BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

REPLY BRIEF OF THE PENNSYLVANIA INDEPENDENT OIL & GAS ASSOCIATION

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I. INTRODUCTION AND LIMITED PURPOSE OF REPLY

The Pennsylvania Independent Oil & Gas Association ("PIOGA") respectfully submits this Reply Brief to address Peoples Natural Gas Company LLC's ("Peoples" or "Company") response to the local production issues presented in PIOGA's Principal Brief. PIOGA's position remains narrow. PIOGA does not dispute that Peoples must maintain its system safely and reliably, that gathering facilities entail legitimate costs, or that producers may reasonably contribute to facilities used to receive and move local production. The issue is whether Peoples proved, by reliable, probative, and substantial evidence, that its selected increase in Rate Appalachian Gathering Service ("Rate AGS") from $0.24/Mcf to $0.29/Mcf is just and reasonable. 66 Pa.C.S. §§ 315(a), 332(b), 1301.

Peoples' Principal Brief, while convincing in rhetoric, does not supply the required evidentiary link. Instead, it relies principally upon the total cost of the gathering system, the fact that producers would pay only a portion of that asserted cost under the proposed rate, and the existence of higher alternative charges that Peoples did not select. Peoples Main Br. at 146–47. Those propositions do not explain why the precise $0.05/Mcf increase the Company selected is reasonable, nor do they establish a reasoned allocation or rate-design basis for placing the incremental recovery burden upon full tariff conventional producers while holding negotiated rate revenue constant.

Peoples also mischaracterizes PIOGA's position as requiring a "strict cost-causation logic" under which Rate AGS supposedly would be "almost four times higher than proposed." Peoples Main Br. at 147. PIOGA makes no such request. PIOGA does not seek full cost recovery from producers, a producer-only cost study, a mechanical allocation formula, or any particular rate (other than what already exists as approved by the Commission just two years ago).[1] PIOGA asks only that the Commission apply the statutory burden to the discrete tariff charge Peoples actually proposes and require a reasoned, record-supported explanation for that charge.

Finally, Peoples' safety-based response to PIOGA's MIMA and operational recommendations does not address the limited relief PIOGA believes appropriate. PIOGA requests no guarantee of delivery, mandatory compression, fixed regulator setting, or operating change that compromises safety, reliability, system integrity, gas quality, customer service, or emergency response. Rather, PIOGA seeks a bounded, safety-qualified reasonable efforts process: communication, notice where practicable, consideration of feasible alternatives, proportionate treatment of low-volume conditions and non-emergency documentation issues, and an opportunity to cure where appropriate.

II. ARGUMENT[2]

A. Peoples must prove the justness and reasonableness of the particular Rate AGS increase it selected.

Every rate demanded or received by a public utility must be just and reasonable. 66 Pa.C.S. § 1301. In a proceeding involving a proposed increase in rates, the burden to show that the rate is just and reasonable rests on the public utility. 66 Pa.C.S. § 315(a). That burden applies to a discrete proposed tariff charge; it is not met merely because the utility identifies a general revenue need or because an intervenor does not furnish a competing rate calculation. *Cup v. Pa. Pub. Util. Comm'n*, 556 A.2d 470, 473–74 (Pa. Cmwlth. 1989).

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1 *See* PUC Docket No. Docket No. R-2023-3044549.

2 PIOGA's argument in this reply brief only relates to **Part XX. Local Production – Gathering and Cost Recovery Issues.** PIOGA will not address any other sections of the agreed upon brief outline in this reply brief, nor will PIOGA be submitting any rate tables or bill impacts beyond that already provided in PIOGA's principal brief.

The Commonwealth Court recently reaffirmed that just-and-reasonable rate making cannot rest on generalities or sweeping statements, and that cost-causation remains central to the allocation analysis. *Phila. Indus. & Com. Gas Users Grp. v. Pa. Pub. Util. Comm'n*, 342 A.3d 140, 148–50 (Pa. Cmwlth. 2025). The Commission possesses considerable flexibility in rate design, and cost-of-service studies are not mechanically dispositive. *U.S. Steel Corp. v. Pa. Pub. Util. Comm'n*, 456 A.2d 686, 691–92 (Pa. Cmwlth. 1983). Nevertheless, that discretion does not dispense with the utility's burden or authorize an unexplained allocation. See *Phila. Indus.*, 342 A.3d at 148–50; *Lloyd v. Pa. Pub. Util. Comm'n*, 904 A.2d 1010, 1019–21 (Pa. Cmwlth. 2006).

PIOGA's argument has consistently tracked those principles. The question is not whether producers should pay all gathering costs, whether higher charges could be calculated, or whether local producers obtain some benefit from access to Peoples' gathering facilities. The question is whether Peoples demonstrated, on this record, a reasoned basis for the precise increase from $0.24/Mcf to $0.29/Mcf.

B. Peoples' total cost, partial recovery, and "lowest impact" assertions do not establish that the selected rate is just and reasonable.

Peoples submits that the proposed $0.29/Mcf Rate AGS would recover approximately 25.7% of the asserted gathering-system cost of service from conventional producers and observes that the proposed percentage is below the 28.4% recovery percentage used in the Company's prior base rate case. Peoples Main Br. at 146–47 (citing Peoples St. No. 5-R at 3). Peoples further states that the selected method had the "lowest impact on producers" of four alternatives and that it considered the practical limit on producer recovery in light of low market prices. *Id.* at 147.

Those assertions may show that Peoples considered a range of possible outcomes. They do not establish that what it selected comports with the statutory and precedential law requirements. A figure is not justified merely because it is lower than one or more unselected alternatives, nor does the assertion that producers pay less than the asserted full cost of service demonstrate why producers should bear the requested increased contribution at issue here. The statutory burden requires proof of the rate proposed, not a comparison to higher hypothetical charges. *Cup*, 556 A.2d at 473–74.

Peoples identifies no producer-specific allocation of the incremental gathering revenue target, no current class-allocation analysis supporting the selected $0.05/Mcf increase, and no rate design analysis explaining why the Company's requested systemwide percentage increase should be the proper basis for the producer charge. The Company's reference to shared benefits likewise does not fill that gap. PIOGA agrees that gathering facilities can create benefits for producers, consumers, and Peoples alike, and therefore some sharing of costs related to the gathering system, despite being owned by Peoples, is appropriate. However, a generalized assertion of benefit does not establish a lawful allocation of the particular incremental cost recovery sought from a distinct producer tariff class. See *Phila. Indus.*, 342 A.3d at 148–50.

The Company's own explanation underscores the distinction. Peoples says that the proposed increase is intended as a "shared contribution" to increased operating and maintenance costs and capital upgrades. Peoples Main Br. at 146 (citing Peoples St. No. 5 at 19). Yet, it does not demonstrate how those increased costs were allocated between negotiated rate revenues, full tariff producers, and other beneficiaries of the gathering system. A broad reference to system costs and the possibility of shared benefits does not substitute for an explained allocation of the rate increase the Company seeks to impose.

C. Peoples' "almost four times higher" contention is a straw man and confirms the need for a reasoned, non-mechanical result.

Peoples argues that PIOGA's "strict cost-causation logic" would require a new Rate AGS "almost four times higher than proposed." Peoples Main Br. at 147. That assertion misstates PIOGA's position. PIOGA has never asked the Commission to require full gathering cost recovery from conventional producers, to adopt a producer-only cost study (which, to be clear, is distinguishable from a producer-specific allocation of the gathering revenue target), or to select any rate derived from a mechanical application of asserted total system costs.

PIOGA instead recognizes that the Commission may consider common and embedded costs, rate stability, gradualism, market conditions, and the practical effects of an allocation. *See U.S. Steel*, 456 A.2d at 691–92; *Lloyd*, 904 A.2d at 1019–21. PIOGA's narrow point is that such considerations must be identified, rationally applied, and supported by the record when they are used to select a rate. They cannot be replaced by a hypothetical full-cost outcome that the Company itself concedes would be inappropriate.[3]

Indeed, Peoples' hypothetical illustrates why the Commission should reject a mechanical full-cost premise. The Company acknowledges that gathering service is often the producer's sole means of delivering gas to the distributor and that local gathering provides cost savings to customers. Peoples Main Br. at 146. A materially higher producer charge

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[3] Nor would PIOGA ever concede that producers paying the full freight of gathering-related costs be appropriate, either. At bottom, the system is still Peoples to own and operate in order to receive the large volumes of conventionally produced natural gas that Peoples then distributes to its consumers.

could worsen the economics of low-volume (yet vitally important) conventional production, economically disincentivize continued deliveries into Peoples' system, and reduce the local gas available to Peoples. That consequence would affect not only producers, but also Peoples and its customers, who may lose access to the local supply source that Peoples identifies as a lower-cost alternative to interstate-delivered gas. *See* Peoples St. No. 5 at 9; PIOGA St. No. 1 at 5. The economic repercussions that Peoples would have to pass on to consumers could be catastrophic in nature.

PIOGA does not contend that the Commission can determine from this record a precise volume of lost production or that any particular charge would produce a specified supply outcome. PIOGA further does not contend that retaining the existing Rate AGS will reverse decline in conventional production that Peoples alleges in its base rate petition. The point is narrower, yet more poignant: an unsupported increase imposed on low-volume, narrow-margin production can make continued production and delivery less economic, thereby further burdening a local supply resource Peoples recognizes as valuable to its customers. PIOGA St. No. 1 at 5; PIOGA St. No. 1-SR at 3–4. Peoples' "four times higher" hypothetical therefore supplies no answer to PIOGA's argument. Instead, it actually confirms the practical importance of selecting a rate on an explained and record-supported basis.

D. Peoples' selected calculation does not support the assertion that Rate AGS simply tracks the requested systemwide increase.

Peoples continues to characterize the proposed Rate AGS as a measured contribution, but the Company's calculation does not directly apply its requested 13.8% systemwide increase to the existing \$0.24/Mcf Rate AGS. Rather, Peoples increased its total gathering revenue pool by 13.8%, held negotiated rate revenue at its then-current amount, and recovered the remaining target entirely through full tariff AGS volumes from conventional producers governed by MIMAs. Peoples Ex. EAP-1R at 1; PIOGA Main Br. at 11–14.

This reverse mathematics produces an unrounded Rate AGS of approximately $0.2845758/Mcf, reported as $0.285/Mcf and rounded by Peoples to $0.29/Mcf. Peoples Ex. EAP-1R at 1. The resulting unrounded tariff rate increase is approximately 18.57%, and the full tariff revenue component rises by approximately 18.75%. *Id.* A direct application of 13.8% to the existing $0.24/Mcf rate would instead yield $0.27312/Mcf, ordinarily rounded once down to $0.27/Mcf. *Id.*; PIOGA Main Br. at 12–14.

The difference matters because the Company relies on the requested systemwide percentage as a justification for Rate AGS, while its actual calculation produces a materially larger increase for full tariff conventional producers. Peoples has not established a record-supported allocation rationale for freezing negotiated rate revenue while using full tariff producer volumes to absorb the residual increase. The Commission should not approve that result merely because it is less than other unselected alternatives.

If the Commission elects to authorize an increase in Rate AGS, the appropriate alternative relief remains straightforward: the Commission should limit the rate to no more than the final systemwide percentage increase, if any, ultimately authorized in this base rate case, applied directly to the existing $0.24/Mcf Rate AGS and rounded once to the nearest cent. This limited remedy prevents the Company's requested systemwide percentage from being converted through a back-solve mechanism into a larger increase for tariffed conventional producers. It also ensures that Rate AGS does not retain the benefit of a requested systemwide percentage that the Commission ultimately reduces or rejects.

E. Peoples' safety argument supports - not defeats - PIOGA's limited operational protections.

Peoples asks the Commission to deny PIOGA's MIMA and operational recommendations on the ground that Rate AGS and the MIMA "should not be considered together." Peoples Main Br. at 148. Peoples further states that it cannot guarantee delivery for every producer under every operating condition and emphasizes its obligation to maintain safety, reliability, customer service, and system integrity. *Id.*

The problem with Peoples' contentions is that PIOGA does not ask the Commission to guarantee producer deliveries, require compression, prescribe a regulator set point, or impose any accommodation that would compromise safety, reliability, system integrity, gas quality, customer service, or emergency response. Instead, PIOGA asks for a bounded reasonable efforts process, especially in terms of producer shut-in and resumption of the flow of gas. Where time and circumstances permit, and where consistent with operational and safety requirements, Peoples should provide reasonable notice of planned actions likely to restrict flow; communicate in good faith with affected producers regarding restriction and resumption of flow (and the circumstances and solutions regarding the same); consider feasible alternatives; provide a reasonable opportunity to cure non-emergency issues where appropriate; and apply proportionate treatment to low-volume wells and non-emergency documentation matters. PIOGA St. No. 1 at 7–8; PIOGA St. No. 2 at 3–7; PIOGA St. No. 3 at 3–5; PIOGA St. No. 1-SR at 3–4; PIOGA St. No. 2-SR at 3; PIOGA St. No. 3-SR at 3–4.

Peoples' own brief supports the limited nature of that relief. The Company states that, where operationally feasible and consistent with system reliability and safety, it "is willing to and does make reasonable efforts" to acknowledge and accommodate producer operational concerns. Peoples Main Br. at 148 (citing Peoples St. No. 5-R at 12). PIOGA seeks a transparent, safety-qualified framework for precisely that type of reasonable effort, not an operational guarantee.

Further, Rate AGS and the MIMA are inextricably related and connected, contrary to Peoples' assertions (and, therefore, the Commission has jurisdiction and authority over this request for relief). The proposed Rate AGS tariff makes execution of, and compliance with, a MIMA a condition of Rate AGS service. Peoples Gas—Pa. P.U.C. No. 49, Original Page No. 64; Peoples St. No. 13 at 3–4. The MIMA therefore governs material conditions under which a producer may obtain and use the service for which the producer pays. The Commission need not treat the tariff and MIMA as one instrument to recognize their practical relationship. When conditions of access and delivery materially affect the value of a tariffed producer service, they are relevant to the Commission's assessment of whether a higher charge for that service is just and reasonable. See *Phila. Indus.*, 342 A.3d at 148–50.

The requested protections are also administrable. The Greensburg Loop evidence shows that Peoples and a producer were able to develop a seasonal regulator setting solution that preserved production flow while maintaining reliable customer service. PIOGA St. No. 2-SR at 3. PIOGA does not contend that this solution is universally applicable. It demonstrates only that reasonable communication and safety-qualified alternatives can, in appropriate circumstances, preserve local production without displacing Peoples' operational responsibilities. PIOGA merely requests that these types of considerations for communication and relief be ordered to be memorialized in MIMAs to ensure substantially equal and reasonable treatment across similarly situated conventional, full tariff producers.

III. CONCLUSION

For the foregoing reasons, PIOGA respectfully requests that the Commission adopt the Proposed Findings of Fact, Conclusions of Law, and Ordering Paragraphs provided in PIOGA's principal brief, and specifically:

1. Reject Peoples' proposed increase to Rate AGS and retain the existing $0.24/Mcf rate;
2. Alternatively, if the Commission authorizes an increase to Rate AGS, limit the increase to no more than the final percentage increase, if any, authorized for Peoples' base rates, applied directly to the existing $0.24/Mcf rate and rounded once to the nearest cent;
3. Direct Peoples to adopt and administer the safety-qualified MIMA and operational protections proposed by PIOGA, including reasonable notice, good faith communication, consideration of feasible alternatives, opportunity to cure where appropriate, and proportionate treatment of low-volume and non-emergency conditions, in each instance subject to safety, reliability, system integrity, gas quality, customer service, and emergency operations; and
4. Grant such other relief as is just, reasonable, and consistent with the record.

Dated: September 2, 2026

RESPECTFULLY SUBMITTED:

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this filing has been served upon the following via e-mail only, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), **dated this 4th day of September, 2026:**

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