PULP
PENNSYLVANIA
UTILITY LAW PROJECT

September 4, 2026

<u>Via Email Only</u>

The Honorable Charece Z. Collins
Administrative Law Judge
Pennsylvania Public Utility Commission
Keystone Building
400 North Street
Harrisburg, PA 17120
charcollin@pa.gov

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

Your Honor:

Please find the attached copy of the **Reply Brief of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA)** in the above noted proceeding.

As indicated on the attached Certificate of Service, service on the parties was accomplished by email only.

Respectfully Submitted,

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

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BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

Certificate of Service

I hereby certify that I have this day served copies of the **Reply Brief of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA)** upon the parties of record in the above captioned proceeding in accordance with the requirements of 52 Pa. Code § 1.54.

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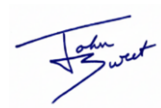

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Pennsylvania Public Utility Commission	:	
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	:	
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REPLY BRIEF OF

THE COALITION FOR AFFORDABLE UTILITY SERVICES AND ENERGY EFFICIENCY IN PENNSYLVANIA

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September 4, 2026

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I. INTRODUCTION

The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), through its counsel at the Pennsylvania Utility Law Project, files this Reply Brief in response to the Main Briefs of Peoples Natural Gas Company LLC's (Peoples or Company), the Office of Small Business Advocate (OSBA), the Bureau of Investigation and Enforcement (I&E), and the Retail Energy Supply Association (RESA) and in support of its positions and recommendations more fully addressed in its Main Brief.[1]

CAUSE-PA's position in this matter was fully set out in its Main Brief and respectfully urges the Honorable Administrative Law Judge (ALJ) Charece Z. Collins and the Public Utility Commission (Commission) to deny Peoples' proposed rate increase or, if it determines that a rate increase is warranted, allow an increase that is no higher than that which is recommended by the Office of Consumer Advocate (OCA). CAUSE-PA further stands by its position that the weight of the evidence requires that Commission to order the following overarching reforms, regardless of whether Peoples is permitted to increase its residential bills:

- Reject Peoples' proposal to increase its residential customer charge.
- Order Peoples to cease operation of its Weather Normalization Adjustment (WNA).
- Order Peoples to allocate Universal Service costs across all rate classes.

[1] This Reply Brief does not address every issue or recommendation raised in CAUSE PA's Main Brief or otherwise discussed by other parties in their Main Briefs.

Consistent with instructions of Honorable Administrative Law Judge (ALJ) Charece Z. Collins, CAUSE-PA's Reply Brief follows the common briefing outline. The absence of a specific response to the recommendations or positions of other parties does not indicate our agreement thereto. Unless required for context, CAUSE-PA will not reiterate the arguments presented in CAUSE-PA's Main Brief. To the extent arguments advanced by other parties were sufficiently addressed through CAUSE-PA's Main Brief, it does not intend to respond and stand by the analyses and recommendations contained in its Main Brief.

ALJ Collins further instructed parties to provide a chart in their Main or Reply Briefs reflecting projected rate impacts for each rate class. CAUSE-PA's position in this proceeding is that, to the extent the Commission determines that any revenue increase is warranted in this proceeding, the Commission should adopt the rate proposals advanced by the Office of Consumer Advocate (OCA) in this proceeding. As such, it supports and incorporate by reference the impact chart provided by OCA in its Main Brief and Reply Brief.

- Order Peoples to revise its Purchase of Receivables (POR) program to require that, as a condition of the purchase of a natural gas suppliers' receivables, an NGS must certify that its rates are at or below the applicable default service price at the time a contract is entered or renewed.
- Reject Peoples' proposed tariff revisions regarding potential fraud related to its customer assistance program (CAP) because they are not supported by substantial evidence in the record justifying this change.
- Order Peoples to memorialize its commitments to adopt the revisions to its CAP Recreational Use policies set out in witness Black's rebuttal testimony.[2]
- Order Peoples to memorialize its commitments to determine the reasons for its high CAP termination and incomplete CAP application rates and take steps to remediate these problems based on the findings.[3]
- Reject Peoples' proposals to include costs that are more appropriately included in rates in its universal service rider.
- Reject Peoples' proposed ratepayer funding, load building, fuel switching gas water heater rebate pilot.

A. Description of the CAUSE-PA

CAUSE-PA adopts its description as fully set out in its Main Brief.[4]

B. Procedural History

CAUSE-PA does not have any reply to the other parties and stands by its recitation of the background and procedural history as stated in its Main Brief.

C. Legal Standards and Burden of Proof

In section XI, B. of its Main Brief, Peoples argues that, because its weather normalization adjustment (WNA) has previously been approved, CAUSE-PA and the Office of Consumer

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[2] CAUSE-PA notes that section I (Introduction) of its Main Brief (page 2) references positions asserted in CAUSE-PA's direct testimony. As explained here and in section XIV. A. 2. (pages 89-90) of CAUSE-PA's Main Brief, CAUSE-PA accepts the proposed revisions to Peoples' CAP Recreational Use policies set out in witness Black's rebuttal testimony. CAUSE-PA respectfully urges that the Commission memorialize them in any order in this case.

[3] CAUSE-PA notes that section I (Introduction) of its Main Brief (page 2) references positions asserted in CAUSE-PA's direct testimony. As explained here and in section XIV. A. 3. and XIV. A. 4. (pages 90-92) of CAUSE-PA's Main Brief, CAUSE-PA accepts the proposed commitments to determine the reasons for its high CAP termination and incomplete CAP application rates and take steps to remediate these problems based on the findings. CAUSE-PA respectfully urges that the Commission memorialize them in any order in this case.

[4] CAUSE-PA MB at 3

Advocate (OCA) – who each oppose continuation of the WNA – have the burden of proof to demonstrate that the WNA is unjust or unreasonable.[5] However, This proceeding is a rate case filed pursuant to section 1308 of the Public Utility Code. Peoples bears the burden of proof to establish the justness and reasonableness of each element of its requested rate increase – inclusive of all attendant policies, programs, and services, including its WNA.[6] To meet its burden, Peoples must establish that all of "the elements of [its] cause of action are proven with substantial evidence which enables the party asserting the cause of action to prevail, precluding all reasonable inferences to the contrary."[7] Importantly, the burden of proof remains with Peoples throughout the case and does not shift to any other parties.[8] Thus, it is not the responsibility of the CAUSE-PA and OCA to prove that Peoples' WNA is unjust, unreasonable, or not in the public interest. CAUSE-PA and OCA are only required to prove that the Company failed to meet its burden of proof that its WNA is just and reasonable and in the public interest.[9]

II. SUMMARY OF ARGUMENT

Peoples has failed to meet its burden in this proceeding to prove that its proposed rate increase, rate design, Weather Normalization Adjustment (WNA) charge, tariff, and program proposals are just, reasonable, in the public interest, and in compliance with applicable laws, Commission regulation, and precedent. In addition, the weight of the substantial evidence in this case requires that certain reforms are made to exiting Peoples tariff provisions to ensure that rates

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[5] Peoples MB at 106-107.
[6] 66 Pa. C.S. §§ 315 (a), 1308 (a); Lower Frederick Twp. Water Co. v. Pa. PUC, 409 A.2d 505, 507 (Pa. Commw. Ct. 1980).
[7] Burleson v. Pa. PUC, 461 A.2d 1234, 1236 (Pa. 1983); Lansberry v. Pa. PUC, 578 A.2d 600, 602 (Pa. Commw. Ct. 1990);
[8] Berner v. Pa. PUC, 116 A.2d 738 (Pa. 1955) ("It is well-established that in general rate increase proceedings, the burden of proof does not shift to parties challenging a requested rate increase."); see also Univ. of Pa. v. Pa. PUC, 485 A.2d 1217 (Pa. Commw. Ct. 1984).
[9] Pa. PUC v. Equitable Gas Co., 57 Pa. PUC 423, 471 (1983); Univ. of Pa. v. Pa. PUC, 485 A.2d 1217 (Pa. Commw. Ct. 1984).

remain just and reasonable. Specifically, the weight of the evidence requires that Peoples begin assigning the costs of its universal service programs to all ratepayers rather than collecting these charges only from residential ratepayers. The weight of the evidence also requires that Peoples modify it Purchase of Receivables (POR) program to ensure that its customers are not responsible for collecting retail supply charges that are higher than Peoples price to compare thus exacerbating affordability concerns for all customers.

Peoples' proposed rates are unjust and unreasonable and should be rejected.

Rather than grapple with the real world affordability impacts of its rates, Peoples reframes the case around investment levels and the need for it to be able to attract capital.[10] It is of course axiomatic that the Company needs to attract capital. The difficulty for Peoples is the lack of substantial evidence indicating that is unable to continue to attract capital at current rates – or at a much lower rate increase as proposed by the OCA. Thus, Peoples attempt in its brief to address this as a matter of capital attraction is a merely self-serving attempt at extracting excessive profit at the expense of its customers.

Peoples claims that its overall blended Rate of Return (ROR) and capital structure requests are reasonable and designed to support continued operations and investments in its rate base.[11] In reality, the record in this proceeding demonstrates that Peoples already has healthy revenue, access to capital, and sufficient equity returns at current rates; and, its $163.2 million proposed rate increase is primarily driven by its excessive and unnecessary requested 11.25% return on equity, prioritizing profitability over affordability.[12]

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[10] Peoples MB at 2-3.
[11] Id.
[12] CAUSE-PA MB at 14.

Peoples asserts that it prioritizes affordability and points to the existence of its low income programs, but seeks to have the Commission turn a blind eye to the fact that, of the 144,131 estimated low income customers in Peoples' service territory, approximately 75% of them pay full tariff rates and are not enrolled in its low income programs.[13] In addition, there are approximately 190,000 of Peoples customers who have income above the level that qualifies them for assistance, but who nevertheless lack the income necessary to allow households to afford their basic necessities.[14] Thus, Peoples seeks to have the Commission ignores the fact that, to be just and reasonable, rates must be affordable for *all customers*, not just for those who apply for and are found eligible to receive low-income assistance.[15] While Peoples put forward its own energy burden study, purporting to demonstrate that its rates are affordable for customers, the study, in fact, proved the opposite, showing that Peoples customers already face deeply unaffordable rates at all income levels, especially its low income customers.[16]

Peoples argues that the bill stability provided by its excessive proposed 54.8% increase to the fixed monthly residential customer charge will benefit low income customers and denies that it will adversely impact efficiency and conservation.[17] Peoples fails to acknowledge that a stable bill is meaningless if it is not also affordable and that low income households that rely on careful conservation to help control high costs.[18] Bill stability is better addressed through increased enrollment in customer assistance program (CAP), or through budget billing.[19]

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[13] CAUSE-PA MB at 13
[14] Id.
[15] Pa. PUC v. Pennsylvania American Water Co., Docket No. R-2025-3057983, Opinion and Order at 41 (emphasis added) (order entered July 27, 2026) ("2026 PAWC Rate Case Order").
[16] CAUSE-PA MB at 20-21.
[17] Peoples MB at 98-102
[18] CAUSE-PA MB at 50.
[19] Id. at 50-51.

In support of its weather normalization adjustment (WNA), the Company relies heavily on the fact that it was only recently approved and that since then, has resulted in a net credit to customers.[20] Peoples fails to acknowledge that the WNA inappropriately shifts the traditional gas distribution business risk of under collection due to climate change onto its customers, who should not, and cannot afford to, bear that risk.[21] Peoples seeks to obscure the weight of the evidence that winters are warming in Pennsylvania and that the short term trend of WNA credits is likely not to endure.[22] Peoples also refuses to accept common sense reforms to its WNA that would bring the WNA in line with other WNAs approved recently by the Commission.[23]

Peoples has failed to carry its burden to support its proposed Natural Gas Hot Water Tank Rebate Pilot, which is a load building program that would convert electric water heating customers to gas.[24] It would be inappropriate to allow Peoples to spend ratepayer funds to switch from electric hot water heaters to gas hot water heaters.[25]

Peoples has also failed to demonstrate that its proposed CAP Fraud tariff provision is necessary. The provision introduces a dangerous level of subjectivity that would place customers at risk of being erroneously removed from CAP and back charged for benefits without any standards for proving the allegations or any process for disputing the allegations.

Universal Service Costs should be recovered from all ratepayers

OSBA opposes a broader allocation of universal service program costs across all rate classes and argues, incorrectly, that businesses do not benefit and should not be required to help support the programs through rates.[26] This argument ignores that customers who avail themselves

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[20] Peoples MB at 106.
[21] CAUSE-PA MB at 64-68.
[22] Id. at 65-66.
[23] Peoples MB at 108-111.
[24] CAUSE-PA MB at 97-99.
[25] Id.
[26] OSBA MB at 11-14.

of these programs are often employed (often by small businesses),[27] but do not receive sufficient wages to afford their monthly bills. The fact that employers pay these households poverty-level income can be attributed to the wage-payer much more than it is or should be attributed to the wage-earner.[28] Universal Service costs are, at their core, public purpose program costs that are required by law and that, as recognized by the Commission, should be recovered from all rate classes.[29]

Peoples should be required to amend it Purchase of Receivables (POR) provisions to ensure that prices above the Price to Compare are not collected through POR.

In response to CAUSE-PA's common sense reforms to address the significant and adverse cost impacts caused by Peoples' Purchase of Receivables Program (POR), RESA attempts to minimize the identified harm and overstates the effects of CAUSE-PA's narrowly tailored reforms. RESA fails to acknowledge the $51.9 million residential shopping customers were charged, on net, over and above the then-applicable default service price, and the $7.4 million attributable to confirmed low income customers.[30] These higher costs for the same commodity gas product are being passed on to other customers through higher write offs for residential shopping customers. While RESA attempts to misconstrue the evidence, the facts on the record are clear: Write-off expenses associated with residential shopping accounts were 484% higher than the write-off expenses associated with residential default service accounts, and 856% higher for low income customers.[31] The nexus between excessive charges and higher write-off expenses is clear, and cannot be ignored. The Commission must approve the reasonable restrictions on Peoples' POR

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[27] CAUSE-PA MB at 58-59; see OCA St. 4 at 19, Table 5.
[28] OCA St. 4 at 76.
[29] Final CAP Policy Statement and Order, Docket No. M-2019-3012599, at 7, 94-96, 107 (order entered Nov. 5, 2019); see Lloyd v. Pa. PUC, 904 A.2d 1010, 1027-1028 (Pa. Commw. Ct. 2006) (affirming the right to recover the costs of "public purpose programming" from all rate classes.).
[30] CAUSE-PA MB at 100.
[31] Id.

program proposed by CAUSE-PA to alleviate the detrimental impacts that excessive charges are having on residential and low income consumers.

As a whole, the record in this case demonstrates that even in the absence of a rate increase, Peoples has sufficient revenue at present rates to maintain safe and reliable service to its customers and has a reasonable opportunity to earn a fair rate or return.[32] CAUSE-PA urges the Commission to reject Peoples proposal to substantially increase its rates in this proceeding, as Peoples has failed to meet its burden of proof that its rate proposal is just, reasonable, and in the public interest.[33] For the reasons outlined below, CAUSE-PA urges ALJ Collins and the Commission to reject Peoples' proposed rate increase. In addition, immediate steps must be taken to address existing unaffordability. Peoples must be required to adopt meaningful improvements to its customer service standards and low income assistance programs, including necessary reforms to its Purchase of Receivables Program and broader allocation of its Universal Service Program costs.

III. OVERALL POSITION ON RATE INCREASE AND AFFORDABILITY OF RATES

CAUSE-PA maintains its opposition to any rate increase. Peoples has failed to meet its burden to demonstrate that its proposed rate increase is just and reasonable. If the Commission determines that rate increase in warranted, it should award an increase that is no higher than the $9.4 million that was proposed by the OCA.[34] In its Main Brief, Peoples argues that its rate increase is necessary to support its investments in replacing aging infrastructure.[35] CAUSE-PA does not dispute that Peoples plans to make substantial capital investments and has not challenged those investments in this case CAUSE-PA disputes the premise that a utility's planned capital investment

[32] CAUSE-PA MB at 13-17.
[33] Id.
[34] Id. at 18. (citing OCA St. 2-SR at 2:3).
[35] Peoples MB at 3.

– alone – provides sufficient basis to impose a rate increase of the order and magnitude sought in this case and at an ROE of 11.25%. Rates are categorically unaffordable for a substantial portion of Peoples' customers, and this too must be a consideration that the Commission in its balancing of the consumer and public interest with the private interest must take seriously.

Section 1301(a) of the Public Utility Code mandates that every rate shall be just and reasonable.[36] In making this determination, the Commission must balance interests of both investors and consumers.[37] A rate is not just and reasonable if it is not reasonably affordable to those who depend on the service – regardless of a utility's plans for investment.

Peoples argues that it recognizes the importance of balancing its investment in infrastructure with affordability, citing, *inter alia*, the existence of its universal service programs.[38] This is insufficient. CAUSE-PA recognizes the importance of maintaining and improving these statutorily required programs; however, Peoples fails to address the unaffordable energy burdens for the 75% of estimated low income customers who are *not* enrolled in CAP along with the scores of customers who are not eligible for CAP yet cannot consistently afford service.[39] To be just and reasonable, rates must be affordable for *all customers*, not just for those who apply for and are found eligible to receive low-income assistance.[40] At current rates, Peoples low income customers already face termination rates, between 400% to 500% higher than residential customers who are not low income, as well as average arrearages that are approximately 400% those held by residential customers who were not confirmed low income.[41] If Peoples' proposal is approved, the annual gas burden for these customers would increase from 6.5% to 7.4% over the course of the

[36] 66 Pa. C.S. § 1301 (a).
[37] Popowsky v. Pa. PUC, 665 A.2d 808, 811 (Pa. 1995).
[38] Peoples MB at 4-5.
[39] CAUSE-PA MB at 13, 41.
[40] 2026 PAWC Rate Case Order, R-2025-3057983 at 41 (emphasis added).
[41] CAUSE-PA MB at 14.

year and from are 11%-15% during the winter heating months at existing rates and to 12%-16% at proposed rates.[42]

Peoples argues that the energy burden analysis conducted by Atrium Economics and introduced by Peoples witness Fang demonstrates its rates are affordable.[43] The analysis at the enterprise level tells little without looking at the specifics. A closer look at the data reflects that Peoples' customers are face unaffordable energy burdens, including a 10.5% average gas burden for low income customers without CAP benefits, with many as high as 26.2%.[44] The gas burden for the "Average" CAP-eligible customer, without CAP benefits, would increase from 10.5% to 14.8%, and for those in the 95th percentile would increase from 26.2% to 36.6%.[45] Considering that 75% of Peoples estimated low income customers are not enrolled in CAP, Atriums' analysis paints a bleak picture for low income customers if a rate increase is approved. Even the energy burden for Peoples' "Average" residential customer would increase more than a full percentage point from 3.4% to 4.7%.[46] This is hardly the success story that Peoples paints it to be.

Peoples argues that it "has a history of infrequent rate case filings."[47] However, under its current corporate ownership, Peoples has filed for successive rate requests with narrowing gaps in between filings.[48] Peoples' current proposed rate increase of $163.2 million comes on the heels of its approximate $93 million increase that went into effect less than two years ago.[49] Combined, Peoples' ratepayers would face a $256.2 million (approximately 30%) increase in less than three

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[42] CAUSE-PA MB at 20.
[43] Peoples MB at 7-8.
[44] CAUSE-PA MB at 20-21.
[45] Id.
[46] Id. at 21.
[47] Peoples MB at 6.
[48] OCA MB at 11.
[49] Pa. PUC v. Peoples Natural Gas Company LLC, Docket No. R-2023-3044549, Opinion and Order at 103 (order entered Sep. 12, 2024).

years if the Company's proposed rate increase is approved.[50] These successive rate increases come at a time when customers are already struggling with rising utility costs and other basic necessities across the board.[51]

Peoples also attempts to paint its rates as affordable by drawing comparisons to other EDCs and NGDCs.[52] Peoples' customers do not pay the gas bills for other utilities, they pay what tis being sought from Peoples, and what they pay for electric service is a burden over and above that which they pay for their gas service. It is immaterial that an unaffordable bill is less unaffordable than if a customer were served by another gas utility. The focus of this case should be on Peoples' rates and the effects on Peoples' customers. The only thing this comparison shows is that Peoples' current rates are middle of the pack among Pennsylvania NGDCs and it is proposing to go higher.

Peoples argues that denying its rate increase due to affordability concerns would convert this rate case into "a vehicle to resolve broader macroeconomic affordability pressures such as inflation, housing costs, healthcare costs, or other household budget pressures outside the provision of regulated gas service."[53] This is a gross mischaracterization of the affordability concerns raised by the parties in this proceeding. In the Commission's application of cost-of-service ratemaking, it must take into consideration the underlying economic conditions of both Peoples and its customers to determine the appropriate level of rates to authorize Peoples to collect from its customers.[54] That is, part and parcel of cost of service ratemaking is the fact that the Commission must exercise its discretion and authority to restrain the utility's monopolistic tendency toward extractive rates, and thus a focus on affordability of rates is paramount.[55] To be sure, the

[50] OCA MB at 11.
[51] CAUSE-PA MB at 19-20; OCA MB at 11.
[52] Peoples MB at 6-7.
[53] Id. at 9.
[54] CAUSE-PA MB at 38.
[55] CAUSE-Pa St. 1-SR at 6; CAUSE-PA St. 1 at 11; Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, PUC Docket No. L-2012-2317273, Final Form Order at 4 (order entered January 8, 2025) ("Inherent in the 'cost

Commission cannot ignore that needs of Peoples and its shareholders, but those needs are not paramount and they do not trump the needs of the public and the Commission's obligation to consider whether rates set are just and reasonable, one component of which is whether those rates are affordable for the very customers Peoples exists to serve.

Peoples' own data and discovery responses present a company-specific case that Peoples does not need the rate increase it is requesting because it is already earning sufficient returns, while at the same time demonstrating that any increase in rates will have a devasting economic impacts for low income customers and their continued ability to afford to remain connected to gas service.[56] Peoples argues that "artificially lowering the Company's equity return or equity ratio should not be used a means to address affordability."[57] To be clear, no party in this proceeding has proposed to artificially lower the Company's returns. As explained in more detail in CAUSE-PA's Main Brief and below in section IX (Rate of Return), it is Peoples who seeks to artificially *inflate* its returns through its proposed 11.25% return on equity coupled with an equity heavy capital structure.[58]

Peoples argues that, without the requested rate increase, its revenue and rate of return would be insufficient to support its ongoing capital investment.[59] This argument is unsubstantiated and unfounded. Peoples already has healthy revenue, access to capital, and sufficient returns at current rates with healthy net income of approximately $1.2 billion over the past five years, and it projects net income as of the end of December 2026 to be an additional $261.9 million.[60] Indeed,

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

[56] CAUSE-PA St. 1 at 26-30; 35-36; CAUSE-PA St. 1-SR 7.

[57] Peoples MB at 9.

[58] CAUSE-PA MB at 27-45.

[59] Peoples MB at 11-12.

[60] CAUSE-PA MB at 14.

Peoples proposed rate increase is almost totally powered by its requested 11.25% return on equity and its equity skewed capital structure.[61] There is simply no justification in the record sufficient to support this level of monopolistic, excessive profiteering at the expense of struggling ratepayers.

The Company's speciously argues that the Commission exercising its duty to protect consumers by approving a more reasonable ROE and capital structure would be an "unwarranted and illegal departure" from Commission precedent.[62] This is nothing more than fearmongering and it is unfounded. The Company provides no citation, explanation, or support for this bald assertion. Peoples' assertions are not supported by the record and amount to nothing more than scare tactics aimed at depriving the Commission of exercising its discretion and statutory duty to protect customers from the Company's monopolistic tendencies.[63]

IV. RATE BASE

CAUSE-PA does not have any reply to the other parties on this issue.

V. REVENUES

A. Heating Degree Day Methodology

CAUSE-PA does not have any reply to the other parties on this issue.

VI. EXPENSES

In general, CAUSE-PA does not have any reply to the other parties on this issue. However, in Part VI.Y., the Company asserts that certain of the proposal of CAUSE-PA and the OCA would cause it to incur additional costs and were not accounted for in the rate case expenses and that

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[61] CAUSE-PA MB at 14.

[62] Peoples MB at 12.

[63] Popowsky v. Pa. Pub. Util. Comm'n, 683 A.2d 958, 961 (Pa. Cmwlth. 1996); Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591 (1944); Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Final Form Order, Docket No. L-2012-2317273, at 4 (order entered Jan. 8, 2025).

while it opposes these changes if they are ordered to make them, they are seeking cost recovery.[64] CAUSE-PA opposes any increase in the revenue requirement for the costs that the Company says that it would incur as a result of CAUSE-PA proposals. For example, they list only:

- "Recommendation to use the Self Sufficiency Standard for evaluating income."
- "Recommendation to conduct a root cause analysis that seeks to address why CAP termination rate increased in 2024 and develop a plan to ensure that it continues to decrease"
- "Recommendation to conduct root cause analysis as to why there is a growing number of customers seeking CAP applications but failing to complete the application."[65]

First, Mr. Cicero did not make any proposal relating to the use of the Self-Sufficiency Standard for evaluating income. That is simply an incorrect statement and there would be no costs incurred by Peoples. The latter two categories of costs have already been included in Peoples revised Universal Service Evaluation that will be conducted in the Spring of 2027 and, thus, there is no reason to include them in any awarded increase in rates.[66] Thus, CAUSE-PA disagrees with inclusion of any of these costs in the overall revenue requirement authorized in this proceeding.

VII. DEPRECIATION

CAUSE-PA does not have any reply to the other parties on this issue and stands by the arguments set forth in its section VII of its Main Brief.[67]

VIII. TAXES

CAUSE-PA does not have any reply to the other parties on this issue.

[64] Peoples MB at 41-42.
[65] Id. at 41 (citing Peoples St. 2-R at 53).
[66] CAUSE-PA MB at 90-92; Peoples MB at 120.
[67] Id. at 25-27.

IX. RATE OF RETURN

A. Introduction

Peoples proposed 11.25% return on equity (ROE) and equity heavy capital structure are unreasonable and excessive.[68] CAUSE-PA stands by its recommendation that the Commission deny Peoples' proposed rate increase based on substantial record evidence demonstrating that rates are already unaffordable for a large segment of Peoples' customers.[69] The record in this proceeding shows that Peoples already has sufficient revenue to maintain safe and reliable service and has a reasonable opportunity to earn a fair rate of return without any rate increase.[70] If however, the Commission chooses to look past the evidence of widespread unaffordability, any approved rate increase should be no higher than the $9.4 million recommended by the OCA.[71]

Peoples argues that setting a reasonable ROE that is far closer to the cost of equity than that which was proposed by Peoples, as recommended by CAUSE-PA and OCA would jeopardize the Company's ability to compete with other utilities for long-term capital.[72], Peoples further argues that protecting consumers from Peoples' excessive rate proposals "could have adverse consequences for all Pennsylvania utilities by introducing uncertainty in the stability and consistency of the regulatory environment in Pennsylvania."[73] This is yet another instance of the Company's unsubstantiated scare tactics, attempting to deprive the Commission of the ample discretion that the appellate courts have granted it in setting an appropriate ROE.[74]

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[68] CAUSE-PA MB at 27.
[69] Id.
[70] Id.
[71] OCA MB at 7, 90.
[72] Peoples MB at 56-57.
[73] Id.
[74] Popowsky v. Pa. Pub. Util. Comm'n, 683 A.2d 958, 961 (Pa. Cmwlth. 1996); Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591 (1944), ("the Commission was not bound to the use of any single formula or combination of formulae in determining rates").

Peoples cites to PPL 2012 rate case arguing that the Commission demonstrate that Pennsylvania remains a constructive and supportive regulatory environment, through a fair rate of return.[75] However, Peoples fails to acknowledge that a "fair rate of return" is one that properly balances the interests of the utility and its customers.[76] Peoples also fails to acknowledge that the Commission is not bound to any ratemaking method and must consider the needs to its customers not merely the needs of investors. [77] The record in this proceeding demonstrates that Peoples current rates are already unaffordable for customers and they cannot absorb another rate increase without being priced out of the market for basic service.

Peoples argues that assigning a more equitable ROE would threaten the Company's ability to continue to attract the capital necessary to support its infrastructure.[78] However, Peoples is certainly not capital starved. Peoples gets capital from its parent company, PNG Companies, LLC, it has retained earnings, working capital liquidity from its parent, and long term debt from its parent.[79] It has strong cash flow and access to capital. Importantly, neither Peoples nor its direct parent is subject to capital markets.[80] For both debt and equity, Peoples relies on its great-grandparent, Essential Utilities, which has not needed to flow equity infusions down to the Peoples operating company level since it acquired Peoples in 2019.[81] Thus, the internally generated cash from its operations and the ability to get revenue infusions as needed from its parents – including equity, debt, and short term liquidity – mean that Peoples has sufficient revenue and will have

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[75] Peoples MB at 56.
[76] Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591, 602, 605 (1944);
[77] Id. at 602.
[78] Peoples MB at 56-57.
[79] CAUSE-PA MB at 28-29.
[80] Id.
[81] Id.

sufficient access to capital without a rate increase and that it can maintain safe and reliable service at existing rates.[82]

Peoples cites the Hope and Bluefield cases for the premise that its excessive 11.25% ROE should be granted.[83] These cases do not support Peoples request. Peoples fails to address the impact of its proposed ROE on affordability, nor on the already unaffordable energy burdens that lead to disproportionate terminations and arrearages for its low income customers.[84] Peoples is entitled to no more than a *reasonable opportunity* to earn a *fair* rate of return.[85] The question the Commission must address is how to define a "*fair*" rate of return and it must balance the interests of the utility and its customers.[86] Importantly, Peoples is not entitled to "profits such as are realized or anticipated in highly profitable enterprises or speculative ventures"[87] and that a reasonable opportunity to earn a fair rate of return "does not insure that the business shall produce net revenues."[88]

If the Commission chooses to subject Peoples customers to an increase to their already unaffordable rates, it must consider the common-sense principles laid out by the Governor in setting Peoples' approved ROE and ROR and the ROE recommendations by the OCA.[89] The core of CAUSE-PA's recommendation in this case is that the Commission should set the lowest ROE that the various financial models allow and then determine whether the ROE should be set lower and still be fair to Peoples and its customers.[90] This is at its core the Commission's job – it

[82] CAUSE-PA MB at 28-29.
[83] Peoples MB at 57-58.
[84] CAUSE-PA MB at 18-22.
[85] Pa. Gas & Water Co. v. Pa. PUC, 341 A.2d 239, 251 (Pa. Commw. Ct. 1975).
[86] Id.
[87] Bluefield Water Works & Improvement Co. v. Public Serv. Comm'n of W.Va., 262 U.S. 679, 692-93 (1923)
[88] Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944); FPC v. Natural Gas Pipeline Co., 315 U.S. 575, 590 (1942); Pittsburgh v. Pa. PUC, 69 A.2d 844 (Pa. Super Ct. 1949); see also Duquesne Light Co. v. Barasch, 488 U.S. 299, 310, 312 (1989).
[89] CAUSE-PA MB at 27-45; OCA MB at 56-82.
[90] CAUSE-PA MB at 40.

is to stand in the place of competition to exercise the kind of restraint that competition would require. The Commission must exercise its discretion and duty to ensure that, as a monopolistic enterprise, Peoples does not take undue and unfair advantage of its customers through its equity skewed capital structure and an ROE that is higher than what it would reasonably need to attract capital in the market.[91] Peoples current rates are already unaffordable for a substantial number of Peoples customers and it is imperative that the Commission restrain Peoples' already-large profit margin to ensure basic, life essential service is not priced out of reach for an even greater share of households..

B. Capital Structure

CAUSE-PA stands by its recommendation that the Commission impute a fair, 50/50 capital structure for ratemaking purposes.[92] Peoples' claimed capital structure is too heavily weighted to equity, which unreasonably and unnecessarily increases the rates charged to customers.[93] Imputing this structure would help to gradually move the Company from its equity skewed ratemaking capital structure to one that is more consistent with its role as a monopoly provider of essential utility service to captive customers.[94]

Peoples argues that its proposal of 54.47% equity, 45.53% debt capital structure is reasonable because it is within its proxy group range of 48.70% to 60.15%.[95] However, Peoples fails to acknowledge that a 50/50 equity to debt ratio is also well within that range. The Commission is not restrained to accept the capitalization ratio proposed by Peoples and can impute a revised capitalization ratio for ratemaking purposes.[96] It is within the Commission's discretion

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[91] Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Docket No. L-2012-2317273, Final Form Order at 4 (order entered January 8, 2025).
[92] CAUSE-PA MB at 32-36.
[93] Id. at 32.
[94] Id. at 33.
[95] Peoples MB at 60.
[96] Riverton Consol. Water Co. v. Pa. P.U.C., 140 A.2d 114, 121 (Pa. Super. Ct. 1958).

to impute a revised capitalization ratio where the Company's proposal is weighted too heavily on the debt equity side, which is the case in this proceeding.[97] The use of the actual capital structure in such peculiar circumstances might be unfair to either the utility or its customers, depending upon whether debt or equity is disproportionately high. Under such circumstances the Commission must make adjustments based upon substantial evidence in order to reach a fair result.[98]

Peoples has failed to demonstrate that it would lack the ability to attract capital at a 50/50 capital structure. Indeed, Peoples' "grandparent" Essential Utilities, which is the entity that is actually exposed to the markets, maintains a capital structure is 54.9% debt and 45.1% equity, which is even more heavily weighted to the debt side.[99] In this proceeding, Governor Josh Shapiro – through his Special Counsel, Mark Szybist – provided testimony recommending that debt should represent a clear majority of a utility's proposed ratemaking capital structure.[100] He stated any proposed equity share exceeding the equity amount employed by the utility's parent holding company should require *extraordinary* justification.[101] Vice Chair Barrow also expressed concern regarding Peoples' proposed capital structure and its impact on the Company's proposed rate increase, and urged the Parties to take a critical look at the Company's requested ROE and capital structure to ensure reasonableness.[102]

Peoples is not publicly traded and is a wholly owned subsidiary of Essential Utilities.[103] Pennsylvania Courts have held that the capital structure of utilities that are wholly-owned subsidiaries may differ from what it would maintain if it were obliged to obtain its debt and equity

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[97] Riverton Consol. Water Co. v. Pa. P.U.C., 140 A.2d 114, 121 (Pa. Super. Ct. 1958).
[98] Id..
[99] CAUSE-PA St. 1 at 44, Table 10.
[100] CAUSE-PA MB at 35; Tr. of Proceedings at 259, Index of Exhibits, Governor Shapiro Exhibit 1. (Admitted into Evidence June 11, 2026, Posted to docket on June 16, 2016) (Hereinafter, Governor Shapiro Exhibit 1).
[101] Governor Shapiro Exhibit 1.
[102] Statement of Vice Chair Kimberly Barrow, April 16, 2026.
[103] CAUSE-PA MB at 28.

financing on the open market rather than from a parent company.[104] The Court further explained, "the actual capital structure may be weighted too heavily on the debt side or the equity side."[105] Considering the significant difference between the cost of equity over its cost of debt – at Peoples requested 11.25% the difference is 664 basis points from Peoples cost of long term debt at 4.61%[106] – the use of Peoples' proposed capital structure is unfair to consumers, because its proposed equity level is disproportionately high.[107] To reach a fair result, the Commission must make adjustments based upon substantial evidence; including that Peoples' rates are already unaffordable for a large segment of Peoples' customers and, even in the absence of an increase, Peoples already has sufficient revenue to maintain safe and reliable service for its customers and has a reasonable opportunity to earn a fair rate of return.[108]

CAUSE-PA's recommendation represents a gradual and reasonable progression toward moving the operating company's capital structure toward that of its corporate parent.[109] The Commission should take the affordability concerns voiced by the parties in this proceeding seriously and impute a fairer 50/50 capital structure. It is firmly within the authority Commission's authority to make such an imputation.[110]

C. Debt Cost Rate

CAUSE-PA does not have any reply to the other parties on this issue. CAUSE-PA stands by the positions stated in section IX. C (Debt Cost Rate) of its Main Brief.[111]

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[104] Riverton Consol. Water Co. v. Pa. P.U.C., 140 A.2d 114, 121 (Pa. Super. Ct. 1958).
[105] Id.
[106] CAUSE-PA 1-SR at 25.
[107] Riverton Consol. Water Co. v. Pa. P.U.C., 140 A.2d 114, 121 (Pa. Super. Ct. 1958).
[108] CAUSE-PA MB at 34.
[109] Id.
[110] CAUSE-PA MB at 34; Riverton Consol. Water Co. v. Pa. P.U.C., 140 A.2d 114, 121 (Pa. Super. Ct. 1958).
[111] CAUSE-PA MB at 36-37.

D. Return on Common Equity

CAUSE-PA's Main Brief explained that Peoples' proposed 11.25% return on equity (ROE) as excessive and unsupported.[112] Peoples' rates are already unaffordable for a large segment of its customers, and the Company already has sufficient revenue at present rates to maintain safe and reliable service for its customers and has a reasonable opportunity to earn a fair rate of return.[113] Over the last five years, Peoples has had healthy net income from its operations, totaling approximately $1.2 billion from 2021-2025, and it projects net income as of the end of December 2026 to be an additional $261.9 million.[114] This income was undoubtedly fueled by the actual returns on equity that Peoples has been earning over this period.[115]

CAUSE-PA's primary recommendation is that the Commission deny any rate increase in this proceeding. The results would be an overall rate of return of 5.99%[116] which equates to an ROE of 7.14% at current rates and under Peoples' existing capital structure.[117] This structure allows a generous profit margin for Peoples that more appropriately balances the fact that an increasing number of its customers are already priced out of the market for basic, life-essential services at existing rates.[118] Alternatively, if the Commission overrides this recommendation and decides a rate increase is appropriate, CAUSE-PA urges the Commission to adopt an imputed capital structure of 50% debt and 50% equity and choose the lowest ROE suggested by the applicable financial models – which is the 8.5% ROE recommended by OCA witness Garrett.[119]

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[112] CAUSE-PA MB at 37-43.
[113] Id. at 37.
[114] Id. at 37.
[115] Id. at 37.
[116] Id. at 43; See Peoples' Filing Exhibit 2, Schedule 4, Page 2 of 5, Line 27.
[117] CAUSE-PA MB at 43.
[118] Id. at 43.
[119] Id.; OCA MB at 81.

It should then determine whether the ROE could be lowered even further. The Commission should be parsimonious when handing over consumers money to a regulated monopoly.

Peoples argues that OCA and CAUSE-PA's ROE estimates fail to meet the fair return standards set forth in Hope and Bluefield and would impede the Company's ability to compete for the external capital it needs to fund necessary investments.[120] However, under the Hope and Bluefield standard, the Company is entitled to no more than an *opportunity* to earn a *fair* rate of return on its capital investment, they are not entitled to *guaranteed* profit.[121] Peoples chooses to ignore that the Commission has a responsibility to ensure that rates are affordable, that service is accessible to those in need, and that the Company is not taking undue and unfair advantage of its customers.[122] While the Commission should not substitute macroeconomic analysis for cost-of-service ratemaking, it must take into consideration the underlying economic conditions of both Peoples and its customers to determine the appropriate level of rates to authorize Peoples to collect from its customers.[123] Peoples, as a monopoly utility, should not be authorized by the Commission to rake in hundreds of millions of dollars in profit when tens of thousands of its customers are unable to afford to maintain basic, life-essential service.[124] As the Commission has specifically acknowledged:

> Inherent in the 'cost of providing service' principle of ratemaking is the recognition that public utilities are natural monopolies and that the PUC's oversight through cost-of-service ratemaking regulation serves as a proxy for a competitive market in

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[120] Peoples MB at 71.
[121] Bluefield Water Works & Improvement Co. v. Public Serv. Comm'n of W.Va., 262 U.S. 679, 692- 93 (1923); Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944); Pittsburgh v. Pa. PUC, 69 A.2d 844 (Pa. Super Ct. 1949); Duquesne Light Co. v. Barasch, 488 U.S. 299, 310, 312 (1989).
[122] Federal Power Comm'n v. Hope Nat'l Gas Co., 320 U.S. 591, 603 (1944); Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Docket No. L-2012-2317273, Final Form Order at 4 (Entered January 8, 2025).
[123] CAUSE-PA St. 1-SR at 10-11.
[124] CAUSE-PA MB at 38.

appropriately restraining, or exerting downward pressure on, the profit-maximizing prices a monopoly could otherwise charge in the absence of price regulation.[125]

Exercising that restraint in light of the specific, company-level financial evidence is precisely what the Commission's statutory mandate requires in this case.[126] Residential consumers rely on the Commission to set rates that are fair, just, and reasonable and the Commission's job is to stand in the gap for consumers to protect them from a utility's monopolistic overreach.[127] In contrast, monopolies like Peoples, with no competitors, are inclined to seek rates that are excessive and extractive.[128] The Commission must check this tendency and balance the interests and legal rights of consumers with the interests and legal rights of the utility.[129]

Despite the fact that CAUSE-PA witness Cicero did not make a formal ROE recommendation, Peoples nonetheless takes the opportunity in the ROE section of its brief to argue that he has not established himself as an expert in cost of capital matters.[130] Throughout the course of the proceeding, Peoples never questioned Mr. Cicero's credentials to opine on the issues about which he testified or impeached his credibility in any way. Peoples had an opportunity to cross examine Mr. Cicero about his opinions, experience, and expertise, but chose to waive that opportunity. It is inappropriate and unwarranted for the Company to engage in a collateral attack of Mr. Cicero's credentials at the briefing stage of this proceeding. Mr. Cicero's resume, attached to his direct testimony, and the summary of his credentials and experience outlined in his direct testimony[131] clearly and plainly demonstrate his abundant expertise to support the

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[125] Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Docket No. L-2012-2317273, Final Form Order at 4 (Entered January 8, 2025).
[126] Id.
[127] Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Docket No. L-2012-2317273, Final Form Order at 4 (Entered January 8, 2025); 66 Pa. C.S. § 1301.
[128] Id.
[129] Popowsky v. Pa. PUC, 665 A.2d 808, 812 (Pa. 1995).
[130] Peoples MB at 71.
[131] CAUSE-PA St. 1 at 3-5.

recommendations that he has made in this proceeding. This includes more than 15 years of experience in energy and utility litigation and policy, three years of service as the Senate-confirmed Consumer Advocate of Pennsylvania, and extensive experience serving as a subject matter expert in numerous proceedings on a wide range of issues, including capital structure.[132]

What Peoples appears to be upset about is that Mr. Cicero focused his testimony on the needs of consumers and sought to remind the Commission about its obligation to consider the public interest not merely the private interests of Peoples and its shareholders.[133] The fact that Mr. Cicero did not conduct a cost of capital analysis does not render his testimony a nullity on these issues. Peoples argues that the only way to estimate the cost of equity is through the "rigorous application of financial models using market data considered together with the utility's risk profile."[134] However, these models are, themselves fallible, and there is often a significant divergence in ROEs that are recommended in rate cases based on the financial models deployed by parties.[135] Peoples argument ignores that the Commission's discretion in setting just and reasonable rates is broad and not confined "to an absolute or mathematical formulation" – but instead "imports a flexibility in the exercise of a complicated regulatory function."[136] Setting Peoples' ROE is one of many areas where the Commission has an abundance of discretion.[137] The Commission can and should exercise that discretion to restrain the monopolistic tendencies of the utility and protect its captive ratepayers. There is a significant divergence in the ROE recommended by the parties in this case, based on various financial models.[138] Each of these parties

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[132] CAUSE-Pa St. 1, Appendix A.
[133] See gen. CAUSE-PA St. 1; CAUSE-PA St. 1-SR.
[134] Peoples MB at 71.
[135] CAUSE-PA MB at 39-40; CAUSE-PA St. 1 at 39.
[136] Id.
[137] Permian Basin Area Rate Cases, 390 U.S. 747, 797 (1968) (Permian Basin), citing Atlantic Ref. Co. v. Pub. Serv. Comm'n, 360 U.S. 378, 388 (1981).
[138] CAUSE-PA MB at 39.

argue that their models best approximate what the financial markets demand and the complexity in the process has created an evidentiary record that with a range of possibilities from which the Commission can choose.[139]

To the extent the Commission deems a rate increase appropriate, it should start with the 8.5% ROE recommended by OCA witness Garrett,[140] and should make further downward adjustment based on other objective criteria, such as the criteria recommended by the Governor.[141] This approach would be consistent with the Commission's responsibility to ensure that it is authorizing rates that are *no higher than necessary* to allow Peoples a reasonable opportunity to earn a *fair* rate of return – in light of all the relevant facts and circumstances, including the ability for all customers, regardless of wealth, to afford safe and stable service to their home.[142]

Peoples argues that the position that lower ROE will produce more affordable rates is "misguided", because its "proposed rates are affordable."[143] This claim is debunked at length above in section II, (Overall Position on Rate Increase and) of this Reply Brief as well as CAUSE-PA's Main Brief.[144] The record demonstrates that rates are unaffordable for a substantial portion of Peoples customers and they cannot afford any rate increase.[145] Peoples residential customers face extraordinary hardship because of acute and real affordability concerns, evidenced by:

- Peoples has 144,131 estimated low income customers in its service territory.
- 75% of Peoples' estimated low income customers are not enrolled in CAP.
- The average annual income of confirmed low income customers is $19,011, and for CAP customers is $16,295, both of which are substantially less than needed to meet their basic expenses.

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[139] CAUSE-PA MB at 40.
[140] OCA St. 3 at 4.
[141] CAUSE-PA St. 1 at 40.
[142] Id. at 40-41.
[143] Peoples MB at 72.
[144] CAUSE-PA MB at 18-22.
[145] Id. 41-42.

- Energy burdens for these households are 11%-15% during the winter heating months at existing rates and would increase to 12%-16% during these months at proposed rates.
- Many low income customers face burdens of 26.2% without CAP benefits.
- Confirmed low income customers who are not enrolled in CAP have a termination rate that is approximately 500% higher than non-low income customers.
- Peoples' confirmed low income customers are twice as likely to carry arrears as residential customers generally.
- The average arrearages carried by confirmed low income customers are approximately 400% higher than those carried by non-low income residential customers.[146]

In setting a reasonable ROE, the Commission cannot look past the present reality of Peoples' robust financial condition as compared to the hardships facing its customs, including the shockingly high rates of utility insecurity among its customer base.[147] Peoples is myopically focused on its future profits, and overlooks its customers' financial status and ability to pay.[148]

Peoples also argues that a lower ROE would produce higher rates because the Company would need to seek higher cost financing to fund its infrastructure programs.[149] This argument is speculative and self-serving.[150] Peoples' requested ROE (11.25%) is 664 basis points higher than its cost of long term debt (4.61%), so the cost of debt would have to increase dramatically to have an overall upward effect on the rates.[151] There is no credible evidence to suggest that the cost of debt would increase to the level that it would have an upward effect on rates if the Commission were to adopt a more equitable ROE.[152] The Commission should not allow Peoples' speculative and self-serving arguments to prevent it from assigning an appropriate ROE.

[146] CAUSE-PA MB at 41-42.
[147] Id. at 42.
[148] Id. at 36.
[149] Peoples MB at 73.
[150] CAUSE-PA MB at 36-37 (section IX. C. - Debt Cost Rate)
[151] Id. at 36
[152] Id.

E. Alternative Cost of Capital Proposals

As outlined above and throughout this proceeding, CAUSE-PA recommends that the Commission look at the lowest ROE recommended by the financial models – in this case the 8.5% recommended by the OCA and then consider how the principles outlined by Governor Shapiro in his letter to utility CEOs on April 29, 2026,[153] could be utilized to further reduce the authorized ROE. In his letter, *inter alia*, Governor Shapiro outlined a set of principles for setting an ROE and imputed capital structure. This approach merits significant consideration by the Commission.[154] Specifically, the Governor laid out several "commonsense principles," including:

- Pennsylvanians are experiencing markedly higher utility costs with core causes directly within the control of utilities that result from policy and fiscal decisions made by the utilities and their corporate parents.

- Pennsylvania has reached a tipping point, and this is a time when it is imperative that utilities should put their customers first.

- Utilities should seek to raise the most cost-effective forms of capital by disfavoring expensive equity when lower cost debt is available.

- Specifically, the Governor recommended that to rebalance the scales, the *equity portion of an operating utility's capital structure should generally not be more than the amount of equity employed by the utility's parent holding company.*

- As for the calculation of what is an appropriate cost of equity, the Governor recommended "transparent, justifiable equity returns" and indicated a preference for use of markets to determine their true cost of equity rather than relying on captive equity from the utility's corporate parent. In the absence of actually going to financial markets to determine the cost of equity, the Governor suggested a simple calculation of an authorized return that "does not exceed the rate of the current 10 - year U.S. Treasury yield plus the five - year median of the equity risk premium as published in the Federal Reserve 's Financial Stability Reports."[155]

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[153] Tr. of Proceedings at 259, Index of Exhibits, Governor Shapiro Exhibit 1. (Admitted into Evidence June 11, 2026, posted to docket on June 16, 2016) (Hereinafter, Governor Shapiro Exhibit 1).
[154] CAUSE-PA MB at 29
[155] Governor Shapiro Exhibit 1, Shapiro Letter at page 3.

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

Peoples argues that the Governor's principles fail to meet the Hope and Bluefield standard.[157] However, the Governor's guidelines are rooted in Hope and Bluefield. As explained above, under the Hope and Bluefield standard, the Company is entitled to no more than an *opportunity* to earn a *fair* rate of return on its capital investment, they are not entitled to *guaranteed* profit.[158] Further, under these standards, the Commission has a responsibility to ensure that rates are affordable, that service is accessible to those in need, and that the Company is not taking undue and unfair advantage of its customers.[159]

Peoples also argues that it is inappropriate to rely on the corporate parent's capital structure.[160] However this approach is entirely appropriate and consistent with the Commission' duty to serve as a proxy for a competitive market and exert downward pressure on excessive, monopolistic rate proposals. For both debt and equity, Peoples relies on its great-grandparent, Essential Utilities, which has not needed to flow equity infusions down to the Peoples operating company level since it acquired Peoples in 2019.[161] As it is Essential, not Peoples, that is exposed to the competitive markets, it is entirely appropriate to consider Essential capital structure in setting Peoples' ROR.

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156 CAUSE-PA MB at 30.
157 Peoples MB at 85.
158 Bluefield Water Works & Improvement Co. v. Public Serv. Comm'n of W.Va., 262 U.S. 679, 692- 93 (1923); Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944); Pittsburgh v. Pa. PUC, 69 A.2d 844 (Pa. Super Ct. 1949); Duquesne Light Co. v. Barasch, 488 U.S. 299, 310, 312 (1989).
159 Federal Power Comm'n v. Hope Nat'l Gas Co., 320 U.S. 591, 603 (1944); Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Docket No. L-2012-2317273, Final Form Order at 4 (Entered January 8, 2025).
160 Peoples MB at 88.
161 CAUSE-PA MB at 28.

Contrary to Peoples arguments, the principles outlined by Governor Shapiro are compelling, as applied in this case.[162] The record demonstrates that acute affordability concerns for essential gas service are profound for Peoples' low and moderate income customers.[163] These customers face extraordinary challenges and would materially benefit from lower rates due to more cost-effective capital deployment by Peoples. Affordability is a polestar issue in ratemaking and should bear directly on the determination of both the Company's authorized return on equity and capital structure.[164] The authority of the Commission to consider these issues in rate cases is well known and abundantly clear.[165] The notion that a utility's return on equity should be a proxy for the cost of equity in the markets is also well know and abundantly clear.[166]

The Governor has recommended a more fair and transparent process for establishing a return on equity and capital structure that is different from how the Commission has historically conducted this analysis.[167] This does not mean that this method should be disregarded.[168] It has been long established that it is the result reached, not the method employed, that matters in setting just and reasonable rates, including an overall rate of return.[169]

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[162] CAUSE-PA MB at 30-31.
[163] Id.
[164] Id.
[165] See e.g., Popowsky v. Pa. Pub. Util. Comm'n, 683 A.2d 958, 961 (Pa. Cmwlth. 1996) (stating that the Commission "has broad discretion in determining whether rates are reasonable" and "is vested with discretion to decide what factors it will consider in setting or evaluating a utility's rates").
[166] FPFTY Final Form Order at 4 ("Inherent in the 'cost of providing service' principle of ratemaking is the recognition that public utilities are natural monopolies and that the PUC's oversight through cost-of-service ratemaking regulation serves as a proxy for a competitive market in appropriately restraining, or exerting downward pressure on, the profit-maximizing prices a monopoly could otherwise charge in the absence of price regulation.") See e.g., Bluefield Water Works & Improvement v. Pub. Serv. Comm'n of W.Va., 262 U.S. 679, 692-93 1923) and FPC v Hope Natural Gas, 320 U.S. 591, 602 (1944).
[167] CAUSE-PA MB at 30-31.
[168] Id.
[169] See Hope Natural Gas, 320 U.S. at 602 ("Under the statutory standard of 'just and reasonable' it is the result reached not the method employed which is controlling. It is not the theory but the impact of the rate order which counts.").

F. Conclusion as to Rate of Return

As explained above, and throughout CAUSE-PA's Main Brief, Peoples is well capitalized and has sufficient revenue at current rates. To the extent the Commission disagrees and determines that to subject Peoples customers to an increase to their already unaffordable rates, it must consider the common-sense principles laid out by the Governor in setting Peoples' approved ROE and ROR. Additionally, the Commission should review the ROE recommendations by OCA witness Garrett in determining what ROE to authorize.[170] This approach would temper the excessive profits sought by Peoples and more fairly balance the needs of Peoples with the needs of its customers, particularly its low income customers who do not have the financial margin to absorb the rate increase required from granting an excessive ROE at an equity-skewed capital structure.

X. REVENUE ALLOCATION AND RATE DESIGN

A. Introduction

CAUSE-PA stands by its positions in its Main Brief that Peoples' inequitable proposals to dramatically increase its fixed customer charge and continue imposing a WNA should be rejected, because they shift traditional business risk from Peoples' shareholders to its customers.[171] These rate design proposals work together to replace Peoples' *opportunity* to collect its revenue requirement with a *guarantee* by locking in revenue at an established benchmark for Peoples at the expense of customers, regardless of whether a customer is able afford service.[172] The combination of an increased customer charge and the WNA together work to insulate Peoples from the traditional business risk of providing a weather dependent commodity, and passing risks related to warming trends and climate change is passed onto its customers.[173]

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[170] See gen. OCA St. 3.
[171] CAUSE-PA MB at 47-52.
[172] OCA St. 3 at 50.
[173] CAUSE-PA MB at 45-46.

B. Cost of Service

CAUSE-PA does not have any reply to the other parties on this issue.

C. Revenue Allocation

CAUSE-PA does not have any reply to the other parties on this issue, and stands by its positions as outlined in Section X. E. of its Main Brief, addressing the Allocation of Universal Service Program Costs, which is addressed further below in Section X. E. of this Reply Brief.

D. Rate Design

1. Residential Customer Charge.

Peoples' excessive proposal to increase its residential fixed charge by 54.8% (from $16.80 to $26.00) will adversely impact on the Commission's goal of encouraging energy efficiency and conservation.[174] As proposed, the fixed customer charge would comprise an unreasonably large proportion of a customer's monthly bill and diminish customers' ability to offset any approved rate increase through efficiency and conservation.[175] The erosion of bill savings through efficiency and conservation will disproportionately affect low income households that rely on conservation to help control costs, exacerbating the already-pronounced affordability gap and undermining the explicit goals of Peoples' Low Income Usage Reduction Program (LIURP).[176]

Peoples argues that, even at its proposed $26.00 fixed charge, usage-based charges still comprise 65% of the total bill, and that, therefore, customers could still reduce through conservation.[177] However, Peoples fails to acknowledge that its proposed residential customer charge would lock in $312 per year in fixed charges (an additional $110.40 per year over current

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[174] CAUSE-PA MB at 47-52.
[175] Id. at 47-48.
[176] Id. at 48-50.
[177] Peoples MB at 99-100.

rates).[178] This presents a significant and unavoidable cost for low income households that are already struggling to maintain service.[179]

As explained in CAUSE-PA's Main Brief, every dollar that is locked into the customer charge undermines the ability of consumers to mitigate the rate increase through conservation and efficiency. Peoples proposal would be to weaken the ability of low income households to save money on their bills through careful conservation, including participation in Peoples' LIURP, undercutting the program's purpose to reduce bills for low income customers.[180] As more residential customer bills are shifted to the fixed charge, the achievable bill savings – and the corresponding impact on bill payment ability – will erode.[181]

Peoples argues that the detrimental effects of its proposed increased fixed charge on LIURP bill savings are not relevant because most LIURP participants are enrolled in CAP.[182] However, due to income fluctuation and other factors, customers who are enrolled in CAP do not always stay on CAP.[183] Additionally, many CAP customers are billed according to their average bill.[184] These customers depend on the corresponding bill savings from LIURP to afford their monthly bill.

When setting fixed customer charges, the Commission must consider factors such as gradualism, affordability, and incentives to conserve energy, especially to scale back proposed customer charges from the cost of service.[185] High fixed charges violate the Commission's policies encouraging energy efficiency and conservation, as it hinders customers' ability to reduce their

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[178] CAUSE-PA MB at 48.
[179] Id.
[180] Id.
[181] Id.
[182] Peoples MB at 101.
[183] Peoples St. 10, Ex. RFB-1 pp. 2, 9-12.
[184] Peoples St. 10 at 10:6-7.
[185] See e.g. Pa. PUC v. PECO Energy Company – Gas Division, Docket No. R-2020-3018929, Opinion and Order at 274 (Entered June 22, 2021) ("Rate design requires a careful balance of the competing interests of customer classes as well as prudent application of the principles of cost causation, gradualism, and overall fairness").

bill through conservation or energy efficiency measures.[186] Recovering a greater portion of the bill through the fixed charge also erodes incentive for monopoly utilities to improve operational efficiency, undermining foundational consumer protections embedded in utility ratemaking.[187]

Peoples argues that higher fixed monthly charges allow for greater predictability in household budgets and is preferable because low income households have less ability to control their usage.[188] CAUSE-PA acknowledges that low income households are less able to afford home energy efficiency and weatherization.[189] CAUSE-PA also acknowledges that disparities in energy burden for low income households are exacerbated by inequities in housing efficiency, which causes many low income households to face disproportionately harsh impacts from rising rates.[190]

However, the solution to rising energy insecurity is not through augmented rate design – increasing the fixed customer charge for all residential consumers, including low and moderate income households fortunate enough to live in efficient homes.[191] Instead, these disparities should be addressed through targeted energy efficiency and weatherization services for high usage households, improved access for tenants to LIURP services, and improved access to income-based rates and arrearage management through CAP.[192] Rather than advance proposals to improve access to CAP and LIURP, Peoples instead proposes to address inequities in energy burden through rate design that undermines achievable savings through conservation and efficiency – depriving households of the ability to control their bill through conservation and efficiency.[193]

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186 Pa. PUC v. Columbia Gas of Pa., Inc., Opinion and Order, Docket No. R-2020-3018835, at 264-265 (order entered Feb. 19, 2021) (Columbia's proposed fixed charge was "contrary to the Commission's goal of encouraging customers to conserve energy.).
187 CAUSE-PA MB at
188 Peoples MB at 99-100.
189 CAUSE-PA MB at 49.
190 Id. at 49-50.
191 Id.
192 Id.
193 Peoples MB at 99-100.

Taking away customers' ability to reduce their bill by reducing their usage does not benefit low income customers.[194] Instead, it weakens the effectiveness of universal service and energy conservation programming and undermines the ability of low income households to maintain access to service.[195] A bill that is stable but unaffordable is meaningless for low income customers struggling to stay connected to service.[196] As explained in CAUSE-PA's Main Brief, enrollment in CAP is far more useful to create actual bill stability than a higher fixed customer charge (or budget billing for customers who don't qualify for CAP).[197]

Peoples also argues that its proposal to increase its residential customer charge by 54.6% would support "more cost-reflective rates" by recovering a greater portion of customer-related fixed costs through the monthly customer charge.[198] However, OCA witness Deupree's analysis of customer-related costs found that residential rate classes are already currently recovering a significant portion of customer-related costs through monthly customer charges.[199] Further, Peoples' proposed $26.00 residential customer charge would be well above the mid-Atlantic regional average of $17.22 per month, and would be the second-highest residential customer charge in the region.[200] Mr. Deupree also presented data from the Residential Energy Consumption Survey ("RECS") demonstrating that as income increases, gas consumption also increases, and vice versa: as income decreases, gas usage decreases, contradicting any assertion that low income customers benefit from an increased fixed charge.[201]

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194 CAUSE-PA MB at 50.
195 Id.
196 Id.
197 Id.
198 Peoples MB at 99.
199 OCA St. 1 at 68.
200 Id. at 69.
201 Id. at 74.

As explained in more detail in CAUSE-PA's Main Brief, the combination of Peoples' proposed customer charge increase and its WNA (addressed below in section XI. (Weather Normalization Adjustment)) pass the traditional business risks of fluctuating gas use onto customers.[202] They create a double penalty for customers, who pay a higher fixed customer charge regardless of usage, *plus* bear more of the risk of a warmer winter.[203] CAUSE-PA stands by its position that the Commission should reject Peoples' proposed increase to its residential customer charge, as well as its Peoples' proposed continuation of its WNA pilot.

E. Allocation of Universal Service Program Costs

CAUSE-PA's Main Brief details, at length, that the cost of ensuring universal access to Peoples' gas service should be borne by all those who enjoy the benefits of the public utility as an inherent public good.[204] These costs are, at their core, public purpose programs - embedded in the fabric of the regulatory compact, and as such should be paid for by all customer classes.[205]

In its Main Brief, OSBA argues that the Commission does not have the authority to assign universal service costs to nonresidential classes.[206] However, as explained at length in CAUSE-PA's Main Brief, this issue was addressed by the Commonwealth Court in Lloyd v. Pa. PUC, where the court expressly affirmed the right to recover the costs of "public purpose programming" from all rate classes.[207] The Commonwealth Court roundly rejected arguments that low income programming provides no benefit to non-residential customers and that the Commission lacked

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[202] CAUSE-PA MB a 61-79.
[203] Id. at 46, 51.
[204] CAUSE-PA MB at 52-60
[205] Id. at 53-57.
[206] OSBA MB at 12.
[207] Lloyd v. Pa. PUC, 904 A.2d 1010 (Pa. Commw. Ct. 2006).

In Lloyd, the PPL Industrial Customer Alliance (PPLICA) challenged the Commission's decision to allow cross-class recovery of funding for the Sustainable Energy Fund (SEF) in PPL's service territory. PPLICA argued that SEF provided "no demonstrable benefits to ratepayers" and asserted that there was no legal justification for the program. PPLICA argued that recovery of costs through rates constituted an "unlawful tax on ratepayers which only the General Assembly has the power to impose."

the authority to assign costs to nonresidential classes. The court held that the General Assembly – through section 2802(17) of the Choice Act[208] – "specifically authorized that public service programs such as SEF be funded."[209] The Court also concluded that there was substantial evidence to support the Commission's conclusion that SEF provided demonstrable benefits to ratepayers.[210] Ultimately, the Commonwealth Court affirmed the continued recovery of public purpose program costs from all ratepayers and definitively concluded that "SEF funding was not a tax, hidden or otherwise, but a conservation program directly related to conservation programs that the General Assembly permitted to be funded."[211]

More recently, in the Commission's Interconnection and Tariffs for Large Load Customers proceeding, the Commission confirmed that it has the authority to require nonresidential class to contribute to the costs of universal service programs; and, that the Commission has an obligation to ensure that service is available to all customers on reasonable terms and conditions.[212] OSBA acknowledges that the Commission's model tariff requires contributions from non-residential large load customers, but argues, that the "smallest Data Center dwarfs the size and natural gas usage of any small business across the Commonwealth."[213] While CAUSE-PA acknowledges that the large load model tariff assigns universal service costs to large load non-residential customers, this case is not about large load EDC customers. CAUSE-PA's recommendation is rooted in sound public policy. There is no rational basis for Peoples' residential customers to solely bear the burden of Universal Service costs, because these are public purpose costs that assist low income families to

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[208] Note that this is the same section that is cited in full above, and provides explicitly that "certain public purpose costs, including programs for low income assistance, energy conservation and others," are in the public interest and must be continued. 66 Pa. C.S. § 2802(17).
[209] Lloyd, 904 A.2d at 1025-1026.
[210] Lloyd, 904 A.2d at 1026-1029.
[211] Lloyd, 904 A.2d at 1027.
[212] Interconnection and Tariffs for Large Load Customers, Docket No. M-2025-3054271, Final Order at 107 (Adopted April 30, 2026, Entered May 12, 2026).
[213] OSBA MB at 12-13.

maintain access to gas service and benefit the entire community.[214] All ratepayers contribute to the costs and enjoy benefits from universal service and energy conservation programs and, as such, the associated costs should be equitably and proportionately assigned across all rate classes.[215]

OSBA also argues that CAUSE-PA and OCA do not address the impact of assigning Peoples' universal service costs to small business customers and attempts to define them as "residential only" programs.[216] However, CAUSE-PA and OCA have provided extensive analysis demonstrating that universal service costs are not caused by residential ratepayers, they are caused by a wide range of factors that create the conditions for energy poverty. As it stands, employers who fail to pay their employees a living wage are being subsidized by residential ratepayers, who are alone shouldering the burden of providing critical safety-net programs.[217] As evidenced by the following:

- Consistently over the past six years, one-third or more of Peoples' CAP customers have been employed, and the fact that the wages received by these households leave them with a poverty-level income can be attributed to the wage-payer as much as it is attributed to the wage-earner.[218]
- In 2024, statewide, 30% of CAP customers, 31.7% of LIURP recipients, and 47% of customers who received a hardship fund were employed.[219]
- The next largest group of low income assistance program participants are retired seniors or individuals on disability who do not receive sufficient social security, disability, or retirement benefits to afford basic life necessities, including energy services.[220]
- Approximately 700,000 fast food and counter workers, personal care aides, cashiers, waiters and waitresses, and retail salespersons earn substantially less than $20 per hour.[221]

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[214] CAUSE-PA MB at 55.
[215] Id. at 53.
[216] OSBA MB at 13.
[217] CAUSE-PA MB at 58-60.
[218] Id. at 58.
[219] Id.
[220] Id.
[221] Id. at 59.

- Approximately 1.75 million workers in these counties worked in industries with median hourly wages ranging from $13.94 (personal care aides) to $20.93 (sales workers and truck drivers).[222]

Further, the average income for Peoples CAP participants is falling further below the poverty level and that the declining income can be attributed to the performance of the economy as a whole, including non-residential customers.[223] Nonresidential customers, such as small businesses, are also impacted when customers facing utility insecurity must take time away from work to arrange payments, apply for assistance programs, and arrange for reconnections.[224] These consequences of utility insecurity significantly undermine worker productivity, which in turn impacts businesses, and other non-residential customer groups.[225]

In Peoples Main Brief, the Company argues that this issue affects the entire industry and should not be isolated to this case.[226] Peoples further argues that broadly allocating universal service costs would impose an obligation on Peoples' non-residential customers that is not placed on the non-residential customers of other utilities in Pennsylvania.[227]

Contrary to the assertions of Peoples, this matter does not need to be determined in a statewide proceeding, as the matter has the Commission has already addressed the allocation of universal service costs through a statewide proceeding. In its Final CAP Policy Statement and Order, the Commission indicated that it is appropriate to consider recovery of the costs of customer assistance programs from all ratepayer classes, because "poverty, poor housing stock, and other factors that contribute to households struggling to afford utility service are not just 'residential

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[222] CAUSE-PA MB at 59.
[223] Id.
[224] Id.
[225] Id. at 59-60.
[226] Peoples MB at 103.
[227] Id. at 104.

class' problems.'"[228] The Commission directed utilities and stakeholders to address CAP cost recovery in utility-specific rate proceedings, indicating that "*the Commission will no longer routinely exempt non-residential classes from universal service obligations*."[229]

To the extent that there are concerns that assignment of universal service costs to non-residential classes could affect business siting, expansion, and investment decisions, this is only one of a number of different factors that are unique to each NGDC's service territory.[230] Other such factors include variations in rates, that could affect business decisions – including the level of rate increase that the Commission authorizes in this proceeding.[231] The allocation of universal service costs is just one of these potential factors and would likely have minimal influence compared to the geographic location, existing infrastructure, and the general prices the utility charges for service, of which universal service costs would only make up a small fraction.[232]

It also bears noting that allocating costs across rate classes would not be a new endeavor for Peoples, as it previously had a mechanism in place to recover universal service costs across all rate classes. While Peoples currently only recovers universal service costs from residential customers, this has not always been the case.[233] Peoples' CAP costs were previously recovered through a mechanism that adjusted delivery base rates on a quarterly basis to align with changing gas costs and enrollment levels and 4.25% of CAP costs were allocated to non-residential customers.[234]

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228 Final CAP Policy Statement and Order, Docket No. M-2019-3012599, at 97 (Order entered Nov. 5, 2019); see also 52 Pa. Code §§ 69.265(1), 69.266 (b).
229 Final CAP Policy Statement and Order, M-2019-3012599 at 97 (emphasis added); see also 52 Pa. Code. § 69.266 (b).
230 CAUSE-PA St. 1-SR at 50-51.
231 Id.
232 Id.
233 Peoples St. 10-R at 24.
234 Id.

Peoples further argues that the Commission should evaluate whether the costs will be allocated volumetrically or on a fixed basis, and the resulting bill impacts under the proposed recovery mechanism to ensure the costs are recovered equitably and reasonably.[235] Regarding the choice between fixed or volumetric assignment of universal service cost among nonresidential customers, the most equitable approach is a volumetric assignment after the costs have been allocated to each class.[236] Of course, if necessary, these allocations could be adjusted in future cases – as are all allocations.[237]

In his direct testimony, CAUSE-PA witness Cicero recommended that universal service costs be assigned to all rate classes based on their respective distribution revenue requirements per the Company's cost of service study (COSS) filed in the current case.[238] He explained this recommendation was based on the public purpose nature of these programs, the Commission's policy statement, and because all utility ratepayers benefit from the existence of these programs.[239] OCA witness Roger Colton similarly recommended that all rate classes should contribute to the Company's Universal Service and Energy Conservation program costs because those costs are not caused by factors specific to residential customers and benefit all customers.[240]

The just allocation of universal service and energy conservation costs is appropriately decided in this proceeding. The Commission expressly directed: "Utilities should be prepared to address recovery of CAP costs (and other universal service costs) from any ratepayer classes in their individual rate case filing."[241] All customer classes benefit from the availability and existence of universal service programs and assistance, and all classes should contribute to the costs. It is a

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[235] Peoples MB at 104
[236] CAUSE-PA St. 1-SR at 51.
[237] Id.
[238] CAUSE-PA St. 1 at 81.
[239] Id. at 78-81.
[240] OCA St. 4 at 74-84.
[241] Final CAP Policy Statement and Order, M-2019-3012599, at 80.

sound policy decision for all customers to share the costs of providing these programs to Peoples' most vulnerable customers. CAUSE-PA stands by its recommendation that the Commission should order Peoples to adopt a broad allocation of costs to all rate classes.[242]

F. Competitive Rate Customers

CAUSE-PA does not have a reply to other parties on this issue.

XI. WEATHER NORMALIZATION ADJUSTMENT

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

As outlined in CAUSE-PA's Main Brief, the Commission should order Peoples to cease operation of its unjust and unreasonable WNA charge.[243] The WNA shifts weather-related risk from the utility to customers by allowing Peoples to charge customers for consumption of gas they did not use, but that they "should have used", based on the Company's own projections.[244] The WNA formula requires an overly complicated and nuanced calculation that is difficult for customers to understand.[245] These additional charges are disproportionately harmful to low income households who already face difficult choices between heating, food, and other essentials, undermining their ability to plan for and manage utility expenses by assessing additional charges when weather is warm and usage is low.

Regarding concerns about the disproportionately harmful effects of WNA charges on low income customers and on the cost of CAP, Peoples asserts that these concerns are "based on projections that temperatures will always be warmer than normal."[246] CAUSE-PA made no such argument – that weather will *always* be warmer. Pennsylvania's weather is undergoing a long-

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[242] CAUSE-PA MB at 52-60
[243] Id. at 61-79.
[244] CAUSE-Pa St. 1 at 62.
[245] CAUSE-PA MB at 77-78.
[246] Peoples MB at 110.

term warming trend that experts project to continue.[247] While weather may vary month over month or year over year, consistently warming average temperatures are projected to hold steady over time.[248] No party to this proceeding, including Peoples, disputes that weather is progressively warming and is projected to continue to warm. As the Pennsylvania Department of Environmental Protection reports, Pennsylvania's annual total heating degree days are anticipated to decrease by 13% by mid-century and 25% by end-of-century compared to the historical baseline.[249] No party to this proceeding, including Peoples, disputes that Pennsylvania's warming trend is projected to continue.[250] Although weather varies year over year, the trend is projected to hold steady over time.[251] This warming trend means that Pennsylvania will experience increasingly fewer HDDs over time.[252] As a result, if allowed to continue, Peoples' WNA will impose increasingly greater additional charges on customer bills.[253] This factual context is critical to assessing the justness and reasonableness of the WNA. The WNA is mathematically symmetrical, but when applied to the actual and projected weather in Pennsylvania, it is far more likely to operate, on net, as a one-way surcharge that insulates the Company from the risk of warming weather at the expense of consumers.

Peoples contends that its WNA is "symmetrical" because it "can produce either surcharges or credits," depending on whether actual weather is warmer or colder than normalized projections. Peoples argues that the fact weather conditions were colder than normal in the 2025-2026 heating season demonstrates the mechanism is symmetric.[254] Peoples argument relies heavily on the fact

[247] CAUSE-PA MB at 65-67.
[248] Id. at 65-67.
[249] Id.
[250] Id.
[251] CAUSE-PA MB at 65-67.
[252] Id.
[253] Id.
[254] Peoples MB at 110-111.

that, since the WNA first went into effect on October 1, 2024, the net result of the WNA has been a net credit to customers.[255] However, these net credits are due to the short sample size and the weather anomaly caused by winter storm Fern in January 2026.[256] Excluding this anomalous weather event, Peoples' WNA would have produced more than $8.0 million in net revenues for the Company through March 2026.[257] In the long term, the WNA is far more likely to produce significant asymmetry and surcharge customers on net each year than it is to produce net credits, as demonstrated by the fact that every other WNA that has been in effect longer than Peoples has resulted in millions of dollars of net charges to consumers.[258]

Peoples argues that its proposal to amend its WNA to use a 65-year regression-based framework will better address long-term weather trends.[259] However, this proposal does not alleviate the underlying uncertainty associated with billing based on normalized weather rather than actual weather.[260] It does not change the fundamental reality that the WNA shifts the risk of under collection from the utility – where it belongs – to its customers – many of whom simply cannot bear this risk financially.[261]

Peoples' WNA is designed to insulate Peoples from the business risk of under collection due to climate change at the expense of its customers.[262] Importantly, as discussed in detail below, Peoples' WNA lacks the range of customer protections ordered by the Commission in allowing Columbia Gas to continue its WNA mechanism on a pilot basis until the company's next rate case. There, the Commission required that Columbia implement a range of additional customer

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[255] Peoples MB at 110-111; Peoples St. No. 17 at 43.
[256] OCA St. 1 at 33; OSBA St. 1 at 15-16;
[257] OCA St. 1 at 33.
[258] CAUSE-PA MB at 65.
[259] Peoples MB at 114.
[260] CAUSE-PA MB at 62-63.
[261] Id.
[262] Id.

protections, including implementation of a 5% deadband and elimination of the shoulder month of May for the purposes of WNA calculation.[263]

Peoples argues that CAUSE-PA and OCA have the burden of demonstrating that the WNA is unjust or unreasonable.[264] However, Peoples bears the burden of proof to establish the justness and reasonableness of each element of its requested rate increase – inclusive of all attendant policies, programs, and services, including its WNA.[265] To meet its burden, Peoples must establish that all of "the elements of [its] cause of action are proven with substantial evidence which enables the party asserting the cause of action to prevail, precluding all reasonable inferences to the contrary."[266] Importantly, the burden of proof remains with Peoples throughout the case and does not shift to any other parties.[267] Thus, it is not the responsibility of the CAUSE-PA and OCA to prove that Peoples' WNA is unjust, unreasonable, or not in the public interest. CAUSE-PA and OCA are only required to prove that the Company failed to meet its burden of proof that its WNA is just and reasonable and in the public interest.[268]

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

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[263] Pa. PUC v. Columbia Gas of Pa., Inc., Opinion and Order, Docket No. R-2025-3053499 at 279 at 301-302 (Order entered Dec. 4, 2025).
[264] Peoples MB at 106-107.
[265] 66 Pa. C.S. §§ 315 (a), 1308 (a); Lower Frederick Twp. Water Co. v. Pa. PUC, 409 A.2d 505, 507 (Pa. Commw. Ct. 1980).
[266] Burleson v. Pa. PUC, 461 A.2d 1234, 1236 (Pa. 1983); Lansberry v. Pa. PUC, 578 A.2d 600, 602 (Pa. Commw. Ct. 1990);
[267] Berner v. Pa. PUC, 116 A.2d 738 (Pa. 1955) ("It is well-established that in general rate increase proceedings, the burden of proof does not shift to parties challenging a requested rate increase."); see also Univ. of Pa. v. Pa. PUC, 485 A.2d 1217 (Pa. Commw. Ct. 1984).
[268] Pa. PUC v. Equitable Gas Co., 57 Pa. PUC 423, 471 (1983); Univ. of Pa. v. Pa. PUC, 485 A.2d 1217 (Pa. Commw. Ct. 1984).

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

As explained more fully above, Peoples has failed to meet its burden of demonstrating that the WNA produces just and reasonable rates and for all the reasons outlined above it should be denied. If the Commission determines that the WNA should remain in place, the Commission must enforce several reforms to mitigate the worst outcomes of the WNA for consumers.[269]

1. The WNA should not be approved for a period of more than three years, so its effectiveness can be assessed more frequently.[270]

CAUSE-PA, OCA, and OSBA, all recommended that, if allowed to continue, that continuation either be limited period or that Peoples obtain additional experience before continuing the WNA.[271] Peoples only justification for opposing this recommendation is that the WNA has already been approved and is operating.[272] However, as evidenced by Peoples proposal to adjust its WNA methodology in this case, WNAs are a relatively new alternative rate making mechanism that involve a complicated and nuanced calculation with ever changing variables. WNAs requires monitoring and adjustment to ensure that anomalies such as rate spikes do not detrimentally impact customers. For example, in an excessive warm period, a WNA mechanism can raise prices to extreme levels, as occurred with PGW's WNA mechanism raising prices by a factor of 10 in the spring of 2022.[273] Thus if the WNA is allowed to continue it should be limited to no more than three years, before additional review can take place to evaluate whether it is operating in a reasonable manner.

[269] CAUSE-PA MB at 80-81.
[270] Id. at 80.
[271] Id.; Peoples MB at 111, OCA St. 1 at 38; OSBA St. 2 at 16-17.
[272] Peoples MB at 111.
[273] OSBA MB at 15.

2. The WNA should be limited to the actual winter months of December through March.

As explained in CAUSE-PA's Main Brief, the months in which Peoples' WNA is operable should be reduced to the period from December through March, because these are the only winter months recognized by the Commission and the General Assembly for other public policy purposes.[274] Specifically, these are the only months eligible for winter termination rules that prevent termination of service to households with income at or below 250% FPL.[275] If these are the months when economically vulnerable households must retain service because of the possibility of cold weather, it is unreasonable to allow Peoples to assess a weather-related charge in the months of October, November, April, or May.[276]

In its Main Brief, Peoples does not address why it should be able to assess weather related charges in months where customers are not eligible for weather related termination protections. However, Peoples responded to the OCA's recommendation to remove the months of October and May from the WNA, arguing that excluding those months would reduce consistency in the weather normalization framework.[277] CAUSE-PA stands by its position that it is unjust and unreasonable for the Commission to allow the WNA to protect Peoples revenue from winter weather variations in months where vulnerable customers are not protected from winter service terminations.

3. WNA billed revenue should be excluded from the revenue upon which the DSIC is assessed.

CAUSE-PA recommended that Peoples should not be allowed to assess an up to 5% surcharge on top of the WNA surcharge, because it compounds the harm to households for whom

[274] CAUSE-PA MB at 80.
[275] 52 Pa. Code § 56.100 (b) (Winter termination procedures for natural gas distribution utilities are effective December 1 through March 31).
[276] CAUSE-PA MB at 64. (CAUSE-PA recommended alternatively that, at least, the months of October and May should be eliminated to be consistent with the Commission's most recent decision in the Columbia Gas 2025 rate case where it approved Columbia's WNA only for the months November through April.).
[277] Peoples MB at 109.

the WNA is assessed and inflates the revenue that Peoples collects through its DSIC.[278] Peoples did not respond to this recommendation in its Main Brief. CAUSE-PA stands by its recommendation.

4. The deadband should be increased to 5% rather than the current 3%.

In their respective Main Briefs, CAUSE-PA, I&E, OCA, and OSBA all recommend that, if the WNA is allowed to continue, the deadband should be increased to 5% to ensure that it only applies when weather is actually abnormal.[279] Peoples argues that its WNA deadband should remain at 3%, and argues that increasing it to 5%, would allow for greater variations before the WNA adjustment occurs.[280] However, this is precisely why increasing the deadband to 5% is important. As the Commission explained in the Columbia Gas 2025 rate case, a 5% deadband would produce fewer months where the WNA would apply and would help ensure that the WNA on only applies to "actual significant deviations in weather".[281] As the Commission also explained, the 5% deadband would also place more of the burden for calculating and forecasting weather variations back onto the Company as a normal part of doing business.[282]

Further, while Peoples argues that increasing the deadband is not necessary in light of its proposed change to the 65 year regression methodology. The proposed 65 year regression methodology is untested, making the increased deadband more important to ensure that WNA charges or credits only come into play where there is actual significant deviations in weather.

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[278] CAUSE-PA MB at 80.
[279] Id.; I&E MB at 54, OCA MB at 117-120; OSBA MB at 3.
[280] Peoples MB at 108.
[281] Pa. PUC v. Columbia Gas of Pa., Inc., No. R-2025-3053499, Final Order at 301–02, (Order Entered Dec. 9, 2025).
[282] Id.

5. The WNA should be applied on a per class basis, reconciled annually, and surcharged over the full 12-months of the subsequent year

CAUSE-PA recommends that, to promote revenue stability if the WNA is allowed to continue, the WNA should be applied on a per class basis, reconciled annually, and surcharged over the full 12-months of the subsequent year rather than on a per customer basis.[283] This change would eliminate the hardship that currently exists by imposing WNA charges during the highest usage and most expensive bills in the winter where energy burdens are at their highest.[284]

In its Main Brief, Peoples noted that this proposal is not unreasonable, but that it requires additional detail to implement.[285] In his surrebuttal testimony, CAUSE-PA witness Cicero provided additional detail.[286] He explained, that, if the Commission determines that Peoples' WNA should continue, it should be assessed on a more equitable basis over the course of the year rather than on a one-month lag basis only in the winter months when customers face their highest bills.[287] He proposed the mechanism as follows (operating November through April with a 5% deadband):

- Beginning November 2027,[288] Peoples would track the aggregate WNA charges and credits that exceed the 5% deadband for each month for the entire WNA period.
- Peoples would not assess these charges for the period of November 2027 through April 2028. Each month, any charges or credits that exceed the deadband would be added to a regulatory asset/liability account and netted against charges or credits that are already in the account.
- At the end of the WNA period (April 30th), Peoples would calculate the total net WNA charge or credit for the heating season and then would calculate a per Mcf charge that would be used to charge or credit customers.

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[283] CAUSE-PA MB at 81.
[284] Id.
[285] Peoples MB at 111.
[286] CAUSE-PA St. 1-SR at 39-40.
[287] Id. at 39.
[288] The effective date of rates in this proceeding is at the end of December 2026, which is in the middle of the 2026-2027 WNA. Peoples witness Scanlon requests that because the Company's new base rates will be effective in the middle of the heating season that any changes to the WNA be implemented at the beginning of the next heating season. Peoples St. 3-R at 17. I do not take issue with this request which is why I recommend that the changes I propose would take effect beginning in the fall of 2027 (anywhere from October to December depending on which month the Commission indicates the new WNA period would begin).

- Based on the calculated per Mcf charge, Peoples would calculate their total credit or charge to customers based on the customer's winter usage for the period of November to April and then divide that amount by 12.
- Peoples would then assess as an additional fixed charge or credit 1/12th of each customer's to their bill for the following period from June 1st through May 31st – assuming that there would need to be a one-month lag for making the calculations.
- The process would start over again the following heating season.[289]

Peoples also argues that there should be a comparative analysis demonstrating whether this would produce better outcomes than the existing WNA.[290] This may be Peoples preference, but it is not a requirement. Mr. Cicero's recommendation is reasonable and more equitable than Peoples' current WNA construct because it would not assess the WNA only in winter months when heating bills are their highest. Further, as noted by Peoples witness Taylor, additional comparative analysis does not need to be required before adopting reasonable changes to the WNA methodology.[291] Thus, CAUSE-PA stands by this recommendation.

6. CAP customers should be exempt from the WNA.[292]

CAUSE-PA's Main Brief explained that Peoples' WNA charges caused by warmer weather trends will increase the bill for CAP customers who are charged according to their average bill, up to the applicable percentage of income payment.[293] These customers already lack the ability to afford their monthly expenses and should not be required to pay any more than necessary. Further, CAP customers who are enrolled in Peoples' percentage of income payment do not pay the WNA charges directly because their bills are capped at their percentage of income bills. Since CAP customers do not pay their full tariff bill, the imposition of WNA charges on CAP bills needlessly increases the costs of the CAP program paid for by other residential customers.[294] Peoples did not

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[289] CAUSE-PA St. 1-SR at 39-40.
[290] Peoples MB at 111.
[291] Peoples St. 17-R at 52:13-14.
[292] CAUSE-PA St. 1-SR at 41-42
[293] CAUSE-PA MB at 81.
[294] CAUSE-PA St. 1-SR at 41-42.

respond to this recommendation in any Main Briefs. CAUSE-PA stands by its position that, if the WNA is allowed to continue, CAP customers should be excluded from WNA charges. Peoples did not respond to this recommendation in its Main Brief. CAUSE-PA stands by this recommendation.

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

XII. EFFECTIVE DATE OF RATES

CAUSE-PA does not have a reply to the other parties on this issue.

XIII. UNIVERSAL SERVICE PROGRAM RIDER

A. One Time Credit Adjustment

CAUSE-PA does not have a reply to the other parties on this issue.

B. Bad Debt Offset Calculation

CAUSE-PA does not have a reply to the other parties on this issue.

C. Proposed Additional Costs to Universal Service Program Rider

CAUSE-PA stands by the positions expressed in section XIII.C of its Main Brief regarding Peoples proposal to add the costs for (1) outreach costs related to CARES; (2) third-party costs associated with the Independent Evaluation of universal service programs, and (3) the salary and benefits for Peoples' proposed LIURP Compliance Specialist to its Rider Universal Service.[295] These costs are more appropriately recovered through base rates. Shifting the recovery of these costs from the Company's base rates to its Rider USP would provide Peoples with a *guaranteed*

[295] CAUSE-PA MB at 82-83

recovery and eliminates the Commission's authority to review the reasonableness and prudency of these costs.[296]

XIV. LOW INCOME CUSTOMER ISSUES

A. Customer Assistance Program

1. CAP Participation Levels

Peoples Main Brief argues that Peoples' CAP enrollment levels are reasonable and demonstrate its commitment to increasing CAP enrollment.[297] However, approximately 70% of its confirmed low income customers and 75% of its estimated low income customers are not enrolled in CAP.[298] These customers are served under the same rates as all other general residential rate classes, including any rate increase approved in this case.[299] As explained above and in CAUSE-PA's Main Brief, these non-CAP low income customers already face unaffordable energy burdens at current rates and cannot afford to support any additional rate increase.

Regarding Peoples' proposals to address CAUSE-PA's concerns regarding customers who request a CAP application and do not complete it,[300] CAUSE-PA reiterates the position stated inn section X.A.4. of its Main Brief, that the Commission should memorialize those commitments in any order in this proceeding.[301]

2. Identification of Low Income Customers

CAUSE-PA does not have a reply to the other parties on this issue.

3. Public Input Hearing Testimony Regarding CAP Eligibility.

CAUSE-PA does not have a reply to the other parties on this issue.

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[296] See Pa. PUC v. Columbia Gas of Pennsylvania, Inc., R-2025-3053499, Opinion and Order at 167-168 (Entered Dec. 4, 2025).
[297] Peoples MB at 119.
[298] CAUSE-PA St. 1 at 18.
[299] Id. at 18, 31
[300] Peoples MB at 120.
[301] CAUSE-PA MB at 91-92.

B. Low Income Usage Reduction Program

1. LIURP Program Funding.

CAUSE-PA continues to support Weatherization Providers Task Force (PWPTF) witness Jennifer Warabak's recommendation that Peoples increase its annual budget for LIURP by $975,000 to support serving an *additional* 75 customers per year.[302] Peoples argues that the Company already projects to exceed the number of customers recommended by Ms. Warabak.[303] I&E argues that additional LIURP funding is not necessary because Peoples has not spent its full LIURP budget for the past two years.[304] However, as explained in CAUSE-PA's Main Brief, Peoples' LIURP budget is not adequate to meet growing need for comprehensive usage reduction services.[305] Peoples' LIURP underspending in recent years is not indicative of a lack of need for LIURP services in its territory.[306] In 2024 and 2025, Peoples transitioned to a new program administrator, which slowed down LIURP production.[307] In 2023, prior to this transition, the Company expended 97% of its LIURP budget.[308] Since the transition has completed, the Company's LIURP production has greatly improved and is projected to exceed the number of customers previously served by the program.[309]

The Choice Act is explicit that universal service and energy conservation programming must be appropriately funded and accessible to those in need.[310] As rates and costs continue to increase, so too does the need for expanded funding to ensure the program remains available, consistent with the mandates in the Choice Act. CAUSE-PA submits that Ms. Warabak's

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[302] CAUSE-PA MB at 92-93; PWPTF St. No. 1 at 6-7.
[303] Peoples St. 10-R at 21.
[304] I&E MB at 57-58.
[305] CAUSE-PA MB at 92-93.
[306] Id.
[307] Peoples St. 10-R at 21.
[308] CAUSE-PA MB at 93
[309] Peoples St. 10-R at 21.
[310] 66 Pa. C.S. § 2203(8).

recommended LIURP budget is appropriate to support this increased production and to help mitigate the additional need created by any approved rate increase in this proceeding.[311] CAUSE-PA stands by its position that the Commission should adopt Ms. Warabak's recommendation and order Peoples to increase its annual budget by $975,000 to support serving an additional 75 customers per year through LIURP.[312]

2. Addition of a LIURP Compliance Specialist.

CAUSE-PA stands by the position stated in section XIII. C. of its Main Brief.[313] While CAUSE-PA supports the addition of the LIURP Compliance Specialist, the salary and benefits should be recovered through base rates. Shifting these costs to Peoples Universal Service rider would provide Peoples with a guaranteed recovery of those costs and truncates the ratemaking process that is designed to ensure the reasonableness and prudency of those costs.[314]

C. Hardship Fund

CAUSE-PA does not have a reply to the other parties on this issue.

D. Seasonality of Bills

Peoples takes issues with CAUSE-PA's concerns that low income customers have trouble affording their bills during the winter heating season and argues that its WNA will help address weather related bill volatility.[315] For the reasons set forth in section XI of this Reply Brief and in CAUSE-PA's Main Brief, CAUSE-PA disputes that the WNA will in any way improve affordability for low income customers.[316] Peoples' WNA is designed to stabilize Peoples' revenue fluctuations caused by variations in weather, but it does so by disproportionately burdening low

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311 CAUSE-PA St. 1-SR at 47-48.
312 I&E St. 1-R at 2-4; PWPTF St. No. 1 at 6-7.
313 CAUSE-PA MB at 82-83.
314 See Pa. PUC v. Columbia Gas of Pennsylvania, Inc., R-2025-3053499, Opinion and Order at 167-168 (Entered Dec. 4, 2025).
315 Peoples MB at 124.
316 CAUSE-PA MB at 61-79.

income customers, raising deep concerns about fairness and equity.[317] While this mechanism protects Peoples' from revenue volatility, it transfers the financial risk of warmer weather onto customers who may have already reduced their consumption to manage tight household budgets.[318] For low income households, which often face difficult choices between heating, food, and other essentials, these additional charges undermine their ability to plan for and manage utility expenses effectively.[319]

CAUSE-PA remains concerned about the 75% of Peoples estimated low income customers who are not enrolled in CAP. The energy burden for these customers during the winter months is already far above what is considered affordable, and Peoples proposes to raise it even higher. Energy burdens for these households are 11%-15% during the winter heating months at existing rates and would increase to 12%-16% during these months at proposed rates.[320]

E. Alternate Measures of Income

Peoples takes issue with CAUSE-PA's references to the Self Sufficiency Standard, and OCA's references to the Asset Limited, Income Constrained, Employed (ALICE) population.[321] Peoples argues that this these measures of income should be given little weight because Peoples and the Commission utilize the federal poverty level (FPL) for program eligibility.[322] Peoples fundamentally misconstrues the purpose for which CAUSE-PA raised these issues. References to the Self Sufficiency Standard are meant to provide a fuller context about Peoples' customer population and the effects of the proposed increase on both low and moderate income customers. The Self Sufficiency Standard, demonstrates the level of income needed to afford basic necessities

[317] CAUSE-PA MB at 79.
[318] Id.
[319] Id. at 63-64.
[320] Id. at 4.
[321] Peoples MB at 124.
[322] Id.

without assistance.[323] In addition to the substantial number of low income customers, approximately 191,090 households in Peoples' service territory have income that is likely over income for rate assistance but less than the Self Sufficiency Standard necessary to afford to pay for all necessities like gas service. They must rely on the Commission to exercise its core function as the economic regulator of Peoples and restrain its monopolistic tendency towards excessive rates.[324] Neither Peoples nor the Commission should seek to ignore the demonstrated and tangible hardship that all low and moderate income households face, not merely those who qualify for assistance because they are deeply poor.

XV. CUSTOMER SERVICE ISSUES

A. Service Terminations

CAUSE-PA stands by the positions voiced in section XV. A. of its Main Brief.[325] CAUSE-PA continues to urges the Commission to adopt the recommendation of OCA and require Peoples to conduct an independent root cause analysis to determine what is driving the racially disproportionate terminations within its service territory.[326]

XVI. PROPOSED TARIFF CHANGES

A. Rate CAP

1. Recreational Gas Use

This issue was addressed in section XIV. A. 2 of CAUSE-PA's Main Brief.[327] Regarding Peoples' proposals to address CAUSE-PA's concerns regarding Peoples proposed Recreational Gas

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[323] CAUSE-PA St. 1 at 22.
[324] CAUSE-PA MB at 19-20.
[325] Id. at 94-97.
[326] OCA MB at 125-138.
[327] CAUSE-PA MB at 89-90.

Use provision,[328] CAUSE-PA reiterates the position stated in its Main Brief, that the Commission should memorialize those commitments in any order in this proceeding.[329]

2. Fraudulent CAP Participation.

This issue was addressed in section XIV. A. 1 of CAUSE-PA's Main Brief.[330] Peoples' proposed CAP fraud provision # 10 is dangerously subjective and could lead to customers who are low income customers being unjustifiably removed from CAP, leading to service termination.[331] There is no substantial evidence in the record to demonstrate that this process is necessary or that Peoples' existing policies are insufficient. This danger is even more pronounced, because that duty is performed by its CAP administrator, Dollar Energy Fund.[332] This system adds another layer of uncertainty as to whether, if a customer is over income, whether that customer was mistaken or whether an error was made in the processing of the income documentation.[333] Peoples indicated that it has not developed a way for customers to dispute allegations of CAP fraud other than its existing dispute process and their ability to contact the Commission's Bureau of Consumer Services.[334]

Peoples argues a formal dispute process is not necessary because, "the Company handles each case of suspected fraud on a case-by-case basis."[335] Peoples argues that it does not intend to apply this tariff provision in a careless or overreaching manner.[336] Regardless of how Peoples intends to implement this provision, it has a dangerous level of subjectivity that could lead to

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328 Peoples MB at 132-133.
329 CAUSE-PA MB at 90.
330 Id. at 86-89.
331 Id. at 86-87.
332 Id.
333 Id. at 86-87.
334 Id. at 87.
335 Peoples MB at 134.
336 Id.

severe consequences for low income customers who could be unjustifiably removed from CAP, leading to service termination.[337]

This tariff change should be denied in this case and Peoples consult its USAG to develop more clearly defined, objective parameters for identifying CAP fraud and distinguishing it from mistakes in the application process.[338] The Company should work with its USAG to develop guidelines for disputes related to allegations of CAP fraud.[339]

B. Rider Universal Service

1. Costs Associated with CARES

CAUSE-PA stands by the position stated in section XIII. C. of its Main Brief.[340] These should be recovered through base rates. Shifting these costs to Peoples Universal Service rider would provide Peoples with a guaranteed recovery of those costs and truncates the ratemaking process that is designed to ensure the reasonableness and prudency of those costs.[341]

2. Independent Program Evaluation Costs

CAUSE-PA stands by the position stated in section XIII. C. of its Main Brief.[342] These costs should be recovered through base rates. Shifting these costs to Peoples Universal Service rider would provide Peoples with a guaranteed recovery of those costs and truncates the ratemaking process that is designed to ensure the reasonableness and prudency of those costs.[343]

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337 CAUSE-PA MB at 88-89.
338 Id.
339 Id.
340 Id. at 82-83.
341 See Pa. PUC v. Columbia Gas of Pennsylvania, Inc., R-2025-3053499, Opinion and Order at 167-168 (Entered Dec. 4, 2025).
342 CAUSE-PA MB at 82-83.
343 See Pa. PUC v. Columbia Gas of Pennsylvania, Inc., R-2025-3053499, Opinion and Order at 167-168 (Entered Dec. 4, 2025).

3. LIURP Compliance Specialist Costs.

CAUSE-PA stands by the position stated in section XIII. C. of its Main Brief.[344] While CAUSE-PA supports the addition of the LIURP Compliance Specialist, the salary and benefits should be recovered through base rates. Shifting these costs to Peoples Universal Service rider would provide Peoples with a guaranteed recovery of those costs and truncates the ratemaking process that is designed to ensure the reasonableness and prudency of those costs.[345]

XVII. HOT WATER TANK REBATE PILOT

CAUSE-PA stands by its position stated in its Main Brief that the Commission should reject Peoples' proposed Natural Gas Hot Water Tank Rebate Pilot.[346] Peoples did not address CAUSE-PA's substantive arguments against the Pilot in its brief. This Pilot would be a load building program that incentivizes fuel switching form electric to fossil fuel and would add an additional 35 Mcf per year for each customer who participates.[347] It is not an appropriate use of ratepayer funds.[348]

As explained in CAUSE-PA's Main Brief, the Commission has not traditionally allowed ratepayer funds to be used to conduct fuel switching that builds load, because it runs counter to the objectives of reducing consumption and peak demand.[349] It would be inappropriate to allow Peoples to spend ratepayer funds to switch customers from electric hot water heaters to gas hot water heaters.[350] Especially since rebates for remediating or replacing aging electric hot water heaters are be available from the EDCs with overlapping service territory.[351]

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[344] CAUSE-PA MB at 82-83.
[345] See Pa. PUC v. Columbia Gas of Pennsylvania, Inc., R-2025-3053499, Opinion and Order at 167-168 (Entered Dec. 4, 2025).
[346] CAUSE-PA MB at 97-99.
[347] Id. at 98.
[348] Id.
[349] Id.
[350] Id.
[351] Id.

The Commission should reject this pilot because it is inappropriate to use ratepayer funds to support a load building program that incentivizes fuel switching from electric to fossil fuel. To the extent that the Commission chooses to allow this pilot to go forward, it should require it be paid for by shareholders rather than ratepayer funds.[352]

XVIII. SAFETY

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

XIX. PURCHASE OF RECIEVABLES PROGRAM

In its Main Brief, RESA asserts, without evidence, that the POR proposals in this case would restrict competition, despite the fact that they would not limit any offer a supplier could charge a customer.[353] In the face of abundant evidence of financial harm caused by suppliers charging rates that are higher than the PTC,[354] RESA asserts that the proposal to remedy this harm is rate discrimination, because suppliers charging prices above the PTC would not get paid up front.[355] RESA ignores that suppliers would still retain the ability to participate in consolidated billing and have their customers receive one unified bill from Peoples.[356] RESA asserts that the remedy is broader than necessary, and that CAUSE-PA did not propose alternatives.[357] Each of these arguments is without merit as fully addressed in CAUSE-PA's Main Brief and as more fully addressed below. *POR is a voluntary program, and the weight of substantial evidence demonstrates serious harm is occurring under the current rules.*[358]

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352 CAUSE-PA MB at 98-99.
353 RESA MB at 4-9; CAUSE-PA MB at 106.
354 CAUSE-PA MB at 100, 103-105.
355 RESA MB at 7-9.
356 CAUSE-PA MB at 106-107.
357 RESA MB at 11.
358 CAUSE-PA MB at 99-109.

Peoples POR is a voluntary program that provides a significant subsidy to suppliers by alleviating all costs and risk associated with credit and collections.[359] That subsidy should not come at the expense of other ratepayers – including those that choose not to shop. CAUSE-PA's Main Brief explains in detail that, while the purpose of competition of natural gas commodity space is to lower costs, in the context of Peoples retail shopping customers the overwhelming evidence shows the opposite.[360] CAUSE-PA presented the following evidence:

- From January 2024 through April 2026, Peoples' residential shopping customers were charged **$51.9 million** more than the default service price.[361]
- **$7.4 million** of that amount was attributable to confirmed low income customers.[362]
- Write offs for Peoples' residential shopping customers were 484% higher than default service customers, averaging $602.13 per account compared to $124.31.[363]
- Low income shopping customer write offs are 853% higher, averaging $978.89 per account, compared to $114.75.[364]
- Approximately 95.8% of residential shopping customers pay more than the PTC for commodity service, and the average supplier price is 82% above the PTC – *with some supplier prices reaching as much as ten times the PTC*.[365]
- Over the last three years, the percentage of residential shopping customers on Peoples' system who paid more than the PTC ranged from 71.6% to 99.4%.[366]
- The vast majority of residential shopping customers were charged more than Peoples' PTC for commodity supply, with many paying two to three times as much – with some charged more than $40 per Mcf.[367]

To help limit the harms caused by excessive NGS prices being passed onto consumers through the POR program, and to increase the incentive for NGS to charge more reasonable prices, CAUSE-PA recommended that the Commission should require Peoples reform its POR. CAUSE-

[359] CAUSE-PA MB at 92.
[360] Id. at 103-105.
[361] Id.
[362] Id.
[363] Id.
[364] Id.
[365] Id.
[366] Id.
[367] Id.

PA recommended that Peoples stop purchasing receivables from natural gas suppliers (NGSs) unless the NGS's price is at or below Peoples' default service price at the time of contract begins or renews.[368] This change should be made on a forward going basis – for all contracts and renewals entered after June 1, 2027 – and would provide all suppliers with notice of the change before it goes into effect.[369] If a supplier elects to charge rates higher than Peoples' charges, *they could elect to remain in Peoples consolidated billing program, but their charges would be non-POR eligible*.[370]

There is a clear nexus between the excessive supplier pricing charged to residential shopping customers and the lack of incentive to moderate prices under the POR.

In its Main Brief, RESA presents unsupported and careless averments that are not valid or based in record evidence.[371] In the face of the overwhelming evidence of harm, including extensive monthly pricing and collections data, evidencing a clear need for POR reform, RESA baldly argues that CAUSE-PA's recommendations are rooted in theory, without fact and lacks a nexus between the harm alleged and the remedy proposed.[372] RESA is incorrect and its statement is misleading. RESA asserts, generally, that CAUSE-PA has not demonstrated a nexus between excessive supplier charges, higher uncollectible rates for shopping customers, and the POR program.[373] This assertion is also patently false.

As explained in CAUSE-PA's Main Brief, Peoples' POR program *permits* (but does not require) Peoples to purchase receivables from suppliers before collecting those charges from the suppliers' customers.[374] This practice relieves suppliers "of the burdens associated with billing,

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[368] CAUSE-PA MB at 105-106.
[369] Id.
[370] Id.
[371] RESA MB at 4-12.
[372] Id. at 5.
[373] Id. at 5, 9.
[374] CAUSE-Pa MB at 101; 66 Pa. C.S. § 2205(c)(5).

collecting, and credit screening."[375] If the customer doesn't pay, it does not affect the supplier, because Peoples performs collections activities on behalf of the supplier – including termination of service – and all associated collections costs and write-off expenses are socialized to other ratepayers.[376] Suppliers no longer bear any responsibility for collections, regardless of the suppliers' actual uncollectible rate.[377] Thus, Peoples' POR programs gives suppliers very little incentive to moderate prices because Peoples pays the suppliers upfront for all charges.[378] Since NGS are not required to perform their own collections, they are not impacted by customers' inability to afford the contracts they enter. This allows NGS to charge higher prices than they otherwise would, resulting in higher write-offs that are passed onto all Peoples customers, including those on default service. This is an inequitable result that is directly tied to the existence of the POR.

The PTC is a more appropriate benchmark for comparing excessive prices charged to residential shopping customers.

CAUSE-PA's Main Brief explains that Peoples' lack of POR protections, coupled with unrestricted supplier pricing, has led to significant market distortions by insulating NGSs from the financial risk associated with uncollectible accounts, allowing them to charge exceedingly high prices – without concern for whether customers can afford to pay them.[379] This structure has led to excessive commodity charges and as a result, in most cases, shopping customers are paying more than the Company's default service customers.[380]

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[375] CAUSE-PA MB at 101; See Investigation of Pennsylvania's Retail Natural Gas Supply Market, Final Order, Docket No. I-2013-2381742, at 34 (order entered Dec. 18, 2014).
[376] CAUSE-PA MB at 101.
[377] Id.
[378] Id.
[379] Id.; Peoples MB at 144.
[380] Peoples St. 21-R at 4.

RESA argues that the PTC is not an accurate benchmark and that CAUSE-PA witness Cicero and Peoples witness Kolich did not compare what shopping customers "could have paid" if they paid the lowest NGS offer available in a given month.[381] RESA's argument is ridiculous and absurd. What customers "could have paid" is irrelevant to this case. The issue that CAUSE-PA raised in this proceeding is whether Peoples POR is producing unjust and unreasonable results, because customers who are shopping with NGSs are *actually paying* rates that are substantially higher than the PTC. When faced with that fact, CAUSE-PA's limited recomendation was that suppliers should not be permitted to participate in POR if they are charging rates higher than Peoples. The evidence in this case shows what customers *actually* paid, and the *actual* harm that came from these customers being charged prices substantially above the PTC, resulting in disproportionately large write-offs being passed onto other ratepayers through the POR program.

The Commission's statement of purpose in section 62.221 of its regulations, implementing the Choice Act, explains that it is "essential that [retail gas shopping customers] are able to compare the price of gas purchased from their incumbent NGDCs with that offered for sale by NGSs."[382] The PTC provides consumers with an appropriately relevant benchmark that constitutes an all-in price for commodity gas charges and is designed to allow consumers to compare the price of gas purchased from their incumbent NGDCs with that offered for sale by NGSs.[383] The PTC is designed to allow consumers to compare the price for default service with options available in the competitive market.[384] The PTC allows consumers to compare prices based on an objective

[381] RESA MB at 10.
[382] 52 Pa. Code § 62.221.
[383] 52 Pa. Code §§ 62.221, 62.223.
[384] CAUSE-PA St. 1-SR at 60; 52 Pa. Code §§ 62.221, 62.223.

benchmark that seeks to not always be the lowest price at any one point in time, but that is designed to be least cost procurement without markup.[385]

The POR discount paid by suppliers does not accurately reflect the disproportionate write-offs from shopping customers, nor does it provide sufficient incentive to offer prices below the PTC.

RESA asserts that the POR already accounts to suppliers' uncollectible expenses because they are paid a discount off the face value, and thus, it disputes that the POR discount "immunizes" suppliers from uncollectible risk and therefore removes any incentive to price at or below the PTC.[386] It argues that suppliers are not insulated from uncollectible expenses because they are charged a discount equal to Peoples system wide uncollectible rate. In support of this argument RESA points out that Peoples proposed to reduce the POR discount due to reductions in Peoples system-wide uncollectible expenses.[387] In RESA's opinion this means there is no problem.

However, Peoples' systemwide uncollectible expenses are not reflective of the disproportionate write-offs that are passed onto the system through the POR program. Specifically, write-offs for Peoples' residential shopping customers were 484% higher than default service customers, averaging $602.13 per shopping account compared to $124.31.[388] Thus, the discount provided to NGS does not actually reflect the impact of their disproportionately high average write-offs, because it is offset by the lower average write-offs for default service customers. While RESA argues that NGS write-offs account for a relatively small number of write-offs, the dollar amount of write offs per customer are disproportionately high as noted above.

[385] CAUSE-PA St. 1-SR at 60.
[386] RESA MB at 9.
[387] Id.
[388] CAUSE-PA MB at 105.

The Proposed POR reforms do not constitute rate regulation or rate discrimination.

RESA incorrectly argues that limiting access to the POR based on the price of the contracts would be "illegal discrimination and unauthorized price discrimination."[389] RESA argues that "Conditioning access to an essential billing service on whether a supplier's price falls at or below the PTC is, in essence, unlawful price regulation."[390] RESA also argues that, "The proposal is also independently unlawful as discrimination in the provision of utility service."[391] RESA cites 66 Pa. C.S. 1502. However, section 1502's use of the phrase "as to service" indicates that Section 1502 is limited to "service," which is defined as those "acts done, rendered, or performed, . . . things furnished or supplied, and . . . facilities used, furnished, or supplied by public utilities ... **in the performance of their duties under this part**."[392] Peoples does not have a duty to provide POR.

Under section 2205, **Duties of natural gas distribution companies,** the Code specifically states:

> No natural gas distribution company shall be required to forward payment to entities providing services to customers and on whose behalf the natural gas distribution company is billing those customers before the natural gas distribution company has received payment for those services from customers.[393]

Moreover, even if the Commission determines that the provisions of Section 1502 apply, that section only prohibits "unreasonable preference", and there is nothing unreasonable about treating two dissimilarly situated suppliers – one charging rates that are higher than the PTC and another charging rates that are at or below the PTC – differently.

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389 RESA MB at 7-9.
390 Id. at 8.
391 Id.
392 66 Pa. C.S. § 102 (emphasis added).
393 66 Pa. C.S. § 2205(c)(5).

Critically, nothing in CAUSE-PA's recommendations would limit any suppliers' access to utility consolidated billing services. The recommendation is tied solely to the POR program. Suppliers would be allowed to participate in utility consolidated billing regardless of what they charge. However, if, after June 1, 2027, suppliers wish to charge more than the PTC at the time of contract initiation or at contract renewal, they would not be paid in advance for their receivable and they would only be paid for the amount actually collected by Peoples. This is the same construct utilized by utilities for non-basic services.

RESA argues that neither the Commission nor the utility has the right to regulate prices that the NGS charge.[394] However, these POR reforms do not in any way restrict suppliers from offering prices above the PTC. Suppliers would remain free to charge whatever price they want, and customers remain free to contract with any supplier for any price. Suppliers would still be able to offer contracts to customers at prices above the PTC, while still participating in Peoples' consolidated billing program.[395] But, the supplier should not be entitled to socialize the incremental collection risk associated with that pricing through POR treatment.[396] The only change would be that a supplier who contracts with a customer for a rate that is higher than the PTC would be paid only when Peoples collects on the bill.[397] If Peoples is unable to collect on the account, then collections would revert to the supplier.[398] This is not price regulation or anticompetitive.[399]

In examining retail choice in other contexts, the Commonwealth Court has consistently held that competition must bend when necessary to meet the consumer protection and universal

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[394] RESA MB at 8.
[395] CAUSE-PA MB at 108.
[396] Id.
[397] See 66 Pa. C.S. § 2205(c)(5).
[398] CAUSE-PA St. 1-SR at 56.
[399] Id.

service obligations enshrined in the Choice Act.[400] RESA argues that, if the concern is the effect on low income customers, the remedy is too broad. However, while low income customers are disproportionately harmed, the harms identified in the record in this case are not limited to low income customers. CAUSE-PA's recommended POR reforms are a measured and iterative step to address clear harm to ratepayers caused by levying substantially higher collections costs and uncollectible expenses.

Importantly, t*he changes proposed are prospective and would not disrupt existing contracts.*[401] RESA voices concerns about disruption caused by adoption of the program, arguing that if the PTC changes mid contract, the supplier could no longer access POR for that contract.[402] This is simply not true and is a misstatement of CAUSE-PA's recommendation. In his direct testimony, Mr. Cicero clearly states that to participate in POR, the contract rate must be below the PTC *"at the time of contract initiation or renewal."*[403] This means that if the PTC goes down mid-contract, the contract would still be eligible for POR until it expires, ensuring that contracts can be honored for the duration of their term and not be affected by the externality of the PTC change during the term of the contract. At contract renewal, to continue to participate in POR, the contract would have to be at or below the then applicable PTC. Regarding existing contracts receiving POR when the reforms are initially implemented, all existing contracts for existing supply would be allowed to continue to be included in POR until the end of the contract term.[404] But, to continue to receive POR when the contract term ends, any renewal or new contract would have to be at or below the then applicable PTC.

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400 CAUSE-PA v. Pa. PUC, 120 A.3d 1087, 1101, 1103 (Pa. Commw. Ct. 2015); Retail Energy Supply Assoc. v. Pa. PUC, 230 C.D. 2017 (Pa. Commw. Ct. 2017).
401 CAUSE-PA MB at 106-107.
402 RESA MB at 12.
403 CAUSE-PA St. 1 at 88.
404 Id.

As explained above, Peoples POR is a voluntary program and Peoples is not required by the Choice Act to purchase a suppliers' receivables, nor can Peoples be compelled by the Commission to do so.[405] Given this, Peoples should be afforded wide latitude to structure its POR in a manner that is consistent with its clear obligations under the Public Utility Code, including the requirement to only charge rates that are just and reasonable.

<u>The POR proposals would not disrupt competition.</u>

RESA misstates the applicable standard when reviewing proposals that may cause competition to bend. The standard – at least as it was examined in the context of the Electric Choice Act – requires only that the Commission to review the record to determine the availability of a less restrictive alternative *capable of addressing harm*.[406] There is no obligation on the parties to prove that they pursued all eventualities, only that the alternatives advanced on the record were duly considered to determine if they may be adequate to stem identified harm. Notwithstanding, there are simply no viable alternatives on the record supported by any evidence, let alone substantial evidence, capable of addressing the material and pervasive harm caused to residential and low income customers the POR as currently constructed.[407] Other than completely eliminating POR in its entirety – which would be *more* restrictive than the recommendations in this case – there are no alternatives on the record that address the pervasive harm shown; both in terms of the sheer dollar impact and the direct nexus to a 484% higher per customer gross write offs for shopping customers (including the 853% higher gross write off per customer for low income shopping customers). Rather than constructively engage the facts, RESA simply encourages the

[405] 66 Pa. C.S. § 2205(c)(5).
[406] <u>RESA v. Pa. PUC</u>, 185 A.3d 1206, at 1228 (Pa. Commw. Ct. 2018).
[407] A restriction on competition is necessary when, one, there is harm associated with competition and, two, there is no reasonable alternative to the rule that restricts competition. <u>Retail Energy Supply Assoc. v. Pa. PUC</u>, 230 C.D. 2017 (Pa. Commw. Ct. 2017), <u>citing</u> <u>CAUSE-PA v. Pa. PUC,</u> 120 A.3d 1087, 1101-1103 (Pa. Commw. Ct. 2015).

Commission to look the other way and argues to maintain the status quo. However, it would be unjust and reasonable to maintain the status quo considering the plethora of harms to residential customers and low income customers, in particular. Considering these harms, there is not substantial evidence in this proceeding that would support continuation of POR without substantial reforms, thus the POR program must be either reformed or discontinued.

XX. LOCAL PRODUCTION – GATHERING INAND COST RECOVERY ISSUES

CAUSE-PA does not have a reply to the other parties on this issue.

XXI. COMPETITIVE RATE DISCOUNTS

CAUSE-PA does not have a reply to the other parties on this issue.

XXII. MISCELLANEOUS/OTHER ISSUES

CAUSE-PA does have a reply to any issues not addressed above, CAUSE-PA stands by the positions asserted in its Main Brief.

XXIII. CONCLUSION

CAUSE-PA urges the Honorable Administrative Law Judge Charece Z. Collins and the Public Utility Commission, to deny Peoples' proposed revenue increase, as well as its excessive proposed fixed charge and its unjust and unreasonable Weather Normalization Adjustment. CAUSE-PA further urge adoption of the policy and programmatic recommendations throughout its Main Brief and Reply Brief to mitigate the effects of Peoples' categorically unaffordable rates on low income households, promote just and equitable rates, and ensure access to universal service and energy conservation programs that protect the ability for low income households to maintain safe and affordable services to their home.

Respectfully submitted,
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