COMMONWEALTH OF PENNSYLVANIA

DARRYL A. LAWRENCE
Consumer Advocate

OFFICE OF CONSUMER ADVOCATE
555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
(800) 684-6560

@pa_oca
/pennoca
FAX (717) 783-7152
consumer@paoca.org
www.oca.pa.gov

September 4, 2026

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

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

Dear Secretary Homsher:

Attached for electronic filing, please find the Office of Consumer Advocate's Reply Brief in this proceeding.

Copies have been served on the parties as indicated on the enclosed Certificate of Service.

Respectfully submitted,

/s/ Joel H. Cheskis
Joel H. Cheskis Esq.
Senior Assistant Consumer Advocate
PA Attorney I.D. # 81617
JCheskis@paoca.org

Enclosures
cc: Honorable Judge Charece Collins (Via email: charcollin@pa.gov)
Certificate of Service

CERTIFICATE OF SERVICE

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

I hereby certify that I have this day filed electronically on the Commission's electronic filing system and served a true copy of the following document, the Office of Consumer Advocate's Reply Brief, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below.

Dated this 4th day of September, 2026.

Can receive Proprietary Material - *

SERVICE BY E-MAIL ONLY

Anthony D. Kanagy, Esq. *
Michael W. Gang, Esq. *
Hayley E. Wilburn, Esq. *
Lindsay A. Berkstresser, Esq. *
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101
akanagy@postschell.com
mgang@postschell.com
hwilburn@postschell.com
lberkstresser@postschell.com
Counsel for Peoples

Steven C. Gray, Esq. *
Office of Small Business Advocate
Forum Place
555 Walnut Street, 1st Floor
Harrisburg, PA 17101
sgray@pa.gov
Counsel for OSBA

Meagan Moore, Esq. *
Peoples Natural Gas Company
375 North Shore Drive

Michael A. Podskoch, Esq. *
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
mpodskoch@pa.gov
Counsel for I&E

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

Elizabeth R. Marx, Esq. *
Ria M. Pereira, Esq. *
John W. Sweet, Esq. *
Lauren N. Berman, Esq. *
Levi A. Phillips, Esq. *
Patrick Cicero, Esq. *
Laura F. Edinger, Esq. *
Pennsylvania Utility Law Project
118 Locust Street

Pittsburgh, PA 15212
meagan.moore@peoples-gas.com
Counsel for Peoples

Todd 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
Counsel for RESA

Harrisburg, PA 17101
emarx@pautilitylawproject.org
rpereira@pautilitylawproject.org
jsweet@pautilitylawproject.org
lberman@pautilitylawproject.org
lphillips@pautilitylawproject.org
pcicero@pautilitylawproject.org
ledinger@pautilitylawproject.org
Counsel for CAUSE-PA

/s/ Joel H. Cheskis
Joel H. Cheskis Esq.
Senior Assistant Consumer Advocate
PA Attorney I.D. # 81617
JCheskis@paoca.org

Jacob Guthrie, Esq.
Ryan M. Morden, Esq.
Olivia M. Spergel, Esq.
Assistant Consumer Advocates
OCAPeoplesBRC2026@paoca.org

Counsel for:
Darryl A. Lawrence
Consumer Advocate

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: 717-783-5048
Fax: 717-783-7152

Dated: September 4, 2026

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

REPLY BRIEF
OF THE
OFFICE OF CONSUMER ADVOCATE

Joel H. Cheskis Esq.
Senior Assistant Consumer Advocate
PA Attorney I.D. # 81617
JCheskis@paoca.org

Jacob D. Guthrie, Esq.
Assistant Consumer Advocate
PA Attorney I.D. # 334367
JGuthrie@paoca.org

Ryan Morden, Esq.
Assistant Consumer Advocate
PA Attorney I.D. # 335679
RMorden@paoca.org

Olivia M. Spergel, Esq.
Assistant Consumer Advocate
PA Attorney I.D. #337929
OSpergel@paoca.org

Counsel for:
Darryl A. Lawrence
Consumer Advocate

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: 717-783-5048
Fax: 717-783-7152

Date: September 4, 2026

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Page(s)

Cases

Administrative Decisions

Statutes

Miscellaneous

I. INTRODUCTION

On August 26, 2026, the Office of Consumer Advocate (OCA) filed its Main Brief in this matter consistent with the Procedural Schedule ordered in this case. The OCA incorporates by reference the description of the OCA, the procedural history and the legal standards as discussed in its Main Brief.

II. SUMMARY OF ARGUMENT

As the OCA stated in its Main Brief, Peoples' request to increase its base rates should be rejected in its entirety.

In the event the Commission does not reject the request in its entirety, substantial record evidence demonstrates that Peoples requires no more than $9.4 million in additional annual distribution revenue to provide safe, adequate and reliable service at just and reasonable rates. This revenue requirement includes recommendations to impute Peoples' capital structure of 51% long-term debt and 49% common equity for ratemaking purposes and to authorize a return on equity of 8.8%. This capital structure is consistent with the Statement of Vice Chair Barrow made at the time this matter was suspended for investigation, as well as the open letter from Governor Josh Shapiro to the Commission and Pennsylvania's utility leaders.

The OCA has further presented substantial record evidence demonstrating that the Commission should direct Peoples to 1) allocate the costs of its universal service programs among all customer classes, not just the residential class, 2) conduct an independent third-party investigation into the disparate treatment of service terminations in minority communities, 3) switch from the Equal Life Group method of depreciation to the Average Life Group method of depreciation, and 4) terminate Peoples' Weather Normalization Adjustment charge, among other things. Nothing in Peoples' Main Brief has effectively refuted these positions.

III. OVERALL POSITION ON RATE CASE AND AFFORDABILITY OF RATES

Peoples' discussion in this section of its Main Brief is essentially a summary of its arguments made throughout the remainder of its brief. The OCA responds to those individual arguments in the remainder of this reply brief and incorporates those responses herein, as well as its positions articulated in its Main Brief, by reference for the sake of brevity.

In general, however, the OCA responds here to Peoples' arguments regarding affordability. Peoples asserts that its proposed rates are affordable based on the Company's efforts to control costs, the availability of customer assistance programs, and comparisons showing that Peoples' current and proposed rates remain below the rates of many other Pennsylvania utilities.[1] Peoples also points to its gas-burden analysis, which it claims demonstrates that the proposed rates remain reasonable when the effects of CAP are considered.[2] These arguments, however, do not overcome the substantial evidence in the record demonstrating that Peoples' customers are already experiencing significant difficulty affording their natural gas bills.

Affordability is a fundamental consideration in determining whether rates are just and reasonable.[3] As the Commission recently recognized in the *PAWC Order*, affordability must be considered in the context of the magnitude and frequency of rate increases and the economic circumstances confronting customers.[4] The Commission further stated, "Affordability is an issue

[1] Peoples M.B. at 4-8.
[2] *Id.* at 7-8.
[3] *Pa PUC, et. al., v. Pennsylvania-American Water Company*, Docket Nos. R-2025-3057983, et. al., Order at 36 (July 16, 2026) (PAWC Order) (emphasis added).
[4] *PAWC Order* at 40 ("Because we believe that the issue of affordability must be viewed in the context of the magnitude and frequency of PAWC's rate cases, as well as the impact of recent and current economic conditions, we will give less weight to PAWC's affordability analyses.").

that must be addressed for all customers, not just those who apply for and are found eligible to receive low-income assistance."[5] Thus, the fact that Peoples offers CAP or other payment options does not establish that the Company's underlying rates are affordable.

The evidence presented by the OCA in this case and discussed in its Main Brief demonstrates that Peoples' proposed rates would impose substantial burdens on customers throughout the Company's service territory.[6] Accordingly, Peoples cannot, for example, as it does in its Main Brief,[7] reasonably characterize affordability as an issue that can be addressed solely through its customer assistance programs (CAP).

Furthermore, Peoples' reliance on its comparison of delivered energy costs among Pennsylvania utilities is likewise insufficient to establish affordability.[8] A rate may be lower than another utility's rate and still be unaffordable for the customers required to pay it.[9] What matters for purposes of determining whether Peoples' proposed rates are just and reasonable is the burden those rates place on Peoples' customers.[10] For example, OCA witness Roger Colton's HB Score analysis demonstrates that burden: the weighted average household gas burden would increase from 3.8 percent at existing rates to 4.7 percent at proposed rates—an approximately 24 percent increase in the average household burden.[11]

Further, the record demonstrates that Peoples continues to have substantial numbers of low-income customers outside CAP.[12] Affordability therefore must be evaluated based on the rates

[5] *Id.*
[6] See e.g., OCA M.B. at 17-22.
[7] Peoples M.B. at 5-6.
[8] Peoples M.B. at 6-7.
[9] *Id.*
[10] OCA M.B. at 19.
[11] *Id.*
[12] OCA M.B. at 121-22.

charged to the residential customer base as a whole, rather than assuming that customers experiencing unaffordable bills will necessarily receive CAP assistance.

The timing of this rate request is also relevant to the Commission's affordability determination. Peoples' current rates have been in effect for less than two years following the Company's most recent rate case, in which Peoples was granted approximately $93 million in additional annual revenue.[13] The Company now seeks another substantial increase in customers' rates despite the relatively short period since that prior increase took effect. The Commission should therefore consider not only the absolute level of the rates Peoples proposes, but also the magnitude and frequency with which customers are being asked to absorb additional increases. A claim that Peoples' rates are comparatively low does not resolve whether another increase, so soon after the Company's last substantial rate increase, is just and reasonable for customers already struggling to pay their bills.

Based on the arguments in its Main Brief and this Reply Brief, as well as substantial record evidence, the OCA continues to maintain that Peoples' requested rate increase should be rejected in its entirety.

IV. RATE BASE

A. Cash Working Capital

The OCA maintains its recommendation that, if the Commission adopts its adjustments to Peoples' claimed expenses and long-term debt ratio, then it should adopt the OCA's recommended cash working capital adjustment of ($909,793).[14]

[13] *Pa. PUC v. Peoples Nat. Gas Co.*, 2024 PA. PUC LEXIS 288 (Sep. 12, 2024).

[14] OCA M.B. at 23; OCA St. 2 at 6-7; OCA St. 2SR at 3; OCA Sch. JNG-4-SR. The OCA notes that, in its Main Brief, it referred to the adjustment as a positive amount of $909,793. However, the adjustment amount should be recorded as a downwards adjustment, or ($909,793). OCA Sch. JNG-4-SR.

B. Accumulated Depreciation

The OCA maintains its recommendation that, if the Commission adopts its adjustments to Peoples' claimed depreciation expense, then it should adopt the OCA's recommended adjustment to Peoples' accumulated depreciation of $36,844,273.[15]

V. REVENUES

A. Heating Degree Day Methodology

The OCA did not present testimony regarding this issue.

VI. EXPENSES

A. Updates to Original Filing

The OCA did not present separate testimony regarding Peoples' updates to its original filing. Such updates are reflected in the OCA's revenue requirement recommendation.

B. Projected Cost Increase Adjustments

1. Average Annual Increases

The OCA recommends that the Commission disallow Peoples' claimed historical escalation adjustments to its travel and entertainment, advertising, materials and suppliers, outside services – administrative and general, and Commission assessment expenses.[16] Peoples argues that the historical escalation adjustments are cost-specific, reflect the Company's estimation that costs will continue to rise for these specific expenses, and that it is entitled to its forecasted expense allowances because it is allowed to use an FPFTY to satisfy its burden of proof.[17] The Company's arguments are inconsistent and unsupported by record evidence.

[15] OCA M.B. at 24; OCA St. 2 at 7; OCA Sch. JNG-5-SR; OCA St. 3 at 11.
[16] OCA M.B. at 25-27; OCA St. 2 at 18-19 (travel expense), 20-21 (advertising expense), 8-9 (materials and supplies expense), 21-22 (outside services – A&G), 24-25 (PUC assessment); OCA St 2SR at 11 (travel expense), 12-13 (advertising expense), 5-6 (materials and supplies expense), 13-14 (outside services – A&G), 15-16 (PUC assessment).
[17] Peoples M.B. at 15-17.

First, Peoples' costs cannot be compared to inflation, which is measured as the change in price over time in a basket of consumer goods[18], and be expense-specific at the same time.[19] While the OCA did not argue that the historical escalation adjustments are not cost-specific, the OCA did provide evidence that the adjustments are not reflective of the Company's recent experience.[20] For example, Peoples' materials and supplies expense "decreased by 13.9% from 2023 to 2024 and then increased by only 0.46% from 2024 to 2025."[21] These expenses are subject to significant year-to-year volatility – including both increases and decreases in cost – in a manner which does not track the continued increase over time that Peoples proposed.[22]

Second, Peoples' legal arguments are unsupported by the cited authorities. Peoples claims that "in *Aqua 2022,* the Commission approved the use of a three-year, year-over-year, average increase to adjust general liability insurance."[23] While the Commission in *Aqua 2022* permitted a utility to utilize a year-over-year escalation factor, that proceeding was based on a different evidentiary record.[24] The record in this proceeding indicates that the year-to-year volatility in the claimed expenses, reflecting both increases and decreases, demonstrate that a year-over-year escalation is inappropriate. The Commission's decision in *PAWC 2026* is a more appropriate comparison for this case because, in that case, the Commission declined to permit recovery of historical escalation factors where the utility's historical expense data did not track inflation trends

[18] OCA St. 1SR at 6.
[19] *Compare* Peoples M.B. at 15 ("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") *with* 15-16 ("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 inconsistent with the arguments presented in the other parties' own testimony [regarding the impact of inflation on customer affordability").
[20] OCA M.B. at 26-27; OCA St. 2 at 8-9, 18-22.
[21] OCA St. 2SR at 6.
[22] OCA St. 2 at 8-9, 18-22.
[23] Peoples M.B. at 16 (*citing Pa. PUC v. Aqua Pa., Inc.*, Docket Nos. R-2021-3027385 *et al*, 2022 PA. PUC LEXIS 161, Order (May 16, 2022) (*Aqua 2022*)).
[24] *Aqua 2022* at *58-59.

and or do not change in line with inflation.[25] Further, though Peoples claims "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,"[26] no party is attempting to limit the effectiveness of the FTY and FPFTY. Section 315(e) permits the use of an FTY and FPFTY if, and only if, the utility provides "appropriate data evidencing the accuracy of the estimates contained in the future test year or a fully projected future test year."[27] The OCA submitted evidence demonstrating that Peoples is not "experiencing increases in costs on an annual basis" because they are not subject to a consistent trend[28] which calls into question the accuracy of Peoples' estimates for the costs it will incur in the FTY and FPFTY, consistent with the requirements of Section 315(e).[29]

As a result, Peoples' arguments in its Main Brief regarding its average annual increases are unsupported by fact and law and should be rejected.

2. Inflation Adjustments

The OCA recommends that the Commission disallow Peoples' claimed inflation-based adjustments to its payment processing expense.[30] Peoples argues that its proposed adjustments are reasonable because it is reasonable to expect inflation to continue and because the Commission has previously allowed general inflation adjustments applied to limited categories of expenses.[31] The Company's arguments are unsupported by fact and law and should be rejected.

[25] *Pa. PUC v. Pa. American Water Co.*, Docket Nos. R-2025-3057983 *et al*, Order at 131 (July 27, 2026) (*PAWC 2026*).
[26] Peoples M.B. at 16.
[27] 66 Pa. C.S. § 315(e).
[28] *See*, *e.g.*, OCA St. 2SR at 6.
[29] 66 Pa. C.S. § 315(a).
[30] OCA M.B. at 27-29; OCA St. 2 at 20-21, 25-26; OCA St. 2SR at 6, 17-18.
[31] Peoples M.B. at 17-18.

First, while it is reasonable to expect inflation to continue,[32] it is unreasonable to assume that the amount of economy-wide inflation which has historically been experienced is an accurate measure of the expenses that the Company will incur in the FPFTY.[33] Peoples did not submit evidence demonstrating that the expenses to which it applied its inflation adjustments track inflation trends, or that the Consumer Price Index (CPI) is a reasonable measure of inflation as it pertains to the claimed expense adjustments.

Second, Peoples' reliance on *PECO Gas 2021* is misplaced.[34] While the Commission did permit the use of a year-over-year CPI-based inflation adjustment in that case, the Commission did so in lieu of adopting the utility's proposed unspecified inflation adjustment factors and unsupported calculations.[35] In its Main Brief, the OCA cited to several, more recent Commission orders which rejected the application of economy-wide inflation-based adjustments to specific expenses.[36]

As a result, based on the evidence presented, Peoples' "expenses do not follow a consistent inflationary trend."[37] The Commission should reject the Company's adjustments.[38]

C. Labor/Vacancy Expense

The OCA recommends that the Commission adjust the Company's labor expense allowance by ($2,985,171), based on the use of a three-year average historical vacancy reserve.[39]

---

[32] OCA St. 1SR at 6.
[33] OCA M.B. at 28.
[34] Peoples M.B. at 17 (*citing Pa. PUC v. PECO Energy Co. – Gas Div.*, Docket No. R-2020-3018929, 2021 Pa. PUC LEXIS 241, Order at 10 (June 22, 2021) (*PECO Gas 2021*)). The OCA notes that the Company's pin cite refers to the portion of the order regarding legal standards and not outside services costs. The correct pin cite would be page 90 of the Commission's slip opinion or *56 on Lexis.
[35] *PECO Gas 2021* at *55-56.
[36] OCA M.B. at 28 (*citing Aqua 2022* at *62-63; *Pa. PUC v. Phila. Gas Works*, 2023 PA. PUC LEXIS 298, *47 (Nov. 9, 2023) (*PGW 2023*); *Pa. PUC v. Columbia Gas of Pa., Inc.*, 2025 PA. PUC LEXIS 395, *92 (Order Dec. 9, 2025) (*Columbia 2025*); *Pa. PUC v. Pa. American Water Co.*, Docket Nos. R-2025-3057983 *et al*, Order at 131 (July 27, 2026) (*PAWC 2026*)).
[37] OCA St. 2SR at 6.
[38] 66 Pa. C.S. § 315(e).
[39] OCA M.B. at 29-30; OCA St. 2SR at 14-15.

Peoples argues that its recent experience for December 2025 through March 2026 and overall market trends support its proposed vacancy reserve of only eight full-time positions.[40] The Company also argues that its recent hiring initiatives are not accurately captured in its historic vacancy rate.[41] The Company's forecasted vacancy reserve is overly optimistic.

Namely, the three-year historical average demonstrates an expected vacancy rate of 4.98% for the FTY and FPFTY.[42] While this amount is slightly higher than the Company's experience for December 2025 through March 2026, these four months are a smaller pool of data than the three years used in the OCA's analysis and are insufficient to project the costs to the Company as of December 31, 2027, or the end of the FPFTY.[43] Further, the OCA's recommended vacancy reserve was calculated using recent years, not an immediately post-pandemic period; the Company's reliance on improvements in employee retention compared to the labor market that "existed several years ago" does not reflect the period considered by OCA witness Geiger.[44]

Importantly, to the extent that Peoples' specific recruiting and retention initiatives are not accurately reflected in the near-term historical experience included in the analysis of OCA witness Geiger,[45] the Company has not provided adequate evidence to support that such initiatives will be effective enough to fill nearly all of its positions. Any data which supports the conclusion that Peoples' initiatives have shown historical success are already incorporated into the recommendation of OCA witness Geiger. For these reasons, the OCA recommends that the

---

[40] Peoples M.B. at 18-19.
[41] Peoples M.B. at 19.
[42] OCA M.B. at 29; OCA Sch. JNG-15-SR.
[43] OCA M.B. at 29; OCA Sch. JNG-15-SR; *see McCloskey v. Pa. Pub. Util. Comm'n*, 225 A.3d 192, 207 (Pa. Cmwlth. 2020) (providing that the FPFTY uses the "year-end methodology").
[44] *Compare* Peoples M.B. at 19 *with* OCA Sch. JNG-15-SR.
[45] OCA Sch. JNG-15-SR.

Commission reject Peoples' argument and find its proposed vacancy reserve to be overly optimistic, and adopt the OCA's recommended labor expense adjustment of ($2,985,171).[46]

If the Commission adopts the OCA's recommended vacancy reserve, the Commission should also accept the corresponding payroll tax and employee benefits expense adjustments of ($239,176) and ($887,355), respectively.[47]

D. Incentive Compensation

The OCA recommends that the portion of Peoples' claimed incentive compensation expense dedicated to pursuing shareholder value, instead of ratepayer value, through financial metrics be disallowed, a downwards adjustment of $2,520,984.[48] Peoples argues that its incentive compensation designed to reward employees based on financial metrics provides material benefits to ratepayers.[49] The Company's claims should be rejected as inconsistent with the evidentiary record and recent Commission orders.

Peoples' attempts to distinguish the facts of this case from those in *Columbia 2025* and *PAWC 2026* are inappropriate readings of the Commission's orders in those proceedings.[50] Namely, in these cases, the Commission stated that "financial metrics in performance pay align employees primarily with shareholder interests. Therefore, ratepayers should not be required to exclusively fund the payout of financial metrics…"[51] The Commission did not state that whether ratepayers may experience a modicum of benefit from the incentive compensation plan is the determinative factor but, rather, that the cost of rewarding employees for achieving financial metrics that benefit shareholders is appropriately borne by shareholders.

---

[46] OCA M.B. at 29-30; OCA St. 2SR at 14-15; OCA Sch. JNG-15-SR.
[47] OCA M.B. at 30; OCA St. 2SR at 15; OCA Schs. JNG-16-SR, JNG-17-SR.
[48] OCA M.B. at 30-32; OCA St. 2SR at 9; OCA Sch. JNG-8-SR.
[49] Peoples M.B. at 20-22.
[50] Peoples M.B. at 21-22.
[51] *PAWC 2026* at 114; *see also Columbia 2025* at *86-87.

Further, Peoples' averments that the financial components of its incentive compensation plan are necessary to attract and retain talent, promotes cost containment and efficiencies, and promotes financial health and wellbeing[52] could be argued regarding *any* incentive compensation plan. As stated by OCA witness Geiger, "these are generalized assertions associated with sound financial management, not the specific performance measures at issue."[53] There is also no evidence that Peoples' ability to attract and retain talent would be impaired, or that it would be placed at a competitive disadvantage in the labor market if shareholders – not ratepayers – provided the funding for the financial components of its incentive compensation plan.[54]

The Company has presented no evidence of a direct connection between *rate recovery* of the financial components of its incentive compensation plan and the financial health and wellbeing of Peoples as a utility. Peoples is not prohibited from utilizing shareholder funds to support the totality of its incentive compensation plan. As a result, the Company's arguments should be disregarded as inconsistent with law and fact.

E. Employee Benefits Expense

The OCA incorporates by reference the arguments in its Main Brief regarding this expense item as if fully set forth herein[55] as well as *supra* in Section VI.C.[56]

F. Corporate Insurance

The OCA did not present testimony regarding this issue.

G. Employee Expense

The OCA recommends that the Commission disallow a portion of Peoples' claimed employee expense which the Company did not demonstrate are reasonable or necessary to recover

[52] Peoples M.B. at 21.
[53] OCA St. 2SR at 8.
[54] *Id.*; OCA M.B. at 32.
[55] OCA M.B. at 33.
[56] *Supra*, Sec. VI.D.

in rates for the provision of safe and reliable service.[57] Peoples claims that these expenses are related to employee recognition and that prior Commission orders indicate that any expense remotely related to employee recognition can be recovered in rates.[58] The Company's arguments should be rejected as inconsistent with applicable law.

While the Commission in *UGI Electric 2018* did permit the utility to recover the costs associated with one employee recognition event, the Commission's opinion did not go so far as suggested by Peoples in its Main Brief.[59] The Commission did not give blanket authorization to recover the cost of *any* employee recognition event in rates and, instead, its holding was limited to addressing only a single recognition-related event.[60] Prior Commission orders have disallowed recognition-related events, such as entertainment, gifts, flowers, and in-house luncheons, finding that these costs are not necessary in the provision of public utility service.[61] For example, in *Columbia Water 2014*, the Commission disallowed a utility's year-end employee dinner and banquet and annual Hershey Park outing, even though the utility claimed that the events were designed to attract and retain employees, as well as recognizing employee service.[62] Based on these prior orders, the OCA's position is consistent with the Commission's legal statements on employee expenses, in requiring additional evidence from Peoples to support the claim that its employee expenses are related to providing safe, adequate, and reliable service.

---

[57] OCA M.B. at 33-34; OCA St. 2 at 18; OCA St. 2SR at 10-11.
[58] Peoples M.B. at 24-26.
[59] *Pa. PUC v. UGI Utils. Corp. – Elec. Div.*, Docket No. R-2017-2640058, Order at 70-71 (Oct. 25, 2018) (*UGI Electric 2018*).
[60] *Id.*
[61] *Pa. PUC v. Pa.-American Water Co.*, 79 PaPUC 25, 62-63 (1993) (*PAWC 1993*) (expenses for entertainment and gifts inappropriately included in utility's rates because they did not directly relate to the provision of quality water service); *Pa. PUC v. Citizens Utilities Water Co. of Pa.*, 169 PUR4th 552, 584-85 (1996) (disallowing expenses for gifts, flowers, in-house luncheons and horticultural service despite the Company's claim that these items improved employee morale).
[62] *Pa. PUC v. Columbia Water Co.*, Docket No. R-2013-2360798, Order at 71-74 (Jan. 23, 2014) (*Columbia Water 2014*).

Peoples merely states that its Special Olympics Polar Plunge, team lunches, and similar events – an expense component of $51,541– are part of its employee recognition program, without providing further evidence.[63] Further, the Safety Awards expense item is significant, forecasted to cost ratepayers $247,078, substantially more than the $11,848 at issue in *UGI Electric 2018*.[64] The Company offers no justification for the other components of this expense account.[65] The Commission's prior orders do not state that any employee expense that is somehow related to employee recognition is recoverable from ratepayers but impose reasonable limitations on such recovery. As a result, the OCA recommends that the Commission disallow $426,970 of Peoples' claimed employee expenses.[66]

H. Travel and Entertainment Expense

The OCA recommends that the Commission disallow $908,032 of Peoples' proposed travel and entertainment expenses, including the $108,658 historical escalation component and the $799,375 component associated with the costs which Peoples has not demonstrated provide a benefit to ratepayers.[67] Peoples argues that, based on the table included in its Main Brief, that these are regular business expenses.[68] For the reasons set forth in the OCA's Main Brief and *supra*, Peoples has failed to meet its burden of proof regarding its historical escalation adjustment.[69]

Namely, Peoples cites to *UGI Electric 2018*, *PECO Gas 2021*, and *PAWC 1995*.[70] The expense addressed in *UGI Electric 2018* pertained to an annual employee recognition dinner, not an expense claim for employee activities.[71] In *PECO Gas 2021*, the Commission permitted

---

[63] Peoples St. 2-R at 25.
[64] *Compare Id. with UGI Electric 2018* at 69.
[65] Peoples St. 2-R at 25.
[66] OCA M.B. at 33-34; OCA Sch. JNG-10-SR.
[67] OCA M.B. at 34; OCA St. 2 at 11; OCA St. 2SR at 11; OCA Sch. JNG-11-SR.
[68] Peoples M.B. at 26-27.
[69] OCA M.B. at 25-27; *supra*, Sec. VI.B.1.
[70] Peoples M.B. at 27 (*citing UGI Electric 2018* at 70-71; *PECO Gas 2021* at *58-59; *Pa. PUC v. Pa.-American Water Co.*, 1995 Pa. PUC LEXIS 170, *37-39 (July 24, 1995) (*PAWC 1995*)).
[71] *UGI Electric 2018* at 70-71.

recovery of an unchallenged portion of the utility's claimed travel, meals, and entertainment expense, which demonstrates only that the expenses were unchallenged.[72] In *PAWC 1995*, the Commission permitted the utility to recover the costs associated with employee recognition expenditures, such as service awards[73]; however, the Company's claim for employee recognition expenditures was addressed *supra*, in Section, VI.H. These prior orders are distinguishable.

Employee events at Kennywood, the Lerner Speedway, sports functions, and merchandise for such events are more similar to the claimed expense for an employee event at Hershey Park which was disallowed in *Columbia Water 2014*, as they are not demonstrably related to employee recognition.[74] For these reasons, the Company's arguments regarding these expenses should be rejected, and the Commission should disallow $908,032 of Peoples' proposed travel and entertainment expenses. [75]

I. Company Memberships

The OCA recommends that the Commission disallow $57,914 of Peoples' claimed membership expenses because such memberships do not provide direct benefit to ratepayers.[76] Peoples argues that its membership expense claim is reasonable.[77] The OCA submits that it is reasonable to only permit rate recovery for a portion of Peoples' membership expense claim because the Company's memberships provide direct benefit to shareholders through improvement of the Company's corporate image.[78] As in *Columbia 2025*, where there is no evidence of direct ratepayer benefit, it is inappropriate for a utility to request recovery of membership expense

[72] *PECO Gas 2021* at *58.
[73] *PAWC 1995* at *37-39.
[74] *Compare* Peoples M.B. at 26-27 *with Columbia Water 2014* at 71-74.
[75] OCA M.B. at 34; OCA St. 2 at 11; OCA St. 2SR at 11; OCA Sch. JNG-11-SR.
[76] OCA M.B. at 35; OCA St. 2 at 16; OCA St. 2SR at 9-10; OCA Sch. JNG-9-SR.
[77] Peoples M.B. at 27-29.
[78] OCA M.B. at 35; OCA St. 2SR at 9-10; OCA Sch. JNG-9-SR.

through rates.[79] Peoples' failed to provide such evidence and, therefore, full rate recovery of these expenses is not appropriate, and the Commission should adopt the OCA's recommendation.

J. License and Permit Expense

The OCA did not present testimony regarding this issue.

K. Utilities and Fuel Expense

The OCA did not present testimony regarding this issue.

L. Advertising Expense

The OCA incorporates by reference the arguments in its Main Brief regarding this expense item as if fully set forth herein[80] as well as *supra* in Section VI.B.2.[81]

M. Fleet Expense

The OCA did not present testimony regarding this issue.

N. Materials and Supplies

The OCA incorporates by reference the arguments in its Main Brief regarding this expense item as if fully set forth herein[82] as well as *supra* in Section VI.B.1.[83]

O. Rate Case Expense

The OCA recommends that the Commission utilize Peoples' historic filing frequency as the normalization period for its rate case expense claim.[84] Peoples argues that the Commission has previously deviated from its traditional reliance on historical filing frequency for determining the rate case normalization period and that its historical filing frequency should only consider the gap in time between its current and immediately prior rate cases.[85] The Company's argument overlooks the nuance of prior Commission orders and the record evidence.

While the Commission did permit a shorter-than-typical rate case normalization period in *UGI Electric 2018* and *Citizens' 2020* where substantial evidence supported it, the Commission

---

[79] OCA M.B. at 35; *Columbia 2025* at *101.
[80] OCA M.B. at 36.
[81] *Supra*, Sec. VI.B.2.
[82] OCA M.B. at 36-37.
[83] *Supra*, Sec. VI.B.1.
[84] OCA M.B. at 37-38; OCA St. 2 at 7; OCA St. 2SR at 5; OCA Sch. JNG-6-SR.
[85] Peoples M.B. at 32-34.

has also previously rejected the argument presented by Peoples.[86] For example, in *PECO Gas 2021*, the Commission found that a utility's forecasted investment in new and replacement gas plant in the years following the ratemaking test year did not warrant deviating from its historic filing frequency, "as there is no guarantee the Company will make the capital investments it projects."[87] The Commission reached a similar determination in *Columbia 2021*, even when the utility made the exact same claim as Peoples, that it intended to invest in plant the incremental revenue requirement of which would exceed its distribution system charge (DSIC) capped revenues.[88] As in *PECO Gas 2021* and *Columbia 2021*, the Commission should reject Peoples' reliance on its anticipated investment as there is not sufficient evidence to provide certainty that the Company will meet its investment targets or that DSIC revenues would be insufficient.

Further, as discussed by the OCA in its Main Brief, it is correct to consider the time between Peoples' three most recent rate filings, instead of the two most recent proposed by Peoples, to recognize that the gap in time between its 2019 and 2023 rate filings was limited – not increased – as a result of Peoples' prior settlement commitments.[89] Exclusion of the 2019 rate case filing date from the calculation of the normalization period would impair the Commission's assessment of Peoples' historical filing frequency. As a result, the Commission should accept the OCA's recommended adjustment to Peoples' rate case expense normalization period, which results in a downwards adjustment of $411,429 to Peoples' annual rate case expense.[90]

P. Pension Expense

The OCA did not present testimony regarding this issue.

[86] *UGI Electric 2018* at 59-60; *Pa. PUC v. Citizens' Electric Co. of Lewisburg*, R-2019-3008212, Order at 79-80 (Apr. 27, 2020) (*Citizens' 2020*)
[87] *PECO Gas 2021* at *62.
[88] *Pa. PUC v. Columbia Gas of Pa., Inc.*, Docket No. R-2020-3018835, Order at 77-79 (Feb. 19, 2021) (*Columbia 2021*).
[89] OCA M.B. at 38.
[90] OCA M.B. at 37-38; OCA St. 2SR at 5; OCA Sch. JNG-6-SR.

Q. Outside Services

1. Contracted

The OCA did not present testimony regarding this issue.

2. Administrative and General

The OCA incorporates by reference the arguments in its Main Brief regarding this expense item as if fully set forth herein[91] as well as *supra* in Section VI.B.1.[92]

R. Natural Gas Hot Water Tank Rebate Pilot

The OCA recommends Peoples' request to implement a Natural Gas Water Tank Rebate Program be denied, resulting in a disallowance of $500,000 from the Company's requested revenue requirement, as set forth in Section XVII.[93]

S. Payment Processing Expense

The OCA recommends that the Commission decrease Peoples' FPFTY payment processing expense claim by $1,016,537 because the Company has not demonstrated that it is likely that it will experience a 22% year-over-year increase in payment processing expense from the HTY.[94] Peoples argues that, economy-wide, it is anticipated that credit payment processing has increased since 2018.[95] Peoples' arguments should be rejected because they are not specific to its customer base, and its HTY payment processing expense already reflects a significant increase in credit card payment adoption, including an increase in customer adoption by 33.3%.[96] The Company provides no basis for the assumption that its customer base, specifically, will continue to enroll in credit card payment processing at a similar rate of over 380,000 customer payments per year when that growth is partially attributable to how recently Peoples had adopted no-fee

---

[91] OCA M.B. at 39.
[92] *Supra*, Sec. VI.B.1.
[93] See Section XVII, *supra;* OCA St. 2SR at 18; OCA Sch. JNG-20-SR.
[94] OCA M.B. at 39-40; OCA St. 2 at 25; OCA St. 2SR at 17-18; OCA Sch. JNG-19-SR.
[95] Peoples M.B. at 36-37.
[96] OCA M.B. at 39-40; OCA St. 2 at 25.

credit card payment processing.[97] Enrollment will not continue at the same rate indefinitely, and Peoples has provided insufficient evidence to support its forecast that it will.

T. Building Leases

The OCA did not present testimony regarding this issue.

U. Universal Service Program (USP) Rider

The OCA incorporates by reference the arguments in its Main Brief regarding this expense item as if fully set forth herein.98

V. Public Utility Commission Assessment

The OCA incorporates by reference the arguments in its Main Brief regarding this expense item as if fully set forth herein[99] as well as *supra* in Section VI.B.1.[100]

W. Residential Collection Expense

The OCA recommends that the Commission disallow $3.834 million of the Company's claimed residential collection expense due to Peoples' inadequate, unreasonable, and/or inefficient credit and collection activities, pursuant to the Commission's review of Peoples' service under Section 523 of the Public Utility Code.[101] Peoples argues that its credit and collection activities expense is not appropriate for ratemaking purposes.[102] However, the OCA's recommendation is based on discovery responses regarding Peoples' inclusion of these costs in its revenue requirement and were not arbitrarily selected based on its reporting requirements.[103] It is unclear how an expense amount is not for ratemaking purposes, as a utility's burden in a Section 1308(d) general rate increase request pertains to all components of its proposed revenue requirement.[104]

---

[97] OCA St. 2 at 25; OCA St. 2SR at 17.
[98] OCA M.B. at 40-41.
[99] OCA M.B. at 41-42.
[100] *Supra*, Sec. VI.B.1.
[101] OCA M.B. at 42-43; OCA St. 4 at 50; OCA St. 4SR at 30; OCA Sch. JNG-22-SR; 66 Pa. C.S. § 523(a).
[102] Peoples M.B. at 38-40.
[103] OCA St. 4 at 45 (*citing* Peoples Response to OCA-VII-4).
[104] 66 Pa. C.S. §§ 315(a), 1301, 1308(d).

Peoples cannot claim, at this late stage, that its deficient service can escape Commission review under Section 523(a) as a result of its own failure to provide the correct figure in discovery.[105]

The Company's arguments against the OCA's proposed sharing of residential credit and collection expenses do not address the evidence underlying the OCA's recommendation. The evidence demonstrates that Peoples' traditional collection practices are not achieving their intended purpose. Peoples' payment arrangements, for example, are unsuccessful at an exceptionally high rate: 71.5% of residential payment arrangements entered into during the most recent 36-month period ended in default, while 83.7% of payment arrangements for Confirmed Low-Income customers ended in default.[106] These figures likely understate the actual failure rate because more recently entered payment arrangements have not yet had sufficient time to default.[107] At the same time, Peoples continues to substantially under-enroll low-income customers in CAP, with CAP participation declining from 27.5% of Confirmed Low-Income customers in 2022 to only 22.9% in 2024.[108]

The Company's assertion that its payment-arrangement practices comply with Commission regulations misses the point. The OCA's recommendation rests on the evidence that the Company's collection practices are ineffective and inefficient and therefore warrant an adjustment under Section 523.[109] The Commission should therefore reject the Company's request for full recovery and adopt the OCA's recommended adjustment.[110]

---

[105] Peoples M.B. at 39.
[106] OCA M.B. at 122-23.
[107] OCA M.B. at 123.
[108] OCA M.B. at 121.
[109] OCA M.B. at 123-24.
[110] *Id.*

X. Interest Synchronization

The OCA incorporates by reference the arguments in its Main Brief regarding this expense item as if fully set forth herein.[111]

Y. Cost of Other Parties' Proposals

The OCA opposes Peoples' request for automatic recovery of costs associated with implementing OCA recommendations, arguing that the Company has not established that those costs will warrant separate recovery.[112] Peoples argues that if the Commission adopts any recommendations that require the Company to incur additional costs, it should be permitted to recover all prudently incurred incremental expenses associated with implementing those requirements.[113]

OCA witness Roger Colton responded to the Company's concerns regarding the cost to implement the OCA's proposals as follows:

> - My recommendation to implement a 50-50 sharing of credit and collection expenses. This, however, is a proposed cost disallowance. It does not represent a recommendation that would cause Peoples to incur additional costs.
> - My recommendation that Peoples conduct an independent root cause analysis to determine the driver of the disproportionate level of utility disconnections and to take steps to reduce the level of disconnections. To provide separate cost recovery for such a study, however, would be inappropriate. First, even though undertaking such a study would be a one-time expenditure, placing such an expenditure in rates would allow recurring cost recovery. Second, Mr. Wachter has not demonstrated that the cost of such a study is not already provided for in the budget for consultants within expenses already included in rates for "outside services employed." Mr. Wachter has made no showing that remedying the Company's actions having a disproportionate racial impact regarding nonpayment disconnections would not be appropriately funded out of existing rates. Finally, it would be inappropriate for Peoples to include a single cost increase without also considering the total rate impact of the actions. Understanding how to reduce the disproportionate number of disconnections to communities of color would also have the effect of reducing the associated credit and collection costs, as well as enhancing the lost revenues caused by disconnections. To take only one isolated cost into account, without considering

---

[111] OCA M.B. at 43.
[112] OCA St. 4SR at 30-32.
[113] Peoples M.B. at 41-42.

the total revenue requirement impact (both revenues and expenses) would be inappropriate.

- My recommendation that Peoples develop and adopt an alternative to the use of SSNs. As noted above, to separately include a cost for such an action by Peoples, without considering whether it is more appropriately funded through the existing budget for outside services employed would be inappropriate.
- My recommendation for establishing a base CAP participation. What Mr. Wachter does not acknowledge is that Peoples has already proposed a base CAP participation. I simply propose a different base participation level. The Company already is required to report monthly CAP participation to the Bureau of Consumer Services. As I explain in my Direct Testimony, my recommendation is tied directly to that pre-existing reporting.[114] There is no "new" activity that is required by this recommendation.[115]

The Company therefore has not demonstrated that adoption of the OCA's recommendations warrants a blanket authorization for future recovery of unspecified incremental costs. To the extent a particular recommendation ultimately results in a material and demonstrably incremental expense, the Company may address that expense through the appropriate ratemaking process. But the Commission should not grant prospective recovery of costs that the Company has not established will be incremental, prudently incurred, or necessary.

Z. Uncollectible Accounts Expense

The OCA incorporates by reference the arguments in its Main Brief regarding this expense item as if fully set forth herein.[116]

VII. DEPRECIATION

A. Introduction

The OCA demonstrated in its Main Brief that using the equal life group (ELG) method of depreciation, as Peoples has proposed to do in this case, creates both short term pain and long term pain for Peoples' customers.[117] Instead, the average life group (ALG) method of depreciation, as

---

[114] OCA St. 4 at 71-72.
[115] OCA St. 4SR at 30-32.
[116] OCA M.B. at 44-46.
[117] OCA M.B. at 46-55.

proposed by the OCA, will help ensure that Peoples' rates remain just and reasonable for current *and* future customers while allowing Peoples to receive a reasonable return on investment. Using the ALG method will help Peoples continue to attract sufficient investment to ensure it is providing safe and reliable service, but will ease consumers' pains in light of the current affordability crisis.[118] More importantly, directing Peoples to use the ALG method instead of the ELG method would be consistent with a supermajority of other states, as well as other Pennsylvania utilities and what Peoples' witness Spanos himself has recommended in multiple other cases.[119] The OCA demonstrated that using the ALG method instead of the ELG method will protect both current and future customers instead of unnecessarily burdening current customers as would occur if Peoples is allowed to continue to use the ELG method.[120]

Yet, in its Main Brief, Peoples argued that the Commission should continue to allow the Company to use the ELG method of depreciation. Peoples argued that doing so would be "in accordance with standard procedures long accepted by this Commission" and that changing procedures "will shift costs to future customers that should be charged to current customers."[121] Peoples' arguments are without merit and should be rejected.

B. Directing Peoples to use the ALG method of depreciation instead of the ELG method of depreciation is supported by substantial record evidence in this matter.

Peoples argued in its Main Brief that the "OCA has offered no justification for a change other than to produce a short-lived reduction to rates."[122] This argument fails to consider the substantial record evidence submitted by the OCA through its expert witness David Garrett in this

---

[118] OCA M.B. at 55.
[119] *Id.*
[120] *Id.*
[121] Peoples M.B. at 42, 50.
[122] Peoples M.B. at 43.

case. Mr. Garrett offered three pieces of testimony, including Direct Testimony, Rebuttal Testimony and Surrebuttal and the accompanying Appendices A through E, Exhibits DJG-1 thru DJG-16 and Exhibit DG-3SR, comprising over 600 total pages.[123] Certainly, the OCA's position that using the ALG method of depreciation will reduce rates in the near term is one reason why the OCA has advocated for this position. But, the OCA has not advocated for this position in a vacuum. The OCA advocates for this position when looking at all the issues, including long term rates, Peoples' ability to attract capital, and ensuring that Peoples provides safe and reliable service at just and reasonable rates now and in the future. The OCA is not sacrificing rates paid by future customers for the benefit of current customers – the OCA seeks to ensure that all customers are protected, current and future. The ALG method provides that protection.

C. OCA witness Garrett has extensive education and experience in the field of utility depreciation.

Peoples argument in its Main Brief regarding Mr. Spanos' years of experience[124] fails to consider Mr. Garrett's extensive education and experience. This includes a B.B.A. with a major in Finance, an M.B.A. and a Juris Doctor from the University of Oklahoma.[125] Mr. Garrett is a Certified Depreciation Professional with the Society of Depreciation Professionals and a Certified Rate of Return Analyst with the Society of Utility and Regulatory Financial Analysts.[126] Yet, Mr. Spanos' years of experience belies his misunderstanding of how he can argue for the ELG method to be used in this proceeding while arguing that the ALG method be used in other proceedings, including in Pennsylvania. As the OCA stated in its Main Brief:

> However, Mr. Garrett noted that Mr. Spanos has acknowledged that in jurisdictions other than Pennsylvania he uses the ALG procedure more often.

[123] OCA St. 3, OCA St. 3R and OCA St. 3-SR.
[124] Peoples M.B. at 44.
[125] OCA St. 3 at 1.
[126] *Id.* Mr. Garrett's full qualifications and regulatory experience were admitted into the record as Exhibit DJG-1 attached to his Direct Testimony.

> Therefore Mr. Spanos' claim that the ALG procedure might not be fair, accurate or reasonable, and the ELG method is more equitable, necessarily means that he is using a less equitable procedure in his depreciation studies in those other jurisdictions.[127]

Mr. Garrett also noted that Mr. Spanos' argument ignores the time value of money and that it is not reasonable to assume that Peoples shares any vision of the future in which customers are paying lower rates, regardless of the depreciation method used in this proceeding.[128]

The OCA understands and respects that Mr. Spanos has significant experience in the field of depreciation. Yet, that is why it is all the more curious that he would provide such inconsistent testimony in this proceeding, other than to note that using the ELG method increases the amount of Peoples' rate increase request *in this case*. Whereas Peoples argued in its Main Brief that "Mr. Garrett did not use informed judgment in his recommendation and instead relies solely on mathematical curve fitting,"[129] it is in fact Mr. Spanos' judgment that is in question given his inconsistent testimony.

D. Peoples has had ample notice and opportunity to be heard regarding being directed to switch from the ELG method to the ALG method of depreciation.

Peoples' argument that using the ALG method would contradict Commission precedent[130] fails to consider that Commission precedent, as with all other administrative agencies, is not set in stone and can be changed, with adequate notice and an opportunity to be heard to all affected parties.

It is well settled that administrative agencies are not strictly bound by stare decisis in the same manner as appellate courts.[131] While agencies may alter course or render decisions that differ

[127] OCA M.B. at 51, *citing,* OCA St. 3SR at 10.
[128] OCA M.B. at 52, *citing*, OCA St. 3SR at 11-12.
[129] Peoples M.B. at 46.
[130] Peoples M.B. at 50.
[131] *Dee-Dee Cab, Inc. v. Pa. Pub. Util. Comm'n*, 817 A.2d 593, 598 (Pa. Cmwlth. 2003) (citing *Bell Atl.-Pa., Inc. v. Pa. Pub. Util. Comm'n*, 672 A.2d 352 (Pa. Cmwlth. 1995)).

from past rulings, they are expected to explicitly distinguish or overrule their own precedents when doing so.[132] Additionally, for matters coming before an administrative agency, procedural due process, however, requires that a party be afforded reasonable notice of the issues raised and the agency's rulings on those issues, so that the party has an opportunity to present any response or objection.[133]

Certainly, Peoples has had ample notice and opportunity to be heard on this issue of the appropriate method of depreciation to use in this case. Peoples has failed to satisfy its burden in this case, and its argument that using the ALG method would contradict Commission precedent is without merit and should be rejected. The Commission should direct Peoples to use ALG in this case instead of ELG.

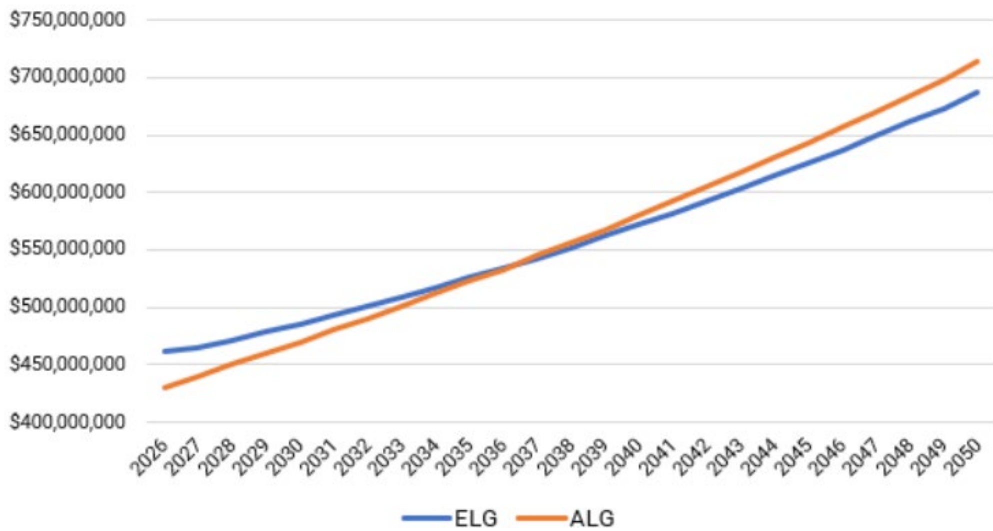
E. The ALG method, not the ELG method, solves problems of intergenerational inequity.

Perhaps the greatest point of contention between Peoples and the OCA on the issue of depreciation is whether, and to what extent, either the ELG method or the ALG method creates intergenerational inequity in rates. For example, Peoples notes that "OCA witness Garrett contends that the ELG procedure causes current customers to pay more than future customers."[134] Peoples also criticizes Mr. Garrett because he "further argues that ELG results in intergenerational inequity for customers"[135] and that "Mr. Garrett incorrectly refers to ELG as an 'accelerated' procedure."[136] The OCA has demonstrated that the opposite is in fact true.

---

[132] *Id.*
[133] *Id.*; *see also*, *Honey Brook Water Co. v. Pa. Pub. Util. Comm'n*, 647 A.2d 653 (Pa. Cmwlth 1994).
[134] Peoples M.B. at 51, *citing*, OCA St. 3 at 62-68.
[135] Peoples M.B. at 52, *citing*, OCA St. 3SR at 15.
[136] Peoples M.B. at 54, *citing*, OCA St. 3 at 68.

Interestingly, the OCA agrees with the graph that Mr. Spanos used to illustrate his point and that Peoples included in its Main Brief.[137] The OCA even referenced this exact graph in its own Main Brief[138] and inserts that graph here to help illustrate visually how the ALG method lowers rates in the short-term:



Mr. Spanos' own graph demonstrates how for the first 11 years, in his example, Peoples would realize greater revenue simply from using the ELG method instead of the ALG method. That is the period in his own graph from 2026 to 2037 where the blue line (ELG) is higher than the orange line (ALG). The OCA and Peoples agree on this graph.

The difference between the OCA and Peoples, however, and the error in Mr. Spanos' argument, which is adopted by Peoples in this case, concerns how the theoretical later-year relationship shown in Mr. Spanos' graph translates into actual ratemaking. Mr. Spanos' illustration assumes that depreciation expense changes continuously over time. In actual ratemaking, however, base rates are established at discrete points and generally remain in effect until changed in a subsequent base rate proceeding. Thus, the later-year offsets depicted in Mr. Spanos' theoretical

[137] Peoples M.B. at 52, *citing*, Peoples St. 16-R at 17.
[138] OCA M.B. at 53, *citing*, Peoples St. 16-R at 16.

illustration do not necessarily translate into corresponding reductions in the rates actually charged to customers.

Mr. Spanos' own testimony supports this fact when Mr. Spanos criticized Mr. Garrett's argument "that the ELG procedure causes current customers to pay more than future customers" he did so noting "*This argument is true only by comparing ELG and [ALG] depreciation rates at a spot in time* and, in fact, Mr. Garrett's position is harmful to customers in the longer term."[139] It is precisely this "spot in time" that is how utility rates are made.

That is, once the Commission establishes base rates, the depreciation expense reflected in those rates generally remains in place until the next base rate proceeding. ELG depreciation rates, by contrast, decline over time as the composition and remaining lives of the underlying property groups change. Unless depreciation expense is updated between rate cases to reflect those changing ELG rates, customers may continue paying rates based on the higher depreciation expense established at the beginning of the rate period. Mr. Spanos' theoretical later-year comparison therefore does not account for the regulatory lag inherent in the manner in which base rates are actually established and remain in effect. This is the practical reason the OCA concludes that the higher initial ELG accruals can burden current customers without assuring that customers will receive the theoretical later-year offsets shown in Mr. Spanos' illustration.

As Mr. Garrett testified:

> The approach proffered by Mr. Spanos is just as conceptually flawed as this hypothetical scenario for several reasons. First, as discussed above, it completely ignores the time value of money. Second, it results in current customers subsidizing future customers, as the ELG method does. Finally, and most importantly, the argument requires its audience to be completely naïve about basic concepts of organizational behavior and incentive structures. That is, even if customers completely paid off rate base today, it would obviously incentivize the Company to immediately start developing (creative) ways to increase rate base beyond that which is strictly necessary to provide safe and reliable service. In other words, the

139 Peoples M.B. at 51.

> zero rate base scenario will not stop investors from demanding the earnings and dividend *growth* they have become accustomed to. Certainly, they would enjoy the immediate cash flow received from customers paying down rate base, but as soon as the next quarter they would ask: 'But what have you done for me lately?' Again, it is simply not possible for the Company, its representatives, and (pertinently), its ultimate shareholders to have a vision of the future in which customers are paying less. The fact of the matter is simple: the Company is proposing ELG because it is in *their* best interest to do so.[140]

Mr. Garrett concluded that "ultimately, to the extent that anyone can argue that using the ALG method instead of the ELG method offers short term gain for long term pain, what is more accurate to say is that using the ELG method instead of the ALG method in fact provides both short term pain *and* long term pain as the rates put into effect at the conclusion of a base rate case generally never subsequently go down, but only subsequently go up."[141]

As a result, it is the ALG method, not the ELG method, that solves problems of intergenerational inequity.

F. Peoples has the burden to prove every element of its rate increase request; it is not the OCA's burden to disprove any element of Peoples' rate increase request.

Peoples' argument that "Mr. Garrett has not met his burden of proving that the Company's depreciation rates are unreasonable,"[142] contradicts longstanding precedent that places the burden of demonstrating the reasonableness of every element of its case on the utility. It is well accepted that the utility bears the burden of proof to establish the justness and reasonableness of each element of its requested rate increase.[143] To meet its burden, Peoples must establish that all elements of its cause of action are proven with substantial evidence which enables the party

[140] OCA St. 3SR at 12-13.
[141] OCA St. 3SR at 13.
[142] Peoples M.B. at 53-54.
[143] 66 Pa.C.S. §§ 315(a), 1308(a); *Lower Frederick Twp Water Co. v. Pa. PUC*, 409 A>2d 505, 507 (Pa. Cmwlth Ct. 1980).

asserting the cause of action to prevail, precluding all reasonable inferences to the contrary.[144] The burden of proof remains with Peoples throughout the case and does not shift to any other parties challenging a rate increase.[145] The other parties are only required to prove that the Company failed to meet its burden of proof that its rates are just and reasonable and in the public interest.[146] In light of this substantial precedent, Peoples argument that Mr. Garrett has not met his burden of proving that the Company's depreciation rates are unreasonable must be rejected. Peoples should not be allowed to overturn decades of precedent by shifting the burden to the OCA to prove that the Company's use of the ELG method is unreasonable instead of Peoples proving that the ELG method is reasonable.

G. The Commission is not bound by the precedent of other state commissions but can consider the precedent of other commissions to help guide the Pennsylvania Commission in the current case.

Peoples argues that the "OCA asserts that most other jurisdictions use the ALG procedure. However, the relevant standard should not be whether jurisdictions outside of Pennsylvania use different depreciation methods."[147] The OCA noted in its Main Brief that the decisions of other jurisdictions is not mandatory precedential value, but the Commission here should be aware of the actions of other commissions when making its decisions, especially when a clear supermajority of other jurisdictions have adopted a position that is contrary to what the Commission has adopted for Peoples. The OCA stated:

> While the OCA recognizes that the Pennsylvania Commission is not bound by the precedent of other state commissions, the OCA raises these facts to help guide the Pennsylvania Commission in the current case, especially noting that other commissions have, in fact, changed from ELG to ALG, as the OCA advocates in this proceeding. These other jurisdictions changed from ELG to ALG. So, too,

---

[144] *Burleson v. Pa. PUC*, 461 A.2d 1234, 1236 (Pa. 1983).
[145] *Berner v. Pa. PUC*, 116 A.2d 738 (Pa. 1995).
[146] *Pa. PUC v. Equitable Gas Co.*, 57 Pa. PUC 423, 471 (1983).
[147] Peoples M.B. at 54.

> should this Commission. Doing so will instantly lower rates charged to current customers, especially where Peoples has made substantial, recent capital investments and especially in this time when so many consumers have affordability concerns.[148]

The ALG method is used by analysts and adopted by regulators in the vast majority of jurisdictions and in the vast majority of cases, including by Peoples witness Spanos who uses the ALG method in other jurisdictions.[149] The Commission should order Peoples to use the ALG method in this case.

H. Conclusion.

Peoples' arguments regarding the appropriate method of depreciation that should be used in this case should be rejected. Peoples should be directed to use the ALG method of depreciation instead of the ELG method to lower rates for both current and future customers.

VIII. TAXES

The OCA incorporates by reference the arguments in its Main Brief regarding this expense item as if fully set forth herein.[150]

IX. RATE OF RETURN

A. Introduction

In its Main Brief, the OCA demonstrated that the Commission should reject Peoples' proposed return on equity (ROE) of 11.25% because it is excessive and unsupported by record evidence.[151] Peoples has failed to provide substantial record evidence to support its request.

---

[148] OCA M.B. at 50.
[149] OCA M.B. at 49.
[150] OCA M.B. at 56.
[151] OCA M.B. at 56-82.

Instead, OCA witness Garrett presented an objective equity analysis that demonstrates that a market-based cost of equity for Peoples is no higher than 8.8%.[152] Similarly, in order to promote a fair authorized rate of return (ROR), the Commission should also reject Peoples' proposed equity-rich ratemaking capital structure which consists of much higher amounts of high-cost equity than low-cost debt. As Mr. Garrett testified:

> I propose a ratemaking capital structure for the Company that is equal to the proxy group average, which consists of 51% debt and 49% equity.[153]

Mr. Garrett also proposed, in the alternative, that if the Commission accepts Peoples' proposed ratemaking capital structure, then it should authorize an ROE of 8.5%.[154]

Yet, in its Main Brief, Peoples argued, among other things, that it requires such a significant ROR because of its long-term program to modernize its distribution system and replace at risk pipe within its service territory, as well as because of the current long-term interest rate and inflationary environment the Company is currently experiencing.[155] These and Peoples' other arguments are without merit and should be rejected.

1. <u>Peoples' market-required return must be determined from the record evidence, while the Commission should also ensure that customers are not required to pay more than is necessary to provide that return.</u>

Peoples argues that "it is critical that the Commission demonstrate that Pennsylvania remains a constructive and supportive regulatory environment through a fair rate of return."[156] In doing so, however, Peoples relies on precedent from more than a decade ago and fails to consider the current economic conditions that Peoples' customers are currently facing.

---

[152] OCA M.B. at 64-80, *citing*, OCA St. 3, *passim*.
[153] OCA M.B. at 56, 60-64, *citing*, OCA St. 3 at 3.
[154] OCA M.B. at 56, 71, *citing*, OCA St. 3 at 3.
[155] Peoples M.B. at 55.
[156] Peoples M.B. at 56.

While the OCA recognizes the value of attracting capital investment in Pennsylvania through a fair rate of return, Peoples' reliance on a case from 2012[157] should be rejected. This is not 2012 anymore and Pennsylvanians are currently facing a serious affordability crisis. This fact is evident in the open letter submitted by Governor Shapiro to utility leaders and the Commission. As OCA witness Michael Deupree testified:

> On April 29, 2026, Governor Josh Shapiro issued an open letter to utility leaders and the Commission arguing that customers across the Commonwealth are experiencing higher utility costs, and that rising utility bills have become a driver of inflation. Governor Shapiro stated that utilities must seek ways of procuring capital to finance investments in more affordable ways, conscious of the utility burdens facing many consumers across the Commonwealth. In this, Governor Shapiro's message appears to be that utilities and the Commission should balance consumer affordability concerns with the financial interests of utilities when determining just and reasonable rates for the Company.[158]

Mr. Deupree then noted "that subsequent to withdrawing a proposed increase in rates for its electric and gas operations, David Vahos, the president and chief executive officer of PECO Energy Company, stated that PECO's decision to withdraw was based on customer affordability considerations."[159] So, too, must Peoples, in the midst of this affordability crisis complete with high inflation, foreign wars and other economic turmoil, recognize that Peoples' need to attract capital investment must be balanced with the need for their customers to afford natural gas service.

Similarly, Peoples' argument that adopting the ROE proposed by OCA and CAUSE-PA "could have adverse consequences for all Pennsylvania utilities by introducing significant uncertainty in the stability and consistency of the regulatory environment in Pennsylvania,"[160] must, at a minimum, be balanced with the impact on consumers of higher utility rates. In addition

---

[157] Peoples M.B. at 56, *citing*, *Pa. PUC v. PPL Electric Utilities Corp*., Docket No. R-2012-2290597 (Order entered Dec. 28, 2012).
[158] OCA St. 1 at 17.
[159] *Id.* ("While our filing with the [Commission] would have provided needed improvements in safe and reliable energy delivery, we recognize that Pennsylvanians are struggling with basic necessities like gas, food and energy and have decided to withdraw our proposal.").
[160] Peoples M.B. at 57.

to the substantial record evidence presented by the OCA and other parties demonstrating that Peoples' requested rate increase is not justified under applicable law and precedent, customer affordability must also be considered when disposing of Peoples' rate increase request, regardless of Peoples' alleged concerns about stability and consistency.

Peoples' concerns about attracting capital as a driving force for its inflated ROR must be balanced with the ability of Peoples' customers to afford natural gas service.

B. A more balanced capital structure is one way to help the affordability crisis Peoples' customers are currently experiencing.

Peoples argued that the OCA's recommended capital structure of 49% equity and 51% debt is unreasonable, contrary to precedent and should be rejected and, instead Peoples' FPFTY capital structure of 54.47% common equity and 45.53% long-term debt should be used.[161] Again, Peoples relies on a PPL case from 2012, as well as a Commission decision involving a telecommunications company from 1985.[162] Again, these cases do not reflect the current economic times facing Peoples' customers as noted by Governor Shapiro, PECO and OCA witness Deupree and the need to adopt a more balanced capital structure when setting rates.

Peoples' argument is unmindful of the statement of Vice Chair Barrow made at the time this matter was suspended for investigation. In that statement, Vice Chair Barrow stated:

> 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 the basic economic principle alone. However, those relationships are not established empirically and left for the Commission to assume

[161] Peoples M.B. at 59.
[162] Peoples M.B. at 61.

> the relationship without any supporting data. Therefore, I believe a careful and detailed review of Peoples' claimed capital structure and ROE is warranted.[163]

The OCA has provided just that "careful and detailed review of Peoples' claimed capital structure" through the testimony of Mr. Garrett to "ensure reasonableness" of "millions of dollars charged to customers of all rate classes," as the Vice Chair requested.

Peoples also criticizes Mr. Garrett and Mr. Patel for considering the consolidated capital structures of publicly traded holding companies.[164] That criticism overlooks an important consistency issue. The market data used to estimate the cost of equity are observed for publicly traded parent companies, not the regulated operating subsidiaries. Investors purchase the securities of those parent companies and price the financial risk associated with their consolidated leverage, including debt issued at the holding-company level. Accordingly, the financial leverage reflected in the proxy-group market data cannot simply be disregarded when evaluating the ratemaking capital structure to which a market-derived ROE will be applied.

Peoples also argued in its Main Brief that Mr. Garrett contends that the Company is engaging in "double leveraging to the benefit of its parent company and 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.[165] However, Mr. Garrett testified that "using the capital structure of the proxy group to assess a fair ratemaking capital structure is the only correct approach."[166] Mr. Garrett added:

> The indicated cost of equity for each proxy company is inextricably connected to the capital structures of *those* companies. Because the market evidence used to estimate the ROE is based on publicly traded parent holding companies, not their regulated operating subsidiaries. Investors purchase the stock

---

[163] *Pa. PUC v. Peoples Nat. Gas. Co.*, Docket No. R-2026-3060855, Statement of Vice Chair Kimberly Barrow (Apr. 16, 2026).
[164] Peoples M.B. at 64.
[165] Peoples M.B. at 66.
[166] OCA St. 3SR at 9.

of parent companies and evaluate the consolidated financial risk of those companies, including debt issued at the holding company level.[167]

Mr. Garrett added: "that consolidated leverage is reflected in the market prices and expected returns used to estimate the Company's allowed ROE."[168] Peoples' argument to the contrary should be rejected.

Furthermore, Peoples argued that Mr. Garrett's recommendation should be rejected because he cites to the capital structures of various companies in other industries, which he claims supports his suggestion of a hypothetical capital structure and is therefore irrelevant to the analysis in this proceeding.[169] This argument should also be rejected. Mr. Garrett was simply referencing other industries for illustrative purposes to help demonstrate that his recommendation was reasonable and should be adopted.

The Commission should reject Peoples' inequitable proposed capital structure in favor of the OCA's more balanced proposal. Doing so would help alleviate the affordability concerns experienced by Peoples' customers, as recognized by Governor Shapiro and Vice Chair Barrow.

C. Debt Cost Rate

The OCA did not present testimony on this issue.

D. The Commission should reject the inflated and unrealistic cost of equity proposed by Peoples.

In an attempt to support the 11.25% ROE that Peoples proposes be adopted in this case, the Company cites in its Main Brief to the testimony of I&E witness Patel, who recommended an ROE of 10.20%.[170] However, the OCA has demonstrated in its Main Brief why Mr. Patel's

---

[167] OCA St. 3SR at 9.
[168] *Id.*
[169] Peoples M.B. at 67.
[170] Peoples M.B. at 70-71, 76, *citing*, I&E St. 2 at 7.

recommendation is without merit and should be rejected as well.[171] The OCA incorporates that discussion herein by reference to demonstrate why Peoples' reliance on Mr. Patel's arguments should also be rejected.

In particular, the OCA notes that Mr. Garrett testified that "the primary reason Mr. Patel's DCF Model produced a much higher result than mine is his use of unsustainably high growth rates. Mr. Patel used a composite growth rate for the proxy group of 8.1%" which Mr. Garrett said was unrealistic.[172] Mr. Garrett noted, among other things, that Mr. Patel's growth rate suggests that the proxy group, on average, can achieve dividend (and/or earnings) growth that is more than two times the rate of annual long-term GDP growth, every year in perpetuity," noting that such growth would eventually surpass the total U.S. GDP, and is mathematically impossible.[173] For the same reasons why Mr. Patel's DCF Model should be rejected, so too should Peoples' reliance on it in support of its own overstated DCF Model should be rejected as well.

Similarly, Peoples' argument that "the Company also has numerous programs that are available to customers who need assistance with their utility bill,"[174] is also without merit and should be rejected. Customer Assistance Programs (CAP) are not a replacement for just and reasonable rates.

The OCA has demonstrated that it is more than just Peoples's customers who are eligible for CAP (i.e., below 150% of the federal poverty level) who have difficulty affording Peoples' rates. As OCA witness Colton demonstrated, even Peoples customers *above* 150% of the federal poverty level have difficulty as well. Mr. Colton provided an extensive analysis demonstrating that

---

[171] OCA M.B. at 68-71, *citing*, OCA St. 3R at 3.
[172] OCA M.B. at 68-69, *citing*, OCA St. 3R at 3.
[173] OCA M.B. at 69, *citing*, OCA St. 3R at 3.
[174] Peoples M.B. at 73.

not only do low-income customers have problems affording service from Peoples,[175] but so too are moderate-income customers,[176] aging customers,[177] and Peoples' residential customers as a whole.[178] Therefore, Peoples' reliance on its CAP to alleviate the affordability crisis for its customers will not help all of its customers who need help.

This is particularly true given Mr. Colton's extensive testimony that Peoples has failed to properly identify and enroll its low-income customers in CAP, even confirmed low-income (CLI) customers. Mr. Colton testified that "Peoples continues to substantially under-enroll low-income customers in its CAP," noting that "Peoples has enrolled a small and declining percentage of its confirmed low-income customers in CAP. While Peoples enrolled 27.5 of its Confirmed Low-income customers in CAP in 2022, that percentage has declined to 22.9% by 2024."[179] While the OCA has presented multiple ways that Peoples can improve enrollment of otherwise confirmed low-income customers, Peoples has resisted implementing those improvements in this case despite these low enrollment rates and the Company's reliance on CAP to help offset the impact of the current affordability crisis on its customers' ability to pay their bills.

Customers should not have to rely on a CAP in order to be charged rates that are just and reasonable – the rates should be just and reasonable in and of themselves.

Peoples also argues that the growth rates used by Mr. Garrett in his DCF analysis are unreasonable because they are below current utility bond yields.[180] Peoples' comparison conflates two different financial concepts. A DCF growth rate represents the expected long-term growth in earnings, dividends, or other investor cash flows, while a bond yield represents the required return

---

[175] OCA M.B. at 10-15.
[176] OCA M.B. at 15-21.
[177] OCA M.B. at 41-43.
[178] OCA M.B. at 21-28.
[179] OCA St. 4 at 47.
[180] Peoples M.B. at 76.

on a debt security. There is no financial principle requiring a mature utility's perpetual growth rate to exceed its cost of debt. The relevant question is whether the growth rates used in the DCF model are reasonable long-term expectations for the proxy companies, not whether those growth rates exceed prevailing utility bond yields.

Next, Peoples criticizes Mr. Garrett's use of Kroll's because they are "below the recently authorized ROEs for natural gas utilities and are counter to the higher interest rate environment."[181] Peoples' argument fails to understand that the cost of equity and authorized returns are entirely different concepts.[182] In addition, Mr. Garrett's reliance on Kroll's is in addition to other reliable and objective sources to include in his overall equity risk premium estimate.[183] Mr. Garrett discusses Kroll's as a check on the reasonableness of his overall recommendations in this case. Furthermore, Peoples' reliance on the "higher interest rate environment" to reject Mr. Garrett's use of Kroll's is yet another example of where Peoples selectively uses the current macroeconomic environment when it believes it benefits the Company but discounts the current macroeconomic environment and its impact on consumers when it in fact supports rejecting Peoples' requested rate increase. Peoples can't have it both ways despite its persistent attempts to do so.

Similar to Mr. Garrett's use of Kroll's, Peoples also criticized Mr. Garrett's use of the Hamada model as a check on his over ROR recommendation. Peoples argued that Mr. Garrett erroneously applied a Hamada adjustment to his CAPM analysis and that "a properly applied Hamada adjustment should result in an upward adjustment to ROE, not a downward adjustment as Mr. Garrett has applied."[184] Yet, again, Peoples overstates Mr. Garrett's reliance on Hamada

---

[181] Peoples M.B. at 78.
[182] OCA St. 3SR at 5.
[183] OCA St. 3SR at 6.
[184] Peoples M.B. at 79.

which he uses primarily as a check on his overall recommendation. The concerns raised by Peoples, therefore, are overstated and should be ignored.

Peoples' requested return on equity is significantly inflated and overstated. Peoples' request for an 11.25% ROE should be rejected in place of OCA's more reasonable 8.8%.

E. The Commission should act consistent with, and not contrary to, the principles set forth in the Governor's open letter dated April 29, 2026 and the testimony in this proceeding of the Governor's Special Counsel for Energy Affordability Szybist.

Peoples argued in its Main Brief that "certain parties reference the April 29, 2026 letter from Governor Shapiro addressed to all Pennsylvania utilities, which suggest a number of reforms to the way in which a utility determines its cost of capital," as "alternative cost of capital proposals."[185] The OCA referenced the Governor's April 29, 2026 letter in this case, notably in the testimony of OCA witness Michael Deupree.[186] However, the OCA did not characterize the Governor's letter as "an alternative cost of capital proposal."

Nonetheless, the OCA agrees that utilities should seek to raise capital through the most cost-effective sources, including greater reliance on debt, identifying specific reliability or safety concerns being addressed and providing transparent and justifiable equity returns. The OCA believes that it has raised these positions as part of its case in response to Peoples' rate increase request. Peoples' denunciation of these principles should be rejected. Peoples' concerns that the principles outlined by the Governor fail to meet the standards of *Hope* and *Bluefield* fail to consider that the concepts highlighted by the Governor are foundational to ensuring just and reasonable rates consistent with the Public Utility Code and applicable precedent and, in doing so, will help achieve the reasonable ROR that Peoples is focused on. Peoples' concerns about "formulaic

[185] Peoples M.B. at 84-90.
[186] Governor Shapiro Exh. 1; see also OCA St. 1 at 17-18.

benchmarking"[187] that could arise as a result of the Governor's letter is, in fact, consistent with traditional rate base/rate of return ratemaking.

Similarly, Peoples' arguments against the testimony of the Governor's Special Counsel for Energy Affordability should also be rejected. For example, Peoples argues that relying "more heavily on lower-cost debt will not necessarily reduce customer costs, and in fact, could increase total financing costs for customers."[188] Peoples argument is not only contrary to the arguments of the Governor and the Governor's Special Counsel for Energy Affordability, but is also contrary to the Statement of Vice Chair Barrow who recognized the impact of these issues on affordability and the rates ultimately paid by consumers. Peoples' arguments should be rejected.

As such, the Commission should act consistent with, and not contrary to, the principles set forth in the Governor's open letter dated April 29, 2026 and the testimony in this proceeding of the Governor's Special Counsel for Energy Affordability Szybist.

F. Management Effectiveness Adjustment

The OCA recommended that the Commission deny Peoples' request for a 25 basis point adder to its requested return on equity based on its failure to provide evidence of exceptional and/or superior customer service.[189] Peoples claims that it has demonstrated exemplary management performance because of its customer service quality and for complying with its Long-Term Infrastructure Improvement Program (LTIIP), because it adhered to its commitment in a prior settlement agreement.[190]

[187] Peoples M.B. at 86.
[188] Peoples M.B. at 89.
[189] OCA M.B. at 75-81.
[190] Peoples M.B. at 81-84.

First, Peoples' claim that the size of its LTIIP and the LTIIP's effectiveness are related to its return on equity are misplaced. The General Assembly determined that the appropriate compensation mechanisms for reliability-related investment consistent with a utility's LTIIP is through its DSIC, an additional rate for reliability-related investment designed to incent accelerated infrastructure replacement.[191] Second, Peoples agreed to rehabilitate the Goodwin Tombaugh as a settlement commitment for Commission authorization to approve the merger of Peoples into Aqua America, Inc.[192] It is inappropriate to compare a settlement commitment to the type of activities rewarded by the Commission in *Aqua 2022* and *PAWC 2026*. Namely, in *Aqua 2022* and *PAWC 2026*, the Commission's authorization of a management performance adjustment was associated with the utilities' response to "the call to provide emergency assistance at the request of the public, public advocates, and government agencies," such as Commission-initiated acquisitions under Section 529 of the Public Utility Code.[193]

Third, the Company's customer service performance is unexceptional. As described in the OCA's Main Brief: Peoples' call center performance has not improved in recent years and is on par with other natural gas utilities[194]; Peoples' management has consistently under-staffed its call centers in April, despite the recurring and predictable trend of higher need during April[195]; and Peoples' customers have increasingly been reporting damage-related formal and informal complaints compared to other natural gas utilities.[196] The Company should not be permitted to recover additional return on equity for unexceptional customer service.

---

[191] 66 Pa. C.S. § 1353(a).
[192] *Joint Application of Aqua America Inc., et al, for the acquisition of Peoples Natural Gas Company LLC*, Docket No. A-2018-3006061 *et al*, Order at 47-97 (Jan. 24, 2020) (*Aqua/Peoples Merger*).
[193] *Aqua 2022* at *89-97; *see also PAWC 2026* at 205-06 ("we note that the Company has been directed by this Commission to act as a receiver of troubled water systems and, at times, has been directed to purchase a small water or wastewater utility under Section 529 of the Code").
[194] OCA M.B. at 76-78; OCA St. 5 at 11-12; OCA St. 5SR at 2.
[195] OCA M.B. at 78-80; OCA St. 5 at 13-16.
[196] OCA M.B. at 80-81; OCA St. 5 at 26-27, 29, 32-33; OCA St. 5SR at 5.

Finally, the Company's claim that it attempts to keep rates affordable for customers is directly contrary to the request for a management performance adjustment.[197] The additional 25 basis points, at Peoples' requested capital structure and rate base, would result in a $10.0 million increase in customers' rates in addition to the return required by a market-based return on equity.[198] As a result, Peoples failed to provide evidence sufficient to demonstrate that it should be permitted to implement a management performance adder to its return on equity, and the OCA respectfully requests that the Commission deny the Company's request.

G. Conclusion

Peoples' inflated ROE and ROR should be rejected. Instead, the OCA has presented substantial record evidence demonstrating that a market-based cost of equity for Peoples no higher than 8.8% should be adopted if the Commission likewise orders a 49%/51% capital structure. In the alternative, if the Commission accepts Peoples' proposed ratemaking capital structure, then it should authorize an ROE of 8.5%.

X. REVENUE ALLOCATION AND RATE DESIGN

A. Introduction

The OCA is the only party in this proceeding that has presented an ACOSS that is based off real usage data generated from Peoples' customers and does not incorporate hypothetical metrics.[199] In its Main Brief, Peoples continued to promote its flawed ACOSS which includes minimum system study ("MSS") approach which presents little value when setting just and reasonable rates.[200] The OCA recommends that the Commission adopt the OCA's ACOSS which

[197] Peoples M.B. at 83.
[198] I&E St. 2 at 59.
[199] *See* OCA Sts. 1, 1R, and 1SR; OCA M.B. at 82-91.
[200] Peoples M.B. at 92-94.

incorporates a peak and average ("P&A") cost allocation method. The OCA's rate design proposal, which balances volumetric charges alongside fixed customer charges, is based on a cost-based analysis that utilizes data specific to Peoples' customer's system usage whereas the Company's proposal to increase the fixed residential customer charge from $16.80 to a proposed $26.00 per month is unsupported by evidence.[201]

B. Allocated Cost Of Service Study

In its Main Brief, the OCA demonstrated that Peoples relied on a faulty approach to cost allocation, resulting in improperly assigned costs among customer classes.[202] The OCA further explained why the Peak and Average (P&A) allocated cost of service study (ACOSS) as proposed by OCA witness Deupree properly allocates the costs of distribution mains and discussed why the Commission has preferred this method in recent decisions over the Customer Demand ACOSS presented by Peoples. Mr. Deupree explained why Peoples' contention that its preferred Customer Demand ACOSS "properly assigns the costs of mains" is incorrect.[203]

In its Main Brief, however, Peoples argued that its proposed blended ACOSS "reasonably reflects the multiple parties' perspectives" and includes multiple "factors that drive distribution system investment than either methodology standing alone."[204] Specifically, the Company argued that the OCA's recommendation to utilize the P&A methodology places "too much emphasis on a

---

[201] OCA M.B. at 91-95.
[202] *See generally* OCA M.B. at 82-91.
[203] *Id*., Peoples' Average Study combines the results of a Customer-Demand study and a Demand-Commodity study. 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. Peoples M.B. at 92. OCA witness Michael Deupree provided in-depth reasoning and substantial evidence demonstrating why this approach is flawed in OCA Sts. 1, 1R, and 1SR. Use of the P&A method and rejecting the Average Study method is definitively a case of quality over quantity.
[204] Peoples M.B. at 93-94.

single dimension of cost causation while giving insufficient recognition to the customer-related characteristics of the distribution system."[205]

Peoples ACOSS approach is critically flawed because it incorporates the assumption that the number of customers connecting to the system drives investments.[206] OCA witness Deupree examined trends in changes in average number of customers on the Company's system and the Company's net investment in distribution mains over the 10-year period from 2016 through 2025.[207] Mr. Deupree's analysis did not find any statistically significant correlation between annual net additions in the Company's distribution mains and changes in the Company's customer counts.[208] This analysis furthermore did not find any correlation in the annual growth rate of the Company's booked distribution mains investment and the annual growth rate of the Company's customers.[209] According to Mr. Deupree, "This result implies that the Company's distribution system investments are largely unrelated to addressing customer growth needs."[210]

Additionally, the Commission has repeatedly rejected Peoples' approach, which relies on the notion that a customer component should be included in allocating the costs of distribution mains.[211] Mr. Deupree's surrebuttal highlights just one of the most recent Commission decisions to the Commission's recent decision in *Columbia Gas 2025* which adopted a P&A cost allocation method and found "it is the load that determines the mains investment, not the number of customers

---

[205] *Id.*
[206] OCA M.B. at 85-88.
[207] OCA St. 1 at Exh. MWD-4.
[208] *Id.*
[209] *Id.*
[210] OCA St. 1SR at 14.
[211] *See e.g.*, *Pa. PUC v. Phila. Gas Works*, Docket R-2023-3037933 (Nov. 9, 2023), Order at 137; *Pa. PUC v. Columbia Gas of Pa., Inc.*, R-2020-3018835 Order at 213-218 (Feb. 19, 2021); *PEOPLES 1994*, 1994 Pa. PUC LEXIS 134, *319-21 ("We conclude that we should retain our historic practice of allocating total distribution costs based on each class's contribution to peak and annual requirements … The Peak and Average method that allocates mains equally is a sound and reasonable method of cost allocation and should remain intact.")

served."[212] I&E also supports the use of the Peak and Average ACOSS over Peoples' preferred Customer Demand ACOSS.[213] Peoples did not meet its burden demonstrating why its ACOSS should be approved because, in part, it did not distinguish why the Commission's preference for the P&A methodology should not be utilized in this case. OCA witness Michael Deupree, on the other hand, provided detailed testimony demonstrating why the Company's proposal reflects similar proposals that the Commission has rejected in favor of the P&A methodology.

C. Revenue Allocation

The OCA's revenue allocation proposal is just and reasonable because it is based on an ACOSS that accurately assigns costs to customer classes, a component of which is based on utilizing the P&A methodology.[214] Mr. Deupree's ACOSS also applied the policy considerations of gradualism and other non-cost factors, including evidence of the current macroeconomic environment.[215] OCA witness Deupree's surrebuttal explains why Peoples' argument that the Customer Demand ACOSS should be utilized to allocate costs to the classes is incorrect based on cost causation principles, its reliance on a flawed MSS, and the fact that throughput, or load, is more important to determining mains investment than the number of customers the main will serve[216] Likewise, while the OSBA's acceptance of either ACOSS may project a neutral middle

---

[212] *Id.* at 16-17 (quoting *Pa. PUC v. Columbia Gas of Pa., Inc.*, Docket No. R-2025-3053499 *et al*., Order at 255 (Dec. 4, 2025) (*Columbia 2025*)).
[213] I&E M.B. at 50-51.
[214] OCA M.B. at 88-91.
[215] *Id*.
[216] *See generally* OCA 1 SR at 13-15.

ground between Peoples' and OCA's proposed ACOSSs, OSBA's approach should be rejected because it continues to rely on Peoples' flawed Customer Demand ACOSS.[217]

D. Rate Design

The OCA's proposed rate design evenly allocates any rate increase across classes instead of over-burdening an already-burdened residential class.[218] Additionally, the OCA's proposal to "cap the allowed revenue increase to under-earning rate classes to no more than 1.15 times the system average increase"[219] is also consistent with rate gradualism. This is in contrast to Peoples, who argued in its Main Brief that its rate design proposal is designed to "make incremental movements toward reflecting the Company's relative cost of serving each rate class."[220] The OCA submits that Peoples' request to increase the fixed residential customer charge by 54.8 percent does not adhere to the "incremental" descriptor of its proposal and it should be rejected.[221] In terms of real dollar impact, Peoples is asking the Commission for an increase of $9.20 per month, a significant jump from the current $16.80 to a proposed $26.00 per month, or $110.40 per year on each residential customer without taking into account the distribution increase or the compounded affordability burdens discussed throughout the OCA's Main Brief.[222]

The Company argued that the proposed customer charge remains below the customer-related costs identified for the residential class and represents a reasonable movement towards more cost-reflective rates.[223] The Company further argued that its proposed customer charge

[217] OCA St. 1R at 3-5; OSBA M.B. at 6.
[218] OCA M.B. at 91-95.
[219] OCA St. 1 at 64.
[220] Peoples M.B. at 98.
[221] OCA M.B. at 91-95.
[222] *Id.*
[223] Peoples M.B. at 98-100.

appropriately balances cost causation with other accepted rate design objectives, including customer impacts, revenue stability, and conservation.[224]

OCA witness Deupree independently analyzed the Company's expenses directly related to providing service to customers and found that customer-related costs to provide service to residential customers on the Company's system is approximately $21.98 per customer per month.[225] Importantly, this means that the Company's current monthly customer charge of $16.80 per month recovers nearly 76 percent of monthly customer-related costs.[226]

Mr. Deupree also explained that higher fixed customer charges reduces economic incentives for ratepayers to control monthly utility bills through energy efficiency and conservation efforts, because only the variable component of bills is avoidable.[227] Peoples claimed its proposed customer charge increase would not impair customers' ability to reduce their bills through conservation.[228] Peoples claimed under its proposal, customers would 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.[229] This argument underscores the OCA's position because an increase in the customer charge encroaches on a customer's ability to control their own costs.[230]

The OCA demonstrated that on a cost basis, Peoples cannot justify its proposed increase in the customer charge.[231] Mr. Deupree conducted an examination on a comparative basis to other regional natural gas distribution companies and what their residential and small commercial

---

[224] *Id.*
[225] OCA M.B. at 91-95.
[226] *Id.*
[227] *See* OCA St. 1 at 70-74.
[228] Peoples M.B. at 100.
[229] *Id.*
[230] *See* OCA St. 1 at 70-74.
[231] OCA M.B. at 93-95.

customer charges.[232] He found that $26.00 would be far above the average of $17.22 per month charged by other investor-owned natural gas utilities in the north east and the highest in Pennsylvania with Columbia at the next highest at $20.15.[233]

E. Allocation Of Universal Service Costs

The OCA recommends that the costs of Peoples' Universal Service Programs (USP) be recovered from all customer classes, rather than exclusively from residential customers, because all customers benefits from the programs and the costs should be allocated more broadly.[234] Peoples did not specifically respond to the OCA's proposal, but opposed CAUSE-PA's similar recommendation to recover Universal Service costs from all ratepayer classes.[235] Peoples argues that doing so would inappropriately impose costs on its commercial and industrial customers that customers of other Pennsylvania utilities do not pay and that any change should account for the allocation method and resulting bill impacts.[236] The Office of Small Business Advocate (OSBA) likewise opposes recovering Universal Service costs from all customer classes, arguing that the Commission lacks authority to address broader societal problems through utility rates and that imposing additional costs on small-business customers would harm those businesses.[237]

The Commission should reject Peoples' and OSBA's arguments against allocating a portion of universal service costs to all customer classes. Neither party disputes that universal service programs serve a broader public purpose, nor do they identify any legal prohibition against recovering a portion of those costs from non-residential customers. Indeed, the Commission has previously determined that "poverty, poor housing stock, and other factors that contribute to

---

[232] *Id.*
[233] *Id.*
[234] OCA M.B. at 95-99.
[235] Peoples M.B. at 103-104.
[236] *Id.*
[237] OSBA M.B. at 12-13.

households struggling to afford utility service are not just 'residential class' problems,"[238] found that universal service funding from non-residential customers is permissible,[239] and more recently reaffirmed that it "ha[s] authority to require other customer classes, not just the residential class, to contribute to the costs of universal service programs."[240]

Peoples' brief does not actually respond to the OCA's evidence or arguments supporting a broader allocation. Instead, Peoples responds only to CAUSE-PA's proposal and characterizes the issue as an industry-wide policy question that should not be addressed in this proceeding.[241] That argument should be rejected. The Commission has already determined that allocating universal service costs among customer classes is within its authority, and the question presented here is whether the evidence demonstrates that it is reasonable to do so for Peoples.[242] The OCA's evidence establishes that it is.

OSBA's arguments against allocating the costs of universal service programs among all customer classes are inconsistent with the Commission's prior consideration of this precise issue. Contrary to OSBA's assertion that the Commission lacks authority to address the societal concerns underlying universal service, the Commission expressly addressed these issues in its *2019 CAP Policy Amendments* Order and in the preceding Philadelphia Gas Works (PGW) rate case.[243] The Commission's prior decisions provide substantial support for OCA's and CAUSE-PA's position that universal service costs need not be borne exclusively by residential customers.

---

[238] OCA M.B. at 97 (quoting *2019 Amendments to CAP Policy Statement*, Docket No. M-2019-3012599, Order at 94 (Nov. 5, 2019) (hereinafter *2019 CAP Policy Amendments*)).
[239] *2019 CAP Policy Amendments* Order at 96.
[240] *Interconnection and Tariffs for Large Load Customers*, Docket No. M-2025-3054271, Order at 107 (Apr. 30, 2026) (hereinafter *Large Load Final Order*).
[241] Peoples M.B. at 103-04.
[242] *2019 CAP Policy Amendments* Order at 96.
[243] *2019 CAP Policy Amendments* Order at 94-95; *Pa. PUC v. PGW*, Docket No. R-2017-2586783, Order at 75 (Nov. 8, 2017) (*hereinafter 2017 PGW Order*).

First, OSBA argues that the "fatal flaw" in OCA's and CAUSE-PA's positions is that "neither provides a citation to a statute or caselaw that enables the Public Utility Commission to solve societal problems."[244] The Commission, however, has already rejected this premise. In promulgating its CAP Policy Statement in 2019, the Commission expressly recognized that the problems addressed by universal service programs are not confined to the residential class.[245] The Commission explained:

> The Commission agrees that poverty, poor housing stock, and other factors that contribute to households struggling to afford utility service are not just "residential class" problems. Further, helping low-income families maintain utility service and remain in their homes is also a benefit to the economic climate of a community. In approving PGW's practice of recovering such costs across all ratepayer classes, we noted that "all firm customers, including commercial and industrial customers, benefit indirectly from PGW's extensive low-income assistance programs."[246]

Thus, it is not merely the CAP Policy Statement that undermines OSBA's argument. The Commission reached the same conclusion in the *2017 PGW rate case*, in which OSBA participated.[247] Indeed, in that proceeding, PGW itself "argued that all non-residential customers indirectly benefit from universal service programs" because such programs help keep "low income customers in their homes and allow[] them to contribute to Philadelphia's economic activity."[248] PGW accordingly contended that "the portion of universal service costs paid by non-residential customers is offset by the substantial positive economic impact in Philadelphia on those non-residential customers created by PGW's universal service programs."[249]

OSBA next argues that the legislature has not "given the Commission a broad mandate to address societal issues across the commonwealth."[250] But this is essentially the same argument

---

[244] OSBA M.B. at 12.
[245] *2019 CAP Policy Amendments* Order at 94-95.
[246] *Id.* (citing *2017 PGW Order* at 75).
[247] *Id.*
[248] *Id.* at note 144.
[249] *2017 PGW Order* at 63.
[250] OSBA M.B. at 12.

that has been raised in other contexts against the Commission's consideration of broader economic conditions in determining just and reasonable rates. As Mr. Colton explained in his Surrebuttal testimony, the Commission is not required to disregard relevant economic circumstances simply because those circumstances extend beyond the immediate operations of the utility.[251] Specifically, Mr. Colton testified:

> The asserted lack of a "causal connection" is not only factually incorrect, but is not relevant to a decision in any event. The allocation of CAP costs among all customer classes involves allocating the cost of a public good, amongst all customer classes, not just the residential class. As a public good, there is not a "causal relationship" between the residential class and universal service costs, either.
>
> The assertion that there is no "causal relationship" between small businesses and universal service costs is incorrect in that one substantial "cause" of the need for universal service programs is the failure of small businesses to pay a livable wage. Charging residential customers for all universal service costs, transfers the cost of doing business from small businesses to residential utility customers. The resulting direct financial subsidy from residential customers to small business owners is no different than the subsidy flowing to businesses from tax dollars that support government-funded public benefits paid to employees who do not receive an adequate wage.[252]

Further, the Commission has already expressly recognized that affordability is an important consideration when determining whether rates are just and reasonable.[253] The same principle applies here. Universal service programs address customers' ability to maintain essential utility service, and the Commission has expressly recognized that the benefits of those programs extend beyond the individual residential customers who receive assistance.[254]

Mr. Colton further explained why CAP participants' extremely low household income cannot solely be attributed to a lack of employment, as follows:

> This declining income can in large part be attributed to the performance of the economy as a whole, which includes non-residential customers. Consistently over the past six years, one-third or more of the Company's CAP participants have been employed. The fact that the wages received by these households leave them with a

[251] OCA St. 4 at 6-7.
[252] OCA St. 4SR at 36-37 (internal citations omitted).
[253] *PAWC Order* at 36.
[254] *2019 CAP Policy Amendments* Order at 94-95.

> poverty-level income can be attributed to the wage-payer as much as it is attributed to the wage-earner. The fact that CAP participants with employment income still have income less than the FPL for a two-person household is a societal problem, not a residential problem.[255]

Accordingly, it is reasonable to allocate the cost of Peoples' universal service programs to non-residential customers because the wages paid by employers, i.e., non-residential customers, are a significant factor affecting whether working households can afford basic necessities, including utility service.[256] Assigning all CAP costs to residential customers effectively treats the consequences of low wages and economic hardship as costs caused exclusively by the households experiencing them.[257] It ignores the broader economic circumstances that produce the need for universal service assistance in the first place.

Further, for ineligible residential customers or income-eligible non-participants of CAP every dollar of CAP costs assigned exclusively to the residential class increases the burden borne by customers who are not receiving CAP benefits.[258] This results in a self-reinforcing cycle, explained by OCA witness Colton:

> As the Company's bills become increasingly unaffordable, those customers who have "too much" income to qualify for CAP, but too little money to be able to afford their utility bills, will face increasing payment difficulties. Since public purpose programs do not exist to meet the needs of these customers who have income beyond the "cliff," the increasing inability-to-pay will create additional costs to the Company, in terms of lost revenue, credit and collection expenses, working capital expenses along with the associated return on equity and tax impacts), bad debt, and the like. Again, as a result, the utility enters into a spiral of self-reinforcing harm to everyone. As these additional costs get incorporated into standard rates, rates to all residential customers will increase, thus making bills even more unaffordable to those with income just beyond the cliff. Moreover, as rates go up, CAP costs will also go up (as the difference between bills at standard rates and bills at CAP rates increases).[259]

Allocating a portion of CAP costs to all customer classes interrupts this cycle.

---

[255] OCA St. 4 at 76.
[256] OCA St. 4SR at 36-37.
[257] *Id.*
[258] *Id.* at 79.
[259] *Id.* at 79-80.

OSBA also argues that the term "nonbypassable" has no significance in determining how universal service costs should be allocated.[260] OSBA made this same argument, relying on the same case, during the *2019 CAP Policy Amendments* proceeding.[261] The Commission did not accept that argument then, and there is no basis for accepting it now. To the contrary, the Commission expressly gave significance to the General Assembly's use of the term "nonbypassable," and considered the same case that OSBA uses to support its argument, but reached the opposite conclusion from OSBA:

> We note there is no statutory or appellate prohibition that limits the recovery of CAP costs, whether specifically calculated or as part of total universal service costs, to funding from the residential class. Universal service funding from non-residential classes, while not mandatory, is permissible:
>
> "Thus, under *Lloyd*, there is no statutory requirement that the funding for special programs come only from those who benefit from the programs. However, the lack of such a requirement does not mean that funding for special programs must come from those who do not benefit." *MEIUG v. Pa. PUC*, 960 A.2d 189, 202 (2008), citing *Lloyd v. Pa. PUC*, 904 A.2d 1010 (Pa. Cmwlth. 2006).
>
> Consistent with the comments of the Low Income Advocates and OCA, the Commission concludes that the General Assembly clearly identified the public purpose of these programs in the Competition Acts by requiring that their costs be "nonbypassable" when a customer switches energy providers.[262]

OSBA further argues that allocating universal service costs to all customer classes would adversely affect a "robust and healthy small business environment."[263] Again, OSBA fails to acknowledge that it presented this same argument in the *2019 CAP Policy Amendments* proceeding, where the Commission considered and rejected it.[264] The Commission specifically found:

---

[260] OSBA M.B. at 12.
[261] *2019 CAP Policy Amendments* Order at 86.
[262] *Id.* at 96 (internal citations omitted).
[263] OSBA M.B. at 13.
[264] *2019 CAP Policy Amendments* Order at 95.

> OSBA and the Industrial Customers have argued that recovering costs of universal service programs from industrial and commercial customers may negatively impact businesses in the Commonwealth. However, we have not seen evidence that the economic climate in Philadelphia has been negatively impacted as a result of universal service costs charged by PGW. Further, as noted by multiple parties in the *Review* proceeding, many states recover the cost of utility low-income programs from all ratepayer classes, including New York, New Jersey, Ohio, Illinois, Maine, and New Hampshire. We are not aware that this practice has negatively impacted the business climate of any of these states.[265]

The Commission therefore previously considered the very economic harm OSBA now predicts and found no evidence that allocating universal service costs across customer classes had harmed the business climate.

OSBA attempts to distinguish this evidence by asserting that, although the Commission is unaware of the impact on small businesses in those six states, "the OSBA posits that small businesses in those states are struggling."[266] But OSBA offers no evidence that small businesses in those states are struggling because of universal service cost allocation, or that the allocation of universal service costs has contributed to any alleged economic difficulties. Speculation cannot substitute for evidence, particularly where the Commission has already considered and rejected the same contention.

Accordingly, Peoples' and OSBA's policy objections do not establish that the Commission lacks authority to adopt OCA's and CAUSE-PA's proposed allocation of universal service costs. Rather, the Commission's prior decisions demonstrate that such an allocation is permissible and consistent with the public purpose underlying universal service programs.

F. Competitive rate customers.

The OCA did not present testimony regarding this issue.

---

[265] *Id.* at 95-96.
[266] OSBA M.B. at 14.

XI. WEATHER NORMALIZATION (WNA)

A. Peoples' WNA should be terminated because Peoples has not satisfied its burden of proof to show that their WNA results in just and reasonable rates.

The OCA demonstrated in its Main Brief that the Commission should discontinue Peoples' WNA because substantial evidence does not support a determination that the WNA is equitable or that it satisfies the Commission's policy factors regarding alternative rate mechanisms.[267] Peoples argued in its Main Brief that its WNA should be permitted to continue because: (1) it is not a mechanism to avoid regulatory lag; and (2) the WNA is symmetrical by design.[268]

Peoples' argument narrowly applied the concept of "regulatory lag" to matters relating to revenue requirement and rate of return, and therefore erroneously claimed that the WNA does not apply to discussions regarding regulatory lag because the WNA does not authorize an increase in revenue.[269] This gratuitous viewpoint attempts to discount the fact that the Company also benefits from the use of a Fully Projected Future Test Year ("FPFTY"), which substantially reduces traditional regulatory lag by allowing rates to reflect forecasted costs rather than historical costs.[270] According to Mr. Deupree, "the continuation of the WNA would enhance this framework."[271] Rather, the Commission should consider their combined effect when evaluating whether the continuation of the Company's existing WNA remains appropriate and in the public interest.

The OCA pointed out that based on trends in Pennsylvania and other studies that look at alternative ratemaking across other jurisdictions, Peoples' WNA will likely result in a net charge.[272] Peoples, again focusing narrowly, claimed that without the WNA this past heating season, customers would have missed out on a total net credit of $10.8 million through March

---

[267] OCA M.B. at 105-120.
[268] Peoples M.B. at 106-108.
[269] *Id.*
[270] OCA St. 1 at 20-21.
[271] *Id.*
[272] OCA M.B. 108-110.

2026. Peoples leaves out the fact that this past heating season was anomalous due to Winter Storm Fern causing unusually colder conditions in Peoples service territory. The $10.8 million in net credits will likely erode and turn into additional charges on Peoples customers for gas they did not use.[273] OCA witness Deupree proved this by providing data that demonstrated that this past winter's heating season was the coldest period seen in the region since the period from December 2014 through February 2025.[274] Mr. Deupree modeled the impact of the WNA without the anomalous weather event and the results showed that the Company's WNA would have produced more than $8.0 million in net revenues for the Company through March 2026.[275] Peoples failed to satisfy its burden of proof that its WNA should be permitted to continue because it would not result in just and reasonable rates.[276]

B. OCA's proposed modifications should be approved if the Commission determines to allow Peoples' WNA to continue.

Should the Commission permit Peoples WNA to continue, the OCA the respectfully requests that the Commission increase the WNA's deadband to 5% and remove the months of October and May to better insulate ratepayers from the risk of higher charges due to volatile weather.[277] Peoples claimed that increasing the deadband from 3% to 5% would reduce the consistency of the WNA.[278] The Commission disagreed with this reasoning in Columbia's most recent rate case and explicitly held that a five percent deadband "adequately captures what could be considered normal weather fluctuations in Pennsylvania."[279] The Commission further

[273] *Id.*; Peoples M.B. at 106.
[274] OCA St. 1SR at 11-12.
[275] OCA St. 1SR at 8.
[276] OCA M.B. at 105-117.
[277] OCA M.B. at 117-120.
[278] Peoples M.B. at 109.
[279] *See Pa. PUC, et al. V. Columbia Gas of Pennsylvania, Inc.*, Docket Nos. R-2025-3053499, *et al.*, Opinion and Order at 301 (Dec. 4, 2025) (Columbia 2025).

explained that a larger deadband places more responsibility for calculating and forecasting weather variations on the utility as a normal part of doing business.[280]

As explained *supra* excluding the anomalous weather event (Winter Storm Fern), the analysis presented by OCA witness Deupree showed that the Company's WNA would have produced more than $8.0 million in net revenues for the Company through March 2026. This is a clear example of the risk exposure Peoples' customers face, so increasing the WNA deadband to five percent would provide additional protection to ratepayers from relatively minor deviations from normal weather while preserving the operation of the WNA during more significant weather events.[281] It would also place the Company's WNA more in line with the Commission's recently modified WNA mechanism for *Columbia Gas 2025*, which shares similar territory to Peoples and is exposed to the same weather events as Columbia Gas.[282]

The OCA explained the shoulder months of October and May in Peoples' WNA heating season exposes ratepayers to unnecessary variation in the WNA by shifting the weather risk during these shoulder periods from the Company onto ratepayers.[283] OCA witness Deupree examined weather variations over a 65-year period of October 1960 through May 2025 and found the greatest variation in monthly actual heating degree days (AHDD) is in the month of May and to a lesser extent, the month of October also elevated. In its Main Brief, Peoples accepted that the shoulder months are likely to have more variable weather.[284] The Company claimed that the WNA is designed to help even out that variability and added that the existence of greater weather variability in a certain month is not a valid reason to exclude that month from the WNA.[285] As OCA witness

---

[280] *Id*.
[281] OCA St. 1SR at 11.
[282] OCA M.B. at 110.
[283] OCA M.B. at 118-120.
[284] *Id*.
[285] Peoples M.B. at 109.

Deupree explained, the chance that the WNA exposes customers to unnecessary risk is particularly high in May and October.[286] The Commission agreed in Columbia's most recent rate case by explaining that "May is not a winter or traditional heating month in Pennsylvania but more appropriately a shoulder month when customers can expect to start seeing their heating bills decline."[287] The Commission also noted that retaining May "could result in customers seeing WNA bill increases as late as June."[288]

Peoples' proposal to continue its WNA should be rejected, however, if the Commission determines that the Company may continue using a WNA, the OCA submits that the Company has not met its burden of proof to continue use of the months May and October as components of its WNA and the deadband should be increased from 3% to 5%.

XII. EFFECTIVE DATE OF RATES

The OCA did not present testimony on this issue.

XIII. UNIVERSAL SERVICE PROGRAM RIDER

A. One-Time Credit Adjustment

The OCA did not present testimony regarding this issue.

B. Bad Debt Offset Calculation

The Commission should reject Peoples' proposed 7.4% bad debt offset[289] and instead adopt OCA's recommended 8.1% offset.[290] The parties agree that the bad debt offset should be based on actual residential uncollectible activity reported through the Commission's Bureau of Consumer Services (BCS); the only difference is the period used to calculate that percentage. Peoples proposes a two-year average of 2023 and 2024 data, while OCA recommends using the most recent

[286] OCA St. 1 at 35-40.
[287] *Columbia 2025* at 301.
[288] *Columbia 2025* at 301-302.
[289] Peoples M.B. at 117-18.
[290] OCA M.B. at 44-45.

12-month period reported by BCS, which produces an 8.1% offset.[291] OCA's approach is more appropriate because it relies on the most current actual collection experience rather than averaging in older data that may not reflect current customer payment patterns.[292] Moreover, the bad debt offset should recognize that increased CAP participation reduces not only uncollectible expense, but also working capital requirements.[293] Accordingly, the Commission should use the 12-month average of actual CAP participation reported by BCS and the most recent BCS-reported write-off data to establish an 8.1% bad debt offset, rather than Peoples' proposed two-year average resulting in a 7.4% offset.[294]

XIV. LOW-INCOME CUSTOMER ISSUES

A. Customer Assistance Program ("CAP")

1. CAP Participation Levels/Identification of Low-Income Customers

The OCA argues that Peoples substantially under-enrolls eligible low-income customers in CAP and recommends that the Commission address the Company's low level of CAP participation.[295] Peoples argues that its CAP enrollment is reasonable and that the OCA's comparison of CAP enrollment to the Company's broader population of known low-income customers is misleading because the two populations are identified differently.[296]

The Company's response does not adequately address the OCA's concern that Peoples continues to substantially under-enroll eligible low-income customers in CAP. The Company instead focuses on the distinction between "known" Confirmed Low-Income (CLI) customers and customers who have completed the CAP application and verification process.[297] That distinction

---

[291] *Id.*
[292] *Id.*
[293] OCA M.B. at 45.
[294] *Id.* at 44-46.
[295] OCA M.B. at 121-22.
[296] Peoples M.B. at 119.
[297] Peoples M.B. at 119-21.

does not eliminate the underlying concern. The OCA's point is that a substantial population of customers whom Peoples itself has identified as low-income are not participating in CAP, and the Company has not demonstrated that its existing enrollment practices are sufficient to reach those customers.[298]

Peoples argues that the number of CLI customers should be viewed as an estimate because customers may self-report income at different points in time and that CAP customers, by contrast, have verified their income at application.[299] But the fact that CLI data may not perfectly identify every currently eligible customer does not establish that Peoples' CAP participation level is reasonable. Rather, it underscores the need for Peoples to improve its ability to identify and enroll eligible customers.

The Company's reliance on its reported 18% increase in CAP participation in 2025 likewise does not resolve the issue.[300] An increase in enrollment is positive, but it does not establish that the Company has reached a reasonable level of participation or that the substantial number of identified low-income customers who remain outside CAP is attributable solely to customers who are no longer eligible.[301] The OCA therefore continues to recommend that the Commission scrutinize the Company's CAP participation and enrollment practices rather than conclude that an increase in participation, standing alone, demonstrates that current practices are adequate.[302]

B. Low-Income Usage Reduction Program

The OCA did not present testimony on this issue.

---

[298] OCA M.B. at 121.
[299] Peoples M.B. at 119-20.
[300] *Id.* at 120.
[301] OCA M.B. at 121-22.
[302] *Id.*

C. Seasonality of Bills

The OCA argues that seasonal bill fluctuations create significant affordability concerns for low-income customers and should be considered in evaluating Peoples' rates and customer assistance practices.[303] Peoples argues that it already provides mechanisms to address bill seasonality, including CAP and budget billing, and that these options mitigate the impact of seasonal bill fluctuations on customers.[304]

The Company's response to the OCA's concerns regarding bill seasonality essentially assumes that the availability of payment-smoothing mechanisms resolves the underlying affordability problem. It does not. Peoples points to CAP and budget billing as mechanisms that can mitigate seasonal bill fluctuations and notes that customers can enroll in budget billing throughout the year.[305] But the OCA's concern is not simply that customers lack an option to spread payments over the year; it is that seasonal increases in natural gas bills can create significant affordability challenges for low-income households.[306] The Commission should therefore consider bill seasonality together with the Company's low CAP participation and the broader affordability evidence presented by the OCA.

D. Alternative Measures of Income

The OCA uses Asset-Limited, Income Constrained, Employed (ALICE) data to demonstrate that the Federal Poverty Level (FPL) does not fully capture the number of customers who struggle to afford utility service.[307] Peoples argues that ALICE and other alternative measures

[303] OCA M.B. at 20.
[304] Peoples M.B. at 123-24.
[305] Peoples M.B. at 124.
[306] OCA M.B. at 20.
[307] OCA St. 4 at 15-21.

of income should receive little evidentiary weight because the FPL is the measure used to determine eligibility or its CAPs and is consistent with Commission guidance.[308]

The Company's contention that the ALICE measure of income should receive little evidentiary weight because Peoples uses the FPL for program eligibility misses the purpose for which OCA presented the evidence. Peoples argues that the FPL is the appropriate measure because CAP eligibility is based on the FPL and because Peoples' eligibility thresholds are consistent with Commission guidance.[309] But the OCA did not present ALICE as an alternative eligibility standard that the Company is required to use. The OCA presented the ALICE analysis as evidence of the actual affordability circumstances confronting Peoples' customers who are not eligible for CAP.[310]

Accordingly, the Commission should reject the Company's attempt to minimize the ALICE analysis simply because it does not determine CAP eligibility. The evidence serves a different and important purpose: demonstrating that affordability extends beyond the population captured by the FPL and that the Commission should consider the circumstances of customers who may be above traditional low-income thresholds but nevertheless struggle to afford essential utility service.[311]

XV. CUSTOMER SERVICE ISSUES

A. Service Terminations – Disparate Treatment

The OCA recommends that Peoples conduct an independent root cause analysis of its nonpayment termination practices because Peoples' data and OCA witness Colton's analysis show

[308] Peoples M.B. at 124-25.
[309] Peoples M.B. at 124.
[310] OCA St. 4 at 15-21.
[311] OCA M.B. at 17-18.

a substantial and unexplained disparity in terminations in communities with higher concentrations of Black households.[312] Peoples argues that a root cause analysis is unnecessary because its termination process is automated and based solely on objective arrearage criteria, without consideration of race or neighborhood demographics.[313] But, as explained in the OCA's Main Brief, the OCA does not allege that Peoples intentionally targets Black customers or that its employees make termination decisions based on race.[314] The OCA's concern is that Peoples' facially neutral termination practices produce a materially different outcome in communities with greater concentrations of Black households.[315] The fact that a practice does not expressly consider race does not explain why that practice produces a substantial racial disparity and does not provide sufficient justification to deny Mr. Colton's root cause analysis recommendation.[316] Rather, The absence of an identified cause is precisely why the Commission should order a root cause analysis.

A root cause analysis is a reasonable remedy that aims to determine why there is a disparate impact.[317] It does not presume that Peoples intentionally discriminated. It does not require the Company to abandon automated termination procedures merely because a statistical disparity exists. And it does not dictate the ultimate cause of the disparity before that cause is known. Instead, it requires Peoples to undertake a systematic investigation into why its termination procedures produce the demonstrated disparity and what changes, if any, are necessary to eliminate an inadequate or unreasonable service condition. The evidence presented by OCA witness Colton

[312] OCA M.B. at 125-30.
[313] Peoples M.B. at 126-27.
[314] OCA M.B. at 126-27.
[315] *Id.*
[316] *Id.*
[317] For example, the OCA did not recommend that the Commission give effect to any findings regarding the existence of a disparate impact resulting from Peoples' termination procedures by making adjustments to Peoples' cost of service, such as through the disallowance of specific expense allowances or through the rejection of Peoples' requested management performance adder to its return on equity, despite its clear opportunity to do so. 66 Pa. C.S. §§ 523(a), 526(a). Rather, the OCA's analysis determined that further investigation is required into the demonstrated disparate impact of Peoples' termination procedures, not a penalty to the Company.

supports this remedy, and is sufficient to warrant the requested remedy in light of the limited nature of the remedy's scope and its overall reasonableness.

The Company's response does not address the OCA's central concern regarding the substantial disparity in nonpayment disconnections affecting communities with higher concentrations of Black households. Instead, Peoples merely states that it "disagrees with Mr. Colton's finding. . .."[318] This is a wholly insufficient and inappropriate response to OCA witness Colton's analysis and findings that Peoples is disproportionately disconnecting service in Black neighborhoods. OCA witness Colton specifically found:

> ➢ While 30.07% of all residential customers[319] live in Above-Average Black zip codes (householders), 42.97% of all residential nonpayment disconnections[320] occur in those zip codes. Similarly, while 30.92% of all residential customers live in Above-Average Black zip codes (population), 43.80% of all residential nonpayment disconnections occur in those zip codes.
>
> ➢ The pattern does not change if the data is limited to Confirmed Low-Income customers (rather than extending to all residential customers). While 32.73% of all Confirmed Low-Income customers live in Above-Average Black zip codes (householders),[321] 45.42% of all Confirmed Low-Income nonpayment disconnections occur in those zip codes. Similarly, while 33.40% of all Confirmed Low-Income customers live in Above-Average Black zip codes (population), 46.13% of all Confirmed Low-Income nonpayment disconnections occur in those zip codes.

[318] Peoples M.B. at 126.
[319] Peoples' Response to OCA-IV-4.
[320] Peoples' Response to OCA-IV-16.
[321] Peoples' Response to OCA-IV-4.

Table 4. Total Population, Disconnect Notices and Nonpayment Disconnections				
	Total Residential		Confirmed Low-Income	
	Above-Average Black (householders)	Above-Average Black (population)	Above-Average Black (householders)	Above-Average Black (population)
Percentage of total customers (CLI customers)	30.07%	30.92%	32.73%	33.40%
Percentage of nonpayment disconnection	42.97%	43.80%	45.42%	46.13%

> The same results are found when I examine the data based on deciles. For residential customers, I find that while 28.80% of all residential customers reside in the Tenth Decile of zip codes measured by Black householders, 41.34% of all residential nonpayment disconnections occur in those zip codes. A similar pattern presents itself when the deciles are based on Black population rather than on Black householders.[322]

Mr. Colton therefore rightfully concluded that "[t]he distribution of nonpayment service disconnections is disproportionately weighed toward the Company's Black population."[323] A one sentence statement that the Company's termination procedures are automated and that Peoples does not discriminate does not come close to addressing the issues that OCA has raised.[324]

Peoples argues that the Commission previously rejected the OCA's request for a root cause analysis because, absent proof of explicit discrimination, the Commission should not impose such a requirement on a single public utility.[325] However, Peoples ignores the Commonwealth Court's Opinion considering the same proceeding, in which the Court did not reject the OCA's argument that disparate impact should be considered under Section 1501, nor did it agree with the Commission that the OCA must present proof of explicit discrimination.[326] Rather, the

[322] OCA St. 4 at 53-55.
[323] *Id.* at 51.
[324] Peoples M.B. at 126.
[325] *Id.*
[326] D. Lawrence v. Pa. PUC, No. 1346 C.D. 2024, Opinion (Pa. Cmwlth. 2026).

Commonwealth Court determined that the OCA waived its disparate impact argument, because the OCA did not present that argument before the Commission.[327] The OCA accordingly raises this disparate impact argument in this rate proceeding.[328]

Peoples claims that Peoples Energy Analytics analysis, that identifies CLI populations in the specific ZIP Codes that Mr. Colton identified as areas that suffer from disproportionate terminations, will resolve the disparate impact issue. However, Mr. Colton already explained why this analysis is insufficient:

> [Ms. Black] does not explain why she believes improving energy burdens is the sole remedy to the disproportionate disconnection of service to communities of color; she does not explain (let alone document) that there is a relationship between the disproportionate disconnection of service to communities of color and the lack of CAP enrollment in those communities; and she does not explain how reviewing "results of our outreach activities, specifically as it pertains to the use of the heat maps," would be expected to remedy the disconnection of service for nonpayment in communities of color.
>
> Ms. Black's rebuttal testimony implicitly denies the presence of the racial discrimination which I documented in my Direct Testimony without ever engaging in the data that found disproportionate nonpayment disconnections to exist. While the preparation of the "heat maps" which Ms. Black attached to her Rebuttal Testimony is perhaps an important step forward in doing what she suggests (i.e., to inform outreach activities for CAP), they do not address the cause of, let alone potential mechanisms through which to redress, the presence of disproportionate nonpayment disconnections in communities of color in the Peoples service territory.[329]

Peoples also does not explain why it recognizes disparate treatment in the context of credit-scoring methodology in its tariff but does not recognize it when it comes to service termination.[330] Peoples' tariff concerning cash security deposits provides that its credit-scoring methodology may not "directly, or have the effect of, discriminating based on a protected class."[331] The tariff thus

[327] *Id.* at 9-11.
[328] OCA M.B. at 125-38.
[329] OCA St. 4SR at 20-21.
[330] OCA M.B. at 132.
[331] Peoples Natural Gas Company LLC tariff, Supplement No. 2 to Gas—PA PUC No. 48, First Revised Page No. 19 (Effective Sep. 27, 2024).

recognizes precisely the distinction that a practice may discriminate directly, or it may have the effect of discriminating, without explicit consideration of a protected characteristic. This same principle should apply to automated termination procedures and Peoples does not provide any explanation for why it does not provide the same standard regarding discriminatory treatment across all of its practices.

Peoples has not rebutted the OCA's evidence or provided a sufficient explanation for the substantial disparity identified by Mr. Colton. The Company's evidence that its termination process is automated and facially neutral does not resolve a disparate-impact concern, and its overall peer-comparison data does not address the disparity within Peoples' service territory.[332] The Commission should therefore reject the Company's opposition to the OCA's recommendation and require Peoples to conduct an independent root cause analysis of its nonpayment termination practices to determine the cause of the demonstrated disparity and whether changes are necessary to ensure adequate and reasonable service under Section 1501.[333]

B. Payment Arrangements (Residential)

OCA witness Colton examined Peoples' payment-arrangement data and found that 71.5% of residential payment arrangements and 83.7% of Confirmed Low-Income payment arrangements entered into during 2023 through 2025 ended in default.[334] Mr. Colton further explained that these figures likely understate the actual rate of broken arrangements because arrangements entered into more recently are included in the total number of new arrangements but may not yet have existed long enough to default.[335] Peoples argues that its payment arrangements provide customers with an opportunity to pay arrears over time, and that defaults may result from circumstances outside

[332] OCA M.B. at 135-36.
[333] OCA M.B. at 137-38.
[334] OCA M.B. at 123.
[335] *Id.*

the Company's control.[336] It contends that OCA presented no evidence that Peoples' payment arrangements failed to comply with Commission requirements or were inappropriate for particular customer circumstances, and therefore OCA's testimony should be given little or no weight.[337]

These payment outcomes cannot be dismissed simply by asserting that some customers default for reasons outside Peoples' control. The evidence demonstrates that the Company's payment arrangements are not providing a reasonable opportunity for customers to retire their arrears, particularly for CLI customers.[338] Thus, OCA's concern is not whether Peoples complies with the minimum requirements governing payment arrangements, but whether the Company's collection practices are effective in actually helping customers retire arrears, and the fact that the Company is under enrolling its CLI in its CAP.

C. Use of Social Security Numbers ("SSN")

The OCA recommends that Peoples develop an alternative to collecting and retaining SSNs and eliminate the SSNs it currently retains because collecting this highly sensitive information creates unnecessary privacy and security risks.[339] Peoples argues that SSNs are an effective and consistent tool for identifying customers and are necessary to perform functions such as balance transfers, collection activities, accounting, and bankruptcy administration.[340]

The Company's Main Brief does not establish that its continued collection and retention of customers' Social Security Numbers SSNs is necessary to provide adequate and reasonable service. Peoples argues that SSNs are an "effective and consistent tool" for identifying customers and that they assist with balance transfers, collection efforts, accounting, and bankruptcy

[336] Peoples. M.B. at 128.
[337] *Id.*
[338] OCA M.B. at 122-23.
[339] OCA M.B. at 124-25.
[340] Peoples M.B. at 128-29.

administration.[341] But the OCA's recommendation does not dispute that SSNs may be useful to the Company. The OCA rather questions whether Peoples needs to continue collecting and retaining SSNs when less sensitive alternatives may be available.[342]

The OCA identified significant concerns with the continued collection and retention of SSNs, including the risks associated with identity theft and the fact that SSNs are an increasingly outdated means of customer identification.[343] The Company's assertion that SSNs are useful fails to address the serious security and identity-theft risks associated with the continued collection and retention of this highly sensitive information, which OCA's evidence demonstrates can be avoided through less intrusive alternatives.[344]

Accordingly, the Commission should adopt the OCA's recommendation directing Peoples to develop and implement an alternative to SSNs within twelve months and eliminate currently retained SSNs.[345]

D. Rebilling/Back-Billing Data Tracking

The OCA recommended that Peoples begin recording data regarding rebilling and back-billing events that affect more than 100 customers from a common cause and be prepared to provide information regarding the events in its next rate case.[346] Peoples claims that it is not "lacking in control, records, or transparency regarding billing events."[347] However, the Company erroneously states in its Brief that it "did not attribute the rebilling spikes to a specific cause"[348]: Peoples stated in discovery that it "does not track [rebill causes] at this level of detail" when asked

---

341 *Id.* at 129.
342 OCA M.B. 124-25.
343 *Id.*
344 *Id.*
345 *Id.*
346 OCA M.B. at 138-40; OCA St. 5 at 18-25; OCA St. 5SR at 11.
347 Peoples M.B. at 130-31 (*citing* Peoples St. 18-RJ at 7).
348 Peoples M.B. at 130.

to provide the cause of an elevated rebill volume, among other information.[349] Instead, Peoples was required to speculate as to the cause of the rebilling events, demonstrating that additional data tracking is required, even when thousands or tens of thousands of customer bills are rebilled.[350]

Further, Peoples' claim that billing events must be evaluated on a case-by-case basis[351] affirms OCA witness Larkin-Connolly's concern that back-billing or rebilling events may be treated "as operational blips rather than events warranting proactive attention and communication" and ignores the possibility that significant rebilling events may share a common cause that would not be apparent to the Company to address but-for adequate internal data tracking.[352] There is no support for the argument that tracking such data as it occurs "would be a highly ineffective use of the Company's time and resources"[353] as it is a targeted, limited recommendation that is reasonable. As a result, the OCA requests that the Commission order Peoples to begin stronger internal data tracking for its rebilling and back-billing events.[354]

E. Mailed Cost Summaries

The OCA incorporates by reference the arguments made in its Main Brief regarding mailed cost summaries.[355] The OCA's recommendation is not specific to Peoples and is merely for the Commission's consideration, to ensure that customers remain engaged with their utility bills.

---

[349] OCA St. 5SR at 6 (*quoting* OCA Exh. BLC-2 at 116).
[350] *Id*.
[351] Peoples M.B. at 131.
[352] OCA M.B. at 139-40; OCA St. 5 at 24; OCA St. 5SR at 11.
[353] Peoples M.B. at 131.
[354] OCA St. 5SR at 11.
[355] OCA M.B. at 140-41; OCA St. 5 at 41-43.

XVI. PROPOSED TARIFF CHANGES

A. Nonliability/Limitation of Liability

The OCA recommends that the Commission deny Peoples' request to modify its tariff language regarding nonliability/limitation of liability.[356] The Company claims that its proposed revision is a clarification rather than an additional limitation on liability.[357] To the extent that there is no change in Company liability associated with the proposed tariff revisions, Peoples' proposed tariff language should still be rejected.[358] The existing tariff language is currently sufficiently protective, and a plain reading of the "mere clarification" indicates that the Company is further limiting its own liability, at a time when Peoples' customers are increasingly submitting informal and formal complaints related to damage to their property associated with Peoples' construction activities.[359] As a result, Peoples' proposed tariff modification is unreasonable and should be rejected.[360]

B. Dishonored Payments

The OCA recommends that the Commission deny Peoples' request to amend its dishonored payment tariff language change proposal.[361] Peoples argues that the proposed language will reduce operational burdens, lower collections costs, and prevent growing arrears.[362] While this may be true, the tariff revisions should ensure that procedural guardrails are in place to protect and adequately inform customers before they are denied payment options, a disproportionate impact to customers with limited banking access.[363] The OCA did not dispute the aims of the proposed

[356] OCA M.B. at 141-42; OCA St. 5 at 45.
[357] Peoples M.B. at 139.
[358] OCA M.B. at 142; OCA St. 5 at 45.
[359] OCA St. 5 at 45.
[360] OCA M.B. at 141-42; OCA St. 5 at 45; 66 Pa. C.S. § 1501.
[361] OCA M.B. at 142-43; OCA St. 5 at 45-46.
[362] Peoples M.B. at 140-41.
[363] OCA M.B. at 143; OCA St. 5 at 46.

tariff revisions, only the protections in place to ensure that customers are aware that Peoples has determined they have a history of dishonored payments and are given the opportunity take all actions at their disposal to retain access to their preferred payment method should they choose before having access revoked.[364] As a result, the OCA recommends that the Commission deny Peoples' proposed tariff modifications.

XVII. HOT WATER TANK REBATE PILOT PROGRAM

The OCA recommends that the Commission deny Peoples' request to implement a fuel-switching Hot Water Tank Rebate Pilot Program designed to switch customers using electric water heaters to natural gas water heaters.[365] Peoples claims that the Pilot's goals are to improve customer affordability.[366] However, Peoples fails to explain how it is just and reasonable to use ratepayer funds to support a pilot program that is merely designed to increase throughput on its distribution system.[367] Peoples already has programs in place to assist current natural gas water heater users to switch to higher efficiency water heaters.[368] If the Company wishes to implement the Pilot program, it should do so using shareholder funds, not ratepayer, as it is a revenue-generating initiative and not reasonably related to providing safe, adequate, and reliable service. As a result, the OCA recommends that the proposed Pilot be denied, and a corresponding adjustment of ($500,000) be made to Peoples' claimed revenue requirement.[369]

XVIII. SAFETY

The OCA did not present testimony on this issue.

[364] OCA M.B. at 142-43; OCA St. 5 at 45.
[365] OCA M.B. at 148-49; OCA St. 2 at 26-27.
[366] Peoples M.B. at 141-42.
[367] OCA M.B. at 148-49; OCA St. 2 at 27.
[368] OCA M.B. at 149; OCA St. 2 at 26.
[369] OCA M.B. at 149; OCA St. 2 at 27.

XIX. PURCHASE OF RECEIVABLES PROGRAM

The OCA did not present testimony on this issue.

XX. LOCAL PRODUCTION – GATHERING INAND COST RECOVERY ISSUES

The OCA did not present testimony on this issue.

XXI. COMPETITIVE RATE DISCOUNTS

The OCA did not present testimony on this issue.

XXII. MISCELLANEOUS/OTHER ISSUES

The OCA did not present testimony on this issue.

XXIII. CONCLUSION

Peoples' request for a rate increase should be rejected in its entirety. Peoples has not affirmatively demonstrated the reasonableness of every element of its claims for rate base, revenues and expenses, rate of return, capital structure, revenue allocation, rate design and alternative ratemaking. It is well within the discretion of the ALJ and the Commission to deny Peoples' request. In the event the Commission does not deny Peoples' request outright, substantial record evidence demonstrates that Peoples requires no more than $9.4 million in additional distribution revenues to provide safe, adequate and reliable service at just and reasonable rates.

Respectfully submitted,

/s/*Joel Cheskis*
Joel Cheskis, Esq. (PA. ID # 81617)
Senior Assistant Consumer Advocate

Jacob D. Guthrie, Esq. (PA. ID# 334367)
Ryan Morden, Esq. (PA. ID# 335679)
Olivia M. Spergel, Esq. (PA. ID# 337929)
Assistant Consumer Advocates

Email: OCAPeoplesBRC2026@paoca.org

Counsel for:
Darryl A. Lawrence
Consumer Advocate

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

Dated: September 4, 2026