need because without the WNA, the odds are unfairly against the Company being able to recover its weather normalized revenue."⁴²⁸

Similarly, Mr. Cicero's contention that the WNA is a one-way surcharge mechanism is

⁴²⁵ CAUSE-PA St. No. 1, pp. 63-65.

⁴²⁶ Id. at 61.

⁴²⁷ Peoples St. No. 17-R, pp. 61-62.

⁴²⁸ Pa. PUC v. Peoples Natural Gas, Docket No. R-2023-3044549 (Order entered Sept. 12, 2024), p. 53.

also incorrect. The WNA will temper CAP bills and reduce them in colder than normal weather. When temperatures are warmer than normal, customers pay a charge, but they are also purchasing less natural gas. The mechanism is clearly symmetric.⁴²⁹ The Commission should not end the potential for customers to receive WNA credits.

E. OTHER WNA PROPOSALS

OCA witness Deupree recommends that if the WNA is continued that the Commission limit it to three years.⁴³⁰ OSBA witness Ewen recommends that the Company obtain additional experience before continuing the WNA.⁴³¹ Neither proposal is warranted. As Company witness Taylor explained, the WNA has already been approved by the Commission and is operating effectively. The parties have not met their burden of justifying why continued operation of the WNA should be limited or delayed.

CAUSE-PA witness Cicero recommends as an alternative proposal to accumulate WNA charges and credits by customer class and recover or refund the resulting net amount over the subsequent 12-month period.⁴³² While Mr. Taylor explained that while Mr. Cicero's proposal is not inherently unreasonable, it has not been developed in sufficient detail to implement in this proceeding.⁴³³ Among other matters, the proposal does not adequately address the treatment of customers entering or leaving the system during the recovery period, the basis for allocating subsequent charges or credits, carrying costs and regulatory accounting, interaction with CAP and other customer protections, or potential intergenerational and intraclass cost shifts. Nor has CAUSE-PA provided a comparative analysis demonstrating that the alternative would produce better customer or revenue outcomes than the existing WNA.

⁴²⁹ Peoples St. No. 17-RJ, pp. 9-10.

⁴³⁰ OCA St. No. 1, p. 38.

⁴³¹ OSBA St. No. 2, pp. 16-17.

⁴³² CAUSE-PA St. No. 1, pp. 65-66.

⁴³³ Peoples St. No. 17-R, pp. 67-68; Peoples St. No. 17-RJ, pp. 11-12.

F. NORMALIZATION METHODOLOGY USED TO DEVELOP HDDS

The Company proposes to use a 65-year regression to align with how the Company establishes its base rate billing determinants (see Section V.A. above). It is important to ensure methodological consistency between the weather normalization assumptions used to establish base rate billing determinants and those used in the WNA. As Mr. Taylor explained:⁴³⁴

When rates are set, billing determinants are normalized to reflect “normal” weather conditions. The WNA then compares actual weather to that same normalized baseline. If different normalization methodologies are used for rate-setting and WNA reconciliation, the mechanism could over- or under-correct relative to the assumptions embedded in customer rates. That outcome would be inconsistent with the WNA’s purpose, which is to reconcile revenues to the same weather conditions used to establish rates.

In this proceeding, the Company is normalizing billing determinants using a 65-year regression framework. Aligning the WNA normalization methodology with that same 65-year regression ensures that both base rates and subsequent WNA calculations rely on the same weather foundation. This approach:

- Maintains internal consistency between revenue requirement development and WNA reconciliation;
- Avoids unintended distortions that could arise from using different normalization baselines;
- Preserves the integrity of the matching principle by ensuring that revenue assumptions and reconciliation mechanisms rely on the same weather foundation; and
- Enhances transparency and predictability for both customers and the Commission.

Even when billing determinants are normalized using a statistically robust long-term regression, actual weather will continue to vary from normal conditions from year to year. Therefore, the WNA remains necessary for both customers and the Company to address annual deviations between actual HDD and normal HDD assumptions embedded in rates.⁴³⁵

As explained above, the Company is proposing a trend-based definition of normal HDD rather than a simple average so that future observed HDD are more likely to be evenly distributed

⁴³⁴ Peoples St. No. 17, pp. 40-41.

⁴³⁵ *Id.* at pp. 41-42.

around calculated normal HDD, resulting in a more even distribution of charges and credits than would occur with a simple average-based definition of normal HDD. Mr. Taylor explained that the Pennsylvania Annual HDD data demonstrates that a trend is a better representation of HDD than any simple average, regardless of the term, i.e. 10-year or 20-year.⁴³⁶

Witnesses Deupree, Cline, Ewen and Cicero oppose the 65-year regression. In response, Mr. Taylor explained why the Company's proposal to use the regression based analysis is the superior methodology:⁴³⁷

Q. WHY DO YOU BELIEVE THE COMPANY'S REGRESSION METHODOLOGY PROVIDES THE MOST REASONABLE ESTIMATE OF NORMAL HDD?

A. The Company's methodology to estimate normal HDD recognizes that there is a well-established and accepted long-term warming trend reflected in the historical HDD record. Rather than simply averaging historical HDD, such as over 20 years or 10 years, the regression statistically estimates the downward trend in HDD and projects (extrapolates) that trend forward to 2027, the FPFTY.

Given the downward trend in Pittsburgh Area annual HDD, it stands to reason that a trend provides a better indication or estimate of future HDD than a simple average. The trend does not strictly provide a "forecast" of future HDD for any particular year, but provides an indication of central tendency or mean of future HDD.

On pages 44-51 of his rebuttal testimony, Mr. Taylor explains the statistical support for the 65-year regression. The other parties have not demonstrated that the regression methodology is unreasonable or that another methodology would produce a better estimate of future HDD.

I&E witness Cline claims that the proposal is not consistent with the Commission's decision in *Columbia 2025*. However, Mr. Cline misinterprets the *Columbia 2025* decision. As Mr. Taylor explained:⁴³⁸

I&E witness Cline's conclusion overstates the relevance of the Commission's decision in the Columbia Gas 2025 Rate Case and treats that decision as if it resolved an evidentiary question that was

⁴³⁶ Peoples St. No. 17-R, pp. 61-62.

⁴³⁷ *Id.* at p. 44.

⁴³⁸ Peoples St. No. 17-RJ, p. 8.

not before the Commission in that proceeding. Columbia Gas did not present the Commission with the same record presented by Peoples here. In Columbia Gas, the options before the Commission were shorter historical averaging periods, including a 20-year average and a 10-year average. The Commission was not asked to evaluate, and did not reject, a 65-year regression methodology comparable to the methodology supported in this proceeding.

Here, Peoples has presented substantial evidence support a 65-year *regression* methodology, including the relationship between long-term weather trends and forward-looking normal HDDs. Mr. Cline does not identify any flaws in the Company's analysis.

G. TIMING OF ANY WNA CHANGES

As explained herein, the Commission should deny the parties' requested changes to the WNA. If, however, any changes to the WNA are implemented (other than the Company's recommended update to the development of HDD), those changes should not take effect until the start of the next WNA heating season after a final order is entered in this proceeding (i.e. October 1, 2027). The Company would need sufficient time to effectuate billing changes and conduct testing to ensure consistent application of any changes, which would not be possible in the middle of the upcoming heating season when new rates become effective.⁴³⁹

XII. EFFECTIVE DATE OF RATES

The effective date of rates coincides with the end of the suspension period. The Commission's April 16, 2026 Order in this case suspended rates until December 26, 2026. I&E argues that the effective date of new rates should be January 1, 2027. According to I&E, the Company should have used December 1, 2026 through November 30, 2027 as the FPFTY period.⁴⁴⁰

The Company disagrees with I&E's proposal to change the effective date of rates. As has been the practice in prior cases, the Company projected its FPFTY in this proceeding with a one-

⁴³⁹ Peoples St. No. 3-R, p. 17.

⁴⁴⁰ I&E St. No. 2, pp. 66-68.

month gap between the end of its FTY and the beginning of its FPFTY based on the requirements of Section 1308(d) of the Code, which do not allow the Company to begin the FPFTY prior to the legal effective date of new rates. As Ms. Scanlon explained, in the Company's two most recent rate cases, new rates have become effective during the gap month but after the suspension period.⁴⁴¹ The same practice is appropriate in this case to meet the requirements of Section 1308(d).

I&E claims that it made a similar recommendation in Columbia's most recent rate case,⁴⁴² and the Commission agreed with I&E. However, I&E ignores an important distinction between the Columbia case and the facts of this case. Columbia filed its case on March 15, 2024, utilizing a FPFTY based upon January 1, 2025 to December 31, 2025. The Commission reasoned that because the rates the Commission approved for Columbia in the prior case accounted for projected expenses through December 31, 2025, allowing another increase to take effect on January 1, 2026 would result rates above what was established in the prior case. That is not the case here. Peoples last case was filed on December 29, 2023 with an FPFTY of October 1, 2024 through September 30, 2025. The FPFTY in this proceeding is January 1, 2027 through December 31, 2027. Clearly, there is no overlap of rate effective periods or the possibility of duplicate recovery.⁴⁴³

XIII. UNIVERSAL SERVICE PROGRAM RIDER

The Company is proposing two changes to its Universal Service Program ("USP") Rider in this proceeding. These changes, as described below, are reasonable and should be approved.

A. ONE-TIME CREDIT ADJUSTMENT

The Company proposes to apply a defined credit adjustment to offset the USP Rider charges that are paid for by non-CAP residential customers through the periods of January 1, 2027 through March 31, 2027 (Year 1) and January 1, 2028 through March 31, 2028 (Year 2).⁴⁴⁴ The

⁴⁴¹ Peoples St. No. 3-R, pp. 6-7.

⁴⁴² Docket No. R-2025-3053499.

⁴⁴³ Peoples St. No. 3-R, pp. 8-9.

⁴⁴⁴ Peoples St. No. 3, pp. 6-9. As noted in Ms. Scanlon's testimony, the last stage of the credit would occur from

credit will be comprised of the sales and use tax refund of \$3.9 million plus the tax repairs deduction collar which is estimated to be \$1.2 million for 2025 and more than \$15 million in 2026.⁴⁴⁵

The Company believes that the credit will help income-eligible customers who are not participating in CAP as well as those customers whose incomes exceed CAP eligibility but may still be constrained by their monthly bill obligations.⁴⁴⁶ For example, the credit will reduce the monthly bills for these customers by approximately \$8.46 for a non-CAP residential customer with average monthly usage of 44 Mcf during the period January 1, 2027 through March 31, 2027, and will reduce monthly bills by approximately \$24.56 for a non-CAP residential customer with average usage of 44 Mcf during the period of January 1, 2028 through March 31, 2028. By applying the credit over the period of January 1 through March 31 each year, customers will receive a greater benefit because bills are usually higher in these colder winter months.⁴⁴⁷

I&E witness Okum opposes the Company's proposal and instead recommends that the tax refund should be treated as a regulatory liability and credited to all customers.⁴⁴⁸ The Company's proposal is the optimal approach in this case because it will have the most meaningful impact to non-CAP residential customers. If the credits were applied to all customers as Ms. Okum suggests, the amount of credit per customer would be less and not as impactful for this subset of residential customers.⁴⁴⁹ The Company's proposal provides a significant benefit to non-CAP residential customers and should be accepted. However, as Company witness Scanlon explained, if the Commission were to adopt Ms. Okum's proposal, the credit should be flowed back through the

January 1, 2028 through March 31, 2028 and would contain only the true up of Year 2.

⁴⁴⁵ Peoples St. No. 2, pp. 22-23; Peoples St. No. 3, pp. 6-9.

⁴⁴⁶ Peoples St. No. 10, pp. 20-21.

⁴⁴⁷ Peoples St. No. 3, p. 8.

⁴⁴⁸ I&E St. No. 1, pp. 59-60.

⁴⁴⁹ Peoples Exh. CAS-1R.

existing Tax Repairs Surcredit (“TRS”) mechanism.⁴⁵⁰ In surrebuttal testimony, Ms. Okum agreed with the TRS approach for the portion of the credit related to the tax repairs collar refund but not the sales & use tax portion of the refund. In rejoinder testimony, Ms. Scanlon reiterated the Company’s position but stated that if the Commission adopts Ms. Okum’s approach regarding the sales & use tax refund, the Company would be amendable to treating the amount as a regulatory liability, amortized over four years.⁴⁵¹

B. BAD DEBT OFFSET CALCULATION

The Company proposes to revise the bad debt offset calculation, specifically the CAP participation level that prompts when the bad debt offset is applicable and the uncollectible amount used in the calculation. The purpose of these proposed changes are to align both the CAP participation level and the uncollectible percentage used in the bad debt offset calculation with more recently experienced trends. Specifically, the Company proposes to set the threshold amount to trigger the bad debt offset calculation at a CAP enrollment in excess of 39,010, which is the base number of projected CAP customers used to set rates in this proceeding. For the uncollectible percentage, the Company initially proposed using the recent three-year average of residential uncollectible activity, which resulted in a rate of 1.93%.⁴⁵² OCA witness Colton challenged the Company’s proposed base CAP participation level and the uncollectible percentage used to calculate the bad debt offset.

Mr. Colton suggested that the base CAP participation level be set at the month-end participation level as of the month a final order is issued in this proceeding.⁴⁵³ Ms. Scanlon demonstrated that Mr. Colton’s recommendation to use a single data point in time is not

⁴⁵⁰ Peoples St. No. 3-R, p. 4.

⁴⁵¹ Peoples St. No. 3-RJ, p. 7.

⁴⁵² *Id.* at, p. 5; Peoples Exh. No. 3, Sch. 15; Peoples Exh. No. 19.

⁴⁵³ OCA St. No. 4, pp. 4, 71.

appropriate because the level of CAP participation fluctuates from month to month.⁴⁵⁴ Rather, it is more appropriate to set the base CAP participation level at 39,010 as the Company has proposed, which is consistent with the approach that Mr. Colton previously recommended in the Company's 2023 base rate case.⁴⁵⁵ However, if the Commission were to accept Mr. Colton's proposal, the base CAP participation level should be determined using an average CAP participation over a period of time rather than a single data point and should include customers at 151-200% FPL as the Company's CAP extends to these customers.

Mr. Colton suggested that the uncollectible percentage be determined by dividing the gross write-offs in dollars for confirmed low-income customers by the annual residential revenues for confirmed low-income customers as reported in the Commission's Universal Service Programs and Collections Performance Reports.⁴⁵⁶ In rebuttal testimony, Ms. Scanlon explained that the Company would accept Mr. Colton's recommendation for establishing the uncollectible percentage using a multi-year average for 2023/2024, which results in an offset of 7.4%.⁴⁵⁷

The Company's bad debt offset calculation with the modifications explained herein and in the rebuttal testimony of Ms. Scanlon is reasonable and should be approved.

XIV. LOW-INCOME CUSTOMER ISSUES

A. CUSTOMER ASSISTANCE PROGRAM ("CAP")

1. CAP Participation Levels

CAUSE-PA and OCA expressed concerns with the Company's CAP participation levels.⁴⁵⁸

OCA averred that Peoples "continues to substantially under-enroll low-income customers

⁴⁵⁴ Peoples St. No. 3-R, p. 13.

⁴⁵⁵ *Id.* at p. 14.

⁴⁵⁶ OCA St. No. 4, pp. 70-73.

⁴⁵⁷ *Id.* at p. 16; Peoples Exh. No. CAS-5R.

⁴⁵⁸ CAUSE-PA Statement 1, pp. 31, 73-74; OCA Statement 4, p. 47.

in its CAP.”⁴⁵⁹ CAUSE-PA claims that Peoples’ CAP is “severely undersubscribed” considering that approximately 71% of Peoples’ known Confirmed Low Income (“CLI”) customers are not enrolled in CAP.⁴⁶⁰

First, it is important to understand the difference between a CLI customer and a customer enrolled in CAP in order to place CAUSE-PA’s claim in the proper context. Peoples’ known CLI numbers are based on self-reported income at any point in time when the income was collected. This information is not always up to date, as the collection of it is dependent on customer choice.⁴⁶¹ However, Peoples’ CAP customers have verified their income as of the time of their application. Therefore, any comparison between Peoples’ known CLI customers and actual CAP enrollment should be given the weight it deserves, knowing that the CLI customer number is more akin to an estimate than a verified number.

Contrary to the parties’ assertions, Peoples’ CAP enrollment levels are reasonable and demonstrate its commitment to increasing CAP enrollment, especially when taken together with Peoples’ significant and comprehensive actions to enroll customers in CAP. The OCA and CAUSE-PA do not acknowledge Peoples’ efforts to increase CAP enrollment. Peoples has in place a comprehensive Consumer Education and Outreach Plan (“CEOP”) to ensure that eligible customers are aware of CAP, including Customer Service Representatives (“CSR”) referring all potential income eligible customers to CAP, regular training for CSRs, provision of plain language CAP notices to reported low income customers, bill inserts, email campaigns, advertising, and participation in local community events.⁴⁶² As a result of these efforts, Peoples increased its CAP participation by approximately 18% in 2025.⁴⁶³ To further support enrollment of customers who

⁴⁵⁹ OCA Statement 4, p. 47. OCA also recommends an adjustment to Peoples’ credit and collection expenses, which is addressed in Section VI.W above.

⁴⁶⁰ CAUSE-PA Statement 1, p. 31.

⁴⁶¹ Peoples Statement No. 10-R, p. 11.

⁴⁶² Peoples Statement no. 10-R, p. 12; Peoples Statement No. 18-R, p. 3.

⁴⁶³ Peoples Statement No. 10, p. 6.

have arrears following receipt of LIHEAP, Peoples has filed a Petition for auto-enrollment and recertification.⁴⁶⁴

The Company acknowledges that there are certain elements to CAP enrollment which it cannot necessarily control. This includes the requirement that non-LIHEAP customers submit verified gross income information. Peoples does try to make this process as efficient as possible, though, as it will use income documentation which may have been provided for another purpose (e.g., EFSLR repair), as proof of income for purposes of a CAP application.⁴⁶⁵ Additionally, it may be quicker or easier for a customer to enter into a payment arrangement instead of submitting a CAP application, because this only requires the provision of income verbally.

CAUSE-PA expressed concern with CAP denials based on customers' failure to complete their CAP applications. CAUSE-PA recommends that Peoples conduct a root cause analysis to determine why customers are failing to complete CAP applications.⁴⁶⁶ CAUSE-PA's recommendation that Peoples' perform a root cause analysis is unnecessary and would be duplicative, as Peoples is currently undergoing an independent evaluation of its universal service programs by a 501(c)3 research non-profit.⁴⁶⁷ Barriers to universal service program enrollment are a part of this evaluation, and the findings and recommendations will be provided to the BCS and Peoples' USAG in April 2027 and used to inform the Company's Universal Service and Energy Conservation Plan ("USECP") to be filed in 2028.⁴⁶⁸ CAUSE-PA has indicated that the ongoing independent evaluation has satisfied its concerns and that this action "reasonably meets [CAUSE-PA's] request for a more thorough evaluation of these issues."⁴⁶⁹

2. Identification of Low-Income Customers

⁴⁶⁴ See Docket Nos. P-2024-3052324; M-2018-3003177 and M-2020-3021343.

⁴⁶⁵ *Id.* at 13.

⁴⁶⁶ CAUSE-PA Statement 4, p. 74.

⁴⁶⁷ *Id.*

⁴⁶⁸ *Id.* at 13-14.

⁴⁶⁹ CAUSE-PA Statement 1-SR, pp. 46-47.

OCA claims that its concerns regarding the Company's CAP enrollment is in part due to a failure of Peoples to identify its low-income customers.⁴⁷⁰ The identification of low-income customers is not an exact science, but Peoples has demonstrated significant efforts to identify these customers and to screen them for eligibility for its universal service programs. Peoples takes advantage of several opportunities to obtain and identify customer income. While voluntary, customers are given the option to share income information when they initiate service, during instances where they may have billing concerns, or when they contact the Company for other income-dependent programs, such as the EFSLR program.⁴⁷¹ Peoples' comprehensive efforts to identify customer income and to make customers aware of their potential eligibility for CAP are described in Peoples' CEOP.

3. Public Input Hearing Testimony Regarding CAP Eligibility

At one of the public input hearings, a customer provided testimony related to customer assistance programs and affordability, and recommended that Peoples expand CAP eligibility.⁴⁷² Peoples understands the concern behind this recommendation, but notes that its PIP for those individuals with incomes below the 150% FPL do align with Commission guidance.⁴⁷³ Further, the CAP availability threshold was expanded more than a decade ago.⁴⁷⁴ In light of these considerations, the recommendation to expand CAP eligibility should be denied.

B. B. LOW-INCOME USAGE REDUCTION PROGRAM ("LIURP")

1. LIURP Program Funding

Peoples' LIURP provides low-income customers with no-cost weatherization services. Annual funding for the Company's LIURP is set at \$3.5 million.⁴⁷⁵ In 2025, the Company's LIURP

⁴⁷⁰ OCA Statement 4, p. 49.

⁴⁷¹ Peoples Statement No. 10-R, pp. 12-13.

⁴⁷² Tr. at 48.

⁴⁷³ Peoples Statement No. 10-R, p. 28.

⁴⁷⁴ *Id.*

⁴⁷⁵ Peoples Statement No. 10, p. 17.

moved to a new program administrator, Peak Home IQ.⁴⁷⁶ This is a local business, and upon obtaining the new administrator, Peoples saw improvements in choices of weatherization measures and is confident that Peak Home IQ will contribute to savings for its customers.⁴⁷⁷

WPTF recommends that, should a rate increase be approved, the number of customers served annually by the Company's LIURP be increased by 75, or an increase in program funding of \$975,000, in order to "begin to meet the unmet need for LIURP services."⁴⁷⁸ CAUSE-PA has indicated support for this recommendation.⁴⁷⁹ This recommendation should not be approved as it is redundant. 2024 and 2025 were transitional years for the Company in terms of LIURP as the new program administrator was taking over. Through the middle of 2026, the first full year of administration by Peak Home IQ, Peoples has already seen 144 jobs completed and is on track to surpass the level of households that would be served through WPTF's recommendation.⁴⁸⁰

2. Addition of a LIURP Compliance Specialist

Peoples is proposing that a new internal role for a LIURP Compliance Specialist. Peoples' LIURP is a growing and evolving program. Namely, the LIURP budget has grown from roughly \$700,000 to \$3.5 million annually over the past 15 years.⁴⁸¹ The LIURP Compliance Specialist will provide oversight and support to LIURP, importantly working to oversee coordination of program benefits and proper implementation and adherence to changes such as tracking and reporting requirements pertaining to the recent LIURP rulemaking.⁴⁸² This role is critical in order to ensure that Peoples continues to effectively serve its LIURP-eligible population.

CAUSE-PA supports the addition of the LIURP Compliance Specialist role but

⁴⁷⁶ Peoples Statement No. 10, p. 6.

⁴⁷⁷ *Id.*

⁴⁷⁸ Task Force Statement No. 1, p. 7.

⁴⁷⁹ CAUSE-PA Statement 1-SR, pp. 47-48.

⁴⁸⁰ Peoples Statement No. 10-R, p. 21.

⁴⁸¹ Peoples Statement No. 10, p. 17.

⁴⁸² Peoples Statement No. 10, p. 9.

recommends that the costs be recovered in base rates. Parties' arguments regarding cost recovery of the LIURP Compliance Specialist are addressed in Section XVIB.

C. HARDSHIP FUND

Peoples' Hardship Fund provides grants of up to \$500 to customers with incomes up to 200% of the FPL. Customers with incomes between 151-200% of the FPL are referred to the Hardship Fund before CAP enrollment, in order to reduce their total balance.⁴⁸³ The PWPTF recommends that Peoples' contribution to its hardship fund be increased commensurate with the percentage increase in rate to the residential class resulting from the instant proceeding, and that the funding be distributed in accordance with the percentage of low-income customers in the counties served by the Company.⁴⁸⁴

PWPTF's recommendations are unsupported and should be denied. With respect to the increase in funding, Peoples notes that the Company's donation to the Hardship Fund does not come from ratepayer funds, but from shareholder dollars.⁴⁸⁵ With respect to the recommendation regarding funding distribution, the Company disagrees that the most efficient and effective method of distribution is to align that distribution by county. The fact that the Hardship Fund is available on a first-come, first-served basis means that eligible customers in need will be able to receive support on an equal basis, regardless of their location. Peoples has experienced a similar situation in the past, where hardship funds were divided between Peoples Natural Gas and a former affiliate, and difficulties accessing funding for those in the smaller service territory were observed.⁴⁸⁶

D. SEASONALITY OF BILLS

The OCA and CAUSE-PA both express concern regarding the seasonality of bills and its

⁴⁸³ Peoples Statement No. 10, p. 4.

⁴⁸⁴ PWPTF Statement No. 1, p. 7.

⁴⁸⁵ Peoples Statement No. 10-R, p. 22.

⁴⁸⁶ Peoples Statement No. 10-R, p. 22.

impact on low-income households.⁴⁸⁷

The OCA and CAUSE fail to consider that Peoples does provide payment options which assist in the mitigation of bill seasonality, including CAP for income-eligible customers, and budget billing for all residential customers. Budget billing smooths out bill volatility by providing a monthly average bill, and customers can enroll online or via telephone at any time of year.⁴⁸⁸ Budget billing is widely publicized through bill inserts, the Company's website, digital and social media, and email campaigns.⁴⁸⁹ Further the Company's WNA, as discussed in Section XI above, helps to address weather-related bill volatility.

CAUSE-PA also raises a concern that the requested rate increase will make it more likely that customer budget bills will be higher than their PIP amount and thereby increase the amount a customer must pay each month.⁴⁹⁰ However, when participating in CAP, customers pay *the lower of* their calculated PIP or the budget bill for their home. CAP payments are reviewed on a monthly basis to ensure that they are always on the most affordable payment option available.⁴⁹¹

E. ALTERNATIVE MEASURES OF INCOME

The OCA provides an analysis of the affordability of Peoples' rates using data for Asset-Limited, Income Constrained, Employed ("ALICE") customers, rather than the FPL. CAUSE-PA, similarly, avers that the Self-Sufficiency Standard is a more accurate benchmark than the FPL for measuring affordability, because it accounts for geographic location and age.

While Peoples acknowledges the analyses performed by both OCA and CAUSE-PA, these measures of income should be given little evidentiary weight. Income eligibility for Peoples' customer assistance programs is driven by the FPL, and eligibility for Peoples' assistance

⁴⁸⁷ OCA Statement 4, p. 36; CAUSE-PA Statement 1, p. 27.

⁴⁸⁸ Peoples St. No. 10-R, p. 19.

⁴⁸⁹ Peoples St. No. 10-RJ, p. 13.

⁴⁹⁰ CAUSE-PA Statement 1, p. 31.

⁴⁹¹ Peoples St. No. 10-R, pp. 18-19.

programs is set at an FPL level that is consistent with other natural gas and electric utilities (or in the case of ECAP, above the level of other utilities) within Pennsylvania, consistent with the Commission's guidance.⁴⁹²

XV. CUSTOMER SERVICE ISSUES

A. SERVICE TERMINATIONS

The OCA expressed concern that the level of disconnections for CLI customers is higher than that of residential customers as a whole.⁴⁹³ What OCA does not consider is that the increase in terminations in 2023 and 2024 must be understood in the context of the Company's expanded definition of CLI. The Company broadened the population of CLI customers by using the definition agreed to in its 2023 rate case, which includes customers who self-identify as low-income. With a larger population of accounts meeting that definition, the Company would expect to see increases in reported collection activities for that group.⁴⁹⁴

Further, the data also shows that Peoples performs well among its peers when considering the percentage of customers in debt and the arrears carried by those customers both as a percent of residential customers overall and as a percent of CLI customers.⁴⁹⁵ Peoples' termination rate aligns with the industry average, and its total in-debt customer percentage is lower than the industry average.⁴⁹⁶ Moreover, Peoples is a peer leader in the restoration of service to its CLI customers following a disconnection, which is a testament to Peoples' commitment to assist customers with CAP enrollment or payment arrangements.⁴⁹⁷

CAUSE-PA recommended that Peoples be required to conduct a root cause analysis to determine why its CAP termination rate saw an increase in 2024.⁴⁹⁸ CAUSE-PA's

⁴⁹² Peoples Statement No. 10-R, p. 20.

⁴⁹³ OCA Statement 4, p. 45.

⁴⁹⁴ Peoples St. No. 18-RJ, pp. 3-4.

⁴⁹⁵ Peoples Statement No. 18-R, p. 4.

⁴⁹⁶ Peoples Statement No. 10-RJ, p. 10.

⁴⁹⁷ Peoples Statement No. 10-R, p. 16.

⁴⁹⁸ CAUSE-PA Statement 1, p. 73.

recommendation for a root cause analysis is unnecessary because the Company's CAP termination rate was significantly reduced to 6.5% in 2025.⁴⁹⁹ Nevertheless, given the importance of this issue, Peoples has committed to including this topic in its January 2027 USAG meeting for discussion.⁵⁰⁰ CAUSE-PA has indicated that Peoples' commitment to address this issue in its ongoing independent evaluation of its universal service programs has resolved its concerns, and that this action reasonably meets [CAUSE-PA's] request for a more thorough evaluation of these issues."⁵⁰¹

OCA witness Colton testified that Black neighborhoods face a disproportionately high number of nonpayment disconnections within Peoples' service territory and recommends that Peoples conduct a root cause analysis.⁵⁰² The Company disagrees with Mr. Colton's finding and his recommendation should be denied. A very similar argument was put forth by OCA in the Company's 2023 base rate case, and was rejected by the Commission, with the ALJ noting that "absent proof of explicit discrimination, it is not the role of the Commission to impose this task upon a single public utility in the context of a base rate proceeding."⁵⁰³ The record is very clear in this case and in the prior rate case that Peoples' collections and termination activities are automated and strictly based on objective arrearage criteria, and that Peoples does not discriminate, nor does it consider racial demographics when pursuing termination- or collections-related activity.⁵⁰⁴ Further, Peoples Energy Analytics ("PEA") has performed an analysis to identify CAP eligible CLI populations within OCA's areas of concern, and Peoples intends to continue to use PEA's work to inform outreach within these areas in order to encourage CAP enrollment. Because there is no argument between the parties that Peoples does not engage in discrimination, the OCA's

⁴⁹⁹ Peoples Statement No. 10-R, p. 14.

⁵⁰⁰ *Id.*

⁵⁰¹ CAUSE-PA Statement 1-SR, p. 45.

⁵⁰² OCA Statement 4, pp. 51-56.

⁵⁰³ *Pa. PUC et al. v. Peoples Natural Gas Company LLC*, Docket No. R-2023-3044549, Recommended Decision (entered July 15, 2024) (adopted September 12, 2024).

⁵⁰⁴ Peoples St. No. 18-R, pp. 8-9.

recommendation that the Company perform a root cause analysis in this context should be rejected by the Commission as unsupported and unnecessary.

B. INFORMAL AND FORMAL COMPLAINTS

OCA examines trends in both informal and formal complaints filed against the Company. OCA notes the overall trajectory for informal complaints is one of improvement but that informal complaints related to personnel problems and property damage are above the peer average.⁵⁰⁵ As it relates to formal complaints, OCA notes an increasing trajectory in the number of formal complaints filed against the Company.⁵⁰⁶

OCA's analyses should be given little, if any, weight in the Commission's consideration of the Company's proposals in this case. As Peoples witness Black clarified, the classifications of informal complaints are subjective based on BCS staff's attempt to place them in pre-defined categories. OCA also did not provide a comparison of Peoples' formal complaint statistics with peer utilities, as it did for informal complaints, and it remains unproven whether any observed trend in formal complaints happened to all energy utilities or only to Peoples. With respect to damage-related complaints, it is the Company's position that many of these can be attributed to misunderstandings or lack of awareness regarding utility projects or procedures, but the Company elevates formal complaints where necessary and always ensures that each is given specific treatment, care, and due consideration.⁵⁰⁷

C. PAYMENT ARRANGEMENTS

1. Residential Payment Arrangements

OCA avers that Peoples' payment arrangements show poor payment patterns, and that data provided by Peoples likely represents an undercount of the number of Peoples' customers' broken

⁵⁰⁵ OCA Statement 5, pp. 27-28.

⁵⁰⁶ OCA Statement 5, p. 33.

⁵⁰⁷ Peoples St. No. 10-R, pp. 26-27.

arrangements.⁵⁰⁸ Peoples disagrees with OCA's position.

The Company offers payment arrangements to provide customers with the opportunity to pay off their arrears over time. However, some customers choose to default on their payment arrangement for reasons outside of the Company's control.⁵⁰⁹ OCA does not present any evidence regarding whether the Company's payment arrangements complied with regulatory requirements or specific account conditions. OCA's testimony should be given little to no weight in light of the fact that OCA has presented no data to support its claims.⁵¹⁰

2. Payment Arrangements for SGS and MGS Customers

OSBA recommends that the Company add a "formal late payment plan to the SGS and MGS tariffs."⁵¹¹ It also recommends that the Company track interactions in small business customers related to financial difficulties.⁵¹²

The Company does commit to working with all customers facing financial difficulties, and already offers SGS and MGS customers temporary holds to allow for payment, as well as payment arrangements.⁵¹³ OSBA has not offered sufficient proof to show that the Company's existing practices are insufficient or that SGS and MGS customers are under-informed of the option to request a temporary hold or payment plan, and its recommendations should be rejected.

D. USE OF SOCIAL SECURITY NUMBERS ("SSN")

OCA recommends that Peoples be directed to develop and adopt an alternative to the use of SSNs within twelve months of the entry of a Final Order in this proceeding, and to eliminate currently retained SSNs. This recommendation is related to concerns surrounding identity theft, as well as SSNs being an "aging technology."⁵¹⁴

⁵⁰⁸ OCA Statement 4, pp. 46-47.

⁵⁰⁹ Peoples Statement No. 18-R, pp. 5-6.

⁵¹⁰ *Id.*

⁵¹¹ OSBA Statement No. 2, p. 3.

⁵¹² *Id.*

⁵¹³ Peoples Statement No. 18-R, p. 22.

⁵¹⁴ OCA Statement 4, pp. 57-64.

Peoples disagrees with OCA's position. SSNs are an effective and consistent tool that the Company uses to identify its customers.⁵¹⁵ Company witness Parks explained that the Company uses SSNs to ensure that processes such as balance transfers, collection efforts, accounting, and bankruptcy administration are completed prudently and accurately.⁵¹⁶ While Peoples recognizes the importance of protecting customer information, the appropriate data protection practices must be balanced with the need for this information.

E. CUSTOMER SERVICE PERFORMANCE

1. Call Center Performance and Staffing

OCA claims that there is a pattern of phone calls peaking during April each year, but no corresponding increase in Peoples' call center staffing during this time, which leads to concern surrounding elevated wait times and call abandonment rates.⁵¹⁷ Peoples does not agree with OCA's characterizations of its call center performance. The record supports Peoples' position that the Company is strong in its live customer service interactions, in categories such as call abandonment, speed of answer, wait time, and ability to reach a representative. Additionally, the Company actively and prudently manages its staffing needs in response to seasonal call volume increases as well as overall operational performance and customer service strategy.⁵¹⁸

2. 2024 Billing Events

OCA raised concerns with two separate billing events that occurred in 2024. The first is when the Company's bill print vendor abruptly closed, and certain files were missed in the transition to a new vendor, resulting in a delay in the printing and mailing of bills for some customers for one month ("Print Vendor Event").⁵¹⁹ OCA's concern with the Print Vendor Event

⁵¹⁵ Peoples Statement No. 18-R, pp. 11-12.

⁵¹⁶ Peoples Statement No. 18-R, p. 12.

⁵¹⁷ OCA Statement 5, pp. 13-16.

⁵¹⁸ Peoples Statement No. 18-R, pp. 14-15.

⁵¹⁹ OCA Statement 5, p. 20.

was the method by which it came to the Commission’s attention: independent observation by BCS staff and a member of the Consumer Advisory Council, as well as whether Peoples was properly internally monitoring the situation and impacts to affected customers.⁵²⁰

The Company explained that it did notify BCS upon identification of the issue.⁵²¹ Peoples also took steps to protect its customers in light of this event that were not acknowledged by OCA, namely: removal of late payment charges or issuance of credits, posting of customer notifications in multiple locations, and the addition of messaging to the Company’s IVR system.⁵²² This isolated Print Vendor Event required a system-related mass adjustment, but not the rebilling of previously underbilled or unbilled service, and all customer accounts were made whole.

The second event identified during 2024 involved an above-average number of customers who were rebilled during certain months (“Rebiling Event”).⁵²³ OCA’s concern with the Rebiling Event is that the Company did not attribute the rebilling spikes to a specific cause.⁵²⁴ Additionally, OCA expressed concern as it related to the adequacy of the Company’s customer communications in reaction to the billing events.⁵²⁵ Upon representation by the Company that it self-reports large-scale billing issues and that rebilled customers do receive notice, OCA revised its original recommendations. OCA recommends that the Company more closely track billing events affecting more than 100 customers from a common cause and maintain the detail needed to report on those events after the fact, including complete event information, number of customers affected and bill impact, and communications with Commission staff about the event.⁵²⁶

OCA’s recommendations should be denied. The Company self-reports billing events

⁵²⁰ OCA Statement 5, p. 23.

⁵²¹ Peoples St. No. 16-R, pp. 16-17.

⁵²² Peoples Statement No. 18-R, pp. 16-17.

⁵²³ OCA Statement 5, pp. 20-21.

⁵²⁴ OCA Statement 5, p. 22.

⁵²⁵ OCA Statement 5, pp. 33-39.

⁵²⁶ OCA Statement 5SR, pp. 5-7.

consistent with regulatory obligations, and denies that it is lacking in control, records, or transparency regarding billing events.⁵²⁷ Billing events must be evaluated on a case-by-case basis as they vary in cause, scope, timing, impact, remediation, customer service and communication, and regulatory requirements.⁵²⁸ The requirement that separate records be maintained for each event affecting more than 100 customers would be a highly ineffective use of the Company's time and resources, especially in light of OCA's failure to show the way in which its existing processes have proved insufficient or that customers would receive a benefit.⁵²⁹

3. Bill Engagement

OCA also raises the issue of regular bill engagement by Peoples' customers and makes a finding that bill engagement tends to be inversely related to income.⁵³⁰ OCA recommends that the Commission consider, across all utilities, how to meaningfully maintain regular customer bill engagement.⁵³¹ OCA also suggests that the Commission consider a policy whereby cost summaries are mailed to all residential customers.

OCA's recommendation should be denied. Initially, this rate case is not the appropriate forum for the Commission to consider the broad issue of statewide bill engagement. Further, the recommendation is redundant because the Company already provides customers with their specific information, including account statements, as requested, and the information is readily available online. OCA has also presented little supporting evidence for its recommendation, including the cost of the recommendation or customer data supporting the want, need, or concern surrounding bill engagement.⁵³²

⁵²⁷ Peoples Statement No. 18-RJ, p. 7.

⁵²⁸ *Id.*

⁵²⁹ *Id.*

⁵³⁰ OCA Statement 5, p. 42.

⁵³¹ OCA Statement 5, pp. 42-43.

⁵³² Peoples Statement No. 18-R, pp. 20-21.

XVI. PROPOSED TARIFF CHANGES

A. RATE CAP

1. Recreational Gas Use

Peoples proposed to revise its tariff to provide that customers enrolled in CAP may not use natural gas for recreational purposes, such as pool heaters and/or hot tubs, recreational appliances, outdoor appliances, and heated outdoor buildings.⁵³³ Under this proposed revision, CAP customers who use natural gas for recreational purposes will be removed from CAP, and may re-enroll upon verification that the natural gas connection to the recreational appliance has been removed. This proposed revision would memorialize and clarify language that is already contained within the Company's USECP, prohibiting recreational natural gas use. This provision is intended to protect non-CAP customers from bearing unnecessary costs by ensuring that natural gas used in this program is used appropriately.⁵³⁴

OCA and CAUSE-PA recommend that Peoples' proposal be denied.⁵³⁵ OCA argues that the term "recreational gas use" is not comprehensively defined, that Peoples did not propose a method by which it would enforce this tariff provision, that the provision did not contain an appeals process, and that Peoples did not provide information as to the scope of the problem being addressed by the proposal.⁵³⁶ CAUSE-PA raises similar concern and argument as OCA, averring that there "subjectivity and room for error" in the proposal. CAUSE-PA also recommends that Peoples consult with its Universal Service Advisory Group ("USAG") to develop more defined parameters for the proposal, and that Peoples make a proposal in its next base rate case or USECP

⁵³³ Peoples Statement No. 13, p. 5; Peoples Statement No. 10, p. 8.

⁵³⁴ Peoples Statement No. 10, pp. 10-11.

⁵³⁵ OCA Statement 4, pp. 5, 67; CAUSE-PA Statement 1, p. 70.

⁵³⁶ OCA Statement 4, pp. 65-66; OCA Statement 4, pp. 12-13.

proceeding if necessary, but only after consulting with the USAG.⁵³⁷

The recommendations of CAUSE-PA and OCA to deny the Company's proposed tariff revisions should be rejected. Peoples emphasizes that the prohibition of recreational natural gas use is an existing provision within the Company's Commission-approved USECP. Additionally, neither opposing party recognizes that Peoples already enforces this provision, and, indeed, the Company can be and has been penalized where it fails to identify recreational natural gas use.⁵³⁸

As explained in the rebuttal testimony of Company witness Black, in consideration of points raised by both CAUSE-PA and OCA, Peoples has agreed to revise its proposed tariff provision in order to remove certain appliances, such as gas grills, from the tariff language, and to remove the provision that customers will be billed for unjustified recreational gas usage. The proposed revisions also memorialize another practice of the Company, which is that customers may submit verification of a medical need in order to exempt an appliance from this provision.⁵³⁹

The Company's revisions to its proposed tariff language regarding recreational gas usage allows Peoples to meet its objective of memorializing long-standing USECP language within its tariff to promote transparency and clarity, while also addressing the concerns of CAUSE-PA and OCA. CAUSE-PA has indicated that Peoples' proposed revisions to this provision are reasonable and address its concerns.⁵⁴⁰

The proposed revisions to the Company's tariff regarding CAP recreational gas use as discussed herein are reasonable, in the public interest, and should be approved.

2. Fraudulent CAP Participation

Peoples proposed a tariff revision that would allow the Company to hold customers who

⁵³⁷ CAUSE-PA Statement 1, p. 70.

⁵³⁸ Peoples Statement No. 10-R, pp. 3-4.

⁵³⁹ *Id.*

⁵⁴⁰ CAUSE-PA Statement 1-SR, p. 43.

fraudulently obtain CAP benefits accountable for the cost of those benefits.⁵⁴¹ This provision is intended to protect non-CAP customers from bearing unnecessary costs by ensuring that only those individuals who are eligible for CAP benefits are receiving them.⁵⁴²

OCA and CAUSE-PA expressed several concerns with Peoples' proposal and recommend that it be denied.⁵⁴³ OCA and CAUSE-PA's concerns do not warrant denial of the proposed tariff.

With respect to OCA's argument that the proposal is overreaching or overbroad, the Company is not seeking to identify or penalize customers who make calculation mistakes or experience unexpected fluctuations in income that they forgot to report.⁵⁴⁴ The proposed addition to Rate CAP is narrowly tailored to address a specific type of fraudulent behavior wherein the fraudulent misuse of CAP benefits is significant or purposeful, not unintentional.

With respect to the dispute process, the Company handles each case of suspected fraud on a case-by-case basis. There is careful review, flexibility, and communication with the customer involved in each of these cases, and Peoples does not intend to apply this tariff provision in a careless or overreaching manner.⁵⁴⁵ OCA characterizes the level of fraudulent CAP use as *de minimus* but fails to acknowledge that each dollar identified through the implementation of this tariff provision is a dollar saved by Peoples' customers.⁵⁴⁶

CAUSE-PA recommends that Peoples consult with its USAG to develop more defined parameters for the proposal, including a defined dispute process, and that Peoples make a proposal in its next base rate case or USECP proceeding.⁵⁴⁷ Peoples is willing to discuss these issues with the USAG members for their input. However, there is no need to delay the tariff changes until a

⁵⁴¹ Peoples Statement No. 13, p. 5; Peoples Statement No. 10, p. 8.

⁵⁴² Peoples Statement No. 10, pp. 10-11.

⁵⁴³ OCA Statement 4, pp. 5, 67-70; CAUSE-PA Statement 1, pp. 71-72.

⁵⁴⁴ Peoples Statement No. 10-R, p. 6.

⁵⁴⁵ Peoples Statement No. 10-R, p. 8.

⁵⁴⁶ OCA Statement 4SR, pp. 15-16.

⁵⁴⁷ CAUSE-PA Statement 1, p. 72; CAUSE-PA Statement 1-SR, p. 44.

future proceeding.⁵⁴⁸

The proposed addition to Rate CAP regarding fraudulently obtained CAP benefits is reasonable and will work to protect Peoples' customers from subsidizing CAP costs unnecessarily or excessively. The proposed tariff revisions are in the public interest and should be approved.

A. RIDER UNIVERSAL SERVICE

1. Costs Associated with CARES

Peoples proposes to revise Rider USP to include outreach costs related to the Customer Assistance, Referral, and Evaluation Services ("CARES") program.⁵⁴⁹ CARES is the only one of the Company's Commission-required, core USECP programs which is not currently supported through Rider USP.⁵⁵⁰ Specifically, Peoples is proposing the recovery of dedicated costs of outreach and consumer education discussed in its CEOP, which include the costs of the Peoples Energy Analytics ("PEA") partnership, as well as communications costs related to LIHEAP and universal service program advertising. As a part of this proposal, Peoples is *not* proposing to include costs related to internal labor or employee expenses related to outreach events or CARES support of vulnerable customers.

CAUSE-PA expresses concern with the inclusion of CARES outreach costs in Rider USP. CAUSE-PA compares Peoples' proposal to that of Columbia Gas in its last rate case and recommends that Peoples continue to recover CARES outreach costs through base rates.⁵⁵¹ However, Columbia's request to include "energy assistance team" costs in the rider is materially different than the costs that the Company is seeking to include here. Columbia's proposal was related to additional workload and staffing and not to outreach and consumer education costs for

⁵⁴⁸ Peoples St. No. 10-R, p. 8.

⁵⁴⁹ Peoples Statement No. 10, p. 9.

⁵⁵⁰ *Id.* at p. 12.

⁵⁵¹ CAUSE-PA Statement 1, pp. 75-76.

one of its universal service programs.⁵⁵² The ALJs' and Commission's decision to reject Columbia's proposal was based on the rationale that Columbia's costs were related to internal staffing and concerns over fluctuation in staffing,⁵⁵³ which has little to do with the inclusion of CARES outreach costs within Rider USP, as is proposed here. Indeed, Peoples has expressly stated that it is not proposing to include costs related to internal labor or employee expenses related to outreach events related to CARES within Rider USP.⁵⁵⁴

It is reasonable for the Company to include costs related to outreach and consumer education for a universal service program within Rider USP. CAUSE-PA's arguments are unfounded and ill-applied, and its recommendation should be rejected.

2. Independent Program Evaluation Costs

Peoples proposed to include third party costs associated with the Independent Evaluation of its universal service programs in Rider USP, as is required by Peoples to comply with a BCS requirement to submit such evaluation on a recurrent basis.

CAUSE-PA expressed concern with recovering these costs through the Rider and argued that the Company should continue to recover independent evaluation costs through base rates.⁵⁵⁵ CAUSE-PA again points to the Commission's decision rejecting Columbia's inclusion of staffing related costs in its universal services rider.

As explained above, the Commission's rationale for rejecting recovery of the costs through the rider in the Columbia case is not applicable here. Columbia's proposed costs pertained to the administration of Universal Services programs and energy assistance activities, and not expressly to independent evaluators.⁵⁵⁶ Additionally, Columbia's costs were related to additional workload

⁵⁵² *Pa. PUC v. Columbia Gas of Pennsylvania, Inc.*, R-2025-3053499, Opinion and Order at 335.

⁵⁵³ *Id.* at 337.

⁵⁵⁴ Peoples St. No. 10-R, p. 10.

⁵⁵⁵ CAUSE-PA Statement 1, pp. 75-76.

⁵⁵⁶ *Columbia 2025* at 335.

and staffing, not to third party evaluation pursuant to a BCS requirement as is the case here. Again, the Commission's decision to reject Columbia's proposal was related to concerns over fluctuation in internal staffing,⁵⁵⁷ which has little to do with the inclusion of independent evaluator costs within Rider USP, as is proposed here.

It is reasonable for the Company to include costs related to the independent evaluation of *universal service* programs within Rider Universal Service. CAUSE-PA's arguments are inapplicable to the facts of this case and should be rejected.

3. LIURP Compliance Specialist Costs

Regarding the costs for the new LIURP Compliance Specialist, I&E witness Okum proposed that the costs be recovered in base rates based on the rationale that all labor costs should be recovered through base rates as has been done in the past.⁵⁵⁸

The LIURP Compliance Specialist will provide dedicated oversight and support to LIURP, including ensuring proper implementation and adherence to charges pertaining to the Commission recent LIURP rulemaking.⁵⁵⁹ It is appropriate that the costs of the new LIURP Compliance Specialist role be recovered through the Company's LIURP budget. As with the third-party administration of the program, which is recoverable through the LIURP budget, this role is entirely dedicated to and limited to LIURP. LIURP is a universal service program, and the Company should be able to recover the costs of operating this universal service program through its existing rider that is designed to recover universal service costs. Utilities may include administrative costs within their LIURP budget as long as those costs are not more than 15% of the Company's annual LIURP budget. This new role falls squarely within the definition of an administrative cost as defined by the Commission's regulations.⁵⁶⁰

⁵⁵⁷ *Id.* at 337.

⁵⁵⁸ I&E St. No. 1, pp. 58-59.

⁵⁵⁹ Peoples St. No. 10, p. 9.

⁵⁶⁰ 52 Pa. Code § 58.2.

CAUSE-PA argued that the costs should be recovered through base rates so that the Commission can review the prudence of the costs. However, any costs recovered through Rider USP are audited by the Commission's Bureau of Audits on a regular basis.⁵⁶¹

Once again CAUSE-PA also compares Peoples' proposal to that of Columbia Gas, but CAUSE-PA does not recognize that Columbia has an existing internal LIURP position, the costs of which are, indeed, recovered through its Rider USP.⁵⁶²

The parties have not provided a sufficient basis for their proposal to recover the LIURP Compliance Specialist cost in base rates rather than through the Rider, and their proposal should be denied.

4. Other Changes to Rider USP

Peoples proposed two other revisions to Rider USP. First, the Company proposed to remove the reference to the 'Community Partnership for Weatherization', which is a program that was discontinued several years ago.⁵⁶³ Next, Peoples proposed to update the name of the Emergency Furnace Service Line Repair Program to maintain consistency with the USECP.

No party challenged these proposed revisions. The revisions are reasonable and in the public interest and should be approved without modification.

F. NONLIABILITY OF COMPANY/LIMITATION OF LIABILITY

Peoples proposed a revision to Rule 8 of its tariff regarding nonliability or limitation of liability. This proposed revision clarifies that a customer is responsible for their own property and to protect it from damage, regardless of the inhabited status of the property.⁵⁶⁴

OCA recommended that the proposed language be rejected.⁵⁶⁵ OCA's concern surrounded

⁵⁶¹ Peoples St. No. 10-R, pp. 10-11.

⁵⁶² Peoples Statement No. 10-R, p. 10.

⁵⁶³ Peoples Statement No. 10, p. 9.

⁵⁶⁴ Peoples Statement No. 13, p. 4.

⁵⁶⁵ OCA St. 5, p. 45.

the timing of the proposal, wherein the Company is facing more customer disputes related to property damages while “expanding the language that limits its exposure.”

The proposed tariff language represents a clarification rather than an additional limitation on liability. The first proposed revision, regarding inhabitation or vacancy of property, clarifies the fact that property-owning customers are liable for the maintenance of their own property, even if they leave that property for a period of time. OCA argues that a plain reading of the language as proposed is that property damage is the responsibility of the customer where that property damage is not due to identifiable negligence on the part of Peoples.⁵⁶⁶ However, this is precisely the point of the revisions, as it is consistent with the long-standing theory that the Company is not liable for interruptions of service, absent negligence.⁵⁶⁷ The second revision, regarding types of damage, is also a mere clarification, being proposed for the purpose of transparency and clarity where damages are concerned. The first and second proposed revisions do not substantively change the meaning of Rule 8; rather, these revisions have the effect of clarifying existing provisions consistent with existing language, theory, and treatment of the provisions. Finally, to the third revision which concerns changes made to property after equipment is installed, this language is not inconsistent with that in other utilities’ Commission-approved tariffs, and it is reasonable to include this language within the tariff that protects the Company from liability in the case of an unknown hazard or change made to property after the Company has installed its equipment.⁵⁶⁸

B. DISHONORED PAYMENTS

Peoples proposed a revision to Rule 10 of its tariff regarding dishonored payments. This revision would reserve the Company’s right to require a payment to prevent service termination or restore service if the customer has failed to demonstrate a good faith effort to make a payment

⁵⁶⁶ OCA St. 5SR, p. 8.

⁵⁶⁷ Peoples Statement No. 13-R, p. 4.

⁵⁶⁸ Peoples St. No. 13-R, pp. 4-5.

within the preceding twelve-month period.⁵⁶⁹ It would also provide Peoples with the right to remove a customer from using online payment methods if abuse of those platforms is detected.

OCA takes issue with the proposed language regarding dishonored payments, arguing that the language does not establish criteria, notice requirements, or review processes before reserving “broad discretionary authority” for the Company. OCA recommends that the proposed language be rejected or, at a minimum, the language should be revised to include “a defined threshold for triggering the restriction, advance written notice to the customer and BCS, and a process for the customer to contest the determination before the restriction takes effect.”⁵⁷⁰

OCA’s recommendations should be rejected. The proposed additions to Rule 10 protect the Company from operational burdens, increased collections costs, and prevent growing arrears.⁵⁷¹ Further, OCA avers that the language lacks a certain level of specificity, while ignoring the fact that the language is tailored to customers with a specific history of dishonored payments. Contrary to OCA’s assertions, customers are noticed when payments are returned.

Further, it is not a new practice for Peoples to disallow checks after repeated instances of returned payments, which is consistent with the Commission’s regulations at Section 56.94.⁵⁷² Indeed, with respect to returned payment history, the Company’s proposed tariff language is more limited than that in the regulations. The Rule 10 language requires a *history* of returned payments, where the regulations merely require a single returned or stopped payment to apply.⁵⁷³ Importantly, the additions proposed by the Company do not deprive customers of the ability to make payments. The additions allow the Company to exercise reasonable discretion in managing arrears and collection activities efficiently. Thus, Peoples’ proposal should be approved, and OCA’s

⁵⁶⁹ Peoples Statement No. 13, pp. 4-5.

⁵⁷⁰ OCA St. 5, p. 46.

⁵⁷¹ Peoples Statement No. 13-R, p. 5.

⁵⁷² 52 Pa. Code § 56.94.

⁵⁷³ *Id.*; Peoples Statement No. 13-R, p. 6.

recommendations should be denied.

C. OTHER TARIFF REVISIONS

Peoples proposed several other tariff revisions related to customer connection and extension of facilities, an update to the docket number and formula listed in the WNA section, and the Rate MLS right of first refusal. No party opposed these tariff revisions. The proposed tariff revisions are reasonable and in the public interest and should be approved without modification.

XVII. HOT WATER TANK REBATE PILOT PROGRAM

The Company has proposed a Hot Water Tank Rebate Pilot Program (“Pilot”) for consumers to lower their annual energy bills by switching from electric water heaters to natural gas water heaters. The Pilot is described in detail in the direct testimony of Peoples witness Ravenstahl. OCA and CAUSE-PA oppose the Pilot.

The Company proposes to implement the Pilot over a three-year period for interested customers to convert to natural gas hot water tanks beginning in January 2027.⁵⁷⁴ The pilot is designed to provide a \$1,000 rebate to eligible residential customers to encourage installation of high-efficiency natural gas hot water tank appliances and to offset the up-front cost of installation. The Company has included a \$500,000 expense in this case for the Pilot, which includes \$288,000 for marketing and outreach through direct mail, bill inserts, its website and social media.⁵⁷⁵

One of the primary goals of the Pilot is to help customers afford their monthly energy bills. The Pilot is expected to help save consumers approximately \$195 - \$375 per year by using a natural gas tank to heat water rather than an electric tank. For example, if a customer installed a 40-gallon natural gas gravity vent water heater instead of a 40-gallon electric water heater, the customer would begin saving on their electric bill almost immediately, with only a slight increase to their natural gas bill resulting in net savings. Over the course of the next year, the customer could save

⁵⁷⁴ Peoples’ St. No. 8, p. 9.

⁵⁷⁵ Peoples’ St. No. 8, pp. 12-13.

a few hundred dollars per year by lowering electric usage.⁵⁷⁶ The Pilot has the potential to produce meaningful cost savings for customers and should be approved.

XVIII. SAFETY

A. DAMAGE PREVENTION

OCA Witness Gobrecht made several recommendations with respect to the Company's damage prevention.⁵⁷⁷ As Company witness Ravenstahl explained, the Company is generally willing to accept Mr. Gobrecht's recommendations but suggests modifying the recommendations to add further clarity in certain areas. For example, Mr. Gobrecht asks the Company to assess all first and second party damages, but the Company already performs a root cause analysis on every first and second party damage. Since Mr. Gobrecht expresses concerns over three specific causes of damages, the Company proposes to tailor the recommendations to address those three causes.

The Company's recommendations are as follows:⁵⁷⁸

- 1) The Company agrees to continue performing root cause analyses of utility fault damages to determine areas of improvement;
- 2) The Company agrees that Peoples employees and contractors (as well as locator personnel) will receive additional training to address damage trends on Peoples system;
- 3) The Company agrees to create a QA/QC program to assess causes of damages related to (1) mapping errors, (2) lines not marked and (3) lines marked incorrectly to determine areas of improvements to reduce damages.

The Company also agrees to meet with I&E periodically to review its root cause analyses and the metrics related to the specific causes of damages.

B. METHANE DETECTION

In surrebuttal testimony, Mr. Gobrecht recommends that Peoples implement a pilot program of methane detectors, whether smart or simply audible, to benefit overall public safety.⁵⁷⁹

The Company understands the importance of I&E's recommendation and agrees to explore

⁵⁷⁶ Peoples St. No. 8-RJ, p. 6.

⁵⁷⁷ I&E St. No. 4, pp. 13-15.

⁵⁷⁸ Peoples St. No. 8-RJ, pp. 4-5.

⁵⁷⁹ I&E St. No. 4-SR, p. 6.

the feasibility of methane detection across its territory so long as it is afforded the flexibility and time to evaluate the feasibility of methane detection prior to any mandated deployment of a specific methane detection technology. Currently, the Company does not have the network capability to centrally monitor smart methane detection equipment as Advanced Metering Infrastructure is not deployed across Peoples' territory. As such, the Company is agreeable to begin with an assessment of audible methane detection. Specifically, the Company is willing to implement a methane detection pilot which will include but is not limited to:⁵⁸⁰ (i) the evaluation of available methane detection technology equipment such as local audible alarm, (ii) the operational impacts and requirements associated with the methane detection equipment, (iii) the legal and regulatory implications of deploying methane detection across the Peoples' service territory, (iv) customer interest in methane detection; and the remote communication capabilities of that methane detection and Peoples' systems. As part of its pilot, the Company agrees to monitor related expenses. The Company will report on the results of its pilot in its next base rate proceeding.

XIX. PURCHASE OF RECEIVABLES “POR” PROGRAM

Peoples maintains a POR program in which Natural Gas Suppliers (“suppliers” or “NGS”) can sell eligible customer commodity receivables to Peoples at a tariff-approved discount.⁵⁸¹ In exchange, Peoples assumes the responsibility of consolidated billing, collection, and the uncollectible account risk associated with the receivables. The Company has administered its POR Program in accordance with the Commission's regulations since the Program was introduced in its 2010 Rate Case at Docket No. R-2010-2201702.

In this proceeding, CAUSE-PA proposed that Peoples provide notice to suppliers participating in the POR Program, effective June 1, 2027, that it will no longer purchase receivables from those suppliers unless they provide at or below Peoples' default service price, or

⁵⁸⁰ Peoples St. 6-RJ, pp. 3-4.

⁵⁸¹ Peoples St. No. 21-R, p. 2.

Price to Compare (“PTC”).⁵⁸² CAUSE-PA argues that suppliers have little incentive to moderate the prices they charge because Peoples purchases the receivables under the POR Program, and that, overall, customers with suppliers pay significantly more than they would have if they remained on default service.⁵⁸³ CAUSE-PA also avers that shopping leads to higher gross write-offs.⁵⁸⁴ RESA opposes CAUSE-PA’s recommendation.⁵⁸⁵

Peoples recognizes the important role that POR programs have played in fostering retail competition. However, the Commission’s competitive framework was developed with the expectation that competition would provide benefits to customers.⁵⁸⁶ As explained in the rebuttal and surrebuttal testimony of Peoples witness Kolich, it is not clear that the POR program, when coupled with unrestricted supplier pricing, has actually led to a cumulative benefit for Peoples’ customers.

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 high as ten times the PTC.⁵⁸⁷ Peoples witness Kolich also presented a chart on page 4 of his surrebuttal testimony summarizing supplier prices as compared to the PTC dating back to 2023. Given this data, the Company is concerned about customers paying well above the PTC.

The Company believes that CAUSE-PA’s recommendation could help customers save money on natural gas commodity costs.⁵⁸⁸ CAUSE-PA’s recommendation would not eliminate the ability of customers to shop for suppliers, nor would it prohibit suppliers from offering products.

⁵⁸² CAUSE-PA Statement 1, pp. 83, 88-89.

⁵⁸³ CAUSE-PA Statement 1, pp. 84-85.

⁵⁸⁴ *Id.* at pp. 86-87.

⁵⁸⁵ RESA Statement No. 1-R.

⁵⁸⁶ *See Investigation into the Natural Gas Supply Market: Report on Stakeholder’s Working Group*, Docket No. I-00040103F0002 (September 11, 2008); *Pa. PUC et. al v. PPL Electric Utilities Corporation*, 2010 Pa. PUC LEXIS 2001, *95 Docket No. R-2010-2161694 et. al (Order Entered December 21, 2010). *See also* 52 Pa. Code § 62.221.

⁵⁸⁷ Peoples Statement No. 21-R, pp. 4-5.

⁵⁸⁸ *Id.* at pp. 4-5.

The recommendation would merely place a condition on participation in an optional program, which if far removed from RESA's position that the recommendation would constitute "price regulation by another name."⁵⁸⁹

Peoples acknowledges RESA's concerns surrounding the efforts and costs associated with implementing CAUSE-PA's recommendation. However, because the POR Program is optional as set forth in the Commission's regulations,⁵⁹⁰ the Company does already have the capability for suppliers to operate both POR and non-POR pools, and therefore implementation costs and difficulties would likely be minimal.⁵⁹¹ If the Commission adopts CAUSE-PA's proposal, there would need to be clear rules for suppliers to guide entry and exit from the POR Program, as well as adequate customer notification.

Maintaining adequate protections for customers who choose an alternate supplier is an important issue that CAUSE-PA has brought to the forefront for consideration in this proceeding. Overall, the Company supports a balanced approach between promoting competition and protecting customers. Concerns regarding the impact of supplier pricing is not necessarily limited to only suppliers in Peoples' service territory. Thus, the retail market reforms such as the one suggested by CAUSE-PA in this case could be appropriate for a separate rulemaking or policy proceeding where all interested stakeholders can participate.

XX. LOCAL PRODUCTION – GATHERING AND COST RECOVERY ISSUES

A. RATE SCHEDULE APPALACHIAN GATHERING SERVICE ("RATE AGS")

As part of its filing, Peoples proposed to increase the fee that it charges to producers for gathering system costs through the existing Rate AGS for all conventional gas production

⁵⁸⁹ RESA Statement No. 1-SR, pp. 5-6.

⁵⁹⁰ 52 Pa. Code § 62.224.

⁵⁹¹ Peoples Statement No. 21-R, p. 5.

delivered to Peoples' system from \$0.24/Mcf to \$0.29/Mcf.⁵⁹² Gathering systems move conventionally produced gas from the producer to the distributor. They benefit both producers and customers by functioning as what is often the sole means of delivery of gas for a producer and result in cost savings to customers. The proposed rate increase for Rate AGS represents a reasonable shared contribution to cover increased operating and maintenance costs, as well as increased capital to upgrade gathering lines.⁵⁹³

PIOGA opposes Peoples' proposed increase to Rate AGS as unreasonable and unsupported.⁵⁹⁴ PIOGA states that producers are already experiencing a low-price environment and declining production, and therefore an increase to Rate AGS would burden producers.

The Commission should reject PIOGA's arguments and approve Peoples' proposed increase to Rate AGS. The increase of Rate AGS to \$0.29/Mcf would result in the collection of only approximately 25.7% of the gathering system cost of service from conventional producers.⁵⁹⁵ In comparison, the rates proposed in the Company's 2023 Base Rate Case were designed to recover approximately 28.4% of the gathering system cost of service.⁵⁹⁶

PIOGA argues that Peoples has not shown a producer-specific reason for the rate increase, but failed to acknowledge that conventional producers, under the new Rate AGS, will be paying for only approximately ¼ of the system they utilize. Under PIOGA's strict cost-causation logic, the new Rate AGS should be almost four times higher than proposed. Further, the absence of a producer specific study does not make the proposed rate unreasonable. Gathering system costs are incurred to maintain facilities that are used in local production, and those costs are embedded in the continued operation of the gathering system.

⁵⁹² Peoples Statement No. 5, p. 19.

⁵⁹³ *Id.*

⁵⁹⁴ PIOGA St. No. 1, pp. 5, 8; PIOGA St. No. 2, p. 3; PIOGA St. No. 3, p. 5.

⁵⁹⁵ Peoples Statement No. 5-R, p. 3.

⁵⁹⁶ *Id.*

It is reasonable for both producers and customers to share the costs of the gathering system, because it operates to the benefit of both producers and customers by providing a path to market to producers who may not otherwise have had the same, and as a lower cost alternative to interstate-delivered gas for customers. PIOGA argues against Peoples’ selected methodology, but it fails to recognize that Peoples selected the methodology for calculating the rate which would *have the lowest impact on producers*.⁵⁹⁷

In determining Rate AGS, the Company evaluated the existing rate, the overall cost recover level, the practical limit on producer recovery given low market prices, and the need for both producers and customers to share costs. Peoples’ proposed increase to Rate AGS represents a reasonable and measured approach which maintains a shared contribution to the costs of the gathering system and should be approved.

B. OPERATIONAL CONCERNS

PIOGA expresses several operational concerns, the first of which is related to the language of Rate AGS and the Master Interconnect and Measurement Agreements (“MIMA”) executed by conventional producers. Specifically, PIOGA argues that the Rate AGS language “materially limits the value of the service from the producer’s perspective because practical access to the system can be limited by line pressure and operational decisions.”⁵⁹⁸ Further, it indicates concern with line pressure and regulator set points, wherein a producer’s gas may not flow if the line pressure is above a producer’s set point. PIOGA also avers that Peoples’ policies and MIMA terms are reducing the conventional gas flowing into Peoples’ system.” PIOGA recommends that the Commission require Peoples to use “reasonable efforts” to work with producers before operational changes result in lost flow or shut-in. PIOGA also recommends that the Commission consider the proposed Rate AGS increase and MIMA together, because the value of Rate AGS is controlled by

⁵⁹⁷ *Id.*

⁵⁹⁸ PIOGA St. No. 1, p. 7.

the tariff language and MIMA.⁵⁹⁹

PIOGA's arguments lack important context, and its recommendations should be denied. First, it is imperative to note that the language of Rate AGS reflects Peoples' obligation to maintain safe and reliable service, and that modifications which would accommodate one conventional producer but may impair customer service, system integrity, or safety would violate that obligation. Peoples could not reasonably guarantee delivery for every individual producer under every operating condition. Next, where operationally feasible and where it would preserve the reliability and safety of the system, Peoples is willing to and does make reasonable efforts to acknowledge and accommodate operational concerns of producers, as testified to by PIOGA Witness Kriebel.⁶⁰⁰ Further, Peoples' maintains that its MIMA terms are not overly prescriptive, but are in place to allow Peoples to actively manage all assets, and to ensure that those assets are prudently and operationally justified. A failure to do so could result in outages or pipeline incidents and, importantly, the customer benefits associated with local gathering do not eliminate the operational responsibilities associated with that gathering. Finally, Rate AGS and the MIMA should not be considered together. The tariff reflects Peoples' obligation to operate and provide safe and reliable service, and to recover the cost of the gathering system, while the MIMA governs the requirements for delivering gas into the system.⁶⁰¹ The Commission should not conflate these operational requirements with the establishment of a reasonable Rate AGS to recover costs associated with the system itself.⁶⁰²

XXI. COMPETITIVE RATE DISCOUNTS

I&E witness Cline recommends that Peoples be required to provide a competitive alternative analysis for each of its discount rate customers that have not had their competitive

⁵⁹⁹ PIOGA St. No. 2, p. 7.

⁶⁰⁰ PIOGA St. No. 3, pp. 3-4.

⁶⁰¹ Peoples Statement No. 5-R, p. 12.

⁶⁰² *Id.*

alternatives verified for more than ten years at the time of the Company's next rate case and with each rate case moving forward.⁶⁰³ Given that negotiated customers have already entered into legally binding agreements, a more appropriate solution would be to consider Mr. Cline's recommendation prospectively. As Peoples witness Ravenstahl explained, prior to entering into a negotiated rate agreement, the Company requires proof of the competitive alternative and conducts a cost analysis to ensure that the rate is justified. Peoples is also limiting any new contracts to term of ten years and verifying competitive alternatives prior to entering into a new contract. As a result, Peoples has reduced its number of negotiated contracts from 17 to 11.⁶⁰⁴

XXII. MISCELLANEOUS/OTHER ISSUES

A. MERGER OF PNG GATHERING INTO PEOPLES

As discussed in the direct testimony of Mr. Wachter, as a result of the merger of PNG Gathering into Peoples approved at Docket No. A-2025-3056882, \$1.9 million of net plant remaining on the books of PNG Gathering is included in rate base and PNG Gathering-related revenue and expenses are included in this case.⁶⁰⁵ No party challenged the inclusion of these items, and they should be approved.

B. FPFTY REPORTING

I&E witness Cline recommends that Peoples be required to provide an update that includes actual utility plant balances, actual plant additions, and actual retirements for the twelve months ending November 30, 2026 by June 1, 2027, and for the twelve months ending November 30, 2027, by June 1, 2028. Peoples agreed to I&E's request and indicated that it would submit a report comparable to Peoples Exhibit CAS-4R, which was submitted pursuant to the Company's settlement commitments in its last rate case. Peoples Exhibit CAS-4R shows that the Company

⁶⁰³ I&E St. No. 3, p. 6.

⁶⁰⁴ Peoples St. No. 8-R, p. 4.

⁶⁰⁵ Peoples St. No. 2, pp. 3-4.

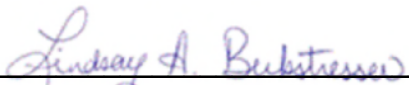
exceeded its plant additions for the FPFTY in its last case.

XXIII. CONCLUSION

For all of the foregoing reasons, Peoples Natural Gas Company LLC respectfully requests that Administrative Law Judge Charece Z. Collins and the Pennsylvania Public Utility Commission approve the rate increase and other proposals set forth in Original Tariff Gas – Pa PUC No. 49 and Original Tariff Gas – Pa PUC No. S-5.

Respectfully submitted,

Meagan Moore (ID # 317975)
PNG Companies LLC
375 North Shore Drive
Pittsburgh, PA 15212
Phone: 412-208-6527
Email: meagan.moore@peoples-gas.com


Lindsay A. Berkstresser, I.D. No. 318370
Anthony D. Kanagy, I.D. No. 85522
Michael W. Gang, I.D. No. 25670
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, Pennsylvania 17101-1601
Phone: 717-612-6034
Fax: 717-731-1985
E-mail: akanagy@postschell.com
mgang@postschell.com
lberkstresser@postschell.com

Hayley E. Wilburn (ID # 336055)
Post & Schell, P.C.
301 Grant Street, Suite 3010
Pittsburgh, PA 15219
Phone: 412-506-6362
E-mail: hwilburn@postschell.com

Dated: August 26, 2026

*Counsel for Peoples Natural Gas Company
LLC.*

APPENDIX A

TABLE I
Company Name
INCOME SUMMARY
R-2026-3060855

	Pro Forma Present Rates \$ (1)	Company Adjustments \$ (2)	Pro Forma Present Rates \$ (3) = (1) + (2)	ALJ Adjustments \$ (4)	ALJ Pro Forma Present Rates \$ (5) = (3) + (4)	ALJ Revenue Increase \$ (6)	Total Allowable Revenues \$ (7) = (5) + (6)
Operating Revenue	1,184,614,065	206,179	1,184,820,244	0	1,184,820,244	163,956,398	1,348,776,642
Expenses:							
O & M Expense	725,264,536	953,013	726,217,549	0	726,217,549	3,159,546	729,377,095
Depreciation	181,181,596	0	181,181,596	0	181,181,596	0	181,181,596
Taxes, Other	13,759,055	0	13,759,055	0	13,759,055	0	13,759,055
Income Taxes:							
State	0	0	0	0	0	0	0
Federal	(80,556,297)	(156,835)	(80,713,132)	0	(80,713,132)	33,767,339	(46,945,793)
Total Expenses	839,648,890	796,178	840,445,068	0	840,445,068	36,926,885	877,371,953
Net Inc. Available for Return	344,965,175	(589,998)	344,375,176	0	344,375,176	127,029,514	471,404,690
Rate Base	5,760,803,876	0	5,760,803,876	0	5,760,803,876		5,728,767,833
Rate of Return	5.99%		5.98%				8.23%

(1) As filed
(2) Rebuttal
(3) Company Main Brief

TABLE I(A)
Company Name
RATE OF RETURN
R-2026-3060855

	Structure (1)	Cost (2)	After-Tax Weighted Cost [(3) = (1) x (2)]	Effective Tax Rate Complement (4)	Pre-Tax Weighted Cost Rate [(5) = (3) x (4)]
Total Cost of Debt			2.10%		
Long-term Debt	45.53%	4.61%	2.10%		2.10%
Short-term Debt	0.00%	0.00%	0.00%		
Preferred Stock	0.00%	0.00%	0.00%	0.790000	0.00%
Common Equity	54.47%	11.25%	6.13%	0.790000	7.76%
	<u>100.00%</u>		<u>8.23%</u>		<u>9.86%</u>
Pre-Tax Interest Coverage	4.69				
After-Tax Interest Coverage	3.92				

TABLE I(B)
Company Name
REVENUE FACTOR
R-2026-3060855

100%	<u>1.00000000</u>
Less:	
Uncollectible Accounts Factor (*)	0.01927065
PUC, OCA, OSBA Assessment Factors (*)	0.00000000
Gross Receipts Tax	0.00000000
Other Tax Factors	<u>0.00000000</u>
	0.98072935
State Income Tax Rate (*)	<u>0.00000000</u>
Effective State Income Tax Rate	<u>0.00000000</u>
Factor After Local and State Taxes	0.98072935
Federal Income Tax Rate (*)	<u>0.21000000</u>
Effective Federal Income Tax Rate	<u>0.20595316</u>
Revenue Factor (100% - Effective Tax Rates)	<u><u>0.77477619</u></u>

(*) Company Main Brief

Adjustments (1)	Exhibit Reference	Rate Base (2) \$	Revenues (3) \$	Expenses (4) \$	Depreciation (5) \$	Taxes-Other (6) \$	State Income Tax (7) \$	Federal Income Tax (8) \$
RATE BASE: CWC: Int. & Div. (Table IV) Taxes (Table V) O & M (Table VI)	Exhibit 8 Exhibit No. AR-1R	(IV!B38) (V!P34) (VI!B42)						
REVENUES:	Exhibit 3		0				0	0
EXPENSES:	Exhibit 4			0 0 0 0 0 0 0 0 0 0 0 0 0 0			0 0 0 0 0 0 0 0 0 0 0 0 0	0 0 0 0 0 0 0 0 0 0 0 0 0
TAXES:	Exhibit 7							
Interest Synchronization (Table III)							0	0
TOTALS		0	0	0	0	0	0	0

TABLE III
Company Name
INTEREST SYNCHRONIZATION
R-2026-3060855

(1)	Amount \$ (2)
Company Rate Base Claim	5,760,803,876
ALJ Rate Base Adjustments (Table II)	<u>0</u>
ALJ Rate Base (Line 1 - Line 2)	5,760,803,876
Weighted Cost of Debt (Table IA)	<u>2.10065995%</u>
ALJ Interest Expense (Line 3 x Line 4)	121,014,900
Company Claim ⁽¹⁾	<u>121,014,900</u>
Total ALJ Adjustment (Line 6 - Line 5)	0
Company Adjustment ⁽¹⁾	<u></u>
Net ALJ Interest Adjustment (Line 7 - Line 8)	0
State Income Tax Rate (Table IB)	<u>0.00%</u>
State Income Tax Adjustment (Line 9 x Line 10) (Flow to Table II)	<u>0</u>
Net ALJ Interest Adjustment (Line 9)	0
State Income Tax Adjustment (Line 11)	<u>0</u>
Net ALJ Adjustment for F.I.T. (Line 12 - Line 13)	0
Federal Income Tax Rate	<u>21.00%</u>
Federal Income Tax Adjustment (Line 14 x Line 15)	<u><u>0</u></u>

⁽¹⁾ Company Main Brief

TABLE IV
Company Name
CASH WORKING CAPITAL - Interest and Dividends
R-2026-3060855

Accrued Interest			Preferred Stock Dividends		
	(1)	Long-Term Debt (2)	Short-Term Debt (3)	(4)	(5)
1. Company Rate Base Claim		\$5,760,803,876	\$5,760,803,876	Company Rate Base Claim	\$5,760,803,876
2. ALJ Rate Base Adjustments		<u>\$0</u>	<u>\$0</u>	ALJ Rate Base Adjustments	<u>\$0</u>
3. ALJ Rate Base		\$5,760,803,876	\$5,760,803,876	ALJ Rate Base	\$5,760,803,876
4. Weighted Cost of Debt		<u>2.10065995%</u>	<u>0.00%</u>	Weighted Cost Pref. Stock	<u>0.00000000%</u>
5. ALJ Annual Interest Exp.		<u>\$121,014,900</u>	<u>\$0</u>	ALJ Preferred Dividends	<u>\$0</u>
6. Average Revenue Lag Days		58.9	58.9	Average Revenue Lag Days	58.9
7. Average Expense Lag Days		<u>57.9</u>	<u>0.0</u>	Average Expense Lag Days	<u>0.0</u>
8. Net Lag Days		<u>1.0</u>	<u>58.9</u>	Net Lag Days	<u>58.9</u>
9. Working Capital Adjustment					
10. ALJ Daily Interest Exp.		\$331,548	\$0	ALJ Daily Dividends	\$0
11. Net Lag Days		<u>1.0</u>	<u>58.9</u>	Net Lag Days	<u>58.9</u>
12. ALJ Working Capital		\$332,667	\$0		\$0
13. Company Claim (1)		<u>\$332,667</u>	<u>\$0</u>	Company Claim (1)	<u>\$0</u>
14. ALJ Adjustment		<u>(\$0)</u>	<u>\$0</u>		<u>\$0</u>
15. Total Interest & Dividend Adj.		<u>(\$0)</u>			

(1) Company Main Brief.

TABLE V
Company Name
CASH WORKING CAPITAL -TAXES
R-2026-3060855

Description (1)	Company Proforma Tax Expense Present Rates (2)	ALJ Adjustments (3)	ALJ Pro forma Tax Expense Present Rates (4)	ALJ Allowance (5)	ALJ Adjusted Taxes at Present Rates (6)	Daily Expense (7)	Net Lead/ Lag Days (8)	Accrued Tax Adjustment (9)
PUC Assessment	\$3,858,847	\$0	\$3,858,847	\$0	\$3,858,847	\$10,572.18	-10.00	(\$105,716)
Public Utility Realty	\$0	\$0	\$0		\$0	\$0.00	-10.00	\$0
Capital Stock Tax	\$0	\$0	\$0		\$0	\$0.00	-10.00	\$0
Property Tax	\$1,523,452	\$0	\$1,523,452		\$1,523,452	\$4,173.84	-10.00	(\$41,736)
Payroll Tax	\$5,951,013	\$0	\$5,951,013		\$5,951,013	\$16,304.14	-10.00	(\$163,032)
Other	\$2,425,743	\$0	\$2,425,743		\$2,425,743	\$6,645.87	-10.00	(\$66,455)
	\$0	\$0	\$0		\$0	\$0.00	0.00	\$0
	\$0	\$0	\$0		\$0	\$0.00	0.00	\$0
	\$0	\$0	\$0		\$0	\$0.00	0.00	\$0
	\$0	\$0	\$0		\$0	\$0.00	0.00	\$0
	\$0	\$0	\$0		\$0	\$0.00	0.00	\$0
State Income Tax (2)	\$175,807	\$0	\$175,807	\$0	\$175,807	\$481.66	0.00	\$0
Federal Income Tax (2)	(\$80,888,938)	\$0	(\$80,888,938)	\$33,767,339	(\$47,121,599)	(\$129,100.27)	0.00	\$0
	<u>(\$66,954,077)</u>	<u>\$0</u>	<u>(\$66,954,077)</u>	<u>\$33,767,339</u>	<u>(\$33,186,738)</u>			
ALJ Allowance								(376,939)
Company Claim (1)								<u>(376,940)</u>
ALJ Adjustment								<u>0</u>

(1) Company Main Brief

(2) No claim is being made for Cash Working Capital on income taxes

TABLE VI
Company Name
CASH WORKING CAPITAL -- O & M EXPENSE
R-2026-3060855

Description (1)	Company Pro forma F.T.Y. Expense (2)	ALJ (3)	ALJ Pro forma Expenses (4)	Lag Days (5)	Lag Dollars (6)
Service Company	\$0	\$0	\$0	0.00	\$0
Chemicals	\$0	\$0	\$0	0.00	\$0
Group Insurance	\$0	\$0	\$0	0.00	\$0
Insurance, Other	\$0	\$0	\$0	0.00	\$0
Labor	\$74,274,937	\$0	\$74,274,937	15.66	\$1,163,372,280
Leased Equip./Rent	\$0	\$0	\$0	0.00	\$0
Leased Vehicles	\$0	\$0	\$0	0.00	\$0
Miscellaneous (2)	\$126,635,365	\$0	\$126,635,365	42.87	\$5,428,311,301
Natural Gas	\$505,919,390	\$0	\$505,919,390	33.52	\$16,956,602,807
Power	\$0	\$0	\$0	0.00	\$0
Purchased Water	\$0	\$0	\$0	0.00	\$0
Telephone	\$0	\$0	\$0	0.00	\$0
Waste Disposal	\$0	\$0	\$0	0.00	\$0
Post Retirement Benefits	\$0	\$0	\$0	0.00	\$0
Pensions (3)	\$19,387,857	\$0	\$19,387,857	-3.68	(\$71,347,314)
	<u>\$726,217,549</u>	<u>\$0</u>	<u>\$726,217,549</u>	<u>32.33</u>	<u>\$23,476,939,074</u>
ALJ Average Revenue Lag	58.9				
Less: ALJ Avg. Expense Lag	<u>32.3</u>				
Net Difference	26.6	Days			
ALJ Pro forma O & M Expense per Day	<u>\$1,989,637</u>				
ALJ CWC for O & M	\$52,919,111				
Less: Company Claim (1)	<u>\$52,919,111</u>				
ALJ Adjustment	<u>\$0</u>				

(1) Company Main Brief

(2) Includes Pension

(3) Represents Employee Benefits

APPENDIX B

Peoples Natural Gas Company LLC
Annual Bill Comparison
Appendix B - Bill Impacts

RESIDENTIAL SERVICE

PEOPLES NATURAL GAS	RETAIL						TRANSPORT							
	PRESENT RATES			PROPOSED RATES			PRESENT RATES			PROPOSED RATES				
	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount		
Monthly Service Charge	\$ 16.80	12	\$ 201.60	\$ 26.00	12	\$ 312.00	Monthly Service Charge	\$ 16.80	12	\$ 201.60	\$ 26.00	12	\$ 312.00	
Rider DSIC	\$ 0.8400	12	\$ 10.08	\$ -	12	\$ -	Rider DSIC	\$ 0.8400	12	\$ 10.08	\$ -	12	\$ -	
Rider TRS	\$ (0.1033)	12	\$ (1.24)	\$ (0.1033)	12	\$ (1.24)	Rider TRS	\$ (0.1033)	12	\$ (1.24)	\$ (0.1033)	12	\$ (1.24)	
Rider Supplier Choice	\$ 0.0036	12	\$ 0.04	\$ 0.0036	12	\$ 0.04	Rider Supplier Choice	\$ 0.0036	12	\$ 0.04	\$ 0.0036	12	\$ 0.04	
Base Cost of Gas	\$ 7.7219	86	\$ 664.08	\$ 7.7219	86	\$ 664.08	Base Cost of Gas	\$ 1.8641	86	\$ 160.31	\$ 1.8641	86	\$ 160.31	
Delivery Rate	\$ 5.3537	86	\$ 460.42	\$ 6.6359	86	\$ 570.69	Delivery Rate	\$ 5.3537	86	\$ 460.42	\$ 6.6359	86	\$ 570.69	
Rider STAS	\$ 0.0037	86	\$ 0.32	\$ -	86	\$ -	Rider STAS	\$ 0.0037	86	\$ 0.32	\$ -	86	\$ -	
Rider MFC	\$ 0.1699	86	\$ 14.61	\$ 0.1490	86	\$ 12.82	Rider MFC	\$ 0.0410	86	\$ 3.53	\$ 0.0360	86	\$ 3.10	
Rider USR	\$ -	86	\$ -	\$ 0.0054	86	\$ 0.46	Rider USR	\$ -	86	\$ -	\$ 0.0054	86	\$ 0.46	
Rider GPC	\$ 0.0865	86	\$ 7.44	\$ 0.0984	86	\$ 8.46	Rider GPC	\$ -	86	\$ -	\$ -	86	\$ -	
Rider DSIC	\$ 0.3353	86	\$ 28.83	\$ -	86	\$ -	Rider DSIC	\$ 0.3245	86	\$ 27.91	\$ -	86	\$ -	
Rider TRS	\$ (0.0329)	86	\$ (2.83)	\$ (0.0329)	86	\$ (2.83)	Rider TRS	\$ (0.0329)	86	\$ (2.83)	\$ (0.0329)	86	\$ (2.83)	
Total Rate per Mcf	\$ 13.6381			\$ 14.5777			Total Rate per Mcf	\$ 7.5541			\$ 8.5085			
TOTAL AVERAGE ANNUAL BILL			\$ 1,383.36			\$ 1,564.49	TOTAL AVERAGE ANNUAL BILL			\$ 860.14			\$ 1,042.53	
AVERAGE MONTHLY BILL			\$ 115.28			\$ 130.37	AVERAGE MONTHLY BILL			\$ 71.68			\$ 86.88	
						CHANGE IN ANNUAL BILL							CHANGE IN ANNUAL BILL	\$ 181.13
						CHANGE IN MONTHLY BILL							CHANGE IN MONTHLY BILL	\$ 15.09
						PERCENTAGE CHANGE IN BILL							PERCENTAGE CHANGE IN BILL	13.1%

SMALL GENERAL SERVICE: 0-499 Mcf

PEOPLES NATURAL GAS	RETAIL						TRANSPORT							
	PRESENT RATES			PROPOSED RATES			PRESENT RATES			PROPOSED RATES				
	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount		
Monthly Service Charge	\$ 22.00	12	\$ 264.00	\$ 32.14	12	\$ 385.68	Monthly Service Charge	\$ 22.00	12	\$ 264.00	\$ 32.14	12	\$ 385.68	
Rider DSIC	\$ 1.1000	12	\$ 13.20	\$ -	12	\$ -	Rider DSIC	\$ 1.1000	12	\$ 13.20	\$ -	12	\$ -	
Rider TRS	\$ (0.1352)	12	\$ (1.62)	\$ (0.1352)	12	\$ (1.62)	Rider TRS	\$ (0.1352)	12	\$ (1.62)	\$ (0.1352)	12	\$ (1.62)	
Rider Supplier Choice	\$ 0.0036	12	\$ 0.04	\$ 0.0036	12	\$ 0.04	Rider Supplier Choice	\$ 0.0036	12	\$ 0.04	\$ 0.0036	12	\$ 0.04	
Base Cost of Gas	\$ 7.7219	250	\$ 1,930.47	\$ 7.7219	250	\$ 1,930.47	Base Cost of Gas	\$ 0.8300	250	\$ 207.50	\$ 0.8300	250	\$ 207.50	
Delivery Rate	\$ 3.9844	250	\$ 996.10	\$ 5.7095	250	\$ 1,427.38	Delivery Rate	\$ 3.9844	250	\$ 996.10	\$ 5.7095	250	\$ 1,427.38	
Rider STAS	\$ 0.0028	250	\$ 0.70	\$ -	250	\$ -	Rider STAS	\$ 0.0028	250	\$ 0.70	\$ -	250	\$ -	
Rider MFC	\$ 0.0256	250	\$ 6.40	\$ 0.0327	250	\$ 8.17	Rider MFC	\$ -	250	\$ -	\$ -	250	\$ -	
Rider GPC	\$ 0.0865	250	\$ 21.63	\$ 0.0984	250	\$ 24.60	Rider GPC	\$ -	250	\$ -	\$ -	250	\$ -	
Rider DSIC	\$ 0.2048	250	\$ 51.21	\$ -	250	\$ -	Rider DSIC	\$ 0.1992	250	\$ 49.81	\$ -	250	\$ -	
Rider TRS	\$ (0.0245)	250	\$ (6.12)	\$ (0.0245)	250	\$ (6.12)	Rider TRS	\$ (0.0245)	250	\$ (6.12)	\$ (0.0245)	250	\$ (6.12)	
Total Rate per Mcf	\$ 12.0015			\$ 13.5380			Total Rate per Mcf	\$ 4.9919		\$ 6.5150				
TOTAL AVERAGE ANNUAL BILL			\$ 3,276.00			\$ 3,768.60	TOTAL AVERAGE ANNUAL BILL			\$ 1,523.60			\$ 2,012.85	
AVERAGE MONTHLY BILL			\$ 273.00			\$ 314.05	AVERAGE MONTHLY BILL			\$ 126.97			\$ 167.74	
						CHANGE IN ANNUAL BILL							CHANGE IN ANNUAL BILL	\$ 489.25
						CHANGE IN MONTHLY BILL							CHANGE IN MONTHLY BILL	\$ 40.77
						PERCENTAGE CHANGE IN BILL							PERCENTAGE CHANGE IN BILL	32.1%

SMALL GENERAL SERVICE: 500 - 999 Mcf

PEOPLES NATURAL GAS	RETAIL						TRANSPORT							
	PRESENT RATES			PROPOSED RATES			PRESENT RATES			PROPOSED RATES				
	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount		
Monthly Service Charge	\$ 44.00	12	\$ 528.00	\$ 64.28	12	\$ 771.36	Monthly Service Charge	\$ 44.00	12	\$ 528.00	\$ 64.28	12	\$ 771.36	
Rider DSIC	\$ 2.2000	12	\$ 26.40	\$ -	12	\$ -	Rider DSIC	\$ 2.2000	12	\$ 26.40	\$ -	12	\$ -	
Rider TRS	\$ (0.2704)	12	\$ (3.25)	\$ (0.2704)	12	\$ (3.25)	Rider TRS	\$ (0.2704)	12	\$ (3.25)	\$ (0.2704)	12	\$ (3.25)	
Rider Supplier Choice	\$ 0.0036	12	\$ 0.04	\$ 0.0036	12	\$ 0.04	Rider Supplier Choice	\$ 0.0036	12	\$ 0.04	\$ 0.0036	12	\$ 0.04	
Base Cost of Gas	\$ 7.7219	750	\$ 5,791.42	\$ 7.7219	750	\$ 5,791.42	Base Cost of Gas	\$ 0.8300	750	\$ 622.50	\$ 0.8300	750	\$ 622.50	
Delivery Rate	\$ 3.9844	750	\$ 2,988.30	\$ 5.7095	750	\$ 4,282.13	Delivery Rate	\$ 3.9844	750	\$ 2,988.30	\$ 5.7095	750	\$ 4,282.13	
Rider STAS	\$ 0.0028	750	\$ 2.10	\$ -	750	\$ -	Rider STAS	\$ 0.0028	750	\$ 2.10	\$ -	750	\$ -	
Rider MFC	\$ 0.0256	750	\$ 19.20	\$ 0.0327	750	\$ 24.52	Rider MFC	\$ -	750	\$ -	\$ -	750	\$ -	
Rider GPC	\$ 0.0865	750	\$ 64.88	\$ 0.0984	750	\$ 73.80	Rider GPC	\$ -	750	\$ -	\$ -	750	\$ -	
Rider DSIC	\$ 0.2048	750	\$ 153.62	\$ -	750	\$ -	Rider DSIC	\$ 0.1992	750	\$ 149.42	\$ -	750	\$ -	
Rider TRS	\$ (0.0245)	750	\$ (18.37)	\$ (0.0245)	750	\$ (18.37)	Rider TRS	\$ (0.0245)	750	\$ (18.37)	\$ (0.0245)	750	\$ (18.37)	
Total Rate per Mcf	\$ 12.0015			\$ 13.5380			Total Rate per Mcf	\$ 4.9919			\$ 6.5150			
TOTAL AVERAGE ANNUAL BILL			\$ 9,552.34			\$ 10,921.65	TOTAL AVERAGE ANNUAL BILL			\$ 4,295.15			\$ 5,654.42	
AVERAGE MONTHLY BILL			\$ 796.03			\$ 910.14	AVERAGE MONTHLY BILL			\$ 357.93			\$ 471.20	
						CHANGE IN ANNUAL BILL							CHANGE IN ANNUAL BILL	\$ 1,359.27
						CHANGE IN MONTHLY BILL							CHANGE IN MONTHLY BILL	\$ 113.27
						PERCENTAGE CHANGE IN BILL							PERCENTAGE CHANGE IN BILL	31.6%

MEDIUM GENERAL SERVICE: 1,000 - 2,499 Mcf

PEOPLES NATURAL GAS	RETAIL						TRANSPORT							
	PRESENT RATES			PROPOSED RATES			PRESENT RATES			PROPOSED RATES				
	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount		
Monthly Service Charge	\$ 101.00	12	\$ 1,212.00	\$ 110.00	12	\$ 1,320.00	Monthly Service Charge	\$ 101.00	12	\$ 1,212.00	\$ 110.00	12	\$ 1,320.00	
Rider DSIC	\$ 5.0500	12	\$ 60.60	\$ -	12	\$ -	Rider DSIC	\$ 5.0500	12	\$ 60.60	\$ -	12	\$ -	
Rider TRS	\$ (0.6207)	12	\$ (7.45)	\$ (0.6207)	12	\$ (7.45)	Rider TRS	\$ (0.6207)	12	\$ (7.45)	\$ (0.6207)	12	\$ (7.45)	
Base Cost of Gas	\$ 7.7219	1,750	\$ 13,513.31	\$ 7.7219	1,750	\$ 13,513.31	Base Cost of Gas	\$ 0.8300	1,750	\$ 1,452.50	\$ 0.8300	1,750	\$ 1,452.50	
Delivery Rate	\$ 3.6941	1,750	\$ 6,464.68	\$ 5.2072	1,750	\$ 9,112.60	Delivery Rate	\$ 3.6941	1,750	\$ 6,464.68	\$ 5.2072	1,750	\$ 9,112.60	
Rider STAS	\$ 0.0026	1,750	\$ 4.53	-	1,750	\$ -	Rider STAS	\$ 0.0026	1,750	\$ 4.53	-	1,750	\$ -	
Rider MFC	\$ 0.0256	1,750	\$ 44.80	\$ 0.0327	1,750	\$ 57.20	Rider MFC	\$ -	1,750	\$ -	-	1,750	\$ -	
Rider GPC	\$ 0.0865	1,750	\$ 151.38	\$ 0.0984	1,750	\$ 172.20	Rider GPC	\$ -	1,750	\$ -	-	1,750	\$ -	
Rider DSIC	\$ 0.1903	1,750	\$ 333.04	-	1,750	\$ -	Rider DSIC	\$ 0.1847	1,750	\$ 323.23	\$ -	1,750	\$ -	
Rider TRS	\$ (0.0227)	1,750	\$ (39.73)	\$ (0.0227)	1,750	\$ (39.73)	Rider TRS	\$ (0.0227)	1,750	\$ (39.73)	\$ (0.0227)	1,750	\$ (39.73)	
Total Rate per Mcf	\$ 11.6983			\$ 13.0375			Total Rate per Mcf	\$ 4.6887			\$ 6.0145			
TOTAL AVERAGE ANNUAL BILL			\$ 21,737.14			\$ 24,128.13	TOTAL AVERAGE ANNUAL BILL			\$ 9,470.35			\$ 11,837.92	
AVERAGE MONTHLY BILL			\$ 1,811.43			\$ 2,010.68	AVERAGE MONTHLY BILL			\$ 789.20			\$ 986.49	
						CHANGE IN ANNUAL BILL							CHANGE IN ANNUAL BILL	\$ 2,367.57
						CHANGE IN MONTHLY BILL							CHANGE IN MONTHLY BILL	\$ 197.30
						PERCENTAGE CHANGE IN BILL							PERCENTAGE CHANGE IN BILL	25.0%

Peoples Natural Gas Company LLC
Annual Bill Comparison
Appendix B - Bill Impacts

MEDIUM GENERAL SERVICE: 2,500 - 24,999 Mcf

PEOPLES NATURAL GAS	RETAIL					
	PRESENT RATES			PROPOSED RATES		
	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount
Monthly Service Charge	\$ 145.00	12	\$ 1,740.00	\$ 158.00	12	\$ 1,896.00
Rider DSIC	\$ 7.2500	12	\$ 87.00	\$ -	12	\$ -
Rider TRS	\$ (0.8912)	12	\$ (10.69)	\$ (0.8912)	12	\$ (10.69)
Base Cost of Gas	\$ 7.7219	13,750	\$ 106,175.98	\$ 7.7219	13,750	\$ 106,175.98
Delivery Rate	\$ 3.6941	13,750	\$ 50,793.88	\$ 5.2072	13,750	\$ 71,599.00
Rider STAS	\$ 0.0026	13,750	\$ 35.56	\$ -	13,750	\$ -
Rider MFC	\$ 0.0256	13,750	\$ 352.00	\$ 0.0327	13,750	\$ 449.44
Rider GPC	\$ 0.0865	13,750	\$ 1,189.38	\$ 0.0984	13,750	\$ 1,353.00
Rider DSIC	\$ 0.1903	13,750	\$ 2,616.76	\$ -	13,750	\$ -
Rider TRS	\$ (0.0227)	13,750	\$ (312.18)	\$ (0.0227)	13,750	\$ (312.18)
Total Rate per Mcf	\$ 11.6983			\$ 13.0375		
TOTAL AVERAGE ANNUAL BILL	\$ 162,667.67			\$ 181,150.55		
AVERAGE MONTHLY BILL	\$ 13,555.64			\$ 15,095.88		
				CHANGE IN ANNUAL BILL		
				\$ 18,482.87		
				CHANGE IN MONTHLY BILL		
				\$ 1,540.24		
				PERCENTAGE CHANGE IN BILL		
				11.4%		

LARGE GENERAL SERVICE: 25,000 - 49,999 Mcf

PEOPLES NATURAL GAS	RETAIL					
	PRESENT RATES			PROPOSED RATES		
	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount
Monthly Service Charge	\$ 940.00	12	\$ 11,280.00	\$ 987.00	12	\$ 11,844.00
Rider DSIC	\$ 47.0000	12	\$ 564.00	\$ -	12	\$ -
Rider TRS	\$ (5.7772)	12	\$ (69.33)	\$ (5.7772)	12	\$ (69.33)
Base Cost of Gas	\$ 7.7219	37,500	\$ 289,570.84	\$ 7.7219	37,500	\$ 289,570.84
Delivery Rate - 25,000 - 49,999	\$ 2.6360	37,500	\$ 98,850.00	\$ 2.9451	37,500	\$ 110,441.25
Rider STAS	\$ 0.0018	37,500	\$ 69.20	\$ -	37,500	\$ -
Rider MFC	\$ 0.0256	37,500	\$ 960.00	\$ 0.0327	37,500	\$ 1,225.75
Rider GPC	\$ 0.0865	37,500	\$ 3,243.75	\$ 0.0984	37,500	\$ 3,690.00
Rider DSIC	\$ 0.1374	37,500	\$ 5,152.69	\$ -	37,500	\$ -
Rider TRS	\$ (0.0162)	37,500	\$ (607.53)	\$ (0.0162)	37,500	\$ (607.53)
Total Rate per Mcf	\$ 10.5930			\$ 10.7819		
TOTAL AVERAGE ANNUAL BILL	\$ 409,013.62			\$ 416,094.99		
AVERAGE MONTHLY BILL	\$ 34,084.47			\$ 34,674.58		
				CHANGE IN ANNUAL BILL		
				\$ 7,081.37		
				CHANGE IN MONTHLY BILL		
				\$ 590.11		
				PERCENTAGE CHANGE IN BILL		
				1.7%		

LARGE GENERAL SERVICE: 50,000 - 99,999 Mcf

PEOPLES NATURAL GAS	RETAIL					
	PRESENT RATES			PROPOSED RATES		
	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount
Monthly Service Charge	\$ 1,465.00	12	\$ 17,580.00	\$ 1,538.00	12	\$ 18,456.00
Rider DSIC	\$ 73.2500	12	\$ 879.00	\$ -	12	\$ -
Rider TRS	\$ (9.0039)	12	\$ (108.05)	\$ (9.0039)	12	\$ (108.05)
Base Cost of Gas	\$ 7.7219	75,000	\$ 579,141.68	\$ 7.7219	75,000	\$ 579,141.68
Delivery Rate - 50,000 - 99,999	\$ 2.5519	75,000	\$ 191,392.50	\$ 2.8512	75,000	\$ 213,840.00
Rider STAS	\$ 0.0018	75,000	\$ 133.97	\$ -	75,000	\$ -
Rider MFC	\$ 0.0256	75,000	\$ 1,920.00	\$ 0.0327	75,000	\$ 2,451.51
Rider GPC	\$ 0.0865	75,000	\$ 6,487.50	\$ 0.0984	75,000	\$ 7,380.00
Rider DSIC	\$ 0.1332	75,000	\$ 9,990.00	\$ -	75,000	\$ -
Rider TRS	\$ (0.0157)	75,000	\$ (1,176.30)	\$ (0.0157)	75,000	\$ (1,176.30)
Total Rate per Mcf	\$ 10.5052			\$ 10.6885		
TOTAL AVERAGE ANNUAL BILL	\$ 806,240.31			\$ 819,984.85		
AVERAGE MONTHLY BILL	\$ 67,186.69			\$ 68,332.07		
				CHANGE IN ANNUAL BILL		
				\$ 13,744.53		
				CHANGE IN MONTHLY BILL		
				\$ 1,145.38		
				PERCENTAGE CHANGE IN BILL		
				1.7%		

LARGE GENERAL SERVICE: 100,000 - 199,999 Mcf

PEOPLES NATURAL GAS DIVISION	RETAIL					
	PRESENT RATES			PROPOSED RATES		
	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount
Monthly Service Charge	\$ 2,130.00	12	\$ 25,560.00	\$ 2,237.00	12	\$ 26,844.00
Rider DSIC	\$ 106.5000	12	\$ 1,278.00	\$ -	12	\$ -
Rider TRS	\$ (13.0910)	12	\$ (157.09)	\$ (13.0910)	12	\$ (157.09)
Base Cost of Gas	\$ 7.7219	150,000	\$ 1,158,283.37	\$ 7.7219	150,000	\$ 1,158,283.37
Delivery Rate - 100,000 - 199,999	\$ 2.4335	150,000	\$ 365,025.00	\$ 2.7189	150,000	\$ 407,835.00
Rider STAS	\$ 0.0017	150,000	\$ 255.52	\$ -	150,000	\$ -
Rider MFC	\$ 0.0256	150,000	\$ 3,840.00	\$ 0.0327	150,000	\$ 4,903.01
Rider GPC	\$ 0.0865	150,000	\$ 12,975.00	\$ 0.0984	150,000	\$ 14,760.00
Rider DSIC	\$ 0.1273	150,000	\$ 19,092.00	\$ -	150,000	\$ -
Rider TRS	\$ (0.0150)	150,000	\$ (2,243.44)	\$ (0.0150)	150,000	\$ (2,243.44)
Total Rate per Mcf	\$ 10.3815			\$ 10.5569		
TOTAL AVERAGE ANNUAL BILL	\$ 1,583,908.35			\$ 1,610,224.85		
AVERAGE MONTHLY BILL	\$ 131,992.36			\$ 134,185.40		
				CHANGE IN ANNUAL BILL		
				\$ 26,316.50		
				CHANGE IN MONTHLY BILL		
				\$ 2,193.04		
				PERCENTAGE CHANGE IN BILL		
				1.7%		

PEOPLES NATURAL GAS	TRANSPORT					
	PRESENT RATES			PROPOSED RATES		
	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount
Monthly Service Charge	\$ 145.00	12	\$ 1,740.00	\$ 158.00	12	\$ 1,896.00
Rider DSIC	\$ 7.2500	12	\$ 87.00	\$ -	12	\$ -
Rider TRS	\$ (0.8912)	12	\$ (10.69)	\$ (0.8912)	12	\$ (10.69)
Base Cost of Gas	\$ 0.8300	13,750	\$ 11,412.50	\$ 0.8300	13,750	\$ 11,412.50
Delivery Rate	\$ 3.6941	13,750	\$ 50,793.88	\$ 5.2072	13,750	\$ 71,599.00
Rider STAS	\$ 0.0026	13,750	\$ 35.56	\$ -	13,750	\$ -
Rider MFC	\$ -	13,750	\$ -	\$ -	13,750	\$ -
Rider GPC	\$ -	13,750	\$ -	\$ -	13,750	\$ -
Rider DSIC	\$ 0.1847	13,750	\$ 2,539.69	\$ -	13,750	\$ -
Rider TRS	\$ (0.0227)	13,750	\$ (312.18)	\$ (0.0227)	13,750	\$ (312.18)
Total Rate per Mcf	\$ 4.6887			\$ 6.0145		
TOTAL AVERAGE ANNUAL BILL	\$ 66,285.75			\$ 84,584.63		
AVERAGE MONTHLY BILL	\$ 5,523.81			\$ 7,048.72		
				CHANGE IN ANNUAL BILL		
				\$ 18,298.88		
				CHANGE IN MONTHLY BILL		
				\$ 1,524.91		
				PERCENTAGE CHANGE IN BILL		
				27.6%		

PEOPLES NATURAL GAS	TRANSPORT					
	PRESENT RATES			PROPOSED RATES		
	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount
Monthly Service Charge	\$ 940.00	12	\$ 11,280.00	\$ 987.00	12	\$ 11,844.00
Rider DSIC	\$ 47.0000	12	\$ 564.00	\$ -	12	\$ -
Rider TRS	\$ (5.7772)	12	\$ (69.33)	\$ (5.7772)	12	\$ (69.33)
Base Cost of Gas	\$ 0.1740	37,500	\$ 6,525.00	\$ 0.1740	37,500	\$ 6,525.00
Delivery Rate - 25,000 - 49,999	\$ 2.6360	37,500	\$ 98,850.00	\$ 2.9451	37,500	\$ 110,441.25
Rider STAS	\$ 0.0018	37,500	\$ 69.20	\$ -	37,500	\$ -
Rider MFC	\$ -	37,500	\$ -	\$ -	37,500	\$ -
Rider GPC	\$ -	37,500	\$ -	\$ -	37,500	\$ -
Rider DSIC	\$ 0.1318	37,500	\$ 4,942.50	\$ -	37,500	\$ -
Rider TRS	\$ (0.0162)	37,500	\$ (607.53)	\$ (0.0162)	37,500	\$ (607.53)
Total Rate per Mcf	\$ 2.9274			\$ 3.1029		
TOTAL AVERAGE ANNUAL BILL	\$ 121,553.84			\$ 128,133.39		
AVERAGE MONTHLY BILL	\$ 10,129.49			\$ 10,677.78		
				CHANGE IN ANNUAL BILL		
				\$ 6,579.55		
				CHANGE IN MONTHLY BILL		
				\$ 548.30		
				PERCENTAGE CHANGE IN BILL		
				5.4%		

TRANSPORT						
PRESENT RATES			PROPOSED RATES			
Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount	
\$ 1,465.00	12	\$ 17,580.00	\$ 1,538.00	12	\$ 18,456.00	
\$ 73.2500	12	\$ 879.00	\$ -	12	\$ -	
\$ (9.0039)	12	\$ (108.05)	\$ (9.0039)	12	\$ (108.05)	
\$ 0.1740	75,000	\$ 13,050.00	\$ 0.1740	75,000	\$ 13,050.00	
\$ 2.5519	75,000	\$ 191,392.50	\$ 2.8512	75,000	\$ 213,840.00	
\$ 0.0018	75,000	\$ 133.97	\$ -	75,000	\$ -	
\$ -	75,000	\$ -	\$ -	75,000	\$ -	
\$ -	75,000	\$ -	\$ -	75,000	\$ -	
\$ 0.1276	75,000	\$ 9,569.63	\$ -	75,000	\$ -	
\$ (0.0157)	75,000	\$ (1,176.30)	\$ (0.0157)	75,000	\$ (1,176.30)	
\$ 2.8396			\$ 3.0095			
		\$ 231,320.75			\$ 244,061.66	
		\$ 19,276.73			\$ 20,338.47	
CHANGE IN ANNUAL BILL					\$ 12,740.90	
CHANGE IN MONTHLY BILL					\$ 1,061.74	
PERCENTAGE CHANGE IN BILL					5.5%	

Peoples Natural Gas Company LLC
Annual Bill Comparison
Appendix B - Bill Impacts

LARGE GENERAL SERVICE: 200,000 - 749,999 Mcf

	RETAIL					
	PRESENT RATES			PROPOSED RATES		
PEOPLES NATURAL GAS	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount
Monthly Service Charge	\$ 5,630.00	12	\$ 67,560.00	\$ 5,912.00	12	\$ 70,944.00
Rider DSIC	\$ 281.5000	12	\$ 3,378.00	\$ -	12	\$ -
Rider TRS	\$ (34.6020)	12	\$ (415.22)	\$ (34.6020)	12	\$ (415.22)
Base Cost of Gas	\$ 7.7219	475,000	\$ 3,667,897.33	\$ 7.7219	475,000	\$ 3,667,897.33
Delivery Rate - 200,000 to 749,999	\$ 2.1937	475,000	\$ 1,042,007.50	\$ 2.4509	475,000	\$ 1,164,177.50
Rider STAS	\$ 0.0015	475,000	\$ 729.41	\$ -	475,000	\$ -
Rider MFC	\$ 0.0256	475,000	\$ 12,160.00	\$ 0.0327	475,000	\$ 15,526.21
Rider GPC	\$ 0.0865	475,000	\$ 41,087.50	\$ 0.0984	475,000	\$ 46,740.00
Rider DSIC	\$ 0.1153	475,000	\$ 54,762.75	\$ -	475,000	\$ -
Rider TRS	\$ (0.0135)	475,000	\$ (6,404.18)	\$ (0.0135)	475,000	\$ (6,404.18)
Total Rate per Mcf	\$ 10.1310			\$ 10.2904		
TOTAL AVERAGE ANNUAL BILL	\$ 4,882,763.09			\$ 4,958,465.64		
AVERAGE MONTHLY BILL	\$ 406,896.92			\$ 413,205.47		
				CHANGE IN ANNUAL BILL		
				\$ 75,702.55		
				CHANGE IN MONTHLY BILL		
				\$ 6,308.55		
				PERCENTAGE CHANGE IN BILL		
				1.6%		

LARGE GENERAL SERVICE: 750,000 - 1,999,999 Mcf

	RETAIL					
	PRESENT RATES - Commercial LGS - 5			PROPOSED RATES		
PEOPLES NATURAL GAS	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount
Monthly Service Charge	\$ 5,630.00	12	\$ 67,560.00	\$ 5,912.00	12	\$ 70,944.00
Rider DSIC	\$ 281.5000	12	\$ 3,378.00	\$ -	12	\$ -
Rider TRS	\$ (34.6020)	12	\$ (415.22)	\$ (34.6020)	12	\$ (415.22)
Base Cost of Gas	\$ 7.7219	1,375,000	\$ 10,617,597.55	\$ 7.7219	1,375,000	\$ 10,617,597.55
Delivery Rate - 750,000 to 1,999,999	\$ 1.9097	1,375,000	\$ 2,625,837.50	\$ 2.1336	1,375,000	\$ 2,933,700.00
Rider STAS	\$ 0.0013	1,375,000	\$ 1,838.09	\$ -	1,375,000	\$ -
Rider MFC	\$ 0.0256	1,375,000	\$ 35,200.00	\$ 0.0327	1,375,000	\$ 44,944.29
Rider GPC	\$ 0.0865	1,375,000	\$ 118,937.50	\$ 0.0984	1,375,000	\$ 135,300.00
Rider DSIC	\$ 0.1011	1,375,000	\$ 138,998.75	\$ -	1,375,000	\$ -
Rider TRS	\$ (0.0117)	1,375,000	\$ (16,138.40)	\$ (0.0117)	1,375,000	\$ (16,138.40)
Total Rate per Mcf	\$ 9.8344			\$ 9.9748		
TOTAL AVERAGE ANNUAL BILL	\$ 13,592,793.76			\$ 13,785,932.22		
AVERAGE MONTHLY BILL	\$ 1,132,732.81			\$ 1,148,827.68		
				CHANGE IN ANNUAL BILL		
				\$ 193,138.45		
				CHANGE IN MONTHLY BILL		
				\$ 16,094.87		
				PERCENTAGE CHANGE IN BILL		
				1.4%		

LARGE GENERAL SERVICE: Over 2,000,000 Mcf

	RETAIL					
	PRESENT RATES			PROPOSED RATES		
PEOPLES NATURAL GAS	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount
Monthly Service Charge	\$ 5,630.00	12	\$ 67,560.00	\$ 5,912.00	12	\$ 70,944.00
Rider DSIC	\$ 281.5000	12	\$ 3,378.00	\$ -	12	\$ -
Rider TRS	\$ (34.6020)	12	\$ (415.22)	\$ (34.6020)	12	\$ (415.22)
Base Cost of Gas	\$ 7.7219	2,100,000	\$ 16,215,967.16	\$ 7.7219	2,100,000	\$ 16,215,967.16
Delivery Rate - Over 2,000,000	\$ 1.4431	2,100,000	\$ 3,030,510.00	\$ 1.6123	2,100,000	\$ 3,385,830.00
Rider STAS	\$ 0.0010	2,100,000	\$ 2,121.36	\$ -	2,100,000	\$ -
Rider MFC	\$ 0.0256	2,100,000	\$ 53,760.00	\$ 0.0327	2,100,000	\$ 68,642.19
Rider GPC	\$ 0.0865	2,100,000	\$ 181,650.00	\$ 0.0984	2,100,000	\$ 206,640.00
Rider DSIC	\$ 0.0778	2,100,000	\$ 163,296.00	\$ -	2,100,000	\$ -
Rider TRS	\$ (0.0089)	2,100,000	\$ (18,625.51)	\$ (0.0089)	2,100,000	\$ (18,625.51)
Total Rate per Mcf	\$ 9.3470			\$ 9.4564		
TOTAL AVERAGE ANNUAL BILL	\$ 19,699,201.78			\$ 19,928,982.61		
AVERAGE MONTHLY BILL	\$ 1,641,600.15			\$ 1,660,748.55		
				CHANGE IN ANNUAL BILL		
				\$ 229,780.83		
				CHANGE IN MONTHLY BILL		
				\$ 19,148.40		
				PERCENTAGE CHANGE IN BILL		
				1.2%		

MAINLINE SERVICE - PNG TRANSMISSION LINE

	RETAIL					
	PRESENT RATES			PROPOSED RATES		
PEOPLES NATURAL GAS	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount
Monthly Service Charge	\$ 5,630.00	12	\$ 67,560.00	\$ 5,912.00	12	\$ 70,944.00
Rider DSIC	\$ -	12	\$ -	\$ -	12	\$ -
Rider TRS	\$ (34.6020)	12	\$ (415.22)	\$ (34.6020)	12	\$ (415.22)
Base Cost of Gas	\$ 7.7219	2,100,000	\$ 16,215,967.16	\$ 7.7219	2,100,000	\$ 16,215,967.16
Delivery Rate - Over 500,000	\$ 0.7430	2,100,000	\$ 1,560,300.00	\$ 0.7470	2,100,000	\$ 1,568,768.39
Rider STAS	\$ 0.0005	2,100,000	\$ 1,092.21	\$ -	2,100,000	\$ -
Rider MFC	\$ 0.0256	2,100,000	\$ 53,760.00	\$ 0.0327	2,100,000	\$ 68,642.19
Rider GPC	\$ 0.0865	2,100,000	\$ 181,650.00	\$ 0.0984	2,100,000	\$ 206,640.00
Rider DSIC	\$ -	2,100,000	\$ -	\$ -	2,100,000	\$ -
Rider TRS	\$ (0.0046)	2,100,000	\$ (9,589.60)	\$ (0.0046)	2,100,000	\$ (9,589.60)
Total Rate per Mcf	\$ 8.5729			\$ 8.5954		
TOTAL AVERAGE ANNUAL BILL	\$ 18,070,324.55			\$ 18,120,956.91		
AVERAGE MONTHLY BILL	\$ 1,505,860.38			\$ 1,510,079.74		
				CHANGE IN ANNUAL BILL		
				\$ 50,632.36		
				CHANGE IN MONTHLY BILL		
				\$ 4,219.36		
				PERCENTAGE CHANGE IN BILL		
				0.3%		

	TRANSPORT					
	PRESENT RATES			PROPOSED RATES		
PEOPLES NATURAL GAS	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount
Monthly Service Charge	\$ 5,630.00	12	\$ 67,560.00	\$ 5,912.00	12	\$ 70,944.00
Rider DSIC	\$ 281.5000	12	\$ 3,378.00	\$ -	12	\$ -
Rider TRS	\$ (34.6020)	12	\$ (415.22)	\$ (34.6020)	12	\$ (415.22)
Base Cost of Gas	\$ 0.1740	475,000	\$ 82,650.00	\$ 0.1740	475,000	\$ 82,650.00
Delivery Rate - 200,000 to 749,999	\$ 2.1937	475,000	\$ 1,042,007.50	\$ 2.4509	475,000	\$ 1,164,177.50
Rider STAS	\$ 0.0015	475,000	\$ 729.41	\$ -	475,000	\$ -
Rider MFC	\$ -	475,000	\$ -	\$ -	475,000	\$ -
Rider GPC	\$ -	475,000	\$ -	\$ -	475,000	\$ -
Rider DSIC	\$ 0.1097	475,000	\$ 52,100.38	\$ -	475,000	\$ -
Rider TRS	\$ (0.0135)	475,000	\$ (6,404.18)	\$ (0.0135)	475,000	\$ (6,404.18)
Total Rate per Mcf	\$ 2.4654			\$ 2.6114		
TOTAL AVERAGE ANNUAL BILL	\$ 1,241,605.88			\$ 1,310,952.10		
AVERAGE MONTHLY BILL	\$ 103,467.16			\$ 109,246.01		
				CHANGE IN ANNUAL BILL		
				\$ 69,346.22		
				CHANGE IN MONTHLY BILL		
				\$ 5,778.85		
				PERCENTAGE CHANGE IN BILL		
				5.6%		

	TRANSPORT					
	PRESENT RATES - Commercial LGS - 5			PROPOSED RATES		
PEOPLES NATURAL GAS	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount
Monthly Service Charge	\$ 5,630.00	12	\$ 67,560.00	\$ 5,912.00	12	\$ 70,944.00
Rider DSIC	\$ 281.5000	12	\$ 3,378.00	\$ -	12	\$ -
Rider TRS	\$ (34.6020)	12	\$ (415.22)	\$ (34.6020)	12	\$ (415.22)
Base Cost of Gas	\$ 0.1740	1,375,000	\$ 239,250.00	\$ 0.1740	1,375,000	\$ 239,250.00
Delivery Rate - 750,000 to 1,999,999	\$ 1.9097	1,375,000	\$ 2,625,837.50	\$ 2.1336	1,375,000	\$ 2,933,700.00
Rider STAS	\$ 0.0013	1,375,000	\$ 1,838.09	\$ -	1,375,000	\$ -
Rider MFC	\$ -	1,375,000	\$ -	\$ -	1,375,000	\$ -
Rider GPC	\$ -	1,375,000	\$ -	\$ -	1,375,000	\$ -
Rider DSIC	\$ 0.0955	1,375,000	\$ 131,291.88	\$ -	1,375,000	\$ -
Rider TRS	\$ (0.0117)	1,375,000	\$ (16,138.40)	\$ (0.0117)	1,375,000	\$ (16,138.40)
Total Rate per Mcf	\$ 2.1688			\$ 2.2959		
TOTAL AVERAGE ANNUAL BILL	\$ 3,052,601.84			\$ 3,227,340.38		
AVERAGE MONTHLY BILL	\$ 254,383.49			\$ 268,945.03		
				CHANGE IN ANNUAL BILL		
				\$ 174,738.54		
				CHANGE IN MONTHLY BILL		
				\$ 14,561.54		
				PERCENTAGE CHANGE IN BILL		
				5.7%		

TRANSPORT						
PRESENT RATES			PROPOSED RATES			
	Rate	Usage (Mcf)	Amount		Usage (Mcf)	Amount
	\$ 5,630.00	12	\$ 67,560.00	\$ 5,912.00	12	\$ 70,944.00
	\$ 281.5000	12	\$ 3,378.00	\$ -	12	\$ -
	\$ (34.6020)	12	\$ (415.22)	\$ (34.6020)	12	\$ (415.22)
	\$ 0.1740	2,100,000	\$ 365,400.00	\$ 0.1740	2,100,000	\$ 365,400.00
	\$ 1.4431	2,100,000	\$ 3,030,510.00	\$ 1.6123	2,100,000	\$ 3,385,830.00
	\$ 0.0010	2,100,000	\$ 2,121.36	\$ -	2,100,000	\$ -
	\$ -	2,100,000	\$ -	\$ -	2,100,000	\$ -
	\$ -	2,100,000	\$ -	\$ -	2,100,000	\$ -
	\$ 0.0722	2,100,000	\$ 151,525.50	\$ -	2,100,000	\$ -
	\$ (0.0089)	2,100,000	\$ (18,625.51)	\$ (0.0089)	2,100,000	\$ (18,625.51)
	<u>\$ 1.6814</u>			<u>\$ 1.7774</u>		
			<u>\$ 3,601,454.12</u>			<u>\$ 3,803,133.26</u>
			<u>\$ 300,121.18</u>			<u>\$ 316,927.77</u>
				CHANGE IN ANNUAL BILL		<u>\$ 201,679.14</u>
				CHANGE IN MONTHLY BILL		<u>\$ 16,806.60</u>
				PERCENTAGE CHANGE IN BILL		<u>5.6%</u>

MAINLINE SERVICE - INTERSTATE PIPELINE

RETAIL						TRANSPORT								
PRESENT RATES			PROPOSED RATES			PRESENT RATES			PROPOSED RATES					
	Rate	Usage (Mcf)	Amount		Usage (Mcf)	Amount		Rate	Usage (Mcf)	Amount		Rate	Usage (Mcf)	Amount
PEOPLES NATURAL GAS														
Monthly Service Charge	\$ 5,630.00	12	\$ 67,560.00	\$ 5,912.00	12	\$ 70,944.00	Monthly Service Charge	\$ 5,630.00	12	\$ 67,560.00	\$ 5,912.00	12	\$ 70,944.00	
Rider DSIC	\$ -	12	\$ -	\$ -	12	\$ -	Rider DSIC	\$ -	12	\$ -	\$ -	12	\$ -	
Rider TRS	\$ (34.6020)	12	\$ (415.22)	\$ (34.6020)	12	\$ (415.22)	Rider TRS	\$ (34.6020)	12	\$ (415.22)	\$ (34.6020)	12	\$ (415.22)	
Base Cost of Gas	\$ 7.7219	2,100,000	\$ 16,215,967.16	\$ 7.7219	2,100,000	\$ 16,215,967.16	Base Cost of Gas	\$ 0.1740	2,100,000	\$ 365,400.00	\$ 0.1740	2,100,000	\$ 365,400.00	
Delivery Rate - Over 500,000	\$ 0.4422	2,100,000	\$ 928,620.00	\$ 0.4446	2,100,000	\$ 933,660.00	Delivery Rate - Over 500,000	\$ 0.4422	2,100,000	\$ 928,620.00	\$ 0.4446	2,100,000	\$ 933,660.00	
Rider STAS	\$ 0.0003	2,100,000	\$ 650.03	\$ -	2,100,000	\$ -	Rider STAS	\$ 0.0013	2,100,000	\$ 2,712.82	\$ -	2,100,000	\$ -	
Rider MFC	\$ 0.0256	2,100,000	\$ 53,760.00	\$ 0.0327	2,100,000	\$ 68,642.19	Rider MFC	\$ -	2,100,000	\$ -	\$ -	2,100,000	\$ -	
Rider GPC	\$ 0.0865	2,100,000	\$ 181,650.00	\$ 0.0984	2,100,000	\$ 206,640.00	Rider GPC	\$ -	2,100,000	\$ -	\$ -	2,100,000	\$ -	
Rider DSIC	\$ -	2,100,000	\$ -	\$ -	2,100,000	\$ -	Rider DSIC	\$ -	2,100,000	\$ -	\$ -	2,100,000	\$ -	
Rider TRS	\$ (0.0027)	2,100,000	\$ (5,707.30)	\$ (0.0027)	2,100,000	\$ (5,707.30)	Rider TRS	\$ (0.0113)	2,100,000	\$ (23,818.53)	\$ (0.0027)	2,100,000	\$ (5,707.30)	
Total Rate per Mcf	\$ 8.2738			\$ 8.2949			Total Rate per Mcf	\$ 0.6061			\$ 0.6159			
TOTAL AVERAGE ANNUAL BILL			\$ 17,442,084.68			\$ 17,489,730.83	TOTAL AVERAGE ANNUAL BILL			\$ 1,340,059.06			\$ 1,363,881.48	
AVERAGE MONTHLY BILL			\$ 1,453,507.06			\$ 1,457,477.57	AVERAGE MONTHLY BILL			\$ 111,671.59			\$ 113,656.79	
						CHANGE IN ANNUAL BILL							CHANGE IN ANNUAL BILL	\$ 23,822.41
						CHANGE IN MONTHLY BILL							CHANGE IN MONTHLY BILL	\$ 1,985.20
						PERCENTAGE CHANGE IN BILL							PERCENTAGE CHANGE IN BILL	1.8%
TRANSITIONAL - LARGE GENERAL SERVICE: 100,000 - 199,999 Mcf														
RETAIL						TRANSPORT								
PRESENT RATES			PROPOSED RATES			PRESENT RATES			PROPOSED RATES					
	Rate	Usage (Mcf)	Amount		Usage (Mcf)	Amount		Rate	Usage (Mcf)	Amount		Rate	Usage (Mcf)	Amount
INDUSTRIAL RATEPAYERS														
Monthly Service Charge	\$ 2,130.00	12	\$ 25,560.00	\$ 2,237.00	12	\$ 26,844.00	Monthly Service Charge	\$ 2,130.00	12	\$ 25,560.00	\$ 2,237.00	12	\$ 26,844.00	
Rider DSIC	\$ 106.5000	12	\$ 1,278.00	\$ -	12	\$ -	Rider DSIC	\$ 106.5000	12	\$ 1,278.00	\$ -	12	\$ -	
Rider TRS	\$ (13.0910)	12	\$ (157.09)	\$ (13.0910)	12	\$ (157.09)	Rider TRS	\$ (13.0910)	12	\$ (157.09)	\$ (13.0910)	12	\$ (157.09)	
Base Cost of Gas	\$ 7.7219	150,000	\$ 1,158,283.37	\$ 7.7219	150,000	\$ 1,158,283.37	Base Cost of Gas	\$ 0.1740	150,000	\$ 26,100.00	\$ 0.1740	150,000	\$ 26,100.00	
Delivery Rate - 100,000 - 199,999	\$ 1.4012	150,000	\$ 210,180.00	\$ 1.5655	150,000	\$ 234,827.11	Delivery Rate - 100,000 - 199,999	\$ 1.4012	150,000	\$ 210,180.00	\$ 1.5655	150,000	\$ 234,827.11	
Rider STAS	\$ 0.0017	150,000	\$ 255.52	\$ -	150,000	\$ -	Rider STAS	\$ 0.0017	150,000	\$ 255.52	\$ -	150,000	\$ -	
Rider MFC	\$ 0.0256	150,000	\$ 3,840.00	\$ 0.0327	150,000	\$ 4,903.01	Rider MFC	\$ -	150,000	\$ -	\$ -	150,000	\$ -	
Rider GPC	\$ 0.0865	150,000	\$ 12,975.00	\$ 0.0984	150,000	\$ 14,760.00	Rider GPC	\$ -	150,000	\$ -	\$ -	150,000	\$ -	
Rider DSIC	\$ 0.1273	150,000	\$ 19,092.00	\$ -	150,000	\$ -	Rider DSIC	\$ 0.1217	150,000	\$ 18,251.25	\$ -	150,000	\$ -	
Rider TRS (Transition)	\$ (0.0150)	150,000	\$ (2,243.44)	\$ (0.0150)	150,000	\$ (2,243.44)	Rider TRS (Transition)	\$ (0.0150)	150,000	\$ (2,243.44)	\$ (0.0150)	150,000	\$ (2,243.44)	
Total Rate per Mcf	\$ 9.3492			\$ 9.4035			Total Rate per Mcf	\$ 1.6836			\$ 1.7246			
TOTAL AVERAGE ANNUAL BILL			\$ 1,429,063.35			\$ 1,437,216.96	TOTAL AVERAGE ANNUAL BILL			\$ 279,224.23			\$ 285,370.57	
AVERAGE MONTHLY BILL			\$ 119,088.61			\$ 119,768.08	AVERAGE MONTHLY BILL			\$ 23,268.69			\$ 23,780.48	
						CHANGE IN ANNUAL BILL							CHANGE IN ANNUAL BILL	\$ 6,146.34
						CHANGE IN MONTHLY BILL							CHANGE IN MONTHLY BILL	\$ 512.20
						PERCENTAGE CHANGE IN BILL							PERCENTAGE CHANGE IN BILL	2.2%
TRANSITIONAL - LARGE GENERAL SERVICE: 200,000 - 749,999 Mcf														
RETAIL						TRANSPORT								
PRESENT RATES			PROPOSED RATES			PRESENT RATES			PROPOSED RATES					
	Rate	Usage (Mcf)	Amount		Usage (Mcf)	Amount		Rate	Usage (Mcf)	Amount		Rate	Usage (Mcf)	Amount
INDUSTRIAL RATEPAYERS														
Monthly Service Charge	\$ 5,630.00	12	\$ 67,560.00	\$ 5,912.00	12	\$ 70,944.00	Monthly Service Charge	\$ 5,630.00	12	\$ 67,560.00	\$ 5,912.00	12	\$ 70,944.00	
Rider DSIC	\$ 281.5000	12	\$ 3,378.00	\$ -	12	\$ -	Rider DSIC	\$ 281.5000	12	\$ 3,378.00	\$ -	12	\$ -	
Rider TRS	\$ (34.6020)	12	\$ (415.22)	\$ (34.6020)	12	\$ (415.22)	Rider TRS	\$ (34.6020)	12	\$ (415.22)	\$ (34.6020)	12	\$ (415.22)	
Base Cost of Gas	\$ 7.7219	475,000	\$ 3,667,897.33	\$ 7.7219	475,000	\$ 3,667,897.33	Base Cost of Gas	\$ 0.1740	475,000	\$ 82,650.00	\$ 0.1740	475,000	\$ 82,650.00	
Delivery Rate - 200,000 to 749,999	\$ 1.1754	475,000	\$ 558,315.00	\$ 1.3132	475,000	\$ 623,786.74	Delivery Rate - 200,000 to 749,999	\$ 1.1754	475,000	\$ 558,315.00	\$ 1.3132	475,000	\$ 623,786.74	
Rider STAS	\$ 0.0015	475,000	\$ 729.41	\$ -	475,000	\$ -	Rider STAS	\$ 0.0015	475,000	\$ 729.41	\$ -	475,000	\$ -	
Rider MFC	\$ 0.0256	475,000	\$ 12,160.00	\$ 0.0327	475,000	\$ 15,526.21	Rider MFC	\$ -	475,000	\$ -	\$ -	475,000	\$ -	
Rider GPC	\$ 0.0865	475,000	\$ 41,087.50	\$ 0.0984	475,000	\$ 46,740.00	Rider GPC	\$ -	475,000	\$ -	\$ -	475,000	\$ -	
Rider DSIC	\$ 0.1153	475,000	\$ 54,762.75	\$ -	475,000	\$ -	Rider DSIC	\$ 0.1097	475,000	\$ 52,100.38	\$ -	475,000	\$ -	
Rider TRS (Transition)	\$ (0.0135)	475,000	\$ (6,404.18)	\$ (0.0135)	475,000	\$ (6,404.18)	Rider TRS (Transition)	\$ (0.0135)	475,000	\$ (6,404.18)	\$ (0.0135)	475,000	\$ (6,404.18)	
Total Rate per Mcf	\$ 9.1127			\$ 9.1527			Total Rate per Mcf	\$ 1.4471			\$ 1.4738			
TOTAL AVERAGE ANNUAL BILL			\$ 4,399,070.59			\$ 4,418,074.88	TOTAL AVERAGE ANNUAL BILL			\$ 757,913.38			\$ 770,561.34	
AVERAGE MONTHLY BILL			\$ 366,589.22			\$ 368,172.91	AVERAGE MONTHLY BILL			\$ 63,159.45			\$ 64,213.44	
						CHANGE IN ANNUAL BILL							CHANGE IN ANNUAL BILL	\$ 12,647.96
						CHANGE IN MONTHLY BILL							CHANGE IN MONTHLY BILL	\$ 1,054.00
						PERCENTAGE CHANGE IN BILL							PERCENTAGE CHANGE IN BILL	1.7%
TRANSITIONAL - LARGE GENERAL SERVICE: 750,000 - 1,999,999 Mcf														
RETAIL						TRANSPORT								
PRESENT RATES			PROPOSED RATES			PRESENT RATES			PROPOSED RATES					
	Rate	Usage (Mcf)	Amount		Usage (Mcf)	Amount		Rate	Usage (Mcf)	Amount		Rate	Usage (Mcf)	Amount
INDUSTRIAL RATEPAYERS														
Monthly Service Charge	\$ 5,630.00	12	\$ 67,560.00	\$ 5,912.00	12	\$ 70,944.00	Monthly Service Charge	\$ 5,630.00	12	\$ 67,560.00	\$ 5,912.00	12	\$ 70,944.00	
Rider DSIC	\$ 281.5000	12	\$ 3,378.00	\$ -	12	\$ -	Rider DSIC	\$ 281.5000	12	\$ 3,378.00	\$ -	12	\$ -	
Rider TRS	\$ (34.6020)	12	\$ (415.22)	\$ (34.6020)	12	\$ (415.22)	Rider TRS	\$ (34.6020)	12	\$ (415.22)	\$ (34.6020)	12	\$ (415.22)	
Base Cost of Gas	\$ 7.7219	1,375,000	\$ 10,617,597.55	\$ 7.7219	1,375,000	\$ 10,617,597.55	Base Cost of Gas	\$ 0.1740	1,375,000	\$ 239,250.00	\$ 0.1740	1,375,000	\$ 239,250.00	
Delivery Rate - 200,000 to 749,999	\$ 1.1754	1,375,000	\$ 1,616,175.00	\$ 1.3132	1,375,000	\$ 1,805,698.46	Delivery Rate - 200,000 to 749,999	\$ 1.1754	1,375,000	\$ 1,616,175.00	\$ 1.3132	1,375,000	\$ 1,805,698.46	
Rider STAS	\$ 0.0013	1,375,000	\$ 1,838.09	\$ -	1,375,000	\$ -	Rider STAS	\$ 0.0013	1,375,000	\$ 1,838.09	\$ -	1,375,000	\$ -	
Rider MFC	\$ 0.0256	1,375,000	\$ 35,200.00	\$ 0.0327	1,375,000	\$ 44,944.29	Rider MFC	\$ -	1,375,000	\$ -	\$ -	1,375,000	\$ -	
Rider GPC	\$ 0.0865	1,375,000	\$ 118,937.50	\$ 0.0984	1,375,000	\$ 135,300.00	Rider GPC	\$ -	1,375,000	\$ -	\$ -	1,375,000	\$ -	
Rider DSIC	\$ 0.1011	1,375,000	\$ 138,998.75	\$ -	1,375,000	\$ -	Rider DSIC	\$ 0.0955	1,375,000	\$ 131,291.88	\$ -	1,375,000	\$ -	
Rider TRS (Transition)	\$ (0.0117)	1,375,000	\$ (16,138.40)	\$ (0.0117)	1,375,000	\$ (16,138.40)	Rider TRS (Transition)	\$ (0.0117)	1,375,000	\$ (16,138.40)	\$ (0.0117)	1,375,000	\$ (16,138.40)	
Total Rate per Mcf	\$ 9.1001			\$ 9.1545			Total Rate per Mcf	\$ 1.4345			\$ 1.4755			
TOTAL AVERAGE ANNUAL BILL			\$ 12,583,131.26			\$ 12,657,930.67	TOTAL AVERAGE ANNUAL BILL			\$ 2,042,939.34			\$ 2,099,338.83	
AVERAGE MONTHLY BILL			\$ 1,048,594.27			\$ 1,054,827.56	AVERAGE MONTHLY BILL			\$ 170,244.95			\$ 174,944.90	
						CHANGE IN ANNUAL BILL							CHANGE IN ANNUAL BILL	\$ 56,399.49
						CHANGE IN MONTHLY BILL							CHANGE IN MONTHLY BILL	\$ 4,699.96
						PERCENTAGE CHANGE IN BILL							PERCENTAGE CHANGE IN BILL	2.8%

TRANSITIONAL - LARGE GENERAL SERVICE: 200,000 - 749,999 Mcf

INDUSTRIAL RATEPAYERS	RETAIL					
	PRESENT RATES			PROPOSED RATES		
	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount
Monthly Service Charge	\$ 5,630.00	12	\$ 67,560.00	\$ 5,912.00	12	\$ 70,944.00
Rider DSIC	\$ 281.5000	12	\$ 3,378.00	\$ -	12	\$ -
Rider TRS	\$ (34.6020)	12	\$ (415.22)	\$ (34.6020)	12	\$ (415.22)
Base Cost of Gas	\$ 7.7219	2,100,000	\$ 16,215,967.16	\$ 7.7219	2,100,000	\$ 16,215,967.16
Delivery Rate - 200,000 to 749,999	\$ 1.1754	2,100,000	\$ 2,468,340.00	\$ 1.3132	2,100,000	\$ 2,757,794.01
Rider STAS	\$ 0.0010	2,100,000	\$ 2,121.36	\$ -	2,100,000	\$ -
Rider MFC	\$ 0.0256	2,100,000	\$ 53,760.00	\$ 0.0327	2,100,000	\$ 68,642.19
Rider GPC	\$ 0.0865	2,100,000	\$ 181,650.00	\$ 0.0984	2,100,000	\$ 206,640.00
Rider DSIC	\$ 0.0778	2,100,000	\$ 163,296.00	\$ -	2,100,000	\$ -
Rider TRS (Transition)	\$ (0.0089)	2,100,000	\$ (18,625.51)	\$ (0.0089)	2,100,000	\$ (18,625.51)
Total Rate per Mcf	\$ 9.0793			\$ 9.1573		
TOTAL AVERAGE ANNUAL BILL			\$ 19,137,031.78			\$ 19,300,946.62
AVERAGE MONTHLY BILL			\$ 1,594,752.65			\$ 1,608,412.22
			CHANGE IN ANNUAL BILL			\$ 163,914.84
			CHANGE IN MONTHLY BILL			\$ 13,659.57
			PERCENTAGE CHANGE IN BILL			0.9%

INDUSTRIAL RATEPAYERS	TRANSPORT					
	PRESENT RATES			PROPOSED RATES		
	Rate	Usage (Mcf)	Amount	Rate	Usage (Mcf)	Amount
Monthly Service Charge	\$ 5,630.00	12	\$ 67,560.00	\$ 5,912.00	12	\$ 70,944.00
Rider DSIC	\$ 281.5000	12	\$ 3,378.00	\$ -	12	\$ -
Rider TRS	\$ (34.6020)	12	\$ (415.22)	\$ (34.6020)	12	\$ (415.22)
Base Cost of Gas	\$ 0.1740	2,100,000	\$ 365,400.00	\$ 0.1740	2,100,000	\$ 365,400.00
Delivery Rate - 200,000 to 749,999	\$ 1.1754	2,100,000	\$ 2,468,340.00	\$ 1.3132	2,100,000	\$ 2,757,794.01
Rider STAS	\$ 0.0010	2,100,000	\$ 2,121.36	\$ -	2,100,000	\$ -
Rider MFC	\$ -	2,100,000	\$ -	\$ -	2,100,000	\$ -
Rider GPC	\$ -	2,100,000	\$ -	\$ -	2,100,000	\$ -
Rider DSIC	\$ 0.0722	2,100,000	\$ 151,525.50	\$ -	2,100,000	\$ -
Rider TRS (Transition)	\$ (0.0089)	2,100,000	\$ (18,625.51)	\$ (0.0089)	2,100,000	\$ (18,625.51)
Total Rate per Mcf	\$ 1.4137			\$ 1.4784		
TOTAL AVERAGE ANNUAL BILL			\$ 3,039,284.12			\$ 3,175,097.27
AVERAGE MONTHLY BILL			\$ 253,273.68			\$ 264,591.44
			CHANGE IN ANNUAL BILL			\$ 135,813.15
			CHANGE IN MONTHLY BILL			\$ 11,317.76
			PERCENTAGE CHANGE IN BILL			4.5%

APPENDIX C

APPENDIX C – Proposed Findings of Fact

1. Peoples Natural Gas Company LLC filed for an approximately \$163.2 million total rate increase on March 27, 2026.¹

2. Peoples’ revenue requirement is based upon data for a fully projected future test year (“FPFTY”) ending December 26, 2026.

3. This is the Company’s first rate increase request since December 29, 2023.²

4. The Company has a history of infrequent rate case filings, having filed just three rate cases in the past thirteen years.³

5. One of the primary drivers of the need for rate relief is to support ongoing investment in infrastructure improvements to maintain the safety, reliability, sustainability, and integrity of Peoples’ system.⁴

6. From the filing of its last base rate case in 2023 to the end of the FPFTY, Peoples anticipates that it will spend nearly \$2.3 billion to replace more than 1,250 miles of its aging infrastructure.⁵

7. The Company is projected to spend more than \$1.2 billion in LTIP investments through 2026 and 2027.⁶

8. The Company’s LTIP program represents approximately 80% of the capital expenditures included in the instant request for rate relief.⁷

¹ Peoples St. No. 3, pp. 2-4; Peoples Exh. 2, Sch. 4.

² *Pa. PUC et al. v. Peoples Natural Gas Company LLC*, Docket No. R-2023-3044549, Recommended Decision (entered July 15, 2024) (adopted September 12, 2024).

³ Peoples St. No. 3-SR, pp. 5-6; Peoples St. No. 6, p. 6.

⁴ Peoples St. No. 1, p. 4.

⁵ Peoples St. No. 1, p. 4.

⁶ Peoples St. No. 1, p. 4.

⁷ Peoples Exh. No. 19.

9. Peoples LTIP capital investments are necessary to enhance the overall safety, reliability, sustainability, and integrity of the Company's distribution system.⁸

10. Peoples' LTIP is targeting the replacement of 930 miles of at-risk pipe for a total cost of approximately \$3.2 billion.⁹

11. Peoples has committed to replacing all at-risk pipe by 2038 and to reduce methane emissions by 60% by 2034.¹⁰

12. Peoples has demonstrated that affordability is one of its top priorities, and it has employed a multifaceted approach to ensuring that its rate remain as low as reasonable possible.¹¹

13. Peoples employs strategies to keep rates affordable which include: (1) corporate efficiencies and tax strategies, (2) customer programs and education, (3) cost containment strategies; and (4) prudent gas procurement.¹²

14. Peoples prudently manages its finances to maintain financial stability and strong credit.¹³

15. The Company's prudent financial management allows it to access capital at a reasonable cost.¹⁴

16. Peoples has driven corporate efficiencies by acquiring three of the four largest Southwestern Pennsylvania natural gas utilities and consolidating their operations over the time period since 2010.¹⁵

⁸ Peoples St. No. 1, p. 4.

⁹ Peoples Exh. No. PB-2R.

¹⁰ Peoples St. No. 1, pp. 10-11.

¹¹ Peoples St. No. 1, p. 15.

¹² Peoples St. No. 1, p. 15.

¹³ Peoples St. No. 1, p. 20.

¹⁴ Peoples St. No. 19-R, pp. 3-7; Peoples St. No. 15-R, pp. 44-47.

¹⁵ Peoples St. No. 1, pp. 15-16.

17. In its last rate case, Peoples was able to pass back over \$100 million annually to its customers as a result of its Tax Repairs Deduction.¹⁶

18. In the instant rate case, Peoples will be able to pass back over \$130 million annually to its customers as a result of its Tax Repairs Deduction.¹⁷

19. Peoples offers a comprehensive suite of universal service programs to support low-income households.¹⁸

20. Peoples actively promotes its universal service programs to its customers and the community.¹⁹

21. In 2016, the Company expanded CAP eligibility to customers whose income is between 151% to 200% of the Federal Poverty Level (“FPL”), and this is referred to as “expanded CAP” or “ECAP”.²⁰

22. No other natural gas distribution company (“NGDC”) or electric distribution company (“EDC”) in Pennsylvania offers the same ECAP eligibility that Peoples does.²¹

23. The Company’s CAP participation grew by 18% in 2025 as a result of its focused efforts to enroll customers in CAP.²²

24. Peoples’ donated \$4.8 million of non-customer funds to the Hardship Fund over the past five years.²³

25. Peoples promotes LIHEAP through many different channels, including through its call center, mailing of applications, and a media campaign.²⁴

¹⁶ Peoples St. No. 1, p. 17.

¹⁷ Peoples St. No. 1, pp. 16-17.

¹⁸ Peoples St. No. 1, p. 18.

¹⁹ Peoples St. No. 1, p. 18.

²⁰ Peoples St. No. 1, p. 18.

²¹ Peoples St. No. 10, pp. 17-19.

²² Peoples St. No. 10, pp. 5-8.

²³ Peoples St. No. 1-R, p. 8.

²⁴ Peoples St. No. 1, pp. 17-19.

26. Peoples offers LIURP weatherization and an Emergency Furnace and Service Line Repair (“EFSLR”) Program to help low-income households conserve energy and address emergency heating needs.²⁵

27. Peoples obtained two increases to its EFSLR Program in the past two years.²⁶

28. Peoples offers payment arrangements and waivers of security deposits and connection/reconnection fees for qualifying customers.

29. Budget billing is available to all residential customers and allows higher winter heating bills to be spread across the entire year.²⁷

30. The Company’s operating and maintenance (“O&M”) expenses have remained relatively flat since its last base rate proceeding.²⁸

31. Peoples has focused on driving efficiencies for pipeline replacement projects by coordinating restoration work with other utilities and local municipalities.²⁹

32. The modernization of Peoples’ facilities has the potential to reduce leak repair costs.³⁰

33. Peoples avails itself of the affordable gas supply that exists locally within Southwest Pennsylvania.³¹

34. This lower cost gas helps to maintain affordable rates.³²

35. The Company has invested over \$2.9 billion under its LTIIP alone during the past thirteen years.³³

²⁵ Peoples St. No. 1, p. 18.

²⁶ Peoples St. No. 1-R, pp. 8-9.

²⁷ Peoples St. No. 1-R, p. 17.

²⁸ Peoples St. No. 1, pp. 19-20.

²⁹ Peoples St. No. 10-R, p. 19.

³⁰ Peoples St. No. 1, p. 20.

³¹ Peoples St. No. 1, pp. 21-22.

³² Peoples St. No. 1, pp. 21-22.

³³ Peoples St. No. 3-SR, pp. 5-; Peoples St. No. 6, p. 6.

36. Peoples' customers have benefitted from the Company's prudent management in the form of stable rates over the past decade.³⁴

37. Peoples has the third lowest delivered energy cost of any NGDC or EDC in Pennsylvania, and is only four cents per MMBtu higher than the second lowest NGDC.³⁵

38. Peoples' delivered residential energy cost is 34% less than the most expensive NGDC, and 13% less than the average NGDC.³⁶

39. Peoples' delivered residential energy cost is 80% less than the most expensive EDC and 70% less than the average EDC.³⁷

40. Even at Peoples' full requested residential rate increase, its price, which would increase from \$13.10/MMBtu to \$14.81/MMBtu, would still be below the average price for a Pennsylvania NGDC.³⁸

41. Peoples' gas burden analysis demonstrates that its rates are affordable.³⁹

42. Company witness Fang's customer-level gas burden analysis shows that, under current rates, residential customers included in the study have an average gas burden of 3.40%, and 90% have gas burdens at or below 6.30%.⁴⁰

43. Under proposed rates, those figures increase to 4.60% and 8.60%, respectively.⁴¹

44. CAP materially mitigates burdens for CAP-enrolled customers, reducing the average burden from 10.50% to 4.00%, and remaining under 4.00% at proposed rates.⁴²

³⁴ Peoples St. No. 1, p. 20.

³⁵ Peoples St. No. 1-R, p. 13.

³⁶ Peoples St. No. 1-R, pp. 10-14; Peoples St. No. 20-RJ, p. 6.

³⁷ Peoples St. No. 1-R, pp. 10-14; Peoples St. No. 20-RJ, p. 6.

³⁸ See Peoples St. No. 1-R, p. 11; Peoples Exh. JDT-5, p. 1. See also Appendix B (Bill Impacts), which is based on gas costs at the time rates were filed and will be recalculated with final rate design including the gas costs in effect at the time new rates are implemented.

³⁹ Peoples St. No. 20-R, pp. 23-24.

⁴⁰ Peoples St. No. 20-R, pp. 23-24.

⁴¹ Peoples St. No. 20-R, pp. 23-24.

⁴² Peoples St. No. 20-R, pp. 23-24.

45. The Company’s proposed rate increase remains reasonable when considered within a balanced affordability framework that includes CAP mitigation and the Company’s need to recover prudent costs.⁴³

46. The Company’s proposal to include credits to the USP Rider associated with the Company’s tax refunds and a Hot Water Tank Rebate Pilot Program will help mitigate the requested rate increase.⁴⁴

47. The proposed Hot Water Tank Rebate Pilot Program will promote the adoption of an efficient natural gas appliance and produce measurable energy savings without requiring customers to pay the full up-front costs of installing the appliance.⁴⁵

48. Any rate increase approved by the Commission in this case will be offset during the first two winter heating seasons by the Company’s proposal to credit approximately \$20.1 million in tax refunds to non-CAP residential customers.⁴⁶

49. The Company’s Weather Normalization Adjustment (“WNA”) moderates the bill impacts of unusually warm or cold weather, provides customers with greater stability, and aligns billed revenues more closely with the Commission-approved revenue requirement.⁴⁷

50. During the 2025-2026 heating season, Peoples’ customers received over \$10 million in credits through its WNA.⁴⁸

51. Affordability concerns can be adequately addressed through the Company’s targeted customer programs.⁴⁹

⁴³ Peoples St. No. 20-R, pp. 23-24.

⁴⁴ Peoples St. No. 3, pp. 5-7; Peoples St. No. 8, pp. 9-13.

⁴⁵ Peoples St. No. 3, pp. 5-7; Peoples St. No. 8, pp. 9-13.

⁴⁶ Peoples Exh. No. CAS-1 and CAS-2.

⁴⁷ Peoples St. No. 17, pp. 37-38; Peoples St. No. 17-R, pp. 53.

⁴⁸ Peoples St. No. 1-R, p. 8.

⁴⁹ Peoples St. No. 1-R, pp. 8-9.

52. A lower equity return or equity ratio can make it difficult for the Company to access cost-effective sources of capital.⁵⁰

53. Peoples' ability to attract capital on reasonable terms is critical to meet its obligation to serve.⁵¹

54. Peoples must maintain its commitment to providing safe and reliable service to customers at all times.⁵²

55. Customers benefit when Peoples reinvests profit back into its system.⁵³

56. Peoples' capital needs exceed its internally generated funds by more than double.⁵⁴

57. Peoples is investing billions of dollars into system improvements, rather than flowing all of the capital back to investors.⁵⁵

58. Peoples' annual revenue and rate of return would be insufficient to support its ongoing capital investment at the accelerated levels it committed to in its LTIIP without the requested rate relief.⁵⁶

59. Peoples updated its Cash Working Capital ("CWC") claim to reflect updates to O&M expense, and as revised, the claim is \$46,932,677.⁵⁷

60. Peoples is proposing to use a regression methodology based on 65 years of annual Heating Degree Day ("HDD") for the Pittsburgh area, resulting in an annual HDD estimate of 5,086 for the FPPTY.⁵⁸

⁵⁰ Peoples St. No. 15, pp. 53-54.

⁵¹ Peoples St. No. 15-R, pp. 22-23.

⁵² Peoples St. No. 15-R, pp. 22-23.

⁵³ Peoples St. No. 15-RJ, pp. 21-22.

⁵⁴ Peoples St. No. 15-RJ, pp. 21-22.

⁵⁵ Peoples St. No. 19-R, pp. 8-9.

⁵⁶ Peoples Exh. 2.

⁵⁷ Peoples Exh. No. AR-1.

⁵⁸ Peoples St. No. 17, pp. 3-5.

61. The Company's current HDD methodology averages a 65-year regression trend with a 20-year historical average.⁵⁹

62. A 20-year historical average of HDD does not account for the broader historical record and embeds patterns that are not representative of forward-looking expectations.⁶⁰

63. The Company's proposed 65-year regression methodology reflects both the long-term record and directional evolution of HDDs.⁶¹

64. In its rebuttal testimony, the Company identified an adjustment for an increase in existing revenue of \$206,179, which reduces its overall claim.⁶²

65. In its rebuttal testimony, the Company identified an adjustment for a reduction in O&M of \$785,443 related to building leases, which reduces its overall claim.⁶³

66. In its rebuttal testimony, the Company identified an adjustment for an increase in O&M of \$1,738,446 related to insurance expense, which increases its overall claim.⁶⁴

67. The net impact of adjustments identified by the Company increase its claim by approximately \$746,834, excluding the cash working capital ("CWC") amount.⁶⁵

68. No parties presented testimony disputing the Company's identified adjustments.

69. The Company's expense claim includes adjustments to certain expense accounts, including: Outside Services – Contracted, Outside Services – IT, Outside Services – A&G, Corporate Insurance, Travel, Memberships, Licenses & Permits, Utilities & Fuel, Advertising, Fleet, Materials & Supplies, and PUC Assessment.⁶⁶

⁵⁹ Peoples St. No. 17, p. 6.

⁶⁰ Peoples St. No. 17, pp. 6-7.

⁶¹ Peoples St. No. 17, pp. 6-7.

⁶² Peoples St. No. 2-R, pp. 3-4.

⁶³ Peoples St. No. 2-R, pp. 3-4.

⁶⁴ Peoples St. No. 2-R, pp. 3-4.

⁶⁵ Peoples St. No. 2-R, pp. 3-4.

⁶⁶ Peoples St. No. 2.

70. The Company utilizes a five-year average increase for Outside Services – Contracted, Corporate Insurance, Travel, Utilities & Fuel, Advertising, Fleet, Materials & Supplies, and PUC Assessment.⁶⁷

71. The Company utilizes a four-year average increase for Outside Services – IT, Outside Services – A&G, and Licenses & Permits.⁶⁸

72. The Company utilizes a two-year average increase for Company Memberships.⁶⁹

73. The Company utilizes four- and two-year average increases for certain expense accounts due to abnormal items in the longer historical period, which enabled the Company to provide a more normalized percentage increase for these categories.⁷⁰

74. The increased expenses are based on known and measurable changes that were experienced by the Company in each of the expense categories using the most recent historic data available.⁷¹

75. Peoples claimed limited general inflation adjustments of \$77,284 and \$75,656 for Payment Processing and Advertising expenses, respectively.⁷²

76. Peoples utilized the Consumer Price Index (“CPI”) for the Payment Processing and Advertising expense categories of 2.70%, rather than an average annual increase methodology, because of the fluctuating nature of these expenses.⁷³

77. Inflation has occurred in most months for the last six decades, and it is reasonable to expect that inflation will continue.⁷⁴

⁶⁷ Peoples St. No. 2-R, p. 4.

⁶⁸ Peoples St. No. 2-R, p. 4.

⁶⁹ Peoples St. No. 2-R, p. 4.

⁷⁰ Peoples St. No. 2-R, p. 7.

⁷¹ Peoples St. No. 2-R, p. 6.

⁷² Peoples Volume 1, Exhibit No. 4, Schedule 1, p. 32.

⁷³ Peoples St. No. 2-R, p. 9.

⁷⁴ Peoples St. No. 2-R, p. 10.

78. The Company proposed a vacancy adjustment of 30 open positions for the FTY and 8 open positions for the FPFTY.⁷⁵

79. Peoples has made progress filling open positions and demonstrated improvement in recruiting effectiveness.⁷⁶

80. Peoples' vacancy rate for the months of December 2025 through March 2026 was 4.38%, down 14% from the average during the twelve months ended November 30, 2025.⁷⁷

81. Broader labor market trends indicate that employees throughout the U.S. are changing jobs less frequently, and that employers are experiencing a more balanced labor market when compared to that of several years ago.⁷⁸

82. External labor market research demonstrates that hiring conditions have become more favorable for employers.⁷⁹

83. The Company has in place efforts including recruiting and retention initiatives which are designed to improve employee retention while accelerating the filling of vacant positions.⁸⁰

84. Peoples' incentive compensation program provides material benefits to ratepayers by allowing the Company to attract and retain talent, promoting cost containment and efficiencies, promoting a financially healthy Company, which in turn benefits ratepayers in the form of safe and reliable service, and being reasonable and prudently incurred.⁸¹

⁷⁵ Peoples St. No. 2, p. 10.

⁷⁶ Peoples St. No. 2-R, pp. 11-12.

⁷⁷ Peoples St. No. 2-R, pp. 11-12.

⁷⁸ Peoples St. No. 2-R, p. 12.

⁷⁹ Peoples St. No. 2-R, p. 12.

⁸⁰ Peoples St. No. 2-R, p. 13.

⁸¹ Peoples St. No. 2-R, pp. 16-22.

85. The Company's incentive compensation plan includes both financial and operational goals that benefit customers.⁸²

86. The inclusion of financial performance metrics in the Company's incentive compensation program benefits customers by incentivizing employees and management to reduce and control costs, seek out and develop productivity improvements, using Company resources in the most efficient manner possible, and supporting the delivery of safe, reliable, and affordable utility service.⁸³

87. Financially healthy companies are in a better position to invest in infrastructure improvements and maintain the resources dedicated to improving reliability and quality of service, including responding to emergencies.⁸⁴

88. No parties to the instant proceeding challenged the amount of the Company's claim for incentive compensation.

89. Peoples' incentive compensation is market based and is necessary for the attraction and retention of employees.⁸⁵

90. Peoples' incentive compensation programs are regularly reviewed to ensure market competitiveness.⁸⁶

91. The Company's claim for corporate insurance is \$7,668,379.⁸⁷

92. The Company's claim for employee expenses is \$756,875.⁸⁸

⁸² Peoples St. No. 2-R, pp. 16-22.

⁸³ Peoples St. No. 2-R, pp. 19-20.

⁸⁴ Peoples St. No. 2-R, pp. 17-21.

⁸⁵ Peoples St. No. 2-R, pp. 16-22.

⁸⁶ Peoples St. No. 2-R, pp. 16-22.

⁸⁷ Peoples St. No. 2-R, p. 23; Peoples Exhibit No. APW-1R.

⁸⁸ Peoples St. No. 2-R, p. 25.

93. The Company's claim for travel and entertainment expense is \$799,375, which includes regular business expenses for travel employee recognition, and employee meals.⁸⁹

94. Membership in business development and other local organizations, as well as in local chambers of commerce, enables the Company to operate efficiently, maintain awareness of regulatory trends and issues, and provide opportunities for participation in local development, community engagement, and collaboration.⁹⁰

95. Peoples' claim for advertising expense is \$1,458,032.⁹¹

96. Holiday Market costs were not included in the Company's advertising expense claim.⁹²

97. Peoples utilizes its partnerships with local professional sports teams to increase customer and public awareness of critical safety information in the seasons corresponding with potential dangers or important information, such as the promotion of "Call 811," the detection and prevention of natural gas leaks and carbon monoxide poisoning, and bill assistance programs.⁹³

98. Peoples is proposing to normalize rate case expense over a two-year period based on the estimated filing time between this case and the Company's next rate case.⁹⁴

99. Peoples anticipates spending over \$1.23 billion in 2028 and 2029 under its LTIP.⁹⁵

100. The Company's Distribution System Improvement Charge ("DSIC") would provide insufficient revenue to cover LTIP expenditures during 2028 and 2029.⁹⁶

⁸⁹ Peoples Volume 1, Exh. 4, Sch. 1, p. 17.

⁹⁰ Peoples St. No. 2-R, pp. 28-29.

⁹¹ Peoples Volume 1, Exhibit No. 4, Schedule 1, p. 2, line 16.

⁹² Peoples St. No. 2-R, p. 31.

⁹³ Peoples St. No. 2-R, pp. 32-35.

⁹⁴ Peoples St. No. 2-R, pp. 37-41.

⁹⁵ Peoples St. No. 2-R, pp. 37-41.

⁹⁶ Peoples St. No. 2-R, pp. 39-40.

101. The Company's historical time period between rate cases was affected by stay-out periods due to the unique circumstances of an acquisition and the Internal Revenue Service tax repair election.⁹⁷

102. The use of a two-year normalization period of rate case expenses is justified based on Peoples' LTIPP expenditures alone.⁹⁸

103. The Company's claim for pension expense is \$3,164,136.⁹⁹

104. Pension funding decisions are based on long-term obligations and funding policies designed to ensure that sufficient assets are available to meet promised retirement benefits over many decades.¹⁰⁰

105. Peoples' claim included \$500,000 for expenses related to its proposed Natural Gas Hot Water Tank Rebate Pilot ("Hot Water Tank Pilot").¹⁰¹

106. Peoples' claim for payment processing expense is \$2,939,659.¹⁰²

107. The Company expects that there will be an increased adoption of its payment processing service by customers.¹⁰³

108. Electronic and credit card-based payments and non-cash payments are increasing in activity, and credit cards provide an acceptable and convenient method by which consumers may pay bills digitally.¹⁰⁴

109. The Company proposed to recover three incremental costs through its Universal Service Program ("USP") Rider, including costs associated with a new LIURP Compliance

⁹⁷ Peoples St. No. 2-R, pp. 38-39.

⁹⁸ Peoples St. No. 2-R, pp. 37-41.

⁹⁹ Peoples Volume 1, Exhibit No. 4, Schedule No. 1, p. 2, line 3.

¹⁰⁰ Peoples St. No. 2-R, pp. 42-43.

¹⁰¹ Peoples St. No. 2-R, p. 44.

¹⁰² Peoples Volume 1, Exhibit No. 4, Schedule No. 1, p. 2, line 21.

¹⁰³ Peoples St. No. 2-R, pp. 45-47.

¹⁰⁴ Peoples St. No. 2-R, pp. 46-47.

Specialist, costs associated with the recurring Independent Program Evaluation, which were normalized over a six-year period corresponding with the frequency of this evaluation, and certain costs related to the Company's Cares Program.¹⁰⁵

110. The Company's claim for Commission assessment expense is \$3.859 million, which is based on the 2025 invoice amount plus an increase of 6% representing the average of increases over a five-year period.¹⁰⁶

111. Peoples' Commission-issued payment arrangement ("PAR") rate is one-third of the industry average.¹⁰⁷

112. While a reduction in interest would create lower taxes, Peoples would experience a corresponding increase in revenue which would thus increase its taxes.¹⁰⁸

113. Peoples' claim for depreciation expense and net salvage is \$18.2 million.¹⁰⁹

114. OCA's proposal to utilize ASL procedure will create a higher and continually increasing rate base that will result in increased rates over time compared to the continued use of the Equal Life Group ("ELG") procedure.¹¹⁰

115. The Company currently uses the straight line, remaining life depreciation method with the ELG procedure to allocate unrecovered original cost to the annual revenue requirement.¹¹¹

116. The ELG procedure provides a more precise calculation of depreciation expense than the ASL procedure because it matches cost recovery to service consumption of an asset.¹¹²

¹⁰⁵ Peoples St. No. 2-R, p. 48.

¹⁰⁶ Peoples Exh. No. 6, Sch. No. 2.

¹⁰⁷ Peoples St. No. 18-R, pp. 6-7.

¹⁰⁸ Peoples St. No. 2-R, pp. 50-53.

¹⁰⁹ Peoples Volume 1, Exhibit No. 2, Schedule No. 4, p. 2, lines 4-5.

¹¹⁰ Peoples St. No. 16-R, pp. 26-30.

¹¹¹ Peoples St. No. 16-R, pp. 4-6.

¹¹² Peoples St. No. 16-R, pp. 3-4.

117. In utility operations, only a small percentage of a plant account will be retired at the average service life.¹¹³

118. The longstanding use of ELG procedure as opposed to ASL procedure has resulted in a lower rate base for customers of utilities within Pennsylvania, because ELG results in lower revenue requirements over the long term, while ASL depreciation rates result in higher rate base over time and higher costs to customers overall.¹¹⁴

119. The use of the ELG procedure does not produce intergenerational inequity.¹¹⁵

120. ELG is the predominant method used in Pennsylvania for gas, electric and water utilities, including Peoples Natural Gas, and has been used consistently for over 40 years.¹¹⁶

121. OCA's proposed adjustment to Account 380.00, Services is outside the upper end of the industry ranges for this asset class, and is inconsistent with the Company's most recent service life study.¹¹⁷

122. OCA's depreciation calculation does not factor in special handling of net salvage recovery deferral in Pennsylvania or how close the theoretical reserve to book reserve variance is.¹¹⁸

123. In 2023, Peoples' most recent five-year service life study was submitted to the Commission, and all depreciation parameters and methods were approved, including use of the ELG procedure.¹¹⁹

¹¹³ Peoples St. No. 16-R, pp. 8-9.

¹¹⁴ Peoples St. No. 16-R, pp. 12, 16-17.

¹¹⁵ Peoples St. No. 16-R, p. 20.

¹¹⁶ Peoples St. No. 16-R, p. 2.

¹¹⁷ Peoples St. No. 16-R, pp. 26-20.

¹¹⁸ Peoples St. No. 16-R, pp. 21-22.

¹¹⁹ See Docket No. M-2023-3042647. The Commission took no action for 180 days following the filing of the service life study, and pursuant to 52 Pa. Code § 73.9(c), the service lives were deemed approved.

124. OCA’s proposal regarding Account 380.00, Services, inappropriately excludes the most up-to-date transactional data and is based on mathematical curve-fitting.¹²⁰

125. The Company incorporated factors discussed by the National Association of Regulatory Commissioners (“NARUC”) for estimating service lives in its service life estimates.¹²¹

126. OCA’s proposal regarding Account 380.00, Services does not consider gas service replacement along with replacement of low-pressure mains and service life estimates used by other natural gas companies.¹²²

127. The Company is requesting to continue certain tax related provisions from its 2023 base rate case settlement as updated in the instant base rate case, and as explained by Peoples witness Jiang.¹²³

128. No party challenged the Company’s tax-related proposals.

129. Peoples’ significant capital expenditures place pressure on cash flows and credit metrics.¹²⁴

130. Peoples is also facing increased capital costs as a result of the current long-term interest rate and inflationary environment.¹²⁵

131. Peoples witness Nelson recommended an ROE of 11.25%.¹²⁶

132. OCA’s recommended ROE of 8.80% is lower than all but one authorized ROW for natural gas utilities in the past 46 years, and is insufficient to support ongoing infrastructure investment.¹²⁷

¹²⁰ Peoples St. No. 16-R, p. 35.

¹²¹ Peoples St. No. 16-R, p. 27.

¹²² Peoples St. No. 16-R, p. 37.

¹²³ Peoples St. No. 7, pp. 28-29.

¹²⁴ Peoples St. No. 15, pp. 45-46, 47.

¹²⁵ Peoples St. No. 15-R, pp. 5-10.

¹²⁶

¹²⁷ Peoples St. No. 15-R, p. 4.

133. CAUSE-PA's referenced 7.68% ROE is lower than all authorized ROE for natural gas utilities in the past 46 years, and is insufficient to support ongoing infrastructure investment.¹²⁸

134. The Company's proposed debt cost rate to be used in determining the rate of return is 4.61%.¹²⁹

135. No party challenged People's claimed cost rates for long-term debt.

136. OCA, CAUSE-PA, and I&E recommended hypothetical capital structures, which is contrary to precedent.¹³⁰

137. The Company's common equity ratio is within the range of actual common equity ratios of the proxy group of gas companies used in this proceeding, and is therefore consistent with its peers.¹³¹

138. OCA and I&E use consolidated holding company capital structures in their analyses of capital structures.¹³²

139. The use of consolidated holding company capital structures does not accurately reflect how natural gas distribution utilities are financed because they are at the holding company level, not the operating company level and do not reflect the common financing constraints faced by regulated operating subsidiaries with the obligation to serve.¹³³

140. The cost of debt depends, in part, on the amount of financial risk associated with the proportion of debt in the capital structure.¹³⁴

¹²⁸ Peoples St. No. 15-R, p. 4.

¹²⁹ Peoples St. No. 15, p. 61.

¹³⁰ I&E St. No. 2, p. 15; CAUSE-PA St. No. 1, p. 47; OCA St. No. 3, p. 59; *Pa. PUC v. ALLTEL Pa., Inc.*, Docket Nos. R-942710 *et al.*, Pa. PUC LEXIS 53, *106-107, (Order entered May 24, 1985).

¹³¹ Peoples St. No. 15, pp. 59-60.

¹³² Peoples St. No. 15-R, pp. 24-25; I&E Statement No. 2, p. 17; I&E Exhibit No. 2, Schedule 2, p. 17; Exhibit DJG-13.

¹³³ Peoples St. No. 15-R, p. 4.

¹³⁴ Peoples St. No. 15-R, pp. 36-37. (The Commission has acknowledged that "there is a direct relationship between the cost of debt and the amount of financial risk shown by the debt ratio." *See e.g., Pa. PUC v. PECO Energy Company*, R-2020-3018929, Opinion and Order, at page 145 (June 22, 2020). *See also Pa. PUC v. Columbia Gas of*

141. I&E and CAUSE-PA do not account for cost implications of additional long-term debt in their proposed hypothetical capital structures.¹³⁵

142. Excessive reliance on debt can increase total financing costs and longer-term customer costs.¹³⁶

143. Imputing a hypothetical capital structure that is materially more leveraged as some of the parties have suggested in this case could result in Peoples facing a credit downgrade.¹³⁷

144. Peoples witness Nelson recommends a ROE of 11.25%, inclusive of 25 basis points for management performance.¹³⁸

145. Ms. Nelson utilized a Discounted Cash Flow (“DCF”) model, the Capital Asset Pricing model (“CAPM”) (including the Empirical CAPM or “ECAPM”), and the Bond Yield Plus Risk Premium model (“Risk Premium”) to determine the cost of equity.¹³⁹

146. I&E witness Patel’s recommended ROE overlaps with Ms. Nelson’s estimates.¹⁴⁰

147. OCA’s and CAUSE PA’s ROE estimates are materially below industry benchmarks for a comparable return and are inconsistent with the higher cost of capital environment that the Company is facing.¹⁴¹

Pennsylvania, R-2020-3018835, Opinion and Order entered February 19, 2021, at 116, where the Commission noted that Columbia Gas’s “actual capitalization forms the basis upon which Columbia attracts capital. For example, proposed long-term debt cost rate of 4.73%, *infra*, fully reflects the capitalization determined by the Company to be appropriate.”)

¹³⁵ Peoples St. No. 15-R, pp. 36-37; Peoples St. No. 15-RJ, p. 6.

¹³⁶ Peoples St. No. 15-R, pp. 54-55.

¹³⁷ Peoples St. No. 15-R, pp. 31-32.

¹³⁸ Peoples St. No. 15-R, p. 112.

¹³⁹ Peoples St. No. 15, p. 4.

¹⁴⁰ Peoples St. No. 15-R, p. 14.

¹⁴¹ Peoples St. No. 15-R, p. 14.

148. CAUSE-PA witness Cicero did not perform a traditional cost-of-equity analysis, nor did he establish that he is an expert in cost of capital matters or perform any other market analysis.¹⁴²

149. In rebuttal testimony, Peoples Witness Nelson accepted I&E witness Patel's inclusion of an eighth utility in its proxy group and excluded the S&P high earnings growth rate for Southwest Gas Holdings, Inc. in her Discounted Cash Flow ("DCF") analysis.¹⁴³

150. There are many factors specific to Peoples that elevate its risk profile in relation to the proxy group, including its substantial capital expenditure program to replace at-risk pipe.¹⁴⁴

151. Peoples's ratio of projected capital expenditures to net utility plant is higher than all of the proxy group companies and is 1.49 times higher than the median ratio of the proxy group of 67.08%.¹⁴⁵

152. The Company is also susceptible to bypass, which affects its risk profile through throughput loss, increased pressure on recovery of fixed costs, volatility in revenue recovery, and impacts to cash flow metrics and credit quality.¹⁴⁶

153. Mitigation mechanisms for risk such as DSIC, FPFTY, and WNA which may lower risk are already accounted for and reflected in the risk profiles of the proxy group and accounted for in Ms. Nelson's analysis.¹⁴⁷

154. Due to high levels of capital investment, the Company's ability to use the DSIC to reduce regulatory lag has been limited.¹⁴⁸

¹⁴² CAUSE-PA St. No. 1, pp. 48-49, Appendix A; CAUSE-PA St. No. 1-SR, p. 4.

¹⁴³ Peoples St. No. 15-R, pp. 67-68.

¹⁴⁴ Peoples St. No. 15, pp. 43-44.

¹⁴⁵ Peoples St. No. 15, p. 46; Peoples Exh. JEN-7.

¹⁴⁶ Peoples St. No. 15, p. 46; Peoples Exh. JEN-7.

¹⁴⁷ Peoples St. No. 15-R, pp. 13-14.

¹⁴⁸ Peoples St. No. 3-SR, p. 3-5.

155. The Commission has used the DCF model as the primary model for establishing the cost of equity.¹⁴⁹

156. Ms. Nelson calculated a 10.91% DCF result based on analysts' projections of earnings, and updated this analysis in her rebuttal testimony wherein the average of her Constant Growth and Quarterly Growth DCF results increased by 12 basis points to 11.03%.¹⁵⁰

157. The results of Ms. Nelson's DCF analysis are similar to Mr. Patel's DCF results, demonstrating general agreement on inputs.¹⁵¹

158. OCA witness Garrett's DCF analysis relied on alternative measures of growth such as dividend growth and GDP growth.¹⁵²

159. Dividend growth may not be reflective of a Company's long-term growth prospects.¹⁵³

160. The use of GDP growth rates in DCF analyses for each proxy company is not consistent with DCF modeling.¹⁵⁴

161. In *Columbia 2025*, the Commission concluded that the CAPM is a useful tool in setting the ROE.¹⁵⁵

162. Ms. Nelson found that applying the CAPM using the risk-free rates and forward-looking estimates of market return produces a ROE range of 13.06% to 13.11%.¹⁵⁶

163. Ms. Nelson also considered the ECAPM, which resulted in a forward-looking range of 13.93% to 13.89%.¹⁵⁷

¹⁴⁹ *Columbia 2025*, p. 216.

¹⁵⁰ Peoples St. No. 15, p. 4; Peoples St. No. 15-R, p. 15; Peoples Exh. No. JEN-1R, Peoples Exh. No. JEN-2R.

¹⁵¹ Peoples St. No. 15-R, p. 76; I&E St. No. 2, p. 7.

¹⁵² OCA St. No. 3, pp. 32-33.

¹⁵³ Peoples St. No. 15-R, p. 72.

¹⁵⁴ Peoples St. No. 15-R, pp. 72-73.

¹⁵⁵ *Columbia 2025*, p. 226.

¹⁵⁶ Peoples St. No. 15, p. 39.

¹⁵⁷ Peoples St. No. 15, pp. 35-39.

164. The average of all of Ms. Nelson’s CAPM and ECAPM results using historical and forward market returns is 11.94%.¹⁵⁸

165. Mr. Garrett’s CAPM estimates and Mr. Patel’s Kroll-based CAPM are well below the recently authorized ROEs for natural gas utilities and are counter to the higher interest rate environment.¹⁵⁹

166. Kroll’s equity risk premium does not provide a reliable basis for the CAPM analysis in this case.¹⁶⁰

167. The Commission has recognized the usefulness of the Risk Premium method as a check on the results of the DCF.¹⁶¹

168. Mr. Patel gives 1/3 weight to the national average authorized returns for natural gas utilities.¹⁶²

169. Authorized ROEs are a trailing indicator because they are established based on market conditions that existed at the time those proceedings were litigated and decided.¹⁶³

170. Ms. Nelson’s analysis estimates the ROE based on a statistical relationship using current and projected market conditions.¹⁶⁴

171. Peoples witness Huwar proposed an upward adjustment of 0.25% to the equity cost rate for exemplary management performance, resulting in a ROE of 11.25%.¹⁶⁵

¹⁵⁸ Peoples St. No. 15, p. 15.

¹⁵⁹ Peoples St. No. 15-R, pp. 78-79.

¹⁶⁰ Peoples St. No. 15-R, pp. 85-86; Peoples St. No. 15-RJ, pp. 10-11.

¹⁶¹ *Pa. PUC v. PPL Electric Utilities Corp.*, Docket No. R-2012-2290597, 2012 Pa. PUC LEXIS 1757, 81 (Recommended Decision dated Oct. 19, 2012); *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket No. R-2021-3027385 (Order entered May 16, 2022), pp. 154-155.

¹⁶² I&E St. No. 2, pp. 37-38.

¹⁶³ Peoples St. No. 15, pp. 39-43; Peoples St. No. 15-R, pp. 58-59.

¹⁶⁴ Peoples St. No. 15-R, pp. 58-59.

¹⁶⁵ Peoples St. No. 1, p. 33.

172. Peoples has provided exemplary performance in the areas of customer service metrics and safety measures as compared to its peers.¹⁶⁶

173. Peoples has improved system safety and reliability by reducing outstanding grate 1 and 2 leaks by more than 90% since 2018, reducing its damage rates by 26%, having one of the largest LTIPs in the Commonwealth, and committing to undertaking the Goodwin Tombaugh project.¹⁶⁷

174. The Commission has previously awarded additional basis points to a utility's ROE based on the acquisition and rehabilitation of troubled systems.¹⁶⁸

175. The Company's consumer complaint rate remains lower than the average for Pennsylvania NGDCs.¹⁶⁹

176. The Company is tied for the lowest justified PAR rate of its NGDC peers.¹⁷⁰

177. Moody's has characterized the Governor's letter as credit negative because it represents a material escalation of political involvement in Pennsylvania utility rate-setting and could weaken the predictability and consistency of the regulatory framework.¹⁷¹

178. Governor Shapiro's proposal would not produce returns that are comparable to investments of similar risk.¹⁷²

179. Formulaic benchmarking is not an adequate substitute for comprehensive analysis of current capital market conditions, investor expectations, utility-specific risk, and the need to

¹⁶⁶ Peoples St. No. 1, pp. 34-35.

¹⁶⁷ Peoples St. No. 1, pp. 12-13; Peoples St. No. 1-R, pp. 5-6.

¹⁶⁸ *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket No. R-2021-3027385 (Order entered May 16, 2022), pp. 168-173; *PA American 2026 Order* at 203-206.

¹⁶⁹ Peoples St. No. 1, pp. 23-26.

¹⁷⁰ Peoples St. No. 1, pp. 23-26

¹⁷¹ Peoples St. No. 15, pp. 12-13.

¹⁷² Peoples St. No. 15-R, pp. 40-41 (citing *Bluefield* and *Hope*).

maintain financial integrity and attract capital, all of which are rigorously examined by the various parties to a rate proceeding as well as by the Commission.¹⁷³

180. CAUSE PA witness Cicero estimated the Company's ROE based on the methodology outlined in the Governor's letter to be 7.68%. The proposal is not sufficient to assure confidence in the utility's financial integrity nor is it adequate to maintain and support the utility's credit and attract capital.¹⁷⁴

181. The Federal Reserve's *Financial Stability Report* is not an appropriate source to determine a utility's equity risk premium.¹⁷⁵

182. The 10-year Treasury yield is not the appropriate benchmark for utility ROE determinations because it does not reflect the long-term nature of utility infrastructure investment, which is often thirty years or more.¹⁷⁶

183. Peoples raises capital in a highly efficient, cost-effective manner.¹⁷⁷

184. Peoples has provided investment-specific information to the parties involved in the instant proceeding as well as through its publicly available, Commission-approved LTIP and Asset Optimization Plans.¹⁷⁸

185. Peoples' proposed revenue allocation fairly considers the results of the allocated cost of service ("ACOS") studies, while also taking into account gradualism and value of service.¹⁷⁹

¹⁷³ Peoples St. No. 15-R, p. 43.

¹⁷⁴ CAUSE-PA St. No. 1, p. 34.

¹⁷⁵ Peoples St. No. 15-R, pp. 46-47.

¹⁷⁶ Peoples St. No. 15-R, pp. 47-48.

¹⁷⁷ Peoples St. No. 19-R, pp. 3-4.

¹⁷⁸ Peoples Exh. PB-2R; Peoples Exh. PB-3R.

¹⁷⁹ Peoples St. No. 17, pp. 31-33.

186. The Commission has directed that a proposed revenue allocation will only be found to be reasonable where it moves distribution rates for each class closer to the full cost of providing service.¹⁸⁰

187. Peoples prepared its ACOS study using an Average Study that combines and reflects an equal weighting of the results of a Customer-Demand and Demand-Commodity study.¹⁸¹

188. Mains costs under a Customer-Demand study are classified between customer and demand components based on the results of a Minimum System (“MSS”) study, and under a Demand-Commodity study are classified on a 50/50 basis between demand and commodity components.¹⁸²

189. Distribution facilities are constructed in part to connect customers to the system, provide access to service, and maintain sufficient capacity to meet customer requirements.¹⁸³

190. Peoples’ ACOS study reasonably recognizes both customer-related and load-related cost causation while also incorporating accepted ratemaking considerations such as gradualism and rate stability.¹⁸⁴

191. Peoples’ proposed revenue allocation results in the reduction of existing subsidies and excesses among the rate classes and moves the return for all rate classes closer to the indicated cost of service for each class.¹⁸⁵

¹⁸⁰ *Pa. Publ. Util. Comm’n, et al. v. PPL Electric Utilities Corporation*, Docket Nos. R-00049255, et al., 2007 Pa. PUC LEXIS 55 (Order on Remand entered July 25, 2007).

¹⁸¹ Peoples St. No. 17, pp. 24-25.

¹⁸² Peoples St. No. 17, pp. 24-25.

¹⁸³ Peoples St. No. 17-R, p. 17.

¹⁸⁴ Peoples St. No. 17-R, pp. 3, 8.

¹⁸⁵ Peoples St. No. 17, p. 31.

192. OCA witness Deupree recommends a cap to the proposed rate increase to any single customer class of not more than 1.15 times the system average increase.¹⁸⁶

193. Mr. Deupree's recommendation regarding capping the rate increase for customer classes is not derived from a cost-of-service principle, and would have the effect of preserving existing disparities in class rates of return.¹⁸⁷

194. Factoring in Peoples' proposed customer charge increases, the customer charges for all classes remain below the customer-related unit costs identified for those classes.¹⁸⁸

195. Peoples proposes to increase the Residential customer charge from \$16.80 to \$26.00.¹⁸⁹

196. The Commission has recognized that it is appropriate to set a customer charge that ensures the recovery of those fixed costs that are "clearly more customer-related than usage-related, while still allowing some revenue to be recovered through usage-based charges."¹⁹⁰

197. The proposed residential customer charge does not disproportionately impact low-income customers as the proposed rate design produces generally consistent annual bill impacts across the customer groups.¹⁹¹

198. Increasing the customer charge will benefit low-income customers with higher-than-average usage by reducing their total bill.¹⁹²

¹⁸⁶ OCA St. 1, p. 5.

¹⁸⁷ Peoples St. No. 17-R, p. 7.

¹⁸⁸ Peoples St. No. 17-R, p. 22.

¹⁸⁹ Peoples St. No. 17, pp. 33-34.

¹⁹⁰ *Pa. PUC v. PPL Electric Utilities Corporation*, Docket No. R-2012-2290597, 2012 Pa. *PPL Electric 2012* (rejecting I&E's and OCA's position of "no increase" to the customer charge because it was not based on a proper cost analysis) citing *Pa. Publ. Util. Comm'n v. Aqua Pennsylvania, Inc.*, Docket No. R-00038805, 2004 Pa. PUC LEXIS 39, 236 P.U.R.4th 218 (August 5, 2004).

¹⁹¹ Peoples St. 17-R, p. 33.

¹⁹² Peoples St. No. 17-R, pp. 33-35.

199. Recovery of fixed customer-related costs through volumetric delivery rates can produce less stable recovery of fixed distribution costs over time, while weakening the relationship between costs and their recovery, resulting in less accurate price signaling.¹⁹³

200. The recovery of fixed customer-related costs through the customer charge helps to stabilize bills by spreading distribution costs throughout the year.¹⁹⁴

201. Almost all of the Company's LIURP participants are enrolled in CAP, which allows them to make payments that are not based on monthly fixed or variable charge amounts.¹⁹⁵

202. LIURP savings often result in a reduction in customer usage that is more significant than the increase to the customer charge of \$9.20 per month.¹⁹⁶

203. The purpose of the customer charge is to recover customer-related fixed costs, and a reduction in the overall revenue requirement does not necessarily alter the customer-related costs identified in the Commission's customer cost analysis.¹⁹⁷

204. No party opposed the Company's proposal that the Merchant Function Charge reflected in its final tariff be updated based upon current gas cost information rather than the commodity prices in place when the case was filed.¹⁹⁸

205. CAUSE-PA's recommendation regarding USP costs would have the effect of imposing an obligation on Peoples' non-residential customers that is not placed on non-residential customers of other Pennsylvania utilities.¹⁹⁹

¹⁹³ Peoples St. No. 17-R, p. 28.

¹⁹⁴ Peoples St. No. 17-R, pp. 35-37.

¹⁹⁵ Peoples St. No. 10-R, p. 21.

¹⁹⁶ Peoples St. No. 10-SR, p. 4.

¹⁹⁷ Peoples St. No. 17-R, p. 29.

¹⁹⁸ Peoples St. No. 17-R, pp. 40-43.

¹⁹⁹ Peoples St. No. 17-R, pp. 21-22.

206. For purposes of the ACOS study, the Company places negotiated-rate customers within the tariff classes under which they receive service.²⁰⁰

207. Peoples' negotiated delivery revenues are reflected based upon the negotiated rates actually associated with those customers, rather than being assumed to pay otherwise applicable tariff rates.²⁰¹

208. Peoples' WNA was approved in its last base rate proceeding.²⁰²

209. Peoples' WNA: (1) applies to residential and small/medium general service customers; (2) operates during the months of October through May; (3) includes a 3% deadband; (4) is calculated on a bills-rendered basis; (5) includes a limiter for bills rendered in May such that the WNA adjustment will not exceed 100% of the billed distribution amount (delivery charge plus customer charge) for that same billing period; and (6) requires annual reporting of billed WNA revenues, actual and normal HDD, and bill impact information.²⁰³

210. The only change proposed by Peoples to its WNA in the instant proceeding is to update the normal weather methodology used to determine HDDs.²⁰⁴

211. Through mid-March 2026, the WNA provided customers with a total net credit of \$10.8 million since its inception, and during the 2025-2026 heating season alone, which was much colder than normal, the WNA provided customers with a credit of \$22.6 million as of mid-March 2026.²⁰⁵

²⁰⁰ Peoples St. No. 17-R, p. 19.

²⁰¹ Peoples St. No. 17-R, pp. 19-20.

²⁰² *Pa. PUC v. Peoples Natural Gas Company LLC*, Docket No. R-2023-3044549 (Order entered Sept. 12, 2024).

²⁰³ Peoples St. No. 17, pp. 39-40.

²⁰⁴ Peoples St. No. 17, p. 40.

²⁰⁵ Peoples St. No. 17, p. 3.

212. The WNA serves a different purpose than the FPFTY and DSIC, which is the abnormal impact of weather on weather-sensitive distribution revenues after rates have been established.²⁰⁶

213. The WNA is not a revenue guarantee, nor does it limit risk only for the benefit of the Company.²⁰⁷

214. An expansion of the WNA deadband from 3% to 5% would reduce the effectiveness of the WNA by allowing a greater amount of weather-related revenue variation to remain outside the mechanism before any adjustment occurs.²⁰⁸

215. The Company's proposal to implement a 65-year regression trend narrows the circumstances in which the WNA will produce adjustments by making the definition of "normal" weather more representative of what is expected to be normal moving forward.²⁰⁹

216. Peoples' 3% deadband has functioned as intended and has not produced unreasonable results.²¹⁰

217. The existence of greater weather variability in certain months, including October and May, is not a valid reason to exclude those months from the WNA, because the purpose of the WNA is to normalize variable weather.²¹¹

218. The inclusion of October and May in the Company's WNA has not produced unreasonable results or diminished the operation of the WNA, and the exclusion of October and May from the WNA would reduce consistency in the Company's weather-normalization framework.²¹²

²⁰⁶ Peoples St. No. 17-R, pp. 56-57.

²⁰⁷ Peoples St. No. 17-R, p. 58.

²⁰⁸ Peoples St. No. 17-R, p. 63.

²⁰⁹ Peoples St. No. 17-RJ, p. 6.

²¹⁰ Peoples St. No. 17-RJ, p. 7.

²¹¹ Peoples St. No. 17-R, p. 64.

²¹² Peoples St. No. 17-R, p. 64.

219. The WNA does not negatively impact low-income customers, because it is not true that temperatures will always be warmer than normal rather than colder than normal.²¹³

220. The WNA is a symmetric mechanism which tempers CAP bills by reducing them in colder-than-normal weather, and in warmer-than-normal weather, customers are purchasing less natural gas.²¹⁴

221. Pennsylvania Annual HDD data demonstrates that a trend is a better representation of HDD than any simple average, regardless of the term, i.e. 10-year or 20-year.²¹⁵

222. The Company's proposed effective date of rates coincides with the end of the suspension period which is December 26, 2026.

223. In Peoples' two most recent rate cases, new rates have become effective during the gap month but after the suspension period.²¹⁶

224. Peoples' proposed to apply a defined credit adjustment to offset the USP Rider charges that are paid for by non-CAP residential customers through the periods of January 1, 2027 through March 31, 2027 (Year 1) and January 1, 2028 through March 31, 2028 (Year 2).²¹⁷

225. The one-time credit adjustment will be comprised of the sales and use tax refund of \$3.9 million plus the tax repairs deduction collar which is estimated to be \$1.2 million for 2025 and more than \$15 million in 2026.²¹⁸

226. The one-time credit adjustment will help income-eligible customers who are not participating in CAP as well as those customers whose incomes exceed CAP eligibility but may

²¹³ Peoples St. No. 17-R, pp. 61-62.

²¹⁴ Peoples St. No. 17-RJ, pp. 9-10.

²¹⁵ Peoples St. No. 17-R, pp. 61-62.

²¹⁶ Peoples St. No. 3-R, pp. 6-7.

²¹⁷ Peoples St. No. 3, pp. 6-9.

²¹⁸ Peoples St. No. 2, pp. 22-23; Peoples St. No. 3, pp. 6-9.

still be constrained by their monthly bill obligations by reducing monthly bills for non-CAP residential customers.²¹⁹

227. If the credit adjustment were applied to all customers, the adjustment would be less impactful for non-CAP residential customers.²²⁰

228. Peoples proposed to revise its CAP participation level that prompts when the bad debt offset is applicable to CAP enrollment in excess of 39,010, and the uncollectible amount used in that calculation.²²¹

229. Peoples' proposal will align the CAP participation level and uncollectible percentage used in the bad debt offset calculation with more recently experienced trends.²²²

230. Peoples agreed to accept OCA witness Colton's recommendation for establishing the uncollectible percentage using a multi-year average for 2023 and 2024, resulting in an offset of 7.4%.²²³

231. Peoples' CAP enrollment levels are reasonable and its comprehensive actions taken to enroll customers in CAP demonstrate its commitment to increasing those enrollment levels.²²⁴

232. Peoples has in place a comprehensive Consumer Education and Outreach Plan ("CEOP") to ensure that eligible customers are aware of CAP, including Customer Service Representatives ("CSR") referring all potential income eligible customers to CAP, regular training for CSRs, provision of plain language CAP notices to reported low income customers, bill inserts, email campaigns, advertising, and participation in local community events.²²⁵

²¹⁹ Peoples St. No. 10, pp. 20-21.

²²⁰ Peoples Exh. CAS-1R.

²²¹ Peoples St. No. 3-R, pp. 13-14.

²²² Peoples St. No. 3, pp. 4-5.

²²³ Peoples St. No. 3-R, p. 16; Peoples Exh. No. CAS-5R.

²²⁴ Peoples Statement No. 10, pp. 6, 13; Peoples Statement no. 10-R, p. 12; Peoples Statement No. 18-R, p. 3.

²²⁵ Peoples St. No. 10-R, p. 12; Peoples Statement No. 18-R, p. 3.

233. Peoples is currently undergoing an independent evaluation of its universal service programs by a 501(c)3 research non-profit.²²⁶

234. Barriers to universal service program enrollment are a part of the independent USP evaluation, and the findings and recommendations will be provided to the BCS and Peoples' USAG in April 2027 and used to inform the Company's USECP to be filed in 2028.²²⁷

235. Peoples has demonstrated significant efforts to identify low-income customers and to screen them for eligibility in its USPs, including initiation of service, instances of billing concerns, and contacts regarding other income-dependent programs like the EFSLR program.²²⁸

236. Peoples' Percentage of Income Payments ("PIP") for individuals with incomes below the 150% FPL align with Commission guidance.²²⁹

237. The Company's annual LIURP funding is \$3.5 million.²³⁰

238. Upon moving LIURP to a new program administrator in 2025, Peoples saw improvements in choices of weatherization measures.²³¹

239. The Pennsylvania Weatherization Providers Task Force ("PWPTF" or "Task Force") recommended that should a rate increase be approved, the number of customers served annually by the Company's LIURP be increased by 75, or an increase in program funding of \$975,000, in order to "begin to meet the unmet need for LIURP services."²³²

240. The Task Force's recommendation is redundant, because Peoples is on track to surpass the level of households that would be served through PWPTF's recommendation.²³³

²²⁶ *Id.*

²²⁷ *Id.* at 13-14.

²²⁸ Peoples St. No. 10-R, pp. 12-13.

²²⁹ Peoples St. No. 10-R, p. 28.

²³⁰ Peoples St. No. 10, pp. 6-7.

²³¹ Peoples St. No. 10, p. 6.

²³² PWPTF Statement No. 1, p. 7.

²³³ Peoples St. No. 10-R, p. 21.

241. Peoples has proposed that a new internal role for a LIURP Compliance Specialist be added and that the cost of the role be recovered through its recoverable LIURP budget.²³⁴

242. As with the third-party administration of LIURP, which is recoverable through the LIURP budget, this LIURP Compliance Specialist role is entirely dedicated to and limited to LIURP.²³⁵

243. The LIURP Compliance Specialist role falls squarely within the definition of an administrative cost as defined by the Commission's regulations.²³⁶

244. Peoples' Hardship Fund is administered by the Dollar Energy Fund and provides grants of up to \$500.00 to customers with incomes up to 200% of the FPL.²³⁷

245. Customers with incomes between 151-200% of the FPL are referred to the Hardship Fund before CAP enrollment, in order to reduce their total balance.²³⁸

246. The Company's donation to the Hardship Fund does not come from ratepayer funds, but from shareholder dollars.²³⁹

247. Peoples' CARES program assists customers with access to internal and external assistance programs and services, as well as outreach.²⁴⁰

248. Peoples' EFSLR program assists customers with household incomes up to 200% of the FPL who face heating system or gas line emergencies.²⁴¹

249. No parties made any affirmative recommendations related to Peoples' CARES or EFSLR programs.

²³⁴ Peoples St. No. 10, p. 9.

²³⁵ Peoples St. No. 10, p. 9.

²³⁶ 52 Pa. Code § 58.2.

²³⁷ Peoples St. No. 10, p. 4.

²³⁸ Peoples St. No. 10, p. 4.

²³⁹ Peoples St. No. 10-R, p. 22.

²⁴⁰ Peoples St. No. 10, p. 5.

²⁴¹ Peoples St. No. 10, p. 5.

250. Peoples provides payment options which assist in mitigating bill seasonality, including CAP and budget billing.²⁴²

251. Budget billing is widely publicized through bill inserts, the Company's website, digital and social media, and email campaigns.²⁴³

252. Income eligibility for Peoples's customer assistance programs is driven by the FPL, and eligibility for Peoples' assistance programs is set at an FPL level that is consistent with other natural gas and electric utilities (or in the case of ECAP, above the level of other utilities) within Pennsylvania, consistent with the Commission's guidance.²⁴⁴

253. The Company broadened the population of CLI customers by using the definition agreed to in its 2023 rate case, which includes customers who self-identify as low-income.²⁴⁵

254. The Company's broadened CLI definition aligns with an increase in reported collection activities for that group as a whole because of the larger definition.²⁴⁶

255. Peoples performs well among its peers when considering the percentage of customers in debt and the arrears carried by those customers both as a percent of residential customers overall and as a percent of CLI customers.²⁴⁷

256. Peoples's termination rate aligns with the industry average, and its total in-debt customer percentage is lower than the industry average.²⁴⁸

²⁴² Peoples St. No. 10R, p. 19; Peoples St. No. 10-RJ, p. 13.

²⁴³ Peoples St. No. 10-RJ, p. 13.

²⁴⁴ Peoples St. No. 10-R, p. 20.

²⁴⁵ Peoples St. No. 18-RJ, pp. 3-4.

²⁴⁶ Peoples St. No. 18-RJ, pp. 3-4.

²⁴⁷ Peoples St. No. 18-R, p. 4.

²⁴⁸ Peoples St. No. 10-RJ, p. 10.

257. Peoples is a peer leader in the restoration of service to its CLI customers following a disconnection, which is a testament to Peoples’ commitment to assist customers with CAP enrollment or payment arrangements.²⁴⁹

258. Peoples has committed to including in its January 2027 USAG meeting a discussion of the increase in its CAP termination rate in 2024.²⁵⁰

259. The Commission rejected Mr. Colton’s disparate impact argument in the Company’s 2023 base rate case, and noted that “absent proof of explicit discrimination, it is not the role of the Commission to impose this task upon a single public utility in the context of a base rate proceeding.”²⁵¹

260. Peoples Energy Analytics (“PEA”) has performed an analysis to identify CAP eligible CLI populations within OCA’s areas of concern, and Peoples intends to continue to use PEA’s work to inform outreach within these areas in order to encourage CAP enrollment.²⁵²

261. Many of the Company’s damage-related complaints can be attributed to misunderstandings or lack of awareness regarding utility projects or procedures, but the Company elevates formal complaints where necessary and always ensures that each is given specific treatment, care, and due consideration.²⁵³

262. Peoples offers payment arrangements to provide customers with the opportunity to pay off their arrears over time, and sometimes customers choose to default on payment arrangements for reasons outside of the Company’s control.²⁵⁴

²⁴⁹ Peoples St. No. 10-R, p. 16.

²⁵⁰ Peoples St. No. 10-R, p. 14.

²⁵¹ *Pa. PUC et al. v. Peoples Natural Gas Company LLC*, Docket No. R-2023-3044549, Recommended Decision (entered July 15, 2024) (adopted September 12, 2024).

²⁵² Peoples St. No. 10-R, pp. 17-18.

²⁵³ Peoples St. No. 10-R, pp. 26-27.

²⁵⁴ Peoples St. No. 18-R, pp. 5-6.

263. Peoples commits to working with all customers facing financial difficulties, and offers SGS and MGS customers temporary holds to allow for payment, as well as payment arrangements.²⁵⁵

264. Social Security Numbers (“SSN”) are an effective and consistent tool that the Company uses to identify its customers.²⁵⁶

265. Peoples performs well in its live customer service interactions, in categories such as call abandonment, speed of answer, wait time, and ability to reach a representative.²⁵⁷

266. Peoples actively and prudently manages its staffing needs in response to seasonal call volume increases as well as overall operational performance and customer service strategy.²⁵⁸

267. The Company experienced an event in 2024 during which its bill print vendor abruptly closed, ultimately resulting in the missing of files in the transition to the Company’s new vendor and therefore a delay in the printing and mailing of bills for certain customers for one month.²⁵⁹

268. Peoples notified BCS upon identification of the issue, and took steps to protect its customers in light of the event, including removal of late payment charges or issuance of credits, posting of customer notifications in multiple locations, and the addition of messaging to the Company’s IVR system.²⁶⁰

269. The Company experienced a rebilling event in 2024 involving an above-average number of customers bring rebilled during certain months.²⁶¹

²⁵⁵ Peoples St. No. 18-R, p. 22.

²⁵⁶ Peoples St. No. 18-R, pp. 11-12.

²⁵⁷ Peoples St. No. 18-R, pp. 14-15.

²⁵⁸ Peoples St. No. 18-R, pp. 14-15.

²⁵⁹ OCA St. 5, p. 20.

²⁶⁰ Peoples St. No. 18-R, pp. 16-17.

²⁶¹ OCA St. 5, pp. 20-21.

270. Peoples self-reports large-scale billing issues consistent with regulatory obligations and provides rebilled customers with notice.²⁶²

271. Billing events must be evaluated on a case-by-case basis as they vary in cause, scope, timing, impact, remediation, customer service and communication, and regulatory requirements.²⁶³

272. Peoples' instant rate case is not the appropriate forum for the Commission to consider the broad issue of statewide bill engagement, as proposed by OCA.²⁶⁴

273. Peoples provides customers with their account- and billing-specific information upon request, and this information is also readily available to Peoples' customers online.²⁶⁵

274. Peoples proposed to revise its tariff to provide that customers enrolled in CAP may not use natural gas for recreational purposes, such as pool heaters and/or hot tubs, recreational appliances, outdoor appliances, and heated outdoor buildings.²⁶⁶

275. Peoples' proposed revision regarding recreational natural gas usage would memorialize and clarify language that is already contained within the Company's USECP, prohibiting recreational natural gas use.²⁶⁷

276. Peoples already enforces this provision regarding recreational natural gas use, and can be penalized where it fails to identify such use.²⁶⁸

²⁶² Peoples St. No. 18-R, p. 19.

²⁶³ Peoples St. No. 18-RJ, p. 7.

²⁶⁴ OCA St. 5, pp. 42-43.

²⁶⁵ Peoples Statement No. 18-R, pp. 20-21.

²⁶⁶ Peoples St. No. 13, p. 5; Peoples Statement No. 10, p. 8.

²⁶⁷ Peoples St. No. 10, p. 10.

²⁶⁸ Peoples St. No. 10-R, pp. 3-4.

277. Peoples proposed a tariff revision that would allow the Company to hold customers who fraudulently obtain CAP benefits accountable for the cost of those benefits, protecting non-CAP customers from bearing unnecessary costs.²⁶⁹

278. The Company's proposed addition to Rate CAP regarding fraudulent obtainment of CAP benefits is narrowly tailored to address a specific type of intentional or significant misuse of CAP benefits, and the Company is not seeking to identify or penalize customers who make calculation mistakes or experience unexpected fluctuations in income that they forgot to report.²⁷⁰

279. The Company handles each case of suspected fraud on a case-by-case basis, which includes careful review, flexibility, and communications with the customer.²⁷¹

280. Peoples is willing to discuss the proposed addition to Rate CAP regarding fraudulent obtainment of CAP benefits with its USAG, but is not willing to delay tariff changes until a future proceeding solely to allow for such a discussion.²⁷²

281. Peoples proposed to revise Rider USP to include outreach costs related to its CARES program, including dedicated costs of outreach and consumer education discussed in its CEOP, which include the costs of the PEA partnership, as well as communications costs related to LIHEAP and universal service program advertising.²⁷³

282. Peoples is not proposing to include costs related to internal labor or employee expenses related to outreach events or CARES support of vulnerable customers.²⁷⁴

283. CARES is the only one of the Company's Commission-required, core USECP programs which is not currently supported through Rider USP.²⁷⁵

²⁶⁹ Peoples St. No. 13, p. 5; Peoples Statement No. 10, p. 8.

²⁷⁰ Peoples St. No. 10-R, p. 6.

²⁷¹ Peoples St. No. 10-R, p. 8.

²⁷² Peoples St. No. 10-R, p. 8.

²⁷³ Peoples St. No. 10, p. 9.

²⁷⁴ Peoples St. No. 10, p. 12.

²⁷⁵ Peoples St. No. 10, pp. 12-13.

284. Peoples proposed to include third party costs associated with the independent evaluation of its universal service programs in Rider USP.²⁷⁶

285. Peoples proposed to remove the reference to the ‘Community Partnership for Weatherization’ within Rider USP.²⁷⁷

286. Peoples proposed to update the name of the Emergency Furnace Service Line Repair Program to maintain consistency with the USECP.²⁷⁸

287. No parties challenged Peoples’ propose revisions to Rider USP with respect to the ‘Community Partnership for Weatherization’ reference or the name of the EFSLR.

288. Peoples proposed a revision to Rule 8 of its tariff regarding nonliability or limitation of liability which clarifies that a customer is responsible for their own property and to protect it from damage, regardless of the inhabited status of the property.²⁷⁹

289. The proposed tariff language regarding nonliability or limitation of liability represents a clarification of existing tariff provisions consistent with language, theory, and treatment of those tariff provisions, rather than an additional limitation on liability.²⁸⁰

290. Peoples proposed a revision to Rule 10 of its tariff which would reserve the Company’s right to require a payment to prevent service termination or restore service if the customer has failed to demonstrate a good faith effort to make a payment within the preceding twelve-month period.²⁸¹

291. The revision to Rule 10 would also provide the Company with the right to remove the customer from using online payment methods when abuse of those platforms is detected.²⁸²

²⁷⁶ Peoples St. No. 10, p. 9.

²⁷⁷ Peoples St. No. 10, p. 9.

²⁷⁸ Peoples St. No. 10, p. 9.

²⁷⁹ Peoples St. No. 13, p. 4.

²⁸⁰ Peoples St. No. 13-R, pp. 4-5.

²⁸¹ Peoples St. No. 13, pp. 4-5.

²⁸² Peoples St. No. 13, pp. 4-5.

292. The proposed additions to Rule 10 protect the Company from operational burdens, increased collections costs, and prevent growing arrears, and the language is tailored to customers with a specific history of dishonored payments.²⁸³

293. It is not a new practice for Peoples to disallow checks after repeated instances of returned payments.²⁸⁴

294. The proposed revision to Rule 10 does not deprive customers of the ability to make payments, but allow the Company to exercise reasonable discretion in managing arrears and collection activities.²⁸⁵

295. Peoples has proposed a revision to Rule 4, pertaining to Connections for Service and Extension of Facilities, that provides that one meter per customer service line will be installed, except where design necessitates otherwise.²⁸⁶

296. No party recommended adjustments to the revision to Rule 4.

297. Peoples proposed an update to the Weather Normalization Adjustment tariff provision, in order to update the current proceeding's docket number and to update a formula so that "WNA" equals "WNAM" instead of "WNAC" times the Distribution Charge.²⁸⁷

298. No party recommended an adjustment to the revision to the WNA pertaining to the formula update.

299. Peoples proposed to add language to the Mainline Service Rate regarding the Right of First Refusal, stipulating a time period in which the customer must provide a competing offer

²⁸³ Peoples St. No. 13-R, p. 5.

²⁸⁴ Peoples St. No. 13-R, p. 6.

²⁸⁵ Peoples St. No. 13-R, pp. 3-7.

²⁸⁶ Peoples St. No. 13, p. 4.

²⁸⁷ Peoples St. No. 13, p. 5.

to Peoples prior to terminating service, as well as a time period in which Peoples will notify the customer of its decision.²⁸⁸

300. No party recommended an adjustment to the Mainline Service Rate language regarding the Right of First Refusal.

301. Peoples proposed a Hot Water Tank Pilot for consumers to lower their annual energy bills by switching from electric water heaters to natural gas water heaters, to be implemented over a three-year period beginning in January 2027.²⁸⁹

302. The Hot Water Tank Pilot is designed to provide a \$1,000 rebate to eligible residential customers to encourage installation of high-efficiency natural gas hot water tank appliances and to offset the up-front cost of installation.²⁹⁰

303. The Company has included a \$500,000 expense in this case for the Hot Water Tank Pilot, which includes \$288,000 for marketing and outreach through direct mail, bill inserts, its website and social media.²⁹¹

304. The Hot Water Tank Pilot is expected to help save consumers approximately \$195 - \$375 per year by using a natural gas tank to heat water rather than an electric tank.²⁹²

305. Peoples is generally willing to accept OCA witness Gobrecht's recommendations with respect to damage prevention with certain modifications. The Company recommends changes to Mr. Gobrecht's recommendations in that: (1) the Company agrees to continue performing root cause analyses of utility fault damages to determine areas of improvement; (2) the Company agrees that its employees and contractors (as well as locator personnel) will receive additional training to

²⁸⁸ Peoples St. No. 13, p. 5.

²⁸⁹ Peoples St. No. 8, p. 9.

²⁹⁰ Peoples St. No. 8, p. 9.

²⁹¹ Peoples St. No. 8, pp. 12-13.

²⁹² Peoples St. No. 8, p. 12.

address damage trends on Peoples system; and (3) the Company agrees to create a QA/QC program to assess causes of damages related to (1) mapping errors, (2) lines not marked and (3) lines marked incorrectly to determine areas of improvements to reduce damages.²⁹³

306. Peoples also agrees to periodically meet with I&E to review its root cause analyses and metrics related to specific causes of damages.²⁹⁴

307. Mr. Gobrecht recommended that Peoples implement a pilot program of methane detectors.²⁹⁵

308. Peoples agrees to explore the feasibility of methane detection across its territory, so long as it is afforded the flexibility and time to evaluate the feasibility of methane detection prior to any mandated deployment of a specific methane detection technology.²⁹⁶

309. Peoples does not have the network capability to centrally monitor smart methane detection equipment as Advanced Metering Infrastructure is not deployed across Peoples's territory.²⁹⁷

310. Peoples is willing to implement a methane detection pilot which will include but is not limited to: (i) the evaluation of available methane detection technology equipment such as local audible alarm, (ii) the operational impacts and requirements associated with the methane detection equipment, (iii) the legal and regulatory implications of deploying methane detection across the Peoples' service territory, (iv) customer interest in methane detection; and the remote communication capabilities of that methane detection and Peoples' systems. As part of its pilot, the Company agrees to monitor related expenses.²⁹⁸

²⁹³ Peoples St. No. 8-RJ, pp. 4-5.

²⁹⁴ Peoples St. No. 8-RJ, p. 5.

²⁹⁵ I&E St. No. 4-SR, p. 6.

²⁹⁶ Peoples St. No. 6-RJ, p. 3.

²⁹⁷ Peoples St. No. 6-RJ, p. 3.

²⁹⁸ Peoples St. No. 6-RJ, pp. 3-4.

311. Peoples will report on the results of its methane detection pilot in its next base rate proceeding.²⁹⁹

312. 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 high as ten times the PTC.³⁰⁰

313. Implementation costs and difficulties for CAUSE-PA's recommendation would likely be minimal.³⁰¹

314. Peoples proposed to increase the fee that it charges to producers for gathering system costs through the existing Rate AGS for all conventional gas production delivered to Peoples' system from \$0.24/Mcf to \$0.29/Mcf.³⁰²

315. Gathering systems benefit both producers and customers by functioning as what is often the sole means of delivery of gas for a producer and result in cost savings to customers.³⁰³

316. The increase of Rate AGS to \$0.29/Mcf would result in the collection of only approximately 25.7% of the gathering system cost of service from conventional producers.³⁰⁴

317. Conventional producers, under the new Rate AGS, will be paying for only approximately ¼ of the system they utilize.³⁰⁵

318. Peoples selected a methodology for calculating Rate AGS which would have the lowest impact on producers.³⁰⁶

²⁹⁹ Peoples St. No. 6-RJ, p. 4.

³⁰⁰ Peoples St. No. 21-R, pp. 4-5.

³⁰¹ Peoples St. No. 21-R, p. 5.

³⁰² Peoples St. No. 5, p. 19.

³⁰³ Peoples St. No. 5, pp. 14-15.

³⁰⁴ Peoples St. No. 5-R, p. 3.

³⁰⁵ Peoples St. No. 5-R, p. 3.

³⁰⁶ Peoples St. No. 5-R, p. 5.

319. The language of Rate AGS reflects Peoples' obligation to maintain safe and reliable service.³⁰⁷

320. Where it is operationally feasible and where it would preserve the reliability and safety of the system, Peoples is willing to and does make reasonable efforts to acknowledge and accommodate operational concerns of producers, as testified to by PIOGA Witness Kriebel.³⁰⁸

321. Peoples' MIMA terms are not overly prescriptive, but are in place to allow Peoples to actively manage all assets, and to ensure that those assets are prudently and operationally justified.³⁰⁹

322. Customer benefits associated with local gathering do not eliminate the operational responsibilities associated with that local gathering.³¹⁰

323. The operational requirements of MIMAs are separate from the establishment of a reasonable Rate AGS to recover costs associated with the system itself.³¹¹

324. Prior to entering into a negotiated rate agreement, the Company requires proof of the competitive alternative and conducts a cost analysis to ensure that the rate is justified.³¹²

325. Peoples limits any new contracts to term of ten years and verifying competitive alternatives prior to entering into a new contract.³¹³

326. Peoples has reduced its number of negotiated contracts from 17 to 11.³¹⁴

³⁰⁷ Peoples St. No. 5-R, p. 8.

³⁰⁸ PIOGA St. No. 3, pp. 3-4.

³⁰⁹ Peoples St. No. 5-R, p. 10.

³¹⁰ Peoples St. No. 5-R, p. 12.

³¹¹ Peoples St. No. 5-R, p. 12.

³¹² Peoples St. No. 8-R, p. 4.

³¹³ Peoples St. No. 8-R, p. 4.

³¹⁴ Peoples St. No. 8-R, p. 4.

327. No parties challenged the \$1.9 million of net plant remaining on the books of PNG Gathering is included in rate base and PNG Gathering-related revenue and expenses are included in this case, as a result of the merger of PNG Gathering into Peoples.³¹⁵

328. I&E witness Cline recommends that Peoples be required to provide an update that includes actual utility plant balances, actual plant additions, and actual retirements for the twelve months ending November 30, 2026 by June 1, 2027, and for the twelve months ending November 30, 2027, by June 1, 2028.³¹⁶

329. Peoples agreed to I&E's request and indicated that it would submit a report comparable to Peoples Exhibit CAS-4R, which was submitted pursuant to the Company's settlement commitments in its last rate case.³¹⁷

³¹⁵ Peoples St. No. 2, pp. 3-4.

³¹⁶ I&E St. No. 3, p. 3.

³¹⁷ Peoples St. No. 3-R, pp 9-10.

APPENDIX D

APPENDIX D – Proposed Conclusions of Law

1. The Commission has jurisdiction over the subject matter and the parties to this proceeding.³¹⁸
2. Under Section 1301 of the Public Utility Code, a public utility's rates must be just and reasonable.³¹⁹
3. The Commission possesses a great deal of flexibility in its ratemaking function. "In determining just and reasonable rates, the [Commission] has discretion to determine the proper balance between the interests of ratepayers and utilities."³²⁰
4. The term "just and reasonable" is not intended to confine the ambit of regulatory discretion to an absolute or mathematical formulae; rather, the Commission is granted the power to balance the prices charged to utility customers and returns on capital to utility investors.³²¹
5. A public utility seeking a general rate increase has the burden of proof to establish the justness and reasonableness of every element of the rate increase request.³²²
6. "It is well-established that the evidence adduced by a utility to meet this burden must be substantial."³²³
7. A public utility, in proving that its proposed rates are just and reasonable, does not have the burden to affirmatively defend claims made in its filing that no other party has questioned. While it is axiomatic that a utility has the burden of proving the justness and reasonableness of its

³¹⁸ 66 Pa. C.S. §§ 1301, 1308(d).

³¹⁹ 66 Pa. C.S. § 1301.

³²⁰ See *Popowsky v. Pa. Pub. Util. Comm'n*, 542 Pa. 99, 108, 665 A.2d 808, 812 (Pa. 1995).

³²¹ *Pa. Pub. Util. Comm'n v. Pennsylvania Gas and Water Co.*, 494 Pa. 326, 337, 424 A.2d 1213, 1219 (Pa. 1980), *cert. denied*, 454 U.S. 824, 102 S. Ct. 112, 70 L. Ed. 2d 97 (1981).

³²² 66 Pa. C.S. § 315(a); *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket No. R-00038805, 236 PUR 4th 218, 2004 Pa. PUC LEXIS 39 (Order entered Aug. 5, 2004).

³²³ *Lower Frederick Twp. v. Pa. PUC*, 409 A.2d 505, 507 (Pa. Cmwlth. 1980).

proposed rates, it cannot be called upon to account for every action absent prior notice that such action is to be challenged.³²⁴

8. Tariff provisions previously approved by the Commission are deemed just and reasonable and, therefore, a party challenging a previously-approved tariff provision bears the burden to demonstrate that the Commission's prior approval is no longer justified.³²⁵

9. A party that raises an issue that is not included in a public utility's general rate case filing bears the burden of proof.³²⁶

10. The decision of the Commission must be supported by substantial evidence.³²⁷

11. "Substantial evidence" is such relevant evidence that a reasonable mind might accept as adequate to support a conclusion. More is required than a mere trace of evidence or a suspicion of the existence of a fact sought to be established.³²⁸

12. Rates which are not sufficient to yield a reasonable rate of return on the value of the property at the time it is being used to render service are unjust, unreasonable and confiscatory, and their enforcement deprives the public utility of its property in violation of the Fourteenth Amendment.³²⁹

13. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to

³²⁴ *Allegheny Center Assocs. V. Pa. PUC*, 570 A.2d 149, 153 (Pa. Cmwlth. 1990).

³²⁵ *See, e.g., Pa. PUC v. Philadelphia Gas Works*, Docket Nos. R-00061931, *et al.*, 2007 Pa. PUC LEXIS 45, at *165-68 (Order entered Sep. 28, 2007) (adopting the ALJ's discussion on burden of proof).

³²⁶ *See, e.g., Pa. PUC v. Philadelphia Gas Works*, Docket Nos. R-00061931, *et al.*, 2007 Pa. PUC LEXIS 45, at *165-68 (Order entered Sep. 28, 2007) (adopting the ALJ's discussion on burden of proof).

³²⁷ 2 Pa. C.S. § 704.

³²⁸ *Norfolk & Western Ry. Co. v. Pa. PUC*, 489 Pa. 109, 413 A.2d 1037 (1980); *Erie Resistor Corp. v. Unemployment Comp. Bd. of Review*, 194 Pa. Superior Ct. 278, 166 A.2d 96 (1961); *Murphy v. Comm., Dept. of Public Welfare, White Haven Center*, 85 Pa. Cmwlth. Ct. 23, 480 A.2d 382 (1984).

³²⁹ *Bluefield Waterworks and Imp. Co. v. P.S.C. of West Virginia*, 262 U.S. 679, 690 (1923).

maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties.³³⁰

14. The return allowed to investors must be commensurate with the risk assumed.³³¹

15. These principles have been adopted and applied by the appellate courts of Pennsylvania in numerous cases.³³²

16. Under the Public Utility Code, the Commission is required to consider management effectiveness in setting rates.³³³

17. The WNA is a form of alternative ratemaking that is expressly authorized by statute in Pennsylvania.³³⁴

18. The Commission does not have the authority to delay the effective date of rates under Section 1308(d).³³⁵

19. The Commission has declined to completely deny a utility's requested rate relief based on broader economic concerns, such as the impact of the pandemic.³³⁶

20. Peoples has a legal obligation to serve its customers in a safe and reliable manner.³³⁷

21. Utilities are allowed to use FPFTYs, and allowed to estimate expenses for the FPFTY when "appropriate data evidencing the accuracy of the estimates contained in the FTY or FPFTY" is provided by the utility.³³⁸

³³⁰ *Bluefield Waterworks and Imp. Co. v. P.S.C. of West Virginia*, 262 U.S. 679, 693 (1923).

³³¹ *Bluefield Waterworks and Imp. Co. v. P.S.C. of West Virginia*, 262 U.S. 679, 692 (1923); *Federal Power Commission v. Hope Natural Gas Co.* 320 U.S. 591, 603 (1944); *Duquesne Light Co. v. Barasch*, 488 U.S. 299, 109 S. Ct. 609, 102 L. Ed. 2d 646, 661 (1989).

³³² *See, e.g., Riverton Consolidated Water Co. v. Pa. PUC*, 186 Pa. Super. 1, 140 A.2d 114 (1958); *City of Pittsburgh v. Pa. PUC*, 182 Pa. Super. 376, 126 A.2d 777 (1956); *Lower Paxton Twp. v. Pa. PUC*, 13 Pa. Cmwlth. 135, 317 A.2d 917 (1974).

³³³ 66 Pa. C.S. § 523(a).

³³⁴ 66 Pa. C.S. § 1330(b)(1)(i).

³³⁵ 66 Pa. C.S. § 1308(d)' *Bell Telephone Co. v. Pa. PUC*, 452 A.2d 86 (Pa. Cmwlth. 1982), *aff'd*, 482 A.2d 1272 (Pa. 1983).

³³⁶ *Pa. PUC et al. v. Columbia Gas of Pa.*, Docket No. R-2020-3018835, pp. 50-51 (Order entered Feb. 19, 2021).

³³⁷ 66 Pa. C.S. § 1501.

³³⁸ 66 Pa. C.S. § 315(e).

22. General inflation adjustments may be allowed where they are applied to limited categories of expenses.³³⁹

23. The inclusion of financial goals in a utility's incentive compensation expense claim is not an acceptable basis on which to solely disallow recovery of expenses for incentive compensation programs.³⁴⁰

24. Rate case expenses, like other expenses, can be based on future projections.³⁴¹

25. A utility's actual capital structure is to be used, absent circumstances where the actual capital structure is atypical for the type of utility service being offered.³⁴²

26. If a utility's capital structure is within a reasonable range of similar risk barometer group companies, the utility's capital structure should be used and not a hypothetical capital structure.³⁴³

27. Peoples maintains and has administered its Purchase of Receivables ("POR") Program in accordance with the Commission's regulations since the Program was introduced in its 2010 Rate Case at Docket No. R-2010-2201702.

³³⁹ *Pa. PUC v. PECO Energy Company – Gas Division*, Docket No. R-2020-3018929 (Order entered June 22, 2021), p. 10.

³⁴⁰ See e.g., *Pa. PUC v. PPL Electric Utilities Corp.*, Docket No. R-2012-2290597, 2012 Pa. PUC LEXIS 1757 (Recommended Decision dated Oct. 19, 2012); *Pa. PUC v. PPL Electric Utilities Corp.*, Docket No. R-2012-2290597, at p. 26 (Order entered Dec. 28, 2012); *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket No. R-00072711, 2008 Pa. PUC LEXIS 50 at *20-26 (Order entered July 31, 2008); *Pa. PUC v. Duquesne Light Co.*, 63 Pa. PUC 337, 1987 Pa. PUC LEXIS 342 (Order dated March 10, 1987); *Pa. PUC v. PPL Gas Utilities Corporation*, Docket No. R-00061398, 2007 Pa. PUC LEXIS 2 (Order entered Feb. 8, 2007); *Pa. PUC v. Philadelphia Gas Works*, Docket No. R-2008-2073938, 2008 Pa. PUC LEXIS 32 (Order dated Dec. 19, 2008); *Pa. PUC v. UGI Utilities, Inc. – Electric Division*, Docket No. R-2017-2640058 (Order entered Oct. 25, 2018), pp. 73-74; *Aqua 2022*, p. 100.

³⁴¹ *Pa. PUC v. UGI Utilities, Inc. – Electric Division*, Docket No. R-2017-2640058 (Order entered Oct. 25, 2018), pp. 59-60; *PA PUC v. Citizens' Electric Company of Lewisburg, PA*, Docket No. R-2019-3008212 (Order entered April 27, 2020), p. 80.

³⁴² See *Pa. PUC v. City of Lancaster – Water*, 1999 Pa. PUC Lexis 37 at *17; *Pa. PUC v. City of Bethlehem*, 84 Pa. P.U.C. 275, 304 (1995); *Carnegie National Gas Co. v. Pa. PUC*, 433 A.2d 938, 940 (Pa. Cmwlth. 1981).

³⁴³ *Pa. PUC v. ALLTEL Pa., Inc.*, Docket Nos. R-942710 *et al.*, Pa. PUC LEXIS 53, *106-107, (Order entered May 24, 1985); *Pa. PUC v. PPL Electric Utilities Corp.*, Docket No. R-2012-2290597, 2012 Pa. PUC LEXIS 1757 (Recommended Decision dated Oct. 19, 2012); *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket No. R-2021-3027385 (Order entered May 16, 2022), pp. 138-41; *Pa. PUC v. Pennsylvania-American Water Company*, ("PAWC 2024") Docket No R-2023-3043189 (Order entered July 22, 2024), pp. 157-60.

28. The rates and terms of service set forth in Original Tariff Gas – Pa PUC No. 49 and Original Tariff Gas – Pa PUC No. S-5 are supported by substantial evidence and are in the public interest. Therefore, Peoples’ proposed rate increase should be granted.

APPENDIX E

APPENDIX E – Proposed Ordering Paragraphs

1. The rate increase and other proposals set forth in Original Tariff Gas – Pa PUC No. 49 and Original Tariff Gas – Pa PUC No. S-5 to become effective for service rendered on or after December 26, 2026, are approved.

2. Peoples is authorized and directed to file tariffs, tariff supplements, and/or tariff revisions on at least one day's notice, and pursuant to the provisions of 52 Pa. Code §§ 53.1, et seq., and 53.101, designed to produce an annual revenue increase of approximately \$163.2 million, to become effective for service rendered on and after December 26, 2026.

3. The tariff revisions proposed by Peoples are approved.

4. Peoples' Weather Normalization Adjustment is approved to continue operation and Peoples' proposed update to the normal weather methodology used to determine HDD is approved, as set forth in the testimony of John D. Taylor.

5. Peoples is authorized and directed to implement its proposed Hot Water Tank Rebate Pilot Program, as set forth in the testimony of Luke Ravenstahl.

6. Peoples is authorized and directed to implement a methane detection pilot program as set forth in the testimony of Paul Becker.

7. Peoples is authorized to continue the tax treatment of the items described on pages 28-29 of the direct testimony of Peoples witness Jiang, consistent with the 2023 base rate case settlement.

8. The Complaint filed by the Office of Consumer Advocate is dismissed.

9. The Complaint filed by the Office of Small Business Advocate is dismissed.

10. The Complaint filed by the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania is dismissed.

11. The above-captioned respective Complaints of Jonathan Visser, Christopher Kelley, Ben Troyer, and Alec Italiano are dismissed.

12. That, upon acceptance and approval by the Commission of the tariff supplements filed by Peoples, the investigation at Docket No. R-2026-3060855, and the above-captioned complaint dockets be marked closed.

APPENDIX F

Procedural History

On March 27, 2026, Peoples filed with the Commission Original Tariff Gas – Pa PUC No. 49 (“PA PUC No. 49”) and Original Tariff Gas – Pa PUC No. S-5 (“PA PUC No. S-5”), along with responses to filing requirements and standard data requests, and supporting direct testimony and exhibits, to become effective on May 26, 2026.

On March 31, 2026, the Office of Consumer Advocate (“OCA”) filed a Notice of Appearance, Formal Complaint, and Public Statement and the Office of Small Business Advocate (“OSBA”) filed a Notice of Appearance. On April 2, 2026, the Bureau of Investigation and Enforcement (“I&E”) filed a Notice of Appearance. On April 7, 2026, OSBA filed a Formal Complaint and Public Statement, and the Pennsylvania Weatherization Providers Task Force, Inc. (“PWPTF”) filed a Petition to Intervene. On April 13, 2026, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE PA”) filed a Notice of Appearance.

On April 16, 2026, the Commission entered an Order suspending PA PUC No. 49 and PA PUC No. S-5 by operation of law until December 26, 2026, unless otherwise directed by Order of the Commission. Vice Chair Barrow also issued a Statement regarding the proceeding.

Also on April 16, 2026, an Initial Telephonic Prehearing Conference Notice was issued, which scheduled a prehearing conference matter for April 28, 2026 at 10:00 a.m. before Administrative Law Judge Charece Z. Collins (the “ALJ”). The ALJ also issued a Prehearing Conference Order which, among other things, directed the parties to file Prehearing Conference Memoranda on or before 12:00 p.m. on Friday, April 24, 2026.

On April 23, 2026, PWPTF filed its Prehearing Memorandum. On April 24, 2026, Peoples, I&E, OCA, OSBA, and CAUSE-PA filed their respective prehearing memoranda.

The Pennsylvania Independent Oil & Gas Association (“PIOGA”) filed a Notice of Appearance, Petition to Intervene, and Prehearing Memorandum on April 24, 2026.

Also on April 24, 2026, and pursuant to the Commission’s April 16, 2026 Order suspending PA PUC No. 49 and PA PUC No. S-5 by operation of law until December 26, 2026, Peoples filed Supplement No. 1 to Supplement No. 49 and Supplement No. 1 to Supplement No. S-5.

On May 1, 2026, the Retail Energy Supply Association (“RESA”) filed a Petition to Intervene.

On May 11, 2026, Peoples filed a Motion for Protective Order.

Public input hearings were held in Johnstown (June 2, 2026), Pittsburgh (June 3, 2026), Greensburg (June 10, 2026) and telephonically (June 11, 2026).

On June 11, 2026, the ALJ issued an Order granting the Protective Order.

On July 30, 2026, the ALJ issued a Prehearing Order which, inter alia, memorialized the procedural schedule and discovery modifications, and granted consolidation of current or future Complaints with the pending base rate proceeding.

In accordance with the procedural schedule, other parties’ direct testimony was served on June 18, 2026. Written rebuttal testimony was served on July 16, 2026. Written surrebuttal testimony was served on July 31, 2026. Written rejoinder testimony was served on August 4, 2026.

On August 5, 2026, a hearing was held for the admission of evidence into the record.