



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, HARRISBURG, PA 17120

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

October 14, 2026

Via Electronic Filing

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

Re: Pennsylvania Public Utility Commission v.
Peoples Natural Gas Company, LLC
Docket No. R-2026-3060855
I&E Exceptions

Dear Secretary Homsher:

Enclosed for electronic filing please find the Exceptions of the Bureau of Investigation and Enforcement in the above-captioned proceeding.

Copies are being served on parties per the attached Certificate of Service. Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in grey ink that reads 'Michael Podskoch'.

Michael A. Podskoch, Jr.
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 330132
(717) 783-6151
mpodskoch@pa.gov

MAP/nb
Enclosures

cc: Administrative Law Judge Charece Z. Collins (via email – charcollin@pa.gov)
Office of Special Assistants (via email – ra-OSA@pa.gov)
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**EXCEPTIONS
OF
THE BUREAU OF INVESTIGATION AND ENFORCEMENT**

Michael A. Podskoch, Jr.
Prosecutor
PA Attorney ID No. 330132

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Dated: October 14, 2026

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	EXCEPTIONS	1
A.	I&E Exception No. 1: The ALJ erred in accepting Peoples’ general inflation adjustments. RD at pp. 57-59.	1
B.	I&E Exception No. 2: The ALJ erred in rejecting I&E’s proposed incentive compensation expense adjustment. RD at pp. 64-70.	2
C.	I&E Exception No. 3: The ALJ erred in rejecting I&E’s proposed capital structure of 50% long-term debt and 50% common equity. RD at pp. 149-61.....	4
D.	I&E Exception No. 4: The ALJ erred in rejecting I&E’s proposed effective date of new rates of January 1, 2027. RD at pp. 287-89.	5
E.	I&E Exception No. 5: The ALJ erred in rejecting I&E’s recommended treatment of Peoples’ proposed one-time credit adjustment to its Universal Service Program (“USP”) Rider. RD at pp. 289-93.....	6
F.	I&E Exception No. 6: The ALJ erred in rejecting I&E’s proposal to meet quarterly with Peoples to review its root cause analyses and the metrics related to the specific causes of damages. RD at pp. 350-53.....	7
III.	CONCLUSION	8

TABLE OF AUTHORITIES

Cases

<i>Pa. P.U.C. v. Columbia Gas of Pennsylvania, Inc.</i> , Docket No. R-2025-3053499, (Order Entered December 9, 2025)	1, 2, 3, 5
<i>Pa. P.U.C. v. Pennsylvania American Water Company</i> , Docket Nos. R-2020-3019369 and R-2020-3019371 (Order Entered February 25, 2021)	2
<i>Pa. P.U.C. v. Pennsylvania American Water Company</i> , Docket Nos. R-2025-3057983 and R-2025-3058051 (Order Entered July 27, 2026)	1, 2, 3
<i>Pa. P.U.C. v. UGI Utilities Inc. – Electric Division</i> , Docket No. R-2017-2640058 (Order Entered October 25, 2018).....	2, 3

Statutes

66 Pa. C.S. § 332(h).....	1
---------------------------	---

Regulations

52 Pa. Code § 5.533.....	1
52 Pa. Code § 53.101	6
52 Pa. Code §§ 53.1, et seq.	6

I. INTRODUCTION

Pursuant to 66 Pa. C.S. § 332(h) of the Public Utility Code and 52 Pa. Code § 5.533 of the Public Utility Commission regulations, the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) respectfully submits these Exceptions to the Recommended Decision (“RD”) of Administrative Law Judge (“ALJ”) Charece Z. Collins issued on October 2, 2026.

II. EXCEPTIONS

A. I&E Exception No. 1: The ALJ erred in accepting Peoples’ general inflation adjustments. RD at pp. 57-59.

In the RD, the ALJ recommended that the Commission adopt the two inflation adjustments as proposed by Peoples Natural Gas Company LLC (“Peoples” or Company”): a \$77,284 adjustment for Payment Processing and a \$75,656 adjustment for Advertising.¹

The ALJ cited Commission precedent and the likelihood of ongoing inflation as the basis for her recommendation.² However, I&E asserts that recent Commission precedent supports its recommendation to reject these general inflation adjustments. In both the 2025 Columbia Gas of Pennsylvania, Inc.) (“Columbia Gas”) base rate case and the 2026 Pennsylvania-American Water Company (“PAWC”) base rate case, the Commission denied general inflation adjustments because Columbia Gas and PAWC did not meet their burden in demonstrating that their proposed blanket percentage inflation adjustments to expenses would meet the known and measurable standard for adjusting

¹ RD, p. 59.

² *Id.*

expense claims over time.³ Similarly, I&E asserts that Peoples' general inflation adjustments are inherently speculative and do not meet the standard of known and measurable and should therefore be rejected.⁴

B. I&E Exception No. 2: The ALJ erred in rejecting I&E's proposed incentive compensation expense adjustment. RD at pp. 64-70.

In the RD, the ALJ recommended that the Commission accept the Incentive Compensation Program as proposed by Peoples.⁵

The ALJ cited several Commission decisions in support of her recommendation to allow for full recovery of the Company's claim.⁶ However, I&E asserts that recent Commission precedent supports its recommended adjustment to the Company's incentive compensation proposal. To be clear, the Commission has approved incentive compensation plans where the eligible employees were ones who had direct responsibility for customer service and regulatory compliance or were responsible for ensuring the utility provided safe and reliable service.⁷ In recommending approval of the Company's claim, the ALJ also cited to a 2017 UGI Electric base rate case order in which UGI's incentive compensation plan was approved because UGI had established that employee eligibility was based on the performance duties and metrics directly related

³ *Pa. P.U.C. v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2025-3053499, pp. 134-36 (Order Entered December 9, 2025); *Pa. P.U.C. v. Pennsylvania American Water Company*, Docket Nos. R-2025-3057983 and R-2025-3058051, p. 131 (Order Entered July 27, 2026).

⁴ I&E St. No. 1-SR, pp. 4-5.

⁵ RD, p. 70.

⁶ *Id.* at pp. 69-70.

⁷ *Pa. P.U.C. v. Pennsylvania American Water Company*, Docket Nos. R-2020-3019369 and R-2020-3019371, p. 53 (Order Entered February 25, 2021).

to the provision of service, and the inclusion of a financial metric was not disqualifying.⁸

However, these Orders conflict with more recent Commission precedent.

In the 2025 Columbia Gas base rate case, the Commission elected to remove 70% of Columbia Gas' incentive compensation claim for ratemaking purposes given that only 30% of the claimed expense was related to operational safety and customer experience.⁹

In the 2026 PAWC base rate case, the Commission stated that ratepayers should not be required to exclusively fund the payout of financial metrics, particularly given that PAWC did not establish that such costs are fair and necessary, or that they pertain to providing safe, adequate, and reliable service to customers.¹⁰ Based on recent Commission precedent, I&E continues to assert that because the Company's incentive compensation proposal includes financial goals, that portion of the Company's incentive compensation claim should not be recoverable.

Therefore, I&E continues to recommend an allowance of \$5,813,777, or a reduction of \$4,610,153 (\$10,884,000 - \$5,813,777) to the Company's incentive compensation claim, and an allowance of \$3,726,363, or a reduction of \$1,318,847 (\$5,045,210 - \$3,726,363) to the Company's rate base claim.¹¹

⁸ RD, p. 70 (*citing Pa. P.U.C. v. UGI Utilities Inc. – Electric Division*, Docket No. R-2017-2640058, pp. 73-74 (Order Entered October 25, 2018)).

⁹ *Pa. P.U.C. v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2025-3053499, p. 123 (Order Entered December 9, 2025).

¹⁰ *Pa. P.U.C. v. Pennsylvania American Water Company*, Docket Nos. R-2025-3057983 and R-2025-3058051, p. 114 (Order Entered July 27, 2026).

¹¹ I&E St. No. 1-SR, pp. 12-18.

C. I&E Exception No. 3: The ALJ erred in rejecting I&E’s proposed capital structure of 50% long-term debt and 50% common equity. RD at pp. 149-61.

In the RD, the ALJ recommended that the Commission adopt Peoples’ capital structure of 45.53% long-term debt and 54.47% common equity.¹² I&E recognizes that Commission precedent has typically indicated that actual capital structure should be adopted unless a capital structure is atypical or outside a range of reasonableness.¹³ Here, I&E submits that Peoples’ capital structure of 45.53% long-term debt and 54.47% common equity is equity heavy. Therefore, I&E continues to recommend that the Commission adopt its proposed capital structure of 50% long-term debt and 50% common equity. Additionally, I&E notes that the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”) also proposed that a capital structure of 50% long-term debt and 50% common equity be imposed for ratemaking purposes,¹⁴ and that the Office of Consumer Advocate (“OCA”) proposed a very similar capital structure of 50% long-term debt and 49% common equity.¹⁵

I&E’s recommendation was in line with its proxy group as well as the recent national authorized capital structures for gas distribution utilities.¹⁶ I&E has noted throughout this proceeding that utility bill affordability remains a primary issue of concern, as evidenced by various statements made by Vice Chair Kimberly Barrow and

¹² RD, p. 161.

¹³ *Id.*

¹⁴ CAUSE-PA St. No. 1, p. 34.

¹⁵ OCA St. No. 3, p. 59.

¹⁶ I&E St. No. 2-SR, p. 6.

Governor Josh Shapiro.¹⁷ I&E continues to assert that it is necessary to use a hypothetical capital structure of 50/50 for ratemaking purposes, to balance the interests of the Company and ratepayers and ensure rate reasonableness without overburdening ratepayers.¹⁸

D. I&E Exception No. 4: The ALJ erred in rejecting I&E’s proposed effective date of new rates of January 1, 2027. RD at pp. 287-89.

In the RD, the ALJ recommended that the Commission accept the proposed suspension date by Peoples of December 26, 2026 as the effective date of new rates in this proceeding.¹⁹ I&E continues to recommend that the new rates should be effective on January 1, 2027 (the first day of the Fully Projected Future Test Year “FPFTY”).

I&E asserts that this issue was resolved in the 2025 Columbia Gas base rate case, where the Commission stated:

We read the plain language of Section 315(e), in its entirety, as establishing a voluntary frame work under which a utility may avail itself of the advantage of the FPFTY to discharge its burden of proof; however, **the utility’s voluntary selection of the dates of the 12-month period of the FPFTY has the legal consequence of setting the effective date of the first month in which the proposed rate increase is to take effect, following the expiration of the Section 1308(d) suspension period.** Columbia’s position conflates the Section 1308(d) suspension date for this case with the date on which the Company may be permitted to implement new rates; however, as we explain below, these dates are distinct.²⁰

¹⁷ *Id.* at p. 43 (*citing* I&E Exh. No. 2, Sch. 2).

¹⁸ *Id.*

¹⁹ RD, p. 289.

²⁰ *Pa. P.U.C. v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2025-3053499, pp. 57-58 (Order Entered December 9, 2025) (emphasis added).

The Company's decision to utilize the FPFTY in this proceeding means it has elected to set the effective date of new rates at the beginning of the FPFTY (January 1, 2027), not the suspension date of December 26, 2026.

Therefore, I&E continues to recommend that the Commission direct the Company: (1) to make the new rates effective January 1, 2027 (the first day of the FPFTY) and file an updated tariff rates and rules (Supplement to Tarriff Gas) pursuant to the 12 provisions of 52 Pa. Code §§ 53.1, et seq. and 53.101, designed to produce the approved annual distribution rate/revenue increase to become effective for service rendered *on and after January 1, 2027*; and (2) to file all subsequent base rate cases that should have new rate effective dates beginning with the first day or later of the claimed FPFTY.²¹

E. I&E Exception No. 5: The ALJ erred in rejecting I&E's recommended treatment of Peoples' proposed one-time credit adjustment to its Universal Service Program ("USP") Rider. RD at pp. 289-93.

In the RD, the ALJ recommended that the Commission adopt Peoples' proposal to apply a defined credit adjustment to offset the USP Rider charges that are paid for by non-Customer Assistance Program ("CAP") residential customers through the periods of January 1, 2027 through March 31, 2027 (Year 1) and January 1, 2028 through March 31, 2028 (Year 2).²²

I&E asserts that the one-time credit adjustment should be treated as a regulatory liability and credited back to all customers because all customer classes contributed to the expenses paid, and therefore all customers should benefit from the credit.²³

²¹ I&E St. No. 2, p. 68.

²² RD, pp. 289-90, 293.

²³ I&E St. No. 1-SR, p. 42.

I&E continues to recommend that this regulatory liability should be amortized over a period of four years, rounded down to the nearest year, resulting in annual amortization of \$975,000 over the four-year period ($\$3,900,000 / 4 \text{ years} = \$975,000$), and that Peoples be required to show an annual accounting of the progress for refunding this credit in its next base rate case filing.²⁴

I&E also continues to recommend that the tax repair deduction collar amount be tracked throughout the year and returned via the Tax Repairs Surcharge Credit within 90 days of January 1, 2027 and that Peoples be required to show an annual accounting of the credit in its next base rate case filing.²⁵

F. I&E Exception No. 6: The ALJ erred in rejecting I&E’s proposal to meet quarterly with Peoples to review its root cause analyses and the metrics related to the specific causes of damages. RD at pp. 350-53.

In the RD, the ALJ recommended that the Commission accept Peoples’ proposal to meet with I&E periodically to review its root cause analyses and the metrics related to the specific causes of damages.²⁶ I&E disagrees with the ALJ’s recommendation to the extent that I&E’s proposed quarterly meetings offer a definitive review timeline in order to ensure that Peoples is driving down its damage numbers on its facilities.²⁷

Simply put, the ALJ’s recommendation lacks sufficient specificity. “Periodically” may mean something very different to the Company than it does to I&E. Therefore, I&E continues to recommend that, beginning in 2027, I&E and Peoples meet quarterly to

²⁴ *Id.* at pp. 42-43.

²⁵ *Id.* at p. 43.

²⁶ RD, pp. 352-53.

²⁷ I&E St. No. 4-SR, pp. 4-5.

review the Company's root cause analyses and metrics related to the specific causes of damages.²⁸ This will allow the parties to have more definitive dates on their respective calendars for when these meetings will occur, which provides I&E with a level of comfort that it will be able to determine whether issues are being addressed quickly and appropriately.

III. CONCLUSION

Wherefore, for all the foregoing reasons, the Bureau of Investigation and Enforcement respectfully requests that the Recommended Decision of Administrative Law Judge Charece Z. Collins, issued on October 2, 2026, be modified as recommended in the proposed Exceptions above.

Respectfully submitted,

A handwritten signature in black ink that reads "Michael Podskoch". The signature is written in a cursive, slightly slanted style.

Michael A. Podskoch, Jr.
Prosecutor
PA Attorney ID No. 330132

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Dated: October 14, 2026

²⁸ *Id.*

**BEFORE THE
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Pennsylvania Public Utility Commission	:	
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	:	
Peoples Natural Gas Company, LLC	:	

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Exceptions** dated October 14, 2026, in the manner and upon the persons listed below:

Served via Electronic Mail Only

Meagan Moore, Esq.
PNG Companies LLC
375 North Shore Drive, 4th Floor
Pittsburgh, PA 15212
meagan.moore@peoples-gas.com

Anthony D. Kanagy, Esq.
Michael W. Gang, Esq.
Hayley E. Wilburn, Esq.
Lindsay A. Berkstresser, Esq.
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601
akanagy@postschell.com
mgang@postschell.com
hwilburn@postschell.com
lberkstresser@postschell.com

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

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

Joseph L. Vullo, Esq.
Burke Vullo Reilly Roberts
1460 Wyoming Avenue
Forty Fort, PA 18704
jlvullo@bvrllaw.com

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

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

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



Michael A. Podskoch, Jr.
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 330132
(717) 783-6151
mpodskoch@pa.gov