

I&E Statement No. 2
Witness: Drew Breuning

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

NATIONAL FUEL GAS DISTRIBUTION CORPORATION

Docket No. R-2025-3059428

Exhibit to Accompany

the

Direct Testimony

Of

Drew Breuning

Bureau of Investigation & Enforcement

Concerning:

Rate of Return

I&E			
Summary of Cost of Capital			
Type of Capital	Ratio	Cost Rate	Weighted Cost
National Fuel Gas Distribution Corporation			
Long-Term Debt	45.00%	5.58%	2.51%
Common Equity	55.00%	9.81%	5.40%
Total	100.00%		7.91%

I&E PROXY GROUP

No.	Company Name	Ticker	Industry	VL Report	Deregulated Market	% Revenue	M&A Activity
1	Atmos Energy Corporation	ATO	Natural Gas	Yes	Yes	>50	None
2	Chesapeake Utilities Corp.	CPK	Natural Gas	Yes	Yes	>50	None
3	New Jersey Resources Corporation	NJR	Natural Gas	Yes	Yes	>50	None
4	NiSource Inc.	NI	Natural Gas	Yes	Yes	>50	None
5	Northwest Natural Holding Company	NWN	Natural Gas	Yes	Yes	>50	None
6	ONE Gas, Inc.	OGS	Natural Gas	Yes	Yes	>50	None

<u>Company</u>	<u>Ticker</u>	<u>Closing Stock Price on Announcement Date (07/29/2025)</u>	<u>Closing Stock Price on 03/19/2026</u>	<u>Change (%)</u>
Atmos Energy Corp	ATO	156.11	185.25	18.67%
New Jersey Resources Corp	NJR	45.52	53.27	17.03%
Nisource Inc	NI	42.18	46.64	10.57%
Northwest Natural	NWN	42.60	52.54	23.33%
ONE Gas Inc.	OGS	72.76	85.82	17.95%
Southwest Gas Holdings, Inc.	SWX	78.02	86.28	10.59%
Average				16.36%
 Spire Inc.	 SR	 72.83	 91.50	 25.64%

Proxy Group Capital Structure

	2024		2023		2022		2021		2020		Average
Atmos Energy Corporation											
Long-term Debt	\$ 8,085.015	39.94%	\$ 6,833.663	38.60%	\$ 5,944.948	38.69%	\$ 5,124.950	39.33%	\$ 4,732.850	41.07%	39.53%
Preferred Stock	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	0.00%
Common Equity	12,157.669	60.06%	10,870.064	61.40%	9,419.091	61.31%	7,906.889	60.67%	6,791.203	58.93%	60.47%
	20,242.684	100.00%	17,703.727	100.00%	15,364.039	100.00%	13,031.839	100.00%	11,524.053	100.00%	100.00%
Chesapeake Utilities Corp.											
Long-term Debt	1,270.400	47.75%	1,197.625	49.01%	590.780	41.50%	558.474	41.91%	518.371	42.65%	44.56%
Preferred Stock	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	0.00%
Common Equity	1,390.200	52.25%	1,246.104	50.99%	832.801	58.50%	774.130	58.09%	697.085	57.35%	55.44%
	2,660.600	100.00%	2,443.729	100.00%	1,423.581	100.00%	1,332.604	100.00%	1,215.456	100.00%	100.00%
New Jersey Resources Corporation											
Long-term Debt	3,038.767	58.00%	2,916.040	59.43%	2,623.784	59.08%	2,303.527	58.55%	2,354.496	56.07%	58.23%
Preferred Stock	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	0.00%
Common Equity	2,200.443	42.00%	1,990.735	40.57%	1,817.210	40.92%	1,630.862	41.45%	1,844.692	43.93%	41.77%
	5,239.210	100.00%	4,906.775	100.00%	4,440.994	100.00%	3,934.389	100.00%	4,199.188	100.00%	100.00%
NiSource Inc.											
Long-term Debt	12,092.700	58.20%	11,081.300	57.27%	9,555.500	55.78%	9,211.300	57.01%	9,249.700	61.66%	57.98%
Preferred Stock	-	0.00%	486.100	2.51%	1,546.500	9.03%	1,546.500	9.57%	880.000	5.87%	5.40%
Common Equity	8,684.200	41.80%	7,783.500	40.22%	6,028.900	35.19%	5,400.800	33.42%	4,872.200	32.48%	36.62%
	20,776.900	100.00%	19,350.900	100.00%	17,130.900	100.00%	16,158.600	100.00%	15,001.900	100.00%	100.00%
Northwest Natural Holding Company											
Long-term Debt	1,755.269	55.89%	1,502.602	53.93%	1,325.132	52.99%	1,124.055	54.59%	940.702	51.42%	53.76%
Preferred Stock	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	0.00%
Common Equity	1,385.371	44.11%	1,283.838	46.07%	1,175.441	47.01%	935.146	45.41%	888.733	48.58%	46.24%
	3,140.640	100.00%	2,786.440	100.00%	2,500.573	100.00%	2,059.201	100.00%	1,829.435	100.00%	100.00%
ONE Gas, Inc.											
Long-term Debt	2,396.686	43.57%	2,174.701	44.02%	2,679.143	50.90%	3,707.778	61.21%	1,613.228	41.94%	48.33%
Preferred Stock	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	0.00%
Common Equity	3,104.548	56.43%	2,765.877	55.98%	2,584.426	49.10%	2,349.532	38.79%	2,233.311	58.06%	51.67%
	5,501.234	100.00%	4,940.578	100.00%	5,263.569	100.00%	6,057.310	100.00%	3,846.539	100.00%	100.00%
Five-Year Average Capital Structure											
Long-term Debt	50.40%		Maximum	58.23%	Minimum	39.53%					
Preferred Stock	0.90%										
Common Equity	48.70%		Minimum	36.62%	Maximum	60.47%					
	100.00%										

Source:

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17120

Pennsylvania Public Utility Commission
v.
National Fuel Gas Distribution
Corporation

Public Meeting of February 19, 2026
3059428-TUS
Docket No. R-2025-3059428

STATEMENT OF VICE CHAIR KIMBERLY BARROW

Before us for consideration is the proposed rate increase request by National Fuel Gas Distribution Corporation (NFG or Company). NFG proposes an increase of \$19.7 million (7.4%) in additional annual revenues to become effective March 29, 2026. The proposal will result in an increase in a residential customer's bill using 80 ccf per month from \$83.49 to \$88.44 (5.9%).

I vote to approve the suspension and investigation of this filing, pursuant to 66 Pa. C.S. § 1308(d). However, I urge the parties to take a critical look at the Company's requested rate of return and return on equity (ROE) as well as the capital structure (common equity ratio and debt capital) to ensure reasonableness. Deviations in each of these items translate into millions of dollars charged to customers of all rate classes. Too often, the relationship between debt and ROE to cost of debt and capital is asserted as a general matter from basic economic principle alone. But, those relationships are not established empirically. That empirical relationship must periodically be re-established. Therefore, I believe a careful and detailed review of NFG's claimed capital structure and ROE is warranted.

February 19, 2026



Kimberly Barrow, Vice Chair

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17120

Pennsylvania Public Utility Commission, et al.
v.
Columbia Gas of Pennsylvania, Inc.

Public Meeting of December 4, 2025
3053499-OSA
Docket No. R-2025-3053499

STATEMENT OF VICE CHAIR KIMBERLY BARROW

Before us for consideration is the proposed rate increase request by Columbia Gas of Pennsylvania, Inc. (Columbia Gas or Company). Columbia Gas proposed an increase of \$110.4 million (12.02%) in additional annual revenues based on a fully projected future test year (FPFTY) ending December 31, 2026. The proposal would have resulted in an increase in a residential customer's bill using 70 Therms per month from \$138.52 to \$152.29 (an increase of \$15.77 or 11.38%). Columbia Gas also requested an increase in its residential customer charge from \$17.25 to \$31.97 (an increase of \$14.72 or 85.2%).

In their Recommended Decision, Administrative Law Judges (ALJs) Jeffery A. Watson and Chad L. Allensworth recommended that the Commission deny the Company's rate increase request in its entirety or alternatively grant an increase of \$66,424,574. Exceptions and Reply Exceptions were filed.¹

Below are a few issues of concern I would like to highlight.

Frequency of Rate Increase Filings:

The record in this case indicates that since 2008 Columbia Gas has requested an increase almost on an annual basis, including five rate increase requests since 2020.² Columbia Gas' rates have increased by almost \$500 million during this period. The record further shows that Columbia Gas has the highest rates in the state and the highest revenue per unit of natural gas in the state and the third highest for the 25 natural gas distribution companies (NGDCs) offering service in the mid-Atlantic region, surpassed only by NGDCs offering service to New York City.³ Columbia Gas' rates outpace inflation. Over the last 20 years, Columbia's residential customer rates for average heating customers (70 therms per month) have increased by 121% (from \$47.58 in 2005 to \$105.09 in 2025). During this period, the household income for a family of four at 150% FPL only increased 60% (from \$30,000 to \$48,225 per year). Columbia Gas has also filed 12 rate

¹ The Parties to this proceeding include Columbia Gas, the Office of Consumer Advocate (OCA), The Pennsylvania State University (PSU), the Commission's Bureau of Investigation and Enforcement (I&E), the OCA, the Office of Small Business Advocate (OSBA), and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA).

² Including the instant proceeding, the Company has requested a rate increase twelve times since 2009: 2009, 2010, 2012, 2014, 2015, 2016, 2019, 2020, 2021, 2022, 2024, and now 2025. See OCA St. 5 at 7; OSBA M.B. at 5, Table IEC-1; Table 2, *supra*. Further, as noted in Table 2, the instant rate proceeding is the Company's thirteenth since 2008.

³ OCA Ex. MWD-7; I&E St. 2 at 9; OCA M.B. at 36; OCA R.B. at 12; OCA Exh. MWD-7.

cases during this period totaling approved distribution rate increases of over \$487 million.⁴

While I understand that Columbia Gas is entitled to recovery of the cost of investments made to its system, the Company's utilization of the FPFTY, as authorized under 66 Pa.C.S. § 315, and the availability of the distribution system improvement charge (DSIC), as authorized under 66 Pa.C.S. § 1350 and other rate recovery mechanisms, should be enough incentives to discourage Columbia Gas' current near-annual frequency of rate increase requests.

Capital Structure:

Columbia Gas requested a capital structure of 54.4% common equity and 45.60% debt (43.28% long-term debt and 2.32% short-term debt), along with a return on equity (ROE) of 11.35%. Although I&E accepts the Company's proposed capital structure, the OCA and CAUSE-PA, in opposition, argued that the Commission should instead award a hypothetical capital structure of 50% equity and 50% debt (47.68% long-term debt and 2.32% short-term debt).⁵ According to the OCA, the average capital structure mix for the proxy group used in this case as shown on the Value Line consists of 55% debt and 45% equity, the inverse of the ratio proposed by Columbia.⁶

Here, the record clearly reflects that the proxy group's capital structure is composed of less equity than Columbia Gas' capital structure, highlighting reduced risk for the Company when compared to that of the proxy group, and, therefore, suggesting the need for a lower ROE for Columbia Gas. I agree with the OCA that the discrepancy between Columbia Gas' capital structure and the proxy group necessitates an adjustment to the Company's capital structure since Columbia Gas' equity profile has less financial risk than the proxy group. A 50/50 capital structure in this case is equal to the proxy group's average capital structure.⁷ Also noteworthy, CAUSE-PA argued that if the Commission were to apply a hypothetical capital structure of 50% equity and 50% debt, the overall rate of return at the Company's desired ROE of 11.35% would be reduced by 0.27% (from 8.55% to 8.28%), which would have reduced the Company's overall annual revenue requirement increase by \$17.7 million, or from the proposed increase of \$110.5 million sought by Columbia to \$92.8 million.⁸ CAUSE-PA and the OCA propose an overall rate of return of 7.06%.⁹

⁴ CAUSE-PA St. 2 at 21.

⁵ OCA M.B. at 126; OCA St. 3 at 58; OCA Exh. DJG-16.

⁶ OCA M.B. at OCA St. 3 at 50.

⁷ Adoption of the OCA's recommended capital structure and ROE would result in a revenue requirement reduction of \$54.6 million. OCA St. 3 at 3-4, 50. I agree with the OCA that in *Riverton Consol. Water Co. v. Pa. PUC*, 140 A.2d 114 at 121 (Pa. Super. 1958), the Superior Court determined that the Commission may make adjustments to a utility's capital structure where circumstances indicate that the actual capital structure may be unfair to customers, such as when the actual capital structure may be weighted too heavily to the debt side or the equity side. See OCA M.B. at 125.

⁸ CAUSE-PA M.B. at 35-38.

⁹ The OCA's proposed overall rate of return was based upon a weighted average of a 5.20% rate of return on long-term debt, a 5.00% rate of return on short-term debt, and an 8.9% rate of return on common equity. OCA M.B. at 123, 127; OCA St. 3 at 58.

It is clear from the arguments put forward by the Parties in opposition to the Company's proposed capital structure that a 50% equity and 50% debt capital structure is a better representation of the Company's **actual** financial risk and would have resulted in millions of dollars in reduced revenue requirement for the Company and resultant lower rates for Columbia Gas' customers.

Rate of Return on Equity:

Columbia Gas proposed a rate of return on common equity of 11.35% inclusive of the Company's requested upward adjustment of 0.25% for management effectiveness.¹⁰ As a result of its DCF analysis, I&E recommended a cost of common equity of 10.51%.¹¹ The OCA recommended a cost of common equity of 8.90%, based on its CAPM model and the use of a hypothetical capital structure. The OCA noted that an ROE of 8.90% and overall rate of return of 7.06% are sufficient to ensure Columbia Gas' ability to attract capital and continue investment to provide safe and reliable service, while guarding the interests of consumers.¹² The ALJs rejected Columbia Gas' proposed rate of return on common equity of 11.35% and adopted I&E's proposed DCF ROE of 10.51% ROE.¹³

I believe an ROE lower than the ALJs' recommended 10.51% is more appropriate in this case, given Columbia Gas' unique lack of regulatory lag, associated reduced business risk, and the commensurate impact of the Company's nearly annual rate increases in the past five years on customers' rates. Using informed judgment, an ROE of 9.6% is more appropriate. The most recent five-year average of I&E's proxy group companies' capital structure ranges from 39.33% to 57% long-term debt, 0.51% to 12.82% short-term debt, and 35.96% to 60.16% common equity, with an overall five-year average of 47.42 long-term debt, 7.85% short-term debt, and 44.73% common equity.¹⁴ Since the proxy group's capital structure is composed of less equity than Columbia's capital structure (or the hypothetical capital structure) it is appropriate to adjust the equity return to account for the reduced risk of a capital structure that employs more equity. I&E's DCF results range from 9.06% to 11.68% (using an average dividend yield and average growth estimate for each company) with an average of 10.51% and a composite CAPM ROE of 9.935.

Based upon consideration of the competing evidence provided to the record, I believe an ROE that is in the range of the bottom of I&E's DCF range and the Composite CAPM ROE is appropriate. The 9.60% ROE is also an approximate median number between the OCA's proposed ROE of 8.90% and I&E's proposed ROE of 10.51%. With an ROE of 9.60% along with a 50/50 capital structure, the overall rate of return would be 7.40%, resulting in an overall rate increase of approximately \$30,573,357. Accordingly, I would support an ROE of 9.60%.

Smart Remote Methane Detection Pilot: I&E recommended a Smart Remote Methane Detector pilot program in a region where Columbia has risky pipe for the installation of

¹⁰ Columbia Gas St. 8 at 9-10.

¹¹ I&E M.B. at 40-41.

¹² OCA R. Exc. at 10-11; OCA M.B. at 137.

¹³ R.D. at 337-38.

¹⁴ I&E M.B. at 37; I&E St. 2 at 20, citing I&E Exh. 2, Sch. 2.

500 to 1,000 Smart Remote Methane Detectors (SRMDs). Columbia stated that it could not commit to the Pilot as outlined by I&E, citing significant IT infrastructure costs and concerns, but was willing to evaluate technologies associated with the integration of Automated Metering Infrastructure and SRMDs for potential future deployment.

I support directing Columbia to implement an internal study to determine whether a methane detection pilot program would be feasible and how it would be implemented. With affordability always on our minds, it is very important for the company to fully understand the potential costs associated with the pilot prior to implementation. The usefulness and safety benefits of methane detectors are tremendous, allowing the ability of real-time smart reporting technology to simultaneously notify the customer and the emergency response officials of a potentially hazardous situation. I want to take the opportunity to thank I&E for putting forth this proposal and for Columbia to be willing to evaluate the pilot.

Additional CAP Screening: The OCA and CAUSE-PA proposed that Columbia conduct initial screening for all applicants applying for service or when transferring service to determine if they qualify as a low-income customer or may be eligible for assistance, such as customer assistance program (CAP). The record indicates that only 20,988 customers, or 23% of the estimated Columbia Gas' low-income customers, were enrolled in CAP and that additional screening is appropriate. I support this proposal and agree that additional screening is needed, and that any tool we can use to nudge customers into a healthy financial relationship with their utility is beneficial for everyone.

December 4, 2025



Kimberly Barrow, Vice Chair

I&E MODIFIED

STATE	COMPANY	PARENT TICKER	DOCKET NO.	REQUESTED ROE	REQUESTED EQUITY %	AUTHORIZATION DATE	DECISION TYPE	AUTHORIZED ROE	AUTHORIZED EQUITY %
Arizona	Southwest Gas Corp.	SWX	D-G-01551A-23-0341	9.65	48.50	3/27/2025	Settled	9.84	48.50
Arizona	UNS Gas Inc.	FTS	D-G-04204A-24-0237	10.25	55.55	2/19/2026	Fully Litigated	9.61	55.55
California	Southern California Gas Co.	SRE	A-25-03-011	11.00	52.00	12/18/2025	Fully Litigated	9.78	52.00
Connecticut	Yankee Gas Services Co.	ES	D-24-12-01	10.80	53.81	11/5/2025	Fully Litigated	9.32	53.00
District of Columbia	Washington Gas Light Co.	ALA	FC-1180	10.50	52.49	11/20/2025	Fully Litigated	9.65	52.49
Delaware	Chesapeake Utilities Corp.	CPK	D-24-0906	11.50	52.14	6/18/2025	Settled	9.60	52.00
Delaware	Delmarva Power & Light Co.	EXC	D-24-1044	10.65	50.51	12/17/2025	Settled	9.60	50.51
Florida	Peoples Gas System	EMA	D-20250029-GU	10.91	NA	10/7/2025	Settled	10.30	48.10
Idaho	Avista Corp.	AVA	C-AVU-G-25-01	10.40	50.00	8/29/2025	Settled	9.60	50.00
Idaho	Intermountain Gas Co.	MDU	C-INT-G-25-02	10.80	50.00	12/30/2025	Settled	9.50	50.00
Illinois	Ameren Illinois	AEE	D-25-0084	10.70	52.00	11/19/2025	Fully Litigated	9.60	50.00
Illinois	Northern Illinois Gas Co.	SO	D-25-0055	10.35	54.59	11/19/2025	Fully Litigated	9.60	50.00
Kansas	Atmos Energy Corp.	ATO	D-26-ATMG-026-RTS	10.80	59.86	2/26/2026	Settled	NA	NA
Kansas	Black Hills Kansas Gas Utility	BKH	D-25-BHCG-298-RTS	10.50	50.44	7/24/2025	Settled	NA	NA
Kentucky	Atmos Energy Corp.	ATO	C-2024-00276	10.95	60.88	8/11/2025	Fully Litigated	9.75	53.50
Kentucky	Delta Natural Gas Co.	WTRG	C-2024-00346	10.95	52.76	7/1/2025	Settled	9.75	52.76
Kentucky	Duke Energy Kentucky Inc.	DUK	C-2025-00125	10.75	52.65	12/23/2025	Settled	9.80	52.65
Kentucky	Louisville Gas & Electric Co.	PPL	C-2025-00114 (gas)	10.95	52.93	2/16/2026	Settled	9.78	53.00
Louisiana	Delta North LA Gas Co LLC		D-U-37346 (Arkla)	NA	NA	4/25/2025	Fully Litigated	9.95	52.00
Louisiana	Delta South LA Gas Co LLC		D-U-37345 (Entex)	NA	NA	4/25/2025	Fully Litigated	9.95	52.00
Massachusetts	Boston Gas Co.	NG.	DPU 25-74	NA	NA	9/30/2025	Fully Litigated	NA	NA
Massachusetts	Fitchburg Gas & Electric Light	UTL	DPU 25-24	NA	NA	6/20/2025	Fully Litigated	NA	NA
Massachusetts	NSTAR Gas Co.	ES	DPU 25-53	NA	NA	10/29/2025	Settled	NA	NA
Maryland	Columbia Gas of Maryland Inc	NI	C-9754	11.05	52.17	4/22/2025	Fully Litigated	9.80	52.17
Michigan	Consumers Energy Co.	CMS	C-U-21806	10.25	42.58	9/30/2025	Fully Litigated	9.80	41.95
Minnesota	CenterPoint Energy Resources	CNP	D-G-008/GR-23-173	10.30	52.49	5/29/2025	Settled	NA	NA
Minnesota	Northern States Power Co.	XEL	D-G-002/GR-23-413	10.20	52.50	2/13/2025	Settled	9.60	52.50
Missouri	Empire District Gas Co.	AQN	C-GR-2025-0212	NA	NA	5/22/2025	Withdrawn or Rejected	NA	NA
Missouri	Empire District Gas Co.	AQN	C-GR-2026-0059	NA	NA	10/28/2025	Withdrawn or Rejected	NA	NA
Missouri	Spire Missouri Inc.	SR	C-GR-2025-0107	10.50	55.00	9/3/2025	Settled	NA	NA
Missouri	Union Electric Co.	AEE	C-GR-2024-0369	10.25	52.00	7/16/2025	Settled	NA	NA
Mississippi	Atmos Energy Corp.	ATO	D-2025-UN-59	10.41	60.00	11/4/2025	Fully Litigated	9.40	50.00
Montana	MDU Resources Group	MDU	D-2024-05-061	10.80	50.16	10/8/2025	Settled	9.60	50.16
Montana	NorthWestern Energy Group	NWE	D-2024-05-053 (gas)	10.80	47.84	11/19/2025	Settled	9.60	47.84
North Carolina	Piedmont Natural Gas Co.	DUK	D-G-9 Sub 837	10.50	53.00	1/7/2025	Settled	9.80	52.30
North Carolina	Public Service Co. NC	ENB	D-G-5, Sub 686	10.60	56.67	12/9/2025	Settled	9.65	54.00
Nebraska	Black Hills Nebraska Gas LLC	BKH	D-NG-124	10.50	50.52	12/9/2025	Settled	9.85	50.52
Nebraska	NorthWestern Energy Group	NWE	D-NG-0122	10.70	53.13	6/24/2025	Settled	9.55	NA
New Hampshire	Liberty Utilities EnergyNorth	AQN	D-DG-23-067	10.35	55.00	8/26/2025	Settled	9.30	52.00
New York	Central Hudson Gas & Electric	FTS	24-G-0462	10.00	48.00	8/14/2025	Settled	9.50	48.00
New York	Consolidated Edison Co.	ED	C-25-G-0073	10.00	48.00	1/22/2026	Settled	9.40	48.00
New York	Corning Natural Gas Corp.		C-24-G-0447	10.40	48.00	6/12/2025	Settled	9.50	48.00
New York	Niagara Mohawk Power Corp.	NG.	C-24-G-0323	10.00	48.00	8/14/2025	Settled	9.50	48.00
New York	Orange & Rockland Utils Inc.	ED	C-24-G-0061	10.25	50.00	3/20/2025	Settled	9.75	48.00
Ohio	The East Ohio Gas Co.	ENB	C-23-0894-GA-AIR	9.85	58.00	6/26/2025	Fully Litigated	9.79	51.87
Ohio	Vectren Energy Delivery OH LLC	CNP	C-24-0832-GA-AIR	10.40	54.13	1/7/2026	Settled	9.79	52.90
Oklahoma	Oklahoma Natural Gas Co	OGS	Ca-PUD2025-000011	NA	NA	7/23/2025	Settled	NA	NA
Oregon	Avista Corp.	AVA	D-UG-519	10.40	50.00	5/23/2025	Settled	9.50	50.00
Oregon	Northwest Natural Gas Co.	NWN	D-UG-520	10.40	52.00	10/24/2025	Settled	9.50	50.00
Pennsylvania	Columbia Gas of Pennsylvania	NI	D-R-2025-3053499	11.35	54.40	12/4/2025	Fully Litigated	10.00	54.40
Pennsylvania	UGI Utilities Inc.	UGI	D-R-2024-3052716	11.20	54.11	9/11/2025	Settled	NA	NA
Tennessee	Atmos Energy Corp.	ATO	D-25-00007 (ARM)	NA	61.05	7/15/2025	Settled	NA	61.05
Tennessee	Chattanooga Gas Co.	SO	D-25-00028 (ARM)	NA	49.23	9/29/2025	Settled	NA	NA

Tennessee	Piedmont Natural Gas Co.	DUK	D-25-00036 (ARM)	NA	47.89	11/25/2025	Settled	NA	47.89
Texas	Atmos Energy Corp.	ATO	D-OS-24-00019196 (Mid-Tex)	10.85	60.97	6/17/2025	Settled	9.80	60.97
Texas	Atmos Energy Corp.	ATO	D-OS-24-00018879(West Texas)	10.85	60.97	5/13/2025	Settled	9.80	60.97
Texas	Texas Gas Service Co.	OGS	D-OS-25-00028202	10.40	59.92	2/5/2026	Settled	9.80	59.92
Utah	Questar Gas Co.		D-25-057-06	10.60	53.00	12/24/2025	Settled	NA	NA
Virginia	Columbia Gas of Virginia Inc	NI	C-PUR-2024-00030	10.85	42.76	5/15/2025	Settled	9.75	43.17
Virginia	Roanoke Gas Co.	RGCO	C-PUR-2024-00006	10.35	58.61	4/10/2025	Settled	9.90	58.18
Virginia	Virginia Natural Gas Inc.	SO	C-PUR-2024-00048	10.45	54.92	12/17/2025	Settled	9.85	49.35
Washington	Cascade Natural Gas Corp.	MDU	D-UG-240008	10.50	50.29	2/24/2025	Settled	9.50	49.50
Washington	Puget Sound Energy Inc.		D-UG-240005	10.50	51.00	1/15/2025	Fully Litigated	9.90	50.00
Wisconsin	Madison Gas & Electric Co.	MGEE	D-3270-UR-126 (Gas)	10.00	56.04	11/20/2025	Settled	9.80	56.05
Wisconsin	Northern States Power Co.	XEL	D-4220-UR-127 (Gas)	10.00	53.50	11/6/2025	Fully Litigated	9.80	NA
Wisconsin	Wisconsin Power & Light Co	LNT	D-6680-UR-125 (Gas)	9.90	55.27	11/6/2025	Settled	9.80	54.53
West Virginia	Hope Gas Inc.		C-25-0417-G-42T	11.00	50.00	2/10/2026	Settled	9.75	NA
Wyoming	MDU Resources Group	MDU	D-30013-415-GR-24	10.80	50.18	6/24/2025	Settled	9.65	50.18
Average				10.54	52.79			9.70	51.62

Source:
www.capitaliq.spglobal.com/apiv3/spg-webplatform-core/industry/pastRateCases?Type=1
 (Accessed: 3/11/2026)

Question: I&E RR-D-13
Witness: Nowak
Page 1

NATIONAL FUEL GAS DISTRIBUTION CORPORATION
PENNSYLVANIA DIVISION
RESPONSE TO REQUEST FOR INFORMATION
R-2025-3059428

Question

Confirm or deny whether Mr. Nowak agrees that generally, all other things being similar, a company with a capital structure containing a higher equity ratio faces less financial risk as compared to a company with a capital structure containing a lower equity ratio.

Response

Under the limiting theoretical assumptions, all else being equal, a capital structure containing a higher equity ratio faces less financial risk than a company with a lower equity ratio. However, each company manages its capital structure ratios based on its specific business, capital market conditions, and its financing needs when it accesses capital markets. Similarly, the type and maturity of debt instruments can affect the riskiness of each company. As such, factors beyond a simple comparison between equity ratios are necessary to evaluate the comparative risk between two companies. National Fuel's projected capital structure is important to maintain credit metrics that support its strong investment grade credit ratings, which provide National Fuel the ability to access capital. As described in Mr. Nowak's Direct Testimony at pages 54-55, Exhibit JCN-10 demonstrates that the Company's proposed capital structure is within the range of the actual equity ratios of the operating companies held by the proxy group.

	2024		
	Interest Charges	Long-Term Debt	Debt Cost
Atmos Energy Corporation	\$ 205.287	\$ 8,085.02	2.54%
Chesapeake Utilities Corp.	\$ 69.800	\$ 1,270.40	5.49%
New Jersey Resources Corporation	\$ 135.004	\$ 3,038.77	4.44%
NiSource Inc.	\$ 557.300	\$ 12,092.70	4.61%
Northwest Natural Holding Company	\$ 80.092	\$ 1,755.27	4.56%
ONE Gas, Inc.	\$ 155.435	\$ 2,396.69	6.49%
	Range:	Low High	2.54% 6.49%
		Average	<u>4.69%</u>

Source:

Compustat (S&P Global Market Intelligence - Data Management Solutions)

Yearly data updates typically provided late April of each year
(data in millions)

Mergent Bond Record
A-Rated Public Utility Bond Yields

Month	Yield
February 2025	5.73%
March 2025	5.72%
April 2025	5.91%
May 2025	6.05%
June 2025	5.93%
July 2025	5.88%
August 2025	5.77%
September 2025	5.61%
October 2025	5.51%
November 2025	5.62%
December 2025	5.68%
January 2026	5.68%
Average	5.76%

Source:
Mergent Bond Record
February 2026

Dividend Yields of Proxy Group

Company	Atmos Energy Corporation	Chesapeake Utilities Corp.	New Jersey Resources Corporation	NiSource Inc.	Northwest Natural Holding Company	ONE Gas, Inc.
<i>Symbol</i>	<i>ATO</i>	<i>CPK</i>	<i>NJR</i>	<i>NI</i>	<i>NWN</i>	<i>OGS</i>
Div	4.24	2.98	2.10	1.28	1.97	2.76
52-wk low	141.59	115.24	43.46	35.64	38.94	69.75
52-wk high	182.69	140.59	54.70	47.05	50.94	86.79
Spot Price	181.72	135.06	53.39	46.47	49.89	85.34
Spot Div Yield	2.33%	2.21%	3.93%	2.75%	3.95%	3.23%
52-wk Div Yield	2.62%	2.33%	4.28%	3.10%	4.38%	3.53%
Average	2.47%	2.27%	4.11%	2.93%	4.17%	3.38%

	Average
Spot Div Yield	3.07%
52-wk Div Yield	3.37%
Average	3.22%

Source: Barron's February 25, 2026
Value Line February 25, 2026

Five-Year Growth Estimate Forecast for Proxy Group (Actual)

<u>Company</u>	<u>Symbol</u>	<u>S&P</u>	<u>Zacks</u>	<u>Value Line</u>	<u>Average</u>
			<u>Source</u>		
Atmos Energy Corporation	ATO	8.36%	7.00%	8.00%	7.79%
Chesapeake Utilities Corp.	CPK	8.15%	NA	8.00%	8.08%
New Jersey Resources Corporation	NJR	8.55%	NA	5.00%	6.78%
NiSource Inc.	NI	8.64%	NA	7.50%	8.07%
Northwest Natural Holding Company	NWN	5.50%	NA	6.00%	5.75%
ONE Gas, Inc.	OGS	7.10%	8.10%	6.00%	7.07%
Average:		7.72%	7.55%	6.75%	<u>7.25%</u>

Sources Date:
(From Internet)
February 25, 2026

Expected Market Cost Rate of Equity
Using Data for the Proxy Group Companies

	Adjusted Dividend Yield (1)	Growth Rate (2)	Expected Return on Equity (3=1+2)
Atmos Energy Corporation	2.47%	7.79%	10.26%
Chesapeake Utilities Corp.	2.27%	8.08%	10.34%
New Jersey Resources Corporation	4.11%	6.78%	10.88%
NiSource Inc.	2.93%	8.07%	11.00%
Northwest Natural Holding Company	4.17%	5.75%	9.92%
ONE Gas, Inc.	3.38%	7.07%	10.45%
Average	3.22%	7.25%	10.47%

Minimum ROE 9.92%
Maximum ROE 11.00%

<u>Proxy Group Company</u>	<u>Beta</u>
Atmos Energy Corporation	0.80
Chesapeake Utilities Corp.	0.75
New Jersey Resources Corporation	0.75
NiSource Inc.	0.85
Northwest Natural Holding Company	0.80
ONE Gas, Inc.	0.75
Average beta for CAPM	<u>0.78</u>

Source:
Value Line
February 25, 2026

Risk-Free Rate	
<u>10-Year Treasury Note</u>	<u>Yield</u>
2Q 2026	4.20
3Q 2026	4.20
4Q 2026	4.20
1Q 2027	4.20
2Q 2027	4.20
2027-2031	4.20
Average	<u><u>4.20</u></u>

Source:
Blue Chip
January 30, 2026

S&P 500 Historical Return

Year	Return (%)	Year	Return (%)
2025	17.88	1970	4.01
2024	25.02	1969	-8.5
2023	26.29	1968	11.06
2022	-18.11	1967	23.98
2021	28.71	1966	-10.06
2020	18.4	1965	12.45
2019	31.49	1964	16.48
2018	-4.38	1963	22.8
2017	21.83	1962	-8.73
2016	11.96	1961	26.89
2015	1.38	1960	0.47
2014	13.69	1959	11.96
2013	32.39	1958	43.36
2012	16	1957	-10.78
2011	2.11	1956	6.56
2010	15.06	1955	31.56
2009	26.46	1954	52.62
2008	-37	1953	-0.99
2007	5.49	1952	18.37
2006	15.79	1951	24.02
2005	4.91	1950	31.71
2004	10.88	1949	18.79
2003	28.68	1948	5.5
2002	-22.1	1947	5.71
2001	-11.89	1946	-8.07
2000	-9.1	1945	36.44
1999	21.04	1944	19.75
1998	28.58	1943	25.9
1997	33.36	1942	20.34
1996	22.96	1941	-11.59
1995	37.58	1940	-9.78
1994	1.32	1939	-0.41
1993	10.08	1938	31.12
1992	7.62	1937	-35.03
1991	30.47	1936	33.92
1990	-3.1	1935	47.67
1989	31.69	1934	-1.44
1988	16.61	1933	53.99
1987	5.25	1932	-8.19
1986	18.67	1931	-43.34
1985	31.73	1930	-24.9
1984	6.27	1929	-8.42
1983	22.56	1928	43.61
1982	21.55	1927	37.49
1981	-4.91	1926	11.62
1980	32.42		
1979	18.44		
1978	6.56		
1977	-7.18		
1976	23.84		
1975	37.2		
1974	-26.47		
1973	-14.66		
1972	18.98		
1971	14.31		
		Average	12.35

Source:

https://www.slickcharts.com/sp500/returns#google_vignette

Accessed on February 25, 2026

Required Rate of Return on Market as a Whole Forecasted

	<u>Dividend Yield</u>	+	<u>Growth Rate</u>	=	<u>Expected Market Return</u>
Value Line Estimate	2.00%		8.78%	(a)	10.78%
S&P 500 Historical Return					12.35%
Average Expected Market Return				=	<u><u>11.57%</u></u>

(a) Value Line forecast for the 3 to 5 year index appreciation is 40%
 $((1+40\%)^{.25})-1$

Sources:

S&P 500 Historical Rate	1926-2025	12.35%
Value Line Dividend Yield	2/27/2026	2.00%
Valueline Appreciation Potential	2/27/2026	40.00%

CAPM with Forecasted Return

Re	Required return on individual equity security
Rf	Risk-free rate
Rm	Required return on the market as a whole
Be	Beta on individual equity security

$$Re = Rf + Be(Rm - Rf)$$

Rf	=	4.20
Rm	=	11.57
Be	=	0.78

Re	=	<u>9.95</u>
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Sources: Value Line February 25, 2026
Blue Chip January 30, 2026

CAPM Using Kroll ERP & 20-Year U.S. Treasury

Re	Required return on individual equity security
Rf	Risk-free rate
ERP	Equity Risk Premium
Be	Beta on individual equity security

$$Re = Rf + Be(ERP)$$

Rf	=	4.65
ERP	=	5.00
Be	=	0.78
Re	=	<u>8.55</u>

Sources: Value Line February 25, 2026
Kroll January 30, 2026
CNBC February 25, 2026

Average CAPM Result	<u>9.25</u>
---------------------	-------------

KROLL

Kroll Recommended U.S. Equity Risk Premium and Corresponding Risk-Free Rates to be Used in Computing Cost of Capital: January 2008 - Present

January 30, 2026

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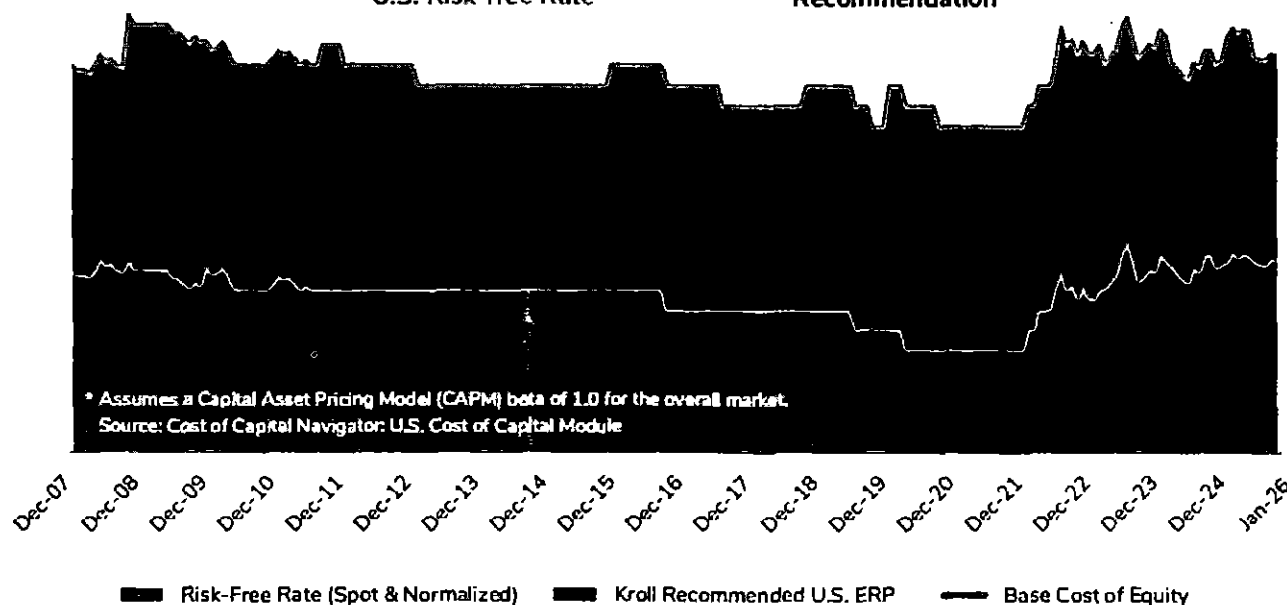
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**Higher of
3.5% or Spot***

Current Normalized
U.S. Risk-free Rate

5.0%

Current U.S. ERP
Recommendation



* We recommend using the spot 20-year U.S. Treasury yield as the proxy for the risk-free rate, if the prevailing yield as of the valuation date is higher than our recommended U.S. normalized risk-free rate of 3.5%. This guidance is effective when developing USD-denominated discount rates as of June 16, 2022 and thereafter.

The Equity Risk Premium (ERP) is a key input used to calculate the cost of capital within the context of the Capital Asset Pricing Model ("CAPM") and other models. Kroll regularly reviews fluctuations in global economic and financial market conditions that warrant a periodic reassessment of the ERP and the accompanying risk-free rate.

Duff & Phelps (Rebranded as Kroll) has published its recommended U.S. ERP and corresponding risk-free rate since 2008. [Download a table](#) summarizing these recommendations over the period January 2008 – present.

U.S. 20 Year Treasury

US20Y:Tradeweb

RT Quote Exchange

EXPORT ↴

WATCHLIST +

LIVESTREAM

Squawk on the Street

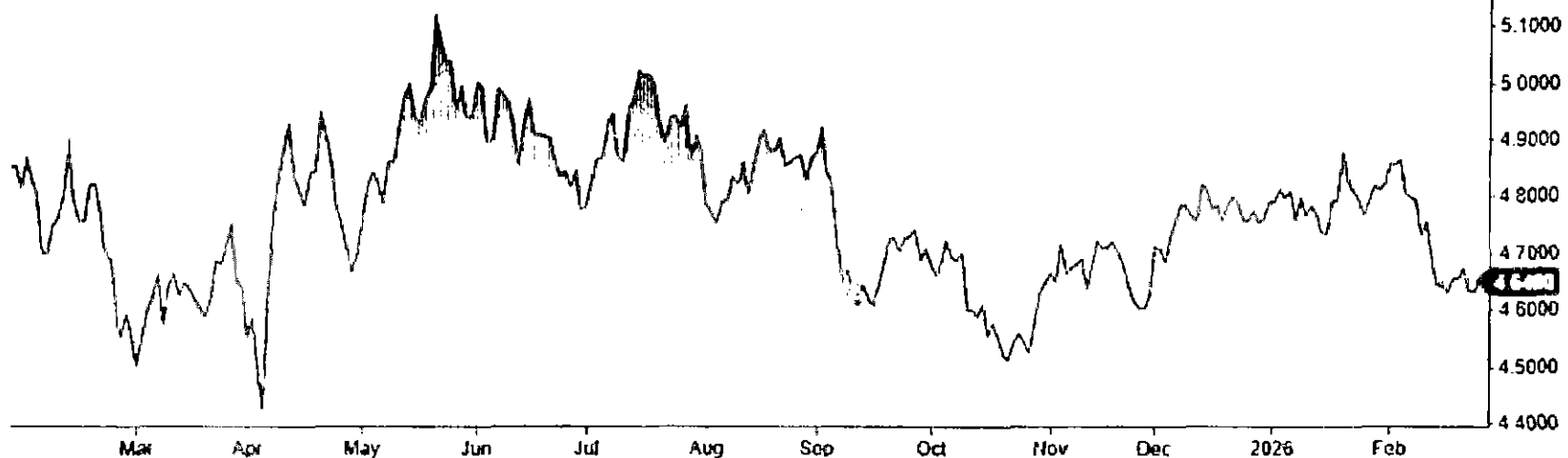
Yield | 9:27 AM EST

4.649% ▲ +0.019

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LATEST ON U.S. 20 YEAR TREASURY

Question: I&E RR-D-8
Witness: Nowak
Page 1

NATIONAL FUEL GAS DISTRIBUTION CORPORATION
PENNSYLVANIA DIVISION
RESPONSE TO REQUEST FOR INFORMATION
R-2025-3059428

Question

State whether Mr. Nowak is aware of any instances where the Commission relied upon the Risk Premium Model analysis to determine an appropriate cost of equity in a base rate proceeding. If yes, identify the specific cases, including the docket number.

Response

Mr. Nowak is not aware of any instances where the Commission has relied on the Risk Premium model, but it has been used in other jurisdictions as a primary model to estimate the authorized ROE, including the following states: California, Florida, Georgia, North Carolina, Virginia, West Virginia, and Wisconsin. Also, New Jersey and Missouri have considered authorized returns in other jurisdictions as a check on the reasonableness of returns for the utilities they regulate. Consistent with the findings in these jurisdictions, Mr. Nowak believes it is a valuable analytical tool in estimating the cost of equity for National Fuel.

Question: I&E RR-D-10

Witness: Nowak

Page 1

NATIONAL FUEL GAS DISTRIBUTION CORPORATION
PENNSYLVANIA DIVISION
RESPONSE TO REQUEST FOR INFORMATION
R-2025-3059428

Question

Reference NFG Statement No. 10, p. 44, lines 16-19. Identify all "large customer" accounts lost and gained by year for the following years: 2023, 2024, and 2025.

Response

Mr. Nowak is not aware of any "large customer" accounts that were lost or gained. The analysis applied to estimate the cost of equity is inherently forward-looking. Consistent with that analysis, Mr. Nowak's testimony at NFG Statement No. 10, p. 44, lines 16-19 addresses the prospective risk of the Company losing large customers.

Question: I&E RR-D-3
Witness: Nowak
Page 1

NATIONAL FUEL GAS DISTRIBUTION CORPORATION
PENNSYLVANIA DIVISION
RESPONSE TO REQUEST FOR INFORMATION
R-2025-3059428

Question

Reference NFG Statement No. 10, p. 3, lines 15-17: A. State whether Mr. Nowak is aware of any natural gas distribution utilities throughout the contiguous United States that have been granted a Commission-authorized 11.25% or higher cost of common equity in the past two years. B. If the answer to I&E-RR-3-D Part A is yes, identify which company/companies have been authorized such cost of common equity, in what jurisdiction, and docket numbers associated with each instance.

Response

Mr. Nowak is not aware of an authorized ROE in the contiguous United States over the last two years of at least 11.25 percent. However, ENSTAR Natural Gas, although in Alaska, was authorized 11.88 percent in its April 2024 Order in Docket U-22-081. While trends in authorized ROEs are an important consideration in the determination of a comparable return as prescribed by the Hope and Bluefield principles, it is also important to note the wide range of factors that are considered in each respective commission's decision. These factors include each company's specific business and financial risk, capital structure, and regulatory framework within which the utility operates. Further, decisions over the past two years are largely dependent on market-based analyses from periods prior to ROE authorization dates. As discussed in Mr. Nowak's Direct Testimony at pages 11-23, there have been several financial and economic indicators suggesting continued upward pressure on the cost of capital in recent months. Further, the market-based analyses discussed on pages 27 to 40 of Mr. Nowak's Direct Testimony support an ROE of 11.25 percent. As such, Mr. Nowak's recommendation of 11.25 percent for NFG was made with current market-based analyses as well as consideration of the Company's specific risk factors and regulatory framework in Pennsylvania as discussed in his Direct Testimony.