



COMMONWEALTH OF PENNSYLVANIA

October 14, 2026

E-FILED

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

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

Dear Secretary Homsher:

Enclosed please find the Exceptions to the Recommended Decision, dated October 2, 2026, on behalf of the Office of Small Business Advocate (“OSBA”), in the above-referenced proceeding.

Copies will be served on all known parties in this proceeding, as indicated on the attached Certificate of Service.

If you have any questions, please do not hesitate to contact me.

Sincerely,

/s/ Steven C. Gray

Steven C. Gray
Senior Attorney
Assistant Small Business Advocate
Attorney ID No. 77538

Enclosures

cc: Maksim Malukoff /Mark D. Ewen /Joseph Kubas
Parties of Record

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**EXCEPTIONS
ON BEHALF OF THE
OFFICE OF SMALL BUSINESS ADVOCATE**

**Steven C. Gray
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**For:
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Date: October 14, 2026

I. Introduction

On March 27, 2026, Peoples Natural Gas Company (“PNG” or the “Company”) filed Original Tariff Gas – Pa. P.U.C. No. 49 and Original Tariff Gas – Pa. P.U.C. No. S-5 with the Commission. PNG proposed to increase the Company’s annual distribution revenues by approximately \$163.2 million.

On April 7, 2026, the OSBA filed a Complaint in response to PNG’s filings.

On April 16, 2026, Administrative Law Judge (“ALJ”) Charece Z. Collins issued her Prehearing Conference Order.

On April 28, 2026, a telephonic prehearing conference was held before ALJ Collins.

On June 18, 2026, the OSBA served the Direct Testimony of Joseph Kubas.

On June 18, 2026, the OSBA also served the Direct Testimony and Exhibit of Mark D. Ewen.

On July 16, 2026, the OSBA served the Rebuttal Testimony of Mark D. Ewen.

On July 30, 2026, ALJ Collins issued her Prehearing Order.

On July 31, 2026, the OSBA served the Surrebuttal Testimony of Joseph Kubas.

On August 5, 2026, an evidentiary hearing was held before ALJ Collins.

On August 26, 2026, the OSBA submitted its Main Brief.

On September 4, 2026, the OSBA submitted its Reply Brief.

On October 1, 2026, ALJ Collions issued her Recommended Decision (“RD”).

The OSBA submits the following Exceptions in response to the RD.

II. Exceptions

Exception No. 1: The ALJ erred by recommending that Universal Service Costs should be funded by all rate classes. (RD, at 256-260)

Section 1304 of the Public Utility Code, 66 Pa. C.S. §1304 (Discrimination in rates.)

states, as follows:

No public utility shall, as to rates, make or grant any unreasonable preference or advantage to any person, corporation, or municipal corporation, or subject any person, corporation, or municipal corporation to any unreasonable prejudice or disadvantage. No public utility shall establish or maintain any unreasonable difference as to rates, either as between localities or as between classes of service.

The Commission must decide, based upon the record before it, that it is reasonable for the Company's non-residential customer classes (including large load customers, industry, business, commerce, educational institutions, hospitals, local and state governments)¹ to pay Universal Service Costs ("USCs") for programs that only the residential class may access.

In her RD, the ALJ cited to the OCA's quotation of Governor Shapiro's April 26, 2026, letter.² Governor Shapiro's letter stated, as follows: "Pennsylvania consumers should not be asked to pay a single dollar more than is needed to support a safe and reliable utility system."³ The ALJ observed that the OCA views this passage as support for USCs being paid by all customer classes, which would "represent a major step towards addressing the general problem of affordability."⁴ Neither the OCA, nor any other party, provided record evidence to quantify that "major step."

¹ RD, at 255.

² RD, at 239.

³ RD, at 239.

⁴ RD, at 240.

Furthermore, the OCA purposefully mischaracterized the Governor’s letter. The Governor referred to “consumers” of utility services, not low-income customers. The Governor was addressing rising utility bills and affordability constraints for all customers, including small businesses. The Governor’s letter provides no basis for requiring non-residential customers to pay for USCs.

In her RD, the ALJ cited to the OCA’s “Commission precedent” whereby the Commission believes that it has the authority to require non-residential classes to pay USCs. The OSBA understands that is what the Commission believes. The ALJ continued by citing to the Commission’s *2019 Amendments to CAP Policy Statement* and the *Interconnection and Tariffs for Large Load Customers (“Large Load Final Order”)*.⁵

The ALJ acknowledged that the Commission’s *Large Load Final Order* did address the issue of a non-residential customer class funding USCs.⁶ However, in that *Large Load Final Order*, the *only* non-residential class that would be required to pay for USCs was the Large Loads class. The Commission did not require small businesses to pay for USCs. Furthermore, mere months after the Commission entered its May 12th *Large Load Final Order*, industries, businesses, commerce, educational institutions, hospitals, local and state governments will be surprised to learn that they will be required to pay for USCs, especially since the Commission could have addressed those non-residential customer classes in its *Large Load Final Order*.

As set forth above, the OCA believes that a “major step” for funding USCs is to require non-residential customers to pay for those USCs. CAUSE-PA also endorses this “major step.”⁷ The OSBA respectfully submits that the Commission has already taken a “major step” in its

⁵ RD, at 240. The ALJ cuts and pastes the OCA’s mistake. The Large Load Final Order was entered May 12, 2026, not April 30, 2026.

⁶ RD, at 252.

⁷ RD, at 250.

Large Load Final Order. Specifically, the Commission set forth the following tariff requirements for large load customers:

(a) Universal Service Fund Contributions

Large Load Customers are to make an annual contribution to the Company's universal service program based on the following peak demand schedule:

- (1) At least 25 megawatts but less than 75 megawatts: \$250,000.
- (2) At least 75 megawatts but less than 100 megawatts: \$400,000.
- (3) At least 100 megawatts but less than 500 megawatts: \$500,000.
- (4) 500 megawatts or more: \$1,000,000.⁸

The Commission has, in its model tariff, required non-residential utility customers (Large Load Customers, not small businesses or hospitals) to pay for USCs. That payment is made annually, and ranges from \$250,000 to \$1 million. For 2026, the OSBA believes that the OCA and CAUSE-PA should take the win.

In her RD, the ALJ cited to the OCA argument on the legal meaning of the word “nonbypassable.”⁹ The Commonwealth Court has already ruled that the term “nonbypassable” “reasonably means that residential customers cannot by-pass their prior funding of universal service costs by choice, or non-choice, of an electric generation supplier.”¹⁰ To ignore the Commonwealth Court's decision in *Met-Ed* is legal error.

Also in her RD, the ALJ cited to various OCA and CAUSE-PA arguments which claimed that requiring non-residential customers to pay for USCs is necessary to address poverty,¹¹ poor housing stock,¹² wages paid by employers,¹³ and societal problems.¹⁴ It is correct that the

⁸ *Large Load Final Order*, Model Tariff, final page.

⁹ RD, at 240.

¹⁰ *Met-Ed Indus. Users Group v. Pa. PUC*, 960 A.2d 189 (Pa. Cmwlth Ct.), at 202.

¹¹ RD, at 240.

¹² RD, at 240.

¹³ RD, at 242.

¹⁴ RD, at 252.

Commonwealth Court in *Lloyd* affirmed the Commission’s authority to fund “public purpose programming.” However, as the evidentiary record makes clear, the Legislature has provided no statutory authority for the Commission to address the problems of poverty, poor housing stock, employees’ wages, or societal problems in general. Furthermore, there is no record evidence that allocating USCs to small businesses (or any other non-residential customer class) would result in *any progress whatsoever* toward addressing issues such as poverty, poor housing stock, employees’ wages, or societal problems in general.

As set forth above, what the Legislature has required of the Commission is that there is no unreasonable preference when assigning rates to a utility’s various customer classes. The record evidence in this proceeding demonstrates that it would be unreasonable, and therefore illegal, to require the Company’s non-residential customers to pay for USCs.

First, PNG provides access to the following low-income assistance programs: (1) Customer Assistance Program (“CAP”); (2) Hardship Fund; (3) Low Income Usage Reduction Program (“LIURP”); (4) Customer Assistance Referral and Evaluation Services (“CARES”); and Emergency Furnace/Service Line Repair Assistance Program (“EFSLR”).¹⁵

Second, CAUSE-PA correctly stated that the Natural Gas Choice and Competition Act¹⁶ requires universal service to be adequately funded.¹⁷ the record evidence in this proceeding shows that only 22.9% of “Confirmed Low-Income Customers” participate in PNG’s various low-income programs. In the previous two years, that participation percentage was 24.1% and 27.5%.¹⁸ The 22.9% participation figure demonstrates that the Company’s USCs are fully and

¹⁵ PNG Statement No. 10, at 4-5.

¹⁶ 66 Pa. C.S. Section 2201, *et seq.*

¹⁷ CAUSE-PA Main Brief, at 10.

¹⁸ OCA Main Brief, at 121.

adequately funded, only partially used, and are not in need of additional funding from any non-residential customer class.

Third, Section 1301 of the Public Utility Code, 66 Pa. C.S. Section 1301 (Rates to be just and reasonable) requires that the rates assigned to the non-residential classes be, in fact, just and reasonable. There is no record evidence demonstrating the impact of requiring PNG's small business customers (or any non-residential class) to pay for USCs.

In her RD, the ALJ considered both the OCA and CAUSE-PA proposals to assign USCs to the non-residential classes.¹⁹ The ALJ recommended the "OCA's flat-fee allocation" that could be included in "an undesignated part of customer charges."²⁰

However, there is no record evidence demonstrating the impact of those "flat-fees" upon any non-residential class. Therefore, without evidence of that rate impact, the Commission cannot conclude that assigning USCs to non-residential classes is just and reasonable.

This is especially true for PNG's small business customers. The Commission is fully aware of the negative and devastating impact that the COVID-19 Pandemic, the supply shortages, and inflation have had on small businesses across the Commonwealth. PNG's own data demonstrates this negative impact. The Company's response to OSBA-II-009 shows that between January 2023 and June 2026, the monthly number of SGS bills that were 1-60 days late *increased* from 3,497 to 5,896 – a 69 percent increase. Over the same period, the monthly number of bills more than 60 days late *increased* from 661 to 971 – a 47 percent increase.²¹ This data demonstrates that it would be unjust and unreasonable to assign another charge to PNG's struggling small businesses.

¹⁹ RD, at 259.

²⁰ RD, at 259.

²¹ OSBA Statement No. 2, at 3.

Finally, as set forth above, “non-residential classes” have had no notice of this new USC charge based upon the Commission’s May 12th *Large Load Final Order*. As a result of this lack of notice, if the Commission believes it should pursue this issue, it should follow PNG’s suggestion: address this issue on a state-wide basis, rather than a utility-specific basis.²² This will provide the required notice to all affected parties and institutions; it will allow those parties affected by this proposal a chance to comment; and it will require the OCA and CAUSE-PA to provide actual evidence for their claims, rather than repeating the same unsubstantiated claims in each rate case.

Exception No. 2: The ALJ erred by recommending that the Small General Service customer charge increase to \$25.30 per month. (RD, at 234-235)

PNG originally requested that the Small General Service (“SGS”) customer charge, for customers that use between 0 and 499 Mcf per year, be increased from \$22.00 per month to \$32.14 per month.²³

The OSBA provided extensive testimony on the issue of the SGS customer charge, recommending that it remain at \$22.00 per month.²⁴

The ALJ recommended that the \$22.00 per month SGS customer charge be increased by \$3.30 per month to \$25.30 per month, which equates to an increase of 15.0%.²⁵ The ALJ primarily relied upon OCA analysis which calculated the cost of providing service to all SGS customers (both the 0 to 499 Mcf per year customers and the 500 Mcf to 1,000 Mcf per year customers). The OCA then limited the increase in the SGS customer charge for customers that used between 0 and 499 Mcf per year to \$3.30 per month.²⁶ The 15% increase is the same as the

²² PNG Main Brief, at 103-104.

²³ RD, at 220.

²⁴ OSBA Main Brief, at 8-11.

²⁵ RD, at 236.

²⁶ RD, at 236.

15% increase the ALJ determined was a reasonable increase for the Residential class customer charge based upon that same analysis performed by the OCA.²⁷

The OSBA excepts to the \$25.30 per month SGS customer charge described in the R.D. for the following reasons:

As described above, the ALJ's recommendation relied upon the OCA analysis – an analysis that does not distinguish between SGS customers that use between 0 to 499 Mcf per year and customers that use 500 Mcf to 1,000 Mcf per year. Without this differentiation, it is not possible to accurately calculate the monthly customer costs that PNG incurs to provide service to either the SGS small business customers that use between 0 and 499 Mcf per year or the large customers that use over 500 Mcf per year. This lack of detail makes the ALJ recommendation unsupported and arbitrary.

Furthermore, the ALJ should not have relied on a customer cost analysis from an outside party. The ALJ did not address the fact that the Company failed to provide a detailed customer cost analysis showing a breakdown of the individual components used to support the proposed SGS customer charge of \$32.14 per month. Specifically, PNG only provided two components in the record,²⁸ which was insufficient to meet PNG's burden of proof to provide detailed customer cost analysis.²⁹

PNG attempted to justify increasing customer charges due to bill volatility, price signals, intraclass subsidies, customer concerns with the Company recovering fixed costs, and low-

²⁷ RD, at 236.

²⁸ OSBA Main Brief, at 8.

²⁹ No specific reference to the Customer Cost Analysis was ever provided by the Company in testimony, Main Brief or Reply Brief.

income issues³⁰. The OSBA fully addressed these issues and provided detailed responses to the Company's attempts to justify increasing the SGS customer charge customers.³¹

In addition, the ALJ was incorrect not to give more weight to the OSBA conservation testimony. The OSBA described how an SGS customer will experience greater savings through conservation with a rate structure with a lower customer charge and a higher usage rate compared to a rate structure with a higher customer charge and lower usage rate.³² Even Cause-PA acknowledges that every dollar locked in a customer charge undermines the ability of customers to mitigate the rate increase through conservation and efficiency – which is also true for PNG's SGS customers.

Therefore, for the reasons stated above and in the OSBA Main and Reply Briefs, the Commission should keep the SGS customer charge at the current \$22.00 per month³³.

³⁰ RD, at 227.

³¹ OSBA Main Brief, at 9-10.

³² OSBA Main Brief, at 9.

³³ OSBA Main Brief, at 11; OSBA Reply Brief at 6-7.

III. Conclusion

Wherefore, the OSBA respectfully requests that the Commission adopt OSBA Exceptions No. 1 and No. 2 as set forth above and revise the Recommended Decision accordingly.

Respectfully submitted,

/s/ Steven C. Gray

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Dated: October 14, 2026

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	Docket Nos. R-2026-3060855
v.	:	C-2026-3061593
	:	
Peoples Natural Gas Company, LLC	:	

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served via email (*unless otherwise noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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