

COMMONWEALTH OF PENNSYLVANIA



DARRYL A. LAWRENCE  
Consumer Advocate

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

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

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

Dear Secretary Homsher:

Attached for electronic filing please find the Office of Consumer Advocate's Exceptions in the above-referenced proceeding.

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

Respectively,

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

Enclosures

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

CERTIFICATE OF SERVICE

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

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

Dated this 14th day of October 2026.

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SERVICE BY E-MAIL ONLY

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

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

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

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

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

Meagan Moore, Esq. \*  
Peoples Natural Gas Company  
375 North Shore Drive  
Pittsburgh, PA 15212  
meagan.moore@peoples-gas.com  
*Counsel for Peoples*

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

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

Dated: October 14, 2026

Elizabeth R. Marx, Esq. \*  
Ria M. Pereira, Esq. \*  
John W. Sweet, Esq. \*  
Lauren N. Berman, Esq. \*  
Levi A. Phillips, Esq. \*  
Patrick Cicero, Esq. \*  
Laura F. Edinger, Esq. \*  
Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101  
emarx@pautilitylawproject.org  
rpereira@pautilitylawproject.org  
jsweet@pautilitylawproject.org  
lberman@pautilitylawproject.org  
lphillips@pautilitylawproject.org  
pcicero@pautilitylawproject.org  
ledinger@pautilitylawproject.org  
*Counsel for CAUSE-PA*

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

Jacob Guthrie, Esq.  
Ryan M. Morden, Esq.  
Olivia M. Spergel, Esq.  
Assistant Consumer Advocates  
[OCAPeoplesBRC2026@paoca.org](mailto:OCAPeoplesBRC2026@paoca.org)

Counsel for:  
Darryl A. Lawrence  
Consumer Advocate

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

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EXCEPTIONS  
OF THE  
OFFICE OF CONSUMER ADVOCATE

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Joel H. Cheskis Esq.  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 81617  
[JCheskis@paoca.org](mailto:JCheskis@paoca.org)

Jacob D. Guthrie, Esq.  
Assistant Consumer Advocate  
PA Attorney I.D. # 334367  
[JGuthrie@paoca.org](mailto:JGuthrie@paoca.org)

Ryan Morden, Esq.  
Assistant Consumer Advocate  
PA Attorney I.D. # 335679  
[RMorden@paoca.org](mailto:RMorden@paoca.org)

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

Date: October 14, 2026

Olivia M. Spergel, Esq.  
Assistant Consumer Advocate  
PA Attorney I.D. #337929  
[OSpergel@paoca.org](mailto:OSpergel@paoca.org)

Counsel for:  
Darryl A. Lawrence  
Consumer Advocate

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## **I. INTRODUCTION AND OVERVIEW**

On October 2, 2026, Administrative Law Judge Charece Z. Collins (ALJ) issued her Recommended Decision (R.D.) in the matter involving the request of the Peoples Natural Gas Company LLC (Peoples or the Company) for an increase in base rates by \$163.2 million annually, which is a 13.8% increase to the overall distribution requirement. If approved, residential customer bills using 86 Mcf per year would increase from \$122.20 per month to \$138.23 per month. In her R.D., however, the ALJ recommended an annual revenue increase in the amount of \$105.396,889, or 8.9%, effective on December 26, 2026. Despite this substantial reduction in requested increase, the R.D. makes several errors which the Commission must correct.

In contrast, the Office of Consumer Advocate (OCA) participated in this proceeding and presented substantial record evidence that demonstrates that Peoples' request to increase its base rates should be rejected in its entirety.<sup>1</sup> Doing so would recognize the substantial affordability crisis that Peoples' customers are currently experiencing generally which any increase in Peoples' rates would exacerbate greatly. In the alternative, Peoples requires no more than \$9.4 million in additional annual distribution revenues to provide safe, adequate, and reliable service at rates that are just and reasonable, along with other consumer protections and safeguards. In particular, and as discussed further below, the OCA presented a dual analysis in this proceeding tying the relationship between capital structure and return on equity (ROE) whereby if Peoples' capital structure of 54.47% common equity and 45.53% long-term debt is accepted, the Company should be awarded an ROE of 8.8%.<sup>2</sup> If the OCA's proposed capital structure of 51% common equity and 49% long-term debt is adopted, Peoples' should be awarded an ROE of 8.5%.<sup>3</sup>

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<sup>1</sup> OCA M.B. at 7.

<sup>2</sup> OCA M.B. at 8.

<sup>3</sup> *Id.*

As a result, the OCA files these Exceptions in response to the ALJ's R.D.

## II. EXCEPTIONS

**Exception No. 1:** The ALJ erred in failing to adjust Peoples' rate base claim based on the OCA's expense, depreciation, and capital structure adjustments despite also finding that the OCA's adjustments are dependent on the Commission's decisions on individual adjustments. R.D. at 47; OCA M.B. at 22-24; OCA R.B. at 4-5.

Peoples requested a cash working capital (CWC) rate base component of \$47,681,867 in its initial filing, which was revised to \$46,932,677 based on adjustments that Peoples made to its claimed expenses in rebuttal testimony, based on its claimed expenses, long-term debt component of its capital structure, and cost of long-term debt.<sup>4</sup> The OCA recommended that the Commission adjust Peoples' rate base claim by: (1) (\$909,793), associated with Peoples' CWC rate base component, and (2) \$36,844,273, associated with Peoples' accumulated depreciation rate base component.<sup>5</sup> These adjustments were contingent on the ALJs' adoption of the OCA's recommended adjustments to Peoples' (1) expense and capital structure claims, as well as (2) depreciation expense claim, respectively.

The ALJ's discussion of adjustments to Peoples' claimed rate base was limited to the following: "Based on my other recommendations that bear on CWC and capitalized expenses, I recommend a total rate base adjustment of (\$6,769,370)."<sup>6</sup>

The OCA excepts only to the amount of rate base adjustments recommended by the ALJ, not to the methodology utilized to calculate the adjustments, or an implicit determination that the determination of rate base adjustments including CWC is iterative. As set forth in full *infra*, the OCA maintains its litigation position regarding adjustments to Peoples' expenses, depreciation

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<sup>4</sup> Peoples St. 14-R at 4.

<sup>5</sup> OCA M.B. at 22-24; OCA St. 2 at 6-7; OCA Sch. JNG-5-SR

<sup>6</sup> R.D. at 47.

expense, and capital structure and, therefore, maintains its position that such adjustments should be reflected in Peoples' authorized rate base balance, as set forth in the OCA's Main Brief.<sup>7</sup>

As such, the ALJ erred in failing to adjust Peoples' rate base claim based on the OCA's expense, depreciation, and capital structure adjustments despite also finding that the OCA's adjustments are dependent on the Commission's decisions on individual adjustments.

**Exception No. 2:** The ALJ erred in recommending Peoples' proposed Consumer Price Index-based inflation adjustments to Payment Processing and Advertising expenses which are not supported by record evidence or prior Commission orders be adopted. R.D. at 59; FOF 10-12; OCA M.B. at 27-29; OCA R.B. at 7-8.

Peoples proposed to use the Consumer Price Index (CPI) to calculate inflationary adjustments to its payment processing and advertising expenses, in the amounts of \$1,016,537 and \$75,656, respectively.<sup>8</sup> The OCA recommended that Peoples' proposed inflation adjustments to its payment processing and advertising expense claim be rejected as unsupported by record evidence that the CPI generally provides a fair and accurate estimate of the expected test year expenses for these accounts.<sup>9</sup> The OCA cited in its Main Brief to four recent Commission orders which rejected similar adjustments.<sup>10</sup> The OCA also identified the dearth of evidence that the CPI is an appropriate measure for changes over time in payment processing and advertising expenses.<sup>11</sup>

The ALJ erroneously relied on *Pa. PUC v. PECO Energy Co. – Gas Div.*, Docket No. R-2020-3018929, 2021 Pa. PUC LEXIS 241, Order at 10 (June 22, 2021) (*PECO Gas 2021*) and ongoing inflation to support her conclusion that Peoples' claimed inflation adjustments should be

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<sup>7</sup> OCA M.B. at 22-24; OCA R.B. at 4-5.

<sup>8</sup> Peoples St. 2-R at 9.

<sup>9</sup> OCA M.B. at 27-29; OCA R.B. at 7-8; OCA St. 2 at 20-21, 25-26.

<sup>10</sup> OCA M.B. at 27-29; *Pa. PUC v. Wellsboro Electric Co.*, R-2019-3008208, Order at 40 (Apr. 29, 2020) (*Wellsboro 2020*); *Pa. PUC v. Aqua Pa., Inc.*, 2022 PA. PUC LEXIS 161, \*62-63 (May 16, 2022) (*Aqua 2022*); *Pa. PUC v. Phila. Gas Works*, 2023 PA. PUC LEXIS 298, \*47 (Nov. 9, 2023) (*PGW 2023*); *Pa. PUC v. Columbia Gas of Pa., Inc.*, 2025 PA. PUC LEXIS 395, \*92-93 (Dec. 9, 2025) (*Columbia 2025*).

<sup>11</sup> OCA R.B. at 8.

included in the revenue requirement.<sup>12</sup> The ALJ inappropriately relied on an interpretation of a prior Commission order – a question of law – as a finding of fact to support her conclusion,<sup>13</sup> and made no findings of fact or further factual analysis regarding how the CPI is an appropriate measure of estimated increases in payment processing and advertising expenses.<sup>14</sup>

First, as the OCA stated in its Main Brief, the CPI is a measure of consumer prices and does not reflect the inflationary pressures placed on Peoples with respect to individual expense accounts.<sup>15</sup> Peoples did not submit testimony or evidence which indicates that the CPI accurately tracks changes in payment processing and advertising expenses over time in the same way that it measures changes in consumer prices over time.<sup>16</sup>

Second, the ALJ's reliance on *PECO Gas 2021* is misplaced. While the Commission allowed a CPI-based adjustment in *PECO Gas 2021*, it did so only after finding that the utility's proposed inflation adjustment factors were unspecified and its calculations were unsupported by record evidence.<sup>17</sup> Those facts are not present in this case. Further, the Commission has more recently determined that inflation factors are not appropriate ways to calculate cost escalation adjustments over time.<sup>18</sup> That Peoples utilized a CPI-based adjustment to two specific expenses, instead of a significant number of expenses, does not mean that a CPI-based adjustment is appropriate absent evidence that Peoples' payment processing and advertising expenses follow a consistent inflationary trend which is similar to the CPI.<sup>19</sup> Ruling as such contravenes the

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<sup>12</sup> R.D. at 59; FOF 10-12.

<sup>13</sup> FOF 12.

<sup>14</sup> R.D. at 47; FOF 10-11.

<sup>15</sup> OCA M.B. at 28; OCA St. 1SR at 6.

<sup>16</sup> OCA M.B. at 28; *compare* Peoples St. 2-R at 10 (“inflation is a real thing and is expected in all expense categories over time”) with *Pa. PUC v. Pa. American Water Co.*, Docket Nos. R-2025-3057983 *et al*, Order at 131 (July 27, 2026) (*PAWC 2026*) (“adjustments for inflation are inherently speculative”).

<sup>17</sup> *PECO Gas 2021* at \*55-56.

<sup>18</sup> *PGW 2023* at \*47; *Aqua 2022* at \*62-63; *Columbia 2025* at \*92.

<sup>19</sup> *See PAWC 2026* at 131.

Commission's clear direction to ensure that "appropriate data evidencing the accuracy of the estimates contained in the future test year or a fully projected future test year" supports test year expense claims.<sup>20</sup> Peoples presented no such evidence and, therefore, its proposed CPI-based adjustments should be denied.

The ALJ erred in adopting Peoples' proposed Consumer Price Index-based inflation adjustments to Payment Processing and Advertising expenses which are not supported by record evidence or prior Commission orders. If the Commission grants the OCA's exception, then it should adjust Peoples' claimed expenses as follows: (\$77,284) for Payment Processing and a (\$75,656) for Advertising.<sup>21</sup>

**Exception No. 3:** The ALJ incorrectly recommended that Peoples be permitted to recover the full cost of its incentive compensation expense claim in spite of recent Commission orders and record evidence indicating such recovery is not appropriate in this case because shareholders were the primary beneficiaries of the incentive compensation plan. R.D. at 69-70; FOF 15-17; OCA M.B. at 30-32; OCA R.B. at 10-11.

Peoples requested an employee incentive compensation and/or bonus expense allowance of \$6,125,473 for the fully projected future test year (FPFTY).<sup>22</sup> In response, the OCA recommended that that the portion of Peoples' claimed incentive compensation expense dedicated to pursuing shareholder value, instead of ratepayer value, through financial metrics be disallowed, resulting in a downwards adjustment of \$2,520,984.<sup>23</sup> In support thereof, the OCA referenced the Commission's recent decisions in *Columbia 2025* and *PAWC 2026*, in which the Commission disallowed the portion of the utilities' claimed incentive compensation expense dedicated to rewarding achieving financial metrics because shareholders were the primary beneficiaries of the

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<sup>20</sup> 66 Pa. C.S. § 315(e).

<sup>21</sup> OCA M.B. at 25; OCA St. 2 at 20-21, 25-26; OCA St. 2SR at 12-13, 17-18.

<sup>22</sup> OCA St. 2 at 11.

<sup>23</sup> OCA M.B. at 30-32; OCA R.B. at 10-11; OCA St. 2SR at 9; OCA Sch. JNG-8-SR.

incentive compensation plan.<sup>24</sup> The OCA argued that Peoples failed to provide sufficient evidence to indicate that its incentive compensation plan was distinguishable.<sup>25</sup>

The ALJ overlooked the Commission's recent decisions in *Columbia 2025* and *PAWC 2026*, and, instead, relied on prior Commission orders that do not reflect this more recent development.<sup>26</sup> The ALJ did not appropriately distinguish the record in this proceeding from those presented in *Columbia 2025* and *PAWC 2026*.<sup>27</sup> Instead, she stated that "the Commission has established a bright line test for incentive compensation expense" where the full amount of the expense may be recovered if the incentive programs "are reasonable and provide a benefit to ratepayers..."<sup>28</sup>

The appropriate analysis is determining to what extent the incentive compensation plan is designed to provide adequate service to ratepayers, as evidenced by awarding incentive compensation through achieving operational and customer experience metrics, instead of aligning the interests of utility employees with those of shareholders.<sup>29</sup> In *PAWC 2026*, the Commission stated that, "although operational metrics align employees with customers, financial metrics in performance pay align employees primarily with shareholder interests. Therefore, ratepayers should not be required to exclusively fund the payout of financial metrics..."<sup>30</sup> The Commission

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<sup>24</sup> *PAWC 2026* at 114; *Columbia 2025* at \*86-87.

<sup>25</sup> OCA M.B. at 32-33; OCA R.B. at 11; OCA St. 2-SR at 8.

<sup>26</sup> R.D. at 10-11 (citing *Pa. PUC v. PPL Electric Utilities Corp.*, Docket No. R-2012 2290597, 2012 Pa. PUC LEXIS 1757 (Recommended Decision Oct. 19, 2012); *Pa. PUC v. PPL Electric Utilities Corp.*, Docket No. R-2012 2290597, at 26 (Order entered Dec. 28, 2012) (*PPL Electric 2012*); *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket No. R-00072711, 2008 Pa. PUC LEXIS 50 at \*20-26 (Order July 31, 2008); *Pa. PUC v. Duquesne Light Co.*, 1987 Pa. PUC LEXIS 342 (Order Mar. 10, 1987); *Pa. PUC v. PPL Gas Utilities Corporation*, Docket No. R-00061398 (Order Feb. 8, 2007); *Pa. PUC v. Philadelphia Gas Works*, Docket No. R 2008-2073938, 2008 Pa. PUC LEXIS 32 (Order Dec. 19, 2008); *Pa. PUC v. UGI Utilities, Inc. – Electric Division*, Docket No. R-2017-2640058 (Order entered Oct. 25, 2018) (*UGI Electric 2018*) at 73-74; *Aqua 2022* at \*60-61).

<sup>27</sup> *Bell Atl.-Pa., Inc. v. Pa. Pub. Util. Comm'n*, 672 A.2d 352 (Pa. Cmwlth. 1995) (the Commission is not bound by principles of *stare decisis* but must distinguish, overrule, or affirm its prior orders).

<sup>28</sup> R.D. at 70 (citing *PPL Electric 2012* at 26).

<sup>29</sup> OCA M.B. at 31-32; OCA R.B. at 10-11.

<sup>30</sup> *PAWC 2026* at 114.

reached a similar conclusion in *Columbia 2025*, in which it denied 70% of a utility's claimed incentive compensation expense, where the 70% was related to purely financial performance metrics.<sup>31</sup> In neither case did the Commission adopt the "modicum of ratepayer" benefit supported by the R.D. and Peoples; instead the Commission assigned the cost of funding the program to the targeted beneficiary, shareholders for financial achievement and ratepayers for operational and customer experience metrics.

Furthermore, Peoples failed to demonstrate that it would be put at a disadvantage compared to other businesses if ratepayers are not required to fund its full incentive compensation expense claim.<sup>32</sup> As stated by OCA witness Geiger, Peoples' claims regarding its incentive compensation plan "are generalized assertions associated with sound financial management, not the specific performance measures at issue."<sup>33</sup> Such generalized assertions are inappropriately adopted as findings of fact, without indication as to any assessment of the amount of ratepayer benefit.<sup>34</sup>

Therefore, the ALJ erred when she overlooked recent Commission decisions on incentive compensation recovery and did not appropriately distinguish the instant proceeding, which is not factually distinguishable based on the record evidence.

**Exception No. 4:** The ALJ erred in recommending that record evidence supports Peoples' claimed employee expenses are necessary for the safe and reliable provision of natural gas distribution service. R.D. at 77; FOF 20-21; OCA M.B. at 33-34; OCA R.B. at 11-13.

In its filing, Peoples proposed including costs totaling \$756,875 in the cost of service related to employee activities, such as employee events and safety awards, at the close of the FPFTY.<sup>35</sup> In response, the OCA recommended that the Commission disallow \$426,970 of Peoples'

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<sup>31</sup> *Columbia 2025* at \*86-87.

<sup>32</sup> OCA St. 2-SR at 7.

<sup>33</sup> OCA St. 2-SR at 8.

<sup>34</sup> FOF 15-17.

<sup>35</sup> OCA St. 2 at 18.

claimed employee expenses related to employee activities, such as employee events and safety awards.<sup>36</sup> The OCA's recommendation was based on the lack of explanation as to how Peoples' employee expenses are reasonable or necessary to the provision of safe and reliable service for Peoples' customers.<sup>37</sup> The OCA relied on a significant history of prior Commission orders which discussed the circumstances under which it is appropriate to allow recognition-related employee expenses, as compared to the breadth of employee events – not all of which are recognition-related – for the costs of which Peoples requests recovery in this case.<sup>38</sup>

The ALJ recommended that Peoples be permitted to recover the entirety of the expense claim based on “Peoples’ contention that a strong and motivated workforce is crucial to maintaining employees, and a fully staffed and motivated workforce means that employees are on hand to address all customer needs in the utility’s various departments” because “incentivized employee programs only strengthen a utility’s ability to provide quality service.”<sup>39</sup>

The ALJ incorrectly accepted the averments of Peoples that these employee expenses are related to employee recognition and engagement. Peoples’ testimony includes no explanation regarding the connection, only conclusory remarks, regarding some of the expense components.<sup>40</sup> As the OCA identified in its Reply Brief, the Commission’s prior orders regarding employee recognition events do not provide that *any* employee recognition event warrants inclusion in

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<sup>36</sup> OCA M.B. at 33-34; OCA R.B. at 11-13; OCA St. 2 at 18; OCA St. 2-SR at 10-11; OCA Sch. JNG-10-SR.

<sup>37</sup> OCA M.B. at 33-34; OCA St. 2-SR at 11.

<sup>38</sup> *UGI Electric 2018* at 70-71; *Pa. PUC v. Pa.-American Water Co.*, 79 PaPUC 25, 62-63 (1993) (*PAWC 1993*) (expenses for entertainment and gifts inappropriately included in utility’s rates because they did not directly relate to the provision of quality water service); *Pa. PUC v. Citizens Utilities Water Co. of Pa.*, 169 PUR4th 552, 584-85 (1996) (disallowing expenses for gifts, flowers, in-house luncheons and horticultural service despite the Company’s claim that these items improved employee morale); *Pa. PUC v. Columbia Water Co.*, Docket No. R-2013-2360798, Order at 71-74 (Jan. 23, 2014) (*Columbia Water 2014*).

<sup>39</sup> R.D. at 77.

<sup>40</sup> *See, e.g.*, Peoples St. 2-R at 25 (“These costs mainly relate to small employee gatherings such as the Special Olympics Polar Plunge event, team lunches and other similar costs. These costs are an integral part of the Company’s employee recognition and engagement program that ensures an engaged workforce.”).

rates.<sup>41</sup> Rather, other utilities making the exact same claim as Peoples in this proceeding had such claims for rate recovery denied.<sup>42</sup> Permitted recovery of employee event costs is highly circumscribed<sup>43</sup>; otherwise, Peoples could aver that any employee social activity must be included in rates because it improves workplace morale, even tangentially.

The ALJ erred in recommending that record evidence supports Peoples' claimed employee expenses are necessary for the safe and reliable provision of natural gas distribution service. The OCA excepts to the ALJ's recommendation, which does not address prior Commission orders and is not supported by a factual record developed to support that the employee expense claims are related to the provision of safe, adequate, and reliable utility service.

**Exception No. 5:** The ALJ erred in recommending that record evidence supports Peoples' claimed travel and entertainment expenses are necessary for the safe and reliable provision of natural gas distribution service. R.D. at 80; FOF 22-23; OCA M.B. at 34; OCA R.B. at 13-14.

In its filing, Peoples proposed to include \$1.139 million of travel, meal, and entertainment expenses in the FPFTY.<sup>44</sup> In response, the OCA recommended that the Commission disallow \$799,375 of Peoples' proposed travel and entertainment expenses, associated with the costs which Peoples has not demonstrated provide a benefit to ratepayers.<sup>45</sup> Similar to the OCA's recommendations regarding employee expenses, the OCA found that Peoples' claimed travel and entertainment expenses are inconsistent with prior Commission orders and that these expenses are not reasonably related to the provision of safe, adequate, and reliable natural gas distribution service.<sup>46</sup>

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<sup>41</sup> OCA R.B. at 12.

<sup>42</sup> *Id.*

<sup>43</sup> *UGI Electric 2018* at 70-71 (permitting recovery of a \$11,848 annual employee recognition banquet). Peoples' expense claim far exceeds \$11,848.

<sup>44</sup> OCA St. 2 at 11.

<sup>45</sup> OCA M.B. at 34; OCA R.B. at 13-14; OCA St. 2 at 11; OCA St. 2-SR at 11; OCA Sch. JNG-11-SR.

<sup>46</sup> *Pa. PUC v. Pa.-American Water Co.*, 1995 Pa. PUC LEXIS 170, \*37-39 (July 24, 1995) (*PAWC 1995*); *PECO Gas 2021* at \*58; *Columbia Water 2014* at 71-74.

The ALJ's recommendation is based on her conclusion that "a strong and motivated workforce paves the way for a Company that is successful in its efforts to provide safe and reliable service," similar to her recommendation regarding employee expenses.<sup>47</sup> The Findings of Fact reflect only that testimony was given on these issues and inappropriately includes a conclusion of law, citing to prior Commission orders instead of the factual record.<sup>48</sup> As a result, the ALJ's recommendation is not supported with substantial evidence, and the reference to prior Commission orders is inconsistent with them.

Namely, as described *supra* regarding employee expenses, Peoples seeks to maximize the number of expense items that it can claim are recognition-related without providing actual support as to how its entertainment events are recognition-related.<sup>49</sup> Peoples' averments regarding the value of such events to ratepayers are conclusory, demonstrate no tangible connection to providing service, and rest on a generalized assumption that any benefit to Peoples' employees is service-related.<sup>50</sup> Peoples identified no prior Commission orders that are consistent with its expense claims and support that any type of employee expense which is not recognition-related is appropriate to recover through rates.<sup>51</sup> As a result, Peoples failed to meet its burden of proof to "demonstrate how these discretionary travel and entertainment expenses provide a direct benefit to ratepayers or why they should be recovered through rates."<sup>52</sup>

The OCA excepts to the ALJ's recommendation that Peoples should be permitted to recover its claimed travel and entertainment expenses because her recommendation is inconsistent with

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<sup>47</sup> R.D. at 80.

<sup>48</sup> FOF 22-23.

<sup>49</sup> OCA R.B. at 14; *see also Columbia Water 2014* at 71-74 (disallowing a utility's claimed expense item for employees' amusement park tickets after finding that sending employees to an amusement park is not recognition-related).

<sup>50</sup> OCA M.B. at 34; OCA R.B. at 13-14.

<sup>51</sup> OCA R.B. at 13-14; *see also* Peoples M.B. at 27 (*citing UGI Electric 2018* at 70-71; *PECO Gas 2021* at \*58-59; *PAWC 1995* at 37-39).

<sup>52</sup> OCA St. 2 at 11; 66 Pa. C.S. § 315(a).

the evidentiary record and prior Commission orders. If the Commission adopts the ALJ's recommendation, it may permit the recovery of *any* employee-related expense item through rates regardless of the connection between the expense and providing safe and reliable utility service; such a result is unjust and unreasonable.

**Exception No. 6:** The ALJ erred and did not support her decision with substantial evidence when she recommended that the Commission approve Peoples' proposed Natural Gas Hot Water Tank Rebate Pilot. R.D. at 107; FOF 36-38; OCA M.B. at 39, 148-49; OCA R.B. at 17, 72.

Peoples requested Commission authorization to implement a three-year Natural Gas Hot Water Tank Rebate Pilot beginning in January 2027, and to recover the cost of the same in rates.<sup>53</sup> This program would cost ratepayers \$500,000 per year, with a budget allocated towards \$365,000 for customer rebates, \$21,000 for program administration, and \$114,000 for marketing and outreach.<sup>54</sup> In response, the OCA recommended that Peoples' proposed Natural Gas Hot Water Tank Rebate Pilot be denied and that the corresponding \$500,000 Peoples requested in its revenue requirement be denied, as well.<sup>55</sup> Specifically, the OCA determined that Peoples failed to explain why it would be just and reasonable to collect costs associated with a customer and load acquisition program.<sup>56</sup>

In the R.D., the ALJ found that the Hot Water Tank Pilot could result in bill savings for customers if they switch from an electric to a natural gas water heater.<sup>57</sup> She concluded that "the program can prove useful to customers."<sup>58</sup>

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<sup>53</sup> OCA St. 2 at 26.

<sup>54</sup> *Id.*

<sup>55</sup> OCA M.B. at 39, 148-49; OCA R.B. at 17, 72; OCA St. 2 at 26-27.

<sup>56</sup> OCA St. 2 at 26-27.

<sup>57</sup> FOF 38.

<sup>58</sup> R.D. at 107.

The OCA disagrees. Peoples already has programs in place to assist current natural gas water heater users to switch to higher efficiency water heaters *without* switching fuels.<sup>59</sup> If the Company wishes to implement the Pilot program, it should do so using shareholder funds, not ratepayer, as it is a revenue-generating initiative and not reasonably related to providing safe, adequate, and reliable service. The Commission should not sanction a program which favors one energy source over another merely because the sponsoring utility avers that their energy source, in this case natural gas, provides additional benefits. Ratepayers should not bear the burden of Peoples' customer acquisition costs. Therefore, the OCA recommends that the proposed Pilot be denied, and that the cost of the Pilot be removed from Peoples' proposed revenue requirement, resulting in a \$500,000 disallowance.

The ALJ erred and failed to point to any fact or law which indicates that it is just and reasonable for Peoples' ratepayers to fund revenue growing initiatives for Peoples. The ALJ's recommendation must be rejected.

**Exception No. 7:** The ALJ erred in recommending the OCA's recommended interest synchronization adjustment be denied because she erred when she did not adopt the OCA's proposed capital structure. R.D. at 121; OCA M.B. at 43; OCA R.B. at 20.

The OCA recommended that the Commission reduce Peoples' claimed interest expense by \$8.268 million in the event that the Commission adopted the weighted cost of debt in the OCA's recommended capital structure, in addition to corresponding federal tax liabilities.<sup>60</sup> The ALJ did not adopt the OCA's recommended capital structure, she did not adopt the OCA's recommended weighted cost of debt and rejected the OCA's proposed interest synchronization adjustment.<sup>61</sup> Because the OCA excepts to the ALJ's recommendation that the OCA's capital structure

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<sup>59</sup> OCA M.B. at 149; OCA St. 2 at 26.

<sup>60</sup> OCA M.B. at 43; OCA R.B. at 20; OCA St. 2 at 28; OCA St. 2SR at 19-20; OCA Sch. JNG-22-SR.

<sup>61</sup> R.D. at 121.

recommendation be rejected, the OCA similarly excepts to the ALJ's recommendation to deny the commensurate adjustment to Peoples' interest synchronization calculation.

**Exception No. 8:** The ALJ erred when failing to recommend that the Commission adopt the average life group method of depreciation when setting Peoples' base rates thereby causing a significant and unnecessary increase in those rates. R.D. at 128-146; OCA M.B. at 46-55; OCA R.B. at 21-30.

In its filing, Peoples requested that its claim for depreciation expense be established using the equal life group (ELG) method.<sup>62</sup> In response, the OCA presented substantial record evidence that the average life group (ALG) method should be used to determine the depreciation expense claim because it reduces the financial burden on consumers, is commonly used in Pennsylvania and other states, has been adopted by Peoples' own depreciation witness in other cases and still allows the Company the opportunity to earn a return on its investment.<sup>63</sup> Specifically, OCA witness Mr. Garrett demonstrated that the ELG method materially increases depreciation accruals in the early years of asset lives, producing approximately \$27-\$37 million more in annual depreciation expense than ALG over the three study years.<sup>64</sup>

In her R.D., however, the ALJ stated in total: "In light of the various arguments presented by Peoples, OCA, and CAUSE-PA, and in light of the Commission precedent highlighted by Peoples, this ALJ recommends that the Commission accept Peoples' proposed depreciation claim of \$18.2 million."<sup>65</sup> As such, the ALJ erred by recommending that Peoples' depreciation claim be adopted. In doing so, however, the ALJ provides no reasoning as to why she believes that the Commission should accept Peoples' proposed depreciation claim, instead of the OCA's adjustment,

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<sup>62</sup> Peoples St. 16, *passim*.

<sup>63</sup> OCA M.B. at 46.

<sup>64</sup> OCA M.B. at 48-51, see also, OCA St. 3 at 62-69 and Exhs. DJG-17 through DJG-23. Mr. Garrett also cited depreciation literature and decisions from other jurisdictions recognizing ELG's front-loaded effect, including an Indiana decision that moved from ELG to ALG despite prior precedent. OCA St. 3 at 63-66 (citations omitted).

<sup>65</sup> R.D. at 146.

other than “the various arguments presented by Peoples” and “Commission precedent.” The R.D. does not meaningfully address the substantial record evidence presented by the OCA concerning the front-loading impact of the ELG method or why that evidence was insufficient to support the use of the ALG method. It is difficult to ascertain from a reading of the R.D. which specific arguments by Peoples the ALJ relied on and found to be most persuasive in order to provide a concise response in this Exception. Therefore, the OCA will respond to the arguments made in brief by Peoples.

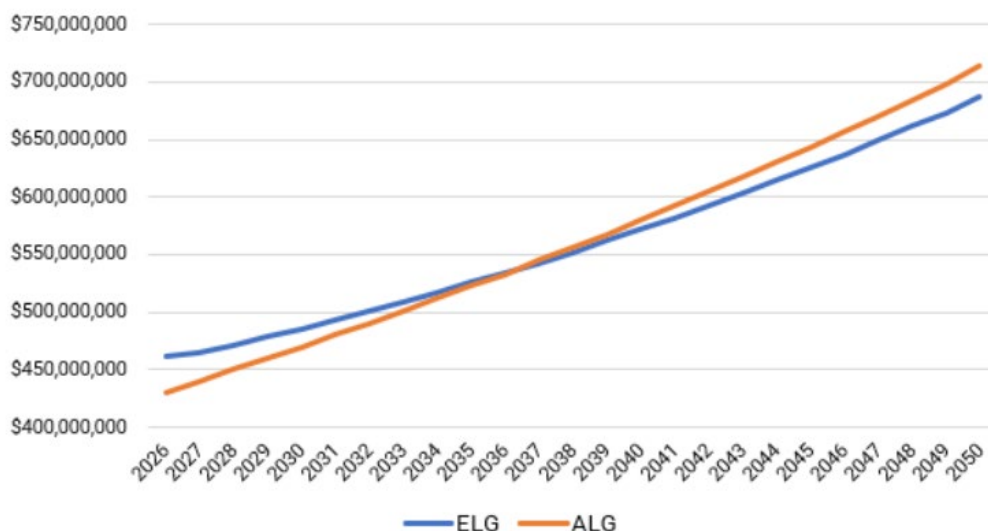
To begin, for all the various arguments related to depreciation and the significant difference in dollar amount that results, the main difference between Peoples and the OCA lies in the use of the ELG method or the ALG method when setting Peoples’ rates. Putting aside the multiple arguments, studies, curves, assumptions, forecasts and other factors that go into determining depreciation expense, the major difference between the OCA and Peoples simply presents itself as ELG v. ALG.

Furthermore, the OCA presented in brief that using the ELG method of depreciation creates both short term pain *and* long-term pain for Peoples’ customers.<sup>66</sup> This issue has been characterized as “intergenerational inequity,” and the OCA has demonstrated that it is in fact the ALG method, not the ELG method, that solves the problems of intergenerational inequality.

As the OCA noted in its Reply Brief, interestingly, both the OCA and Peoples agree with the graph that Peoples witness Spanos used addressing this point:

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<sup>66</sup> OCA M.B. at 117; OCA R.B. at 21.



The OCA highlights the graph to help illustrate visually how the ALG method lowers rates in the short term.<sup>67</sup> The OCA and Peoples agree on this fact. The difference lies in the fact that Peoples use of this graph assumes that Peoples’s rates will not change going forward. However, the reality of utility ratemaking is that the rates set in this proceeding are a “snapshot in time” and that Peoples will likely ask to increase base rates again before customers will realize the benefit of the ELG method, as shown in Mr. Spanos’ own graph. If Peoples does not request to increase its base rates again *for the next 11 years*, based on the graph, then, and only then, will Peoples’ customers realize the benefits of the ELG method over the ALG method. However, Peoples own rate case history portends that this is not the case. Peoples’ customers will never realize the benefit of the ELG method because rates will be reset the next time Peoples files for a rate increase.<sup>68</sup>

Mr. Spanos recognizes this “snapshot in time” impact on rates when he criticizes OCA witness Garrett’s argument “that the ELG procedure causes current customers to pay more than future customers” by responding that “*this argument is only true by comparing the ELG and [ALG] depreciation rates at a spot in time* and, in fact, Mr. Garrett’s position is harmful to customers in

<sup>67</sup> OCA R.B. at 26, *citing*, Peoples M.B. at 52; see also, OCA M.B. at 53.

<sup>68</sup> OCA R.B. at 26-27.

the longer term.”<sup>69</sup> As the OCA noted in its Reply Brief, it is precisely this “spot in time” that is how utility rates are made and why Peoples’ customers will never realize the benefit of the ELG method. Mr. Spanos’ own graph demonstrates how Peoples would realize greater revenue for the first 11 years from using the ELG method instead of the ALG method.

Mr. Spanos’ graph assumes that depreciation expense changes continuously over time when, in actual utility ratemaking, base rates are established at discrete points and generally remain in effect until changed in a subsequent base rate proceeding. Thus, *the later year offsets as demonstrated in Mr. Spanos’ graph will never be realized by Peoples’ customers*. As the OCA demonstrated, neither utilities nor utility commissions know who will be customers decades from now, what technologies they will use or what the utility system will look like. What is known is if a pole remains used and useful in the future, future customers will benefit from that pole just as much as current customers do.<sup>70</sup> Thus, Peoples customers will realize short-term pain *and* long-term pain through the use of ELG.

In fact, whereas the R.D. recognizes Mr. Spanos’s argument that Pennsylvania utilities are required to conduct annual depreciation updates in response to the concerns raised by Mr. Garrett,<sup>71</sup> the R.D. fails to recognize the OCA’s response to Mr. Spanos’ argument. Importantly, Mr. Garrett explained that, although depreciation studies may be updated annually for accounting purposes, customer base rates are not reset annually.<sup>72</sup> They never are. Therefore, the higher ELG depreciation expense incorporated in a rate case remains in rates until the next proceeding.<sup>73</sup>

Furthermore, additional factors validate Mr. Garrett’s argument. As Mr. Garrett testified:

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<sup>69</sup> OCA R.B. at 27, quoting Peoples M.B. at 51 (emphasis in original).

<sup>70</sup> OCA M.B. at 48-49.

<sup>71</sup> R.D. at 139-140, citing, 52 Pa.Code § 73.9(c).

<sup>72</sup> OCA St. 3-SR at 14-15.

<sup>73</sup> *Id.*

The approach proffered by Mr. Spanos is just as conceptually flawed as this hypothetical scenario for several reasons. First, as discussed above, it completely ignores the time value of money. Second, it results in current customers subsidizing future customers, as the ELG method does. Finally, and most importantly, the argument requires its audience to be completely naïve about basic concepts of organizational behavior and incentive structures. That is, even if customers completely paid off rate base today, it would obviously incentivize the Company to immediately start developing (creative) ways to increase rate base beyond that which is strictly necessary to provide safe and reliable service. In other words, the zero rate base scenario will not stop investors from demanding the earnings and dividend *growth* they have become accustomed to. Certainly, they would enjoy the immediate cash flow received from customers paying down rate base, but as soon as the next quarter they would ask: ‘But what have you done for me lately?’ Again, it is simply not possible for the Company, its representatives, and (pertinently), its ultimate shareholders to have a vision of the future in which customers are paying less. The fact of the matter is simple: the Company is proposing ELG because it is in *their* best interest to do so.<sup>74</sup>

As a result, to the extent that the Commission seeks to resolve the problems associated with intergenerational inequity, it is the ALG method, not the ELG method, that does so. When considering the time value of money, current *and* future customers, and organizational behavior, among other things, it is clear that the ALG method benefits consumers.

Finally, no other argument warrants denying the use of the ALG method to determine Peoples’s depreciation expense in this case. The use of the ALG method is consistent with all relevant regulatory standards and precedent.<sup>75</sup> The use of the ELG method has been recognized by the National Association of Regulatory Utility Commissioners (NARUC) as resulting in higher annual accruals thereby causing an increase in depreciation expense and revenue requirement in the early years.<sup>76</sup> The ALG method is used by a supermajority of states, as well as other Pennsylvania utilities.<sup>77</sup> Even Peoples own witness, Mr. Spanos, has relied on the ALG method in the recently PPL Electric Utilities Corporation base rate case.<sup>78</sup> Directing Peoples to use the ALG

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<sup>74</sup> OCA R.B. at 27-28, quoting, OCA St. 3SR at 12-13.

<sup>75</sup> OCA M.B. at 47-48.

<sup>76</sup> OCA M.B. at 48 (citation omitted).

<sup>77</sup> OCA M.B. at 55.

<sup>78</sup> *Pa. PUC, et al. v. PPL Electric Utilities Corp.*, Docket No. R-2025-3057164 (Sept. 30, 2025).

method of depreciation instead of the ELG method of depreciation is supported by substantial record evidence in this matter to which Peoples had ample opportunity to be heard on.<sup>79</sup> The Commission should look to the precedent of other state commissions as a guide in this current case to direct Peoples to switch from the ELG method of depreciation to the ALG method of depreciation.<sup>80</sup>

In conclusion, the only way that Peoples' use of the ELG method of depreciation is more appropriate than the OCA's proposed use of the ALG method is if Peoples does not file to increase its base rates as frequently as it does. But, because Peoples files to increase its base rates so frequently, its customers never realize the benefit of the ELG method as Peoples argues. And, the only thing previously preventing the Commission from directing Peoples to use the ALG method, as proposed by the OCA, thereby saving Peoples' customers millions of dollars, is due process. Such due process has been provided in this case and the time is right to direct Peoples to use the ELG method of depreciation and prevent its customers from unnecessarily high rates, especially given the affordability crisis faced by Peoples' customers.

As such, the ALJ erred when failing to recommend that the Commission adopt the ALG method of depreciation when setting Peoples' rates thereby causing a significant and unnecessary increase in those rates. Reversing this recommendation will benefit both Peoples' current and future customers.

**Exception No. 9:** The ALJ erred in recommending Peoples' proposed capital structure be adopted when setting base rates because Peoples' proposed capital structure is unnecessarily weighted toward common equity thus causing resulting rates to be

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<sup>79</sup> OCA R.B. at 22-25.

<sup>80</sup> OCA R.B. at 29-30.

higher than necessary and contrary to sound ratemaking principles. R.D. at 149-161; OCA M.B. at 60-64; OCA R.B. at 33-35.

In its filing, Peoples stated that its fully projected future test year capital structure consists of 54.47% common equity and 45.53% long-term debt.<sup>81</sup> In response, however, the OCA presented substantial record evidence that the 51% common equity and 49% long-term debt structure proposed by OCA witness Garrett should be adopted for purposes of setting rates in this matter.<sup>82</sup>

In her R.D., the ALJ stated, in total:

I recommend that the Commission adopt Peoples' capital structure. Commission precedent clearly indicates that actual capital structure should be adopted unless a capital structure is atypical or outside the range of reasonableness. Here, Peoples' capital structure is within the range of equity ratios of the proxy group utilities. Therefore, Peoples' capital structure is clearly not atypical. I similarly find that Peoples' capital structure is reasonable as it is within the range of equity ratios of the proxy group of utilities.<sup>83</sup>

The OCA did not contest the proxy group used by Peoples in this case. However, the ALJ erred in the R.D. when recommending that Peoples' proposed capital structure be used because it is not atypical. In doing so, the ALJ failed to consider other criteria when recommending an appropriate capital structure, namely, the total record evidence.

As the Commission stated less than three months ago when disposing of a request to increase base rates filed by the Pennsylvania American Water Company (PAWC) and lowering PAWC's proposed capital structure in that matter: "Accordingly, we find that that we must closely examine the *total* relevant record evidence in this proceeding when setting the appropriate capital structure for the Company's water operations."<sup>84</sup> The Commission added: "this Commission has generally only exercised its discretion to impose a hypothetical capital structure if it determines

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<sup>81</sup> Peoples St. 15 at 56; Peoples Exh. JEN-10.

<sup>82</sup> OCA M.B. at 60.

<sup>83</sup> R.D. at 161 (citations omitted).

<sup>84</sup> *Pa PUC, et al. v. Pennsylvania-American Water Company*, Docket Nos. R-2025-3057983, *et al.* (Order entered July 16, 2026) at 184 (*PAWC 2026*) (emphasis in original).

that the subject utility’s proposed actual capital structure is either atypical or too heavily weighted on either the debt or the equity side.”<sup>85</sup> When noting the need to view Commission precedent “in light of the total record developed in this proceeding,” the Commission added:

... there are situations in which the Commission must diverge from the use of an actual capital structure. Based upon the specific information present in the record developed in this proceeding, we find that the instant proceeding is one such situation where deviating from the above Commission precedent is necessary.<sup>86</sup>

The Commission then reduced PAWC’s proposed common equity ratio and adopted the hypothetical capital structure it believed “is the one that best balances the interests of both PAWC and its water customers.”<sup>87</sup> The ALJ did not consider the total record evidence in this case when recommending that Peoples’ capital structure be used to set rates.

As such, the ALJ erred in the R.D. in this proceeding when recommending that Peoples’ capital structure be used because it is not atypical and did not consider that it should not be used in light of the total record developed in this case.

In particular, the R.D. ignores the concern expressed by Vice Chair Barrow at the time this proceeding was suspended for investigation. At that time, Vice Chair Barrow stated:

I urge the parties to take a critical look at the Company’s requested rate of return and return on equity (ROE) as well as the capital structure (common equity ratio and debt capital) to ensure reasonableness. Deviations in each of these items translate into millions of dollars charged to customers of all rate classes. Too often, the relationship between debt and ROE to cost of debt and capital is asserted as a general matter from the basic economic principle alone. However, those relationships are not established empirically and left for the Commission to assume the relationship without any supporting data. Therefore, I believe a careful and detailed review of Peoples’ claimed capital structure and ROE is warranted.<sup>88</sup>

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<sup>85</sup> *PAWC 2026* at 184 (citations omitted).

<sup>86</sup> *PAWC 2026* at 185.

<sup>87</sup> *PAWC 2026* at 186.

<sup>88</sup> *Pa. PUC v. Peoples Nat. Gas. Co.*, Docket No. R-2026-3060855, Statement of Vice Chair Kimberly Barrow (Apr. 16, 2026).

As the OCA noted in its Reply brief, the OCA has provided just that “careful and detailed review of Peoples’ claimed capital structure” through the testimony of Mr. Garrett to “ensure reasonableness” of “millions of dollars charged to customers of all rate classes,” as the Vice Chair requested.<sup>89</sup> The ALJ disregarded that careful and detailed review in her R.D.

Similarly, the R.D. also ignores the concern expressed by Governor Shapiro that emphasizes the importance of considering costs to consumers. As OCA witness Michael Deupree testified:

On April 29, 2026, Governor Josh Shapiro issued an open letter to utility leaders and the Commission arguing that customers across the Commonwealth are experiencing higher utility costs, and that rising utility bills have become a driver of inflation. Governor Shapiro stated that utilities must seek ways of procuring capital to finance investments in more affordable ways, conscious of the utility burdens facing many consumers across the Commonwealth. In this, Governor Shapiro’s message appears to be that utilities and the Commission should balance consumer affordability concerns with the financial interests of utilities when determining just and reasonable rates for the Company.<sup>90</sup>

The OCA’s capital structure is consistent with the Statement of Vice Chair Barrow, as well as the open letter from Governor Josh Shapiro to the Commission and Pennsylvania’s utility leaders. The ALJ disregarded the Governor’s letter in her R.D.

In addition, the ALJ erred in recommending that Peoples’ capital structure be used because it fails to consider that capital structure and ROE are interrelated because financial leverage affects equity risk. This relationship is why the OCA presented a proposed rate of return analysis which authorized a return on equity of 8.8% if a capital structure of 51.0% long-term debt and 49% common equity is used, as the OCA proposed, or, in the alternative, a return on equity of 8.5% if

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<sup>89</sup> OCA R.B. at 34.

<sup>90</sup> OCA St. 1 at 17. Mr. Deupree also noted “that subsequent to withdrawing a proposed increase in rates for its electric and gas operations, David Vahos, the president and chief executive officer of PECO Energy Company, stated that PECO’s decision to withdraw was based on customer affordability considerations.” OCA St. 1 at 17. So, too, must Peoples, in the midst of this affordability crisis complete with high inflation, foreign wars and other economic turmoil, recognize that Peoples’ need to attract capital investment must be balanced with the need for their customers to afford natural gas service.

Peoples proposed 54.5% common equity and 45.5% long-term debt is used.<sup>91</sup> The ALJ failed to consider this relationship when recommending that Peoples’ proposed capital structure be adopted. The Commission should reject Peoples’ proposed equity-rich ratemaking capital structure.

Finally, the OCA notes that, when considering the total record evidence in this case, which the ALJ did not, it is undeniable that affordability is a major issue, not just for Peoples’ low-income customers but for all Peoples’ customers. As the OCA demonstrated in its Main Brief, when Peoples filed its request to increase its rates, it did not do so in a vacuum. It did so at a time when residential customers are considerably burdened trying to cover household expenses.<sup>92</sup> Substantial record evidence in this proceeding demonstrates that affordability is an issue not just for Peoples’ low-income customers but for all its customers.<sup>93</sup> This is precisely the “*total* record evidence” that the Commission stated in *PAWC 2026* that it must consider when addressing capital structure when setting utility rates. The Commission expressly stated affordability is a relevant consideration when considering whether to grant a rate increase:

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.” *When setting rates in a base rate proceeding, the Commission may consider rate affordability.* Such an evaluation requires the Commission to carefully consider the underlying record, including resolving conflicts in testimony and weighting evidence presented before it.<sup>94</sup>

Yet, Peoples relies on a case from 2012, as well as a Commission decision involving a telecommunications company from 1985 in support of its argument that its proposed capital

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<sup>91</sup> OCA M.B. at 7-8, 61-63.

<sup>92</sup> OCA M.B. at 9.

<sup>93</sup> OCA St. 4 and 4-SR, *passim* (the Direct and Surrebuttal Testimony of Roger D. Colton).

<sup>94</sup> *Pa PUC, et. al., v. Pennsylvania-American Water Company*; Docket Nos. R-2025-3057983, *et. al.*, Order at 36 (July 16, 2026) (PAWC Order) (emphasis added); see also, OCA M.B. at 9-22. The Commission in PAWC considered the frequency in which PAWC filed rate increases. *Id.* at 40 (“we cannot overlook the factor that, given PAWC’s history and cadence of frequent base rate increase requests, affordability is a growing issue, exacerbated by recent and current economic conditions, including increased inflation.”). Peoples has similarly recently filed for successive rate requests with narrow gaps in between filings. OCA St. 1 at 6-7.

structure should be used.<sup>95</sup> These cases do not reflect the current economic times facing Peoples' customers. A more balanced capital structure is one way to help the affordability crisis Peoples' customers are currently experiencing.

As such, the ALJ erred in recommending that Peoples' capital structure be adopted when setting rates in this proceeding. Doing so is inconsistent with regulatory standards, general concepts and methodology, as well as concepts of risk and return.<sup>96</sup> Doing so would also be consistent with the Open Letter from Governor Shapiro and the Statement Vice Chair Kimberly Barrow when she noted that "deviations in each of these items translate into millions of dollars charged to customers of all rate classes."

Therefore, the Commission should reject the ALJs recommendation to adopt Peoples' proposed inequitable capital structure in favor of the OCA's more balanced proposal. Doing so would help alleviate the affordability concerns experienced by Peoples' customers, as recognized by Governor Shapiro and Vice Chair Barrow. The R.D. fails to take such action.

**Exception No. 10:** The ALJ erred in recommending a return on equity of 10.2% be used when determining Peoples' allowed rate increase because that figure is not based on informed judgment and incorrectly relies on the Bureau of Investigation and Enforcement's inflated discounted cash flow and capital asset pricing model analyses. R.D. at 163-189; OCA M.B. at 64-74; OCA R.B. at 35-42.

In its filing, Peoples proposed a return on equity (ROE) of 11.25% based on the discounted cash flow (DCF) method, the capital asset pricing model (CAPM), the risk premium method and a 0.25% a management adder.<sup>97</sup> In response, the OCA presented an objective equity analysis from the testimony of David Garrett that demonstrates that a market-based cost of equity for Peoples is no higher than 8.8% if the Commission also adopts a capital structure of 51% debt and 49%

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<sup>95</sup> Peoples M.B. at 61.

<sup>96</sup> OCA M.B. at 57-60.

<sup>97</sup> Peoples St. 15, *passim*.

equity.<sup>98</sup> However, if the Commission adopts Peoples' proposed capital structure, which the OCA submits it should not, then the Commission should adopt an ROE of 8.5% based on Mr. Garrett's alternative analysis.<sup>99</sup>

In her R.D., after summarizing the parties' many positions on ROE, the ALJ recommended that the Commission adopt the ROE proposed by the Bureau of Investigation and Enforcement (I&E) of 10.2%.<sup>100</sup> The ALJ based this recommendation on the proxy group proposed by I&E, which Peoples agreed to adopt, and based on I&E's DCF and CAPM models.<sup>101</sup> The ALJ provided:

The Commission has consistently held that a return on equity should be determined by using informed judgement based on both the DCF and CAPM methodologies. I agree with Peoples that the OCA's DCF and CAPM methodologies are inadequate as they result in a return on equity lower than all but one authorized return on equity for natural gas utilities in the past 46 years.... I find that I&E's recommendation includes Commission-accepted DCF and CAPM analyses, including Commission-accepted inputs, such as the use of a 10-year Treasury bond in the CAPM analysis, and ultimately provides Peoples a fair return on equity.<sup>102</sup>

The ALJ also recommended that Peoples request for a management effectiveness adjustment be denied.<sup>103</sup>

The ALJ's recommended ROE of 10.2% should be rejected because it is not based on informed judgment and incorrectly relies on I&E's inflated DCF and CAPM analyses.

The OCA agrees with the ALJ that an appropriate ROE should be determined based on informed judgment using both the DCF and CAPM methodologies. Unfortunately, the ALJ fails to identify several errors in I&E's DCF and CAPM analyses that demonstrate that those analyses

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<sup>98</sup> OCA M.B. at 56; OCA St. 3 at 3.

<sup>99</sup> *Id.*

<sup>100</sup> R.D. at 188.

<sup>101</sup> *Id.*

<sup>102</sup> R.D. at 188-189.

<sup>103</sup> R.D. at 189.

should not be the basis of the informed judgment. OCA witness Garrett has presented accurate DCF and CAPM analyses that demonstrate that the ROE awarded should be no higher than 8.8%.

As a preliminary matter, the ALJ's adoption of I&E's analysis only considers two out of three of the figures that I&E used to establish a 10.2% ROE. The R.D. states that the ALJ "recommend[s] that the Commission adopt I&E's recommended cost of equity based on I&E's DCF and CAPM models."<sup>104</sup> But the I&E figure is also based on a third input: "the national average of gas distribution utilities authorized ROE compiled by S&P Global." As noted in I&E Statement 2, Mr. Patel's recommended ROE for Peoples is based on: 1) DCF of 11.33%, 2) CAPM of 9.57%, and 3) the "national average" of 9.69%.<sup>105</sup> Mr. Patel provides the average ROE of 10.2%.<sup>106</sup> Yet, the ALJ failed to consider the third input determining I&E's recommendation. The ALJ therefore erred and the recommended ROE of 10.2% should be rejected.

Furthermore, focusing on Mr. Patel's use of the DCF and CAPM shows errors in those analyses as well.

For example, the OCA presented substantial record evidence that I&E's DCF analysis should be rejected because it is overstated. As OCA witness Garrett testified: "the primary reason Mr. Patel's DCF model produced a much higher result than mine is his use of unsustainably high growth rates. Mr. Patel used a composite growth rate for the proxy group of 8.1%" which Mr. Garrett said was unrealistic.<sup>107</sup> Mr. Garrett noted, among other things, that Mr. Patel's growth rate suggests that the proxy group, on average, can achieve dividend (and/or earnings) growth that is more than two times the rate of annual long-term GPD growth, every year in perpetuity, noting that such growth would eventually surpass the total U.S. GDP, and is mathematically

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<sup>104</sup> R.D. at 188.

<sup>105</sup> I&E St. 2 at 7.

<sup>106</sup> *Id.* ((11.33%+9.57%+9.69%) / 3 = 10.2%).

<sup>107</sup> OCA R.B. at 36, citing, OCA St. 3R at 3. See also, OCA M.B. at 68-69.

impossible.<sup>108</sup> The R.D. never addresses this fact. For the same reasons why Mr. Patel's DCF model should be rejected, so too should the ALJ's reliance on it be rejected. Yet, the ALJ did not reject I&E's DCF analysis but relied on it in error when recommending an ROE in this case.

Similarly, the OCA presented substantial record evidence that I&E's CAPM analysis should be rejected because it is overstated too. Mr. Garrett testified that Mr. Patel conducted two variations of the CAPM – the first variation has a result of 10.28% and the second variation has a result of 8.86%.<sup>109</sup> Mr. Garrett added:

The main difference between his two CAPM variations is the equity risk premium (ERP) input. In the higher of the two CAPM results, Mr. Patel calculated his own ERP estimate by relying on data starting in the Great Depression. As thoroughly discussed in my direct testimony, this type of historical approach is contrary to modern academic literature and most certainly overstates the ERP. In Mr. Patel's second variation of the CAPM, he relies on a current ERP estimate published by Kroll.<sup>110</sup>

Mr. Patel's application of the CAPM produces a significantly higher result than his 8.8% for Peoples whereas his second application of the CAPM produces a substantially similar result.<sup>111</sup> However, the R.D. does not explain why both CAPM results should receive equal weight and, therefore, the recommended ROE of 10.2% should be rejected.

Yet, in contrast, the OCA's ROE analysis is based on realistic DCF and CAPM analyses, particularly when considering the affordability crisis that Peoples' customers are currently facing. Peoples' customers cannot afford to pay more bills that are increasing. The Commission should reject the assertion in the R.D. that "the OCA's DCF and CAPM models are inadequate as they result in a return on equity lower than all but one authorized return on equity for natural gas utilities

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<sup>108</sup> OCA R.B. at 36, citing, OCA St. 3R at 3.

<sup>109</sup> OCA M.B. at 74, see also, OCA St. 3R at 4, citing, I&E St. 2 at 36.

<sup>110</sup> *Id.*

<sup>111</sup> OCA M.B. at 74, see also, OCA St. 3R at 4-5; see also, Figure 1 (My CAPM Summary).

in the past 46 years.”<sup>112</sup> As part of its informed judgment, the Commission should recognize the current economic crisis and financial hardships that Pennsylvanians generally, and Peoples’ customers specifically, are facing. The OCA has presented substantial record evidence that consumers are feeling extreme financial strain, as evidenced in part, by the Statement of Vice Chair Barrow when this matter was suspended for investigation, as well as the Open Letter from Governor Shapiro to the Commission and utility leaders and the public input testimony from Mark Szybist, Special Counsel for Energy Affordability.<sup>113</sup>

Yet, despite relying on this relevant information as part of its informed judgment, the ALJ erred in the R.D. when stating:

To the extent parties are advocating further reduction to the rate of return, primarily outlined by Governor Shapiro’s letter, I decline to recommend further modifications to the Company’s rate of return. I recognize ongoing concerns regarding affordability. However, I do not find that the record contains sufficient evidence in this proceeding to justify departing from the established rate of return principles discussed above. As Peoples convincingly explains, to do so would risk conflict with the cornerstone comparable return standard articulated in *Hope* and *Bluefield*.<sup>114</sup>

The ALJ erred in failing to consider these factors as part of the informed judgment and total record evidence that the Commission should rely on when determining an appropriate ROE in this matter. The Commission should not countenance this summary dismissal of the relevant information provided by Governor Shapiro, consistent with the substantial record evidence regarding the affordability crisis faced by Peoples’ customers, when determining the appropriate ROE to be used in this case when establishing just and reasonable rates for Peoples.

Finally, the R.D. fails to address the many other reasons why an ROE no higher than 8.8% should be authorized for this proceeding, other than to summarize the OCA’s positions, as

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<sup>112</sup> R.D. at 188, citing, Peoples St. 15-R at 4.

<sup>113</sup> OCA M.B. at 9-22; OCA St. 1 at 6-19; OCA St. 4, *passim*.

<sup>114</sup> R.D. at 195.

discussed in the OCA's Main and Reply Briefs.<sup>115</sup> This includes the OCA's discussion of the regulatory standards, general concepts and methodology used when developing an appropriate ROE, as well as risk and return concepts.<sup>116</sup> This also includes the other reasons why Peoples' and I&E's position on ROE should be rejected. The failure to address in the R.D. these other arguments raised by the OCA in this proceeding warrant denying the ALJ's recommended ROE of 10.2%.

As such, the ALJ erred in recommending a return on equity of 10.2% be used when determining Peoples' allowed rate increase because that figure is not based on informed judgment and incorrectly relies on I&E's inflated DCF and CAPM analyses.

**Exception No. 11:** The ALJ correctly recommended that changes to Peoples' procedures need to be made in order to increase Customer Assistance Program participation levels but failed to prescribe a recommendation. R.D. at 305; OP 59; OCA M.B. at 121-22; OCA R.B. at 59-60.

The OCA identified the stark difference between the number of Peoples' customers identified as Confirmed Low Income (CLI) and the number of customers enrolled in Customer Assistance Program (CAP) confirming Peoples' severe under enrollment of CLI customers in its CAP.<sup>117</sup> The OCA accordingly recommended that the Commission should direct Peoples' to make a more concerted effort to increase CAP enrollment.<sup>118</sup>

The ALJ agreed with the OCA's arguments regarding Peoples' CAP participation levels.<sup>119</sup> However, the ALJ failed to prescribe any actual recommendation for how Peoples should address this issue, and simply stated that "Peoples is strongly encouraged to increase CAP participation levels, and to consider eliminating SSN data after 12 months."<sup>120</sup> This "recommendation" is insufficient as it does not require or even suggest a method for increasing CAP participation, and

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<sup>115</sup> OCA M.B. at 64-74; OCA R.B. at 35-42.

<sup>116</sup> OCA M.B. at 57-60.

<sup>117</sup> OCA M.B. at 121-22.

<sup>118</sup> *Id.*

<sup>119</sup> R.D. at 306.

<sup>120</sup> *Id.*

it wholly ignores the OCA's detailed recommendations, despite acknowledging the harms that result from low CAP participation.

The ALJ's recommendation regarding CAP participation is insufficient because it does not address the substantial gap identified by the OCA between the number of customers Peoples has identified as low-income and the number actually participating in CAP. In 2024, Peoples identified 112,624 customers as Confirmed Low-Income, yet only 25,738 of those customers participated in CAP, meaning that only 22.9% of Peoples' CLI customers received CAP assistance.<sup>121</sup> Peoples' reported increase in CAP participation in 2025, while positive, does not establish that its current enrollment practices are adequate or that the substantial population of identified low-income customers remaining outside CAP is attributable solely to customers who are no longer eligible.<sup>122</sup> The ALJ therefore should not have stopped at just *encouraging* Peoples to increase participation.<sup>123</sup> If, as the ALJ recognized, Peoples' CAP participation levels warrant improvement, the Commission should *direct* Peoples to take affirmative steps to increase enrollment and demonstrate that its enrollment practices are reasonably calculated to reach eligible low-income customers.<sup>124</sup>

For these reasons, the OCA submits that the Commission should adopt the ALJ's conclusion that, based on evidence presented by the OCA, it is necessary for Peoples' to modify its procedures to increase CAP participation levels. The OCA, however, requests that the Commission direct Peoples' to make a more concerted effort to increase CAP enrollment.

**Exception No. 12:** The ALJ correctly recommended that changes to Peoples' procedures need to be made to eliminate its collection and retention of Social Security Numbers

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<sup>121</sup> OCA M.B. at 121.

<sup>122</sup> OCA R.B. at 60.

<sup>123</sup> R.D. at 305.

<sup>124</sup> *Id.*

but failed to prescribe a recommendation. R.D. at 305; OP 59; OCA M.B. at 124-25; OCA R.B. at 68-69.

The OCA recommended that the Commission order Peoples to, within 12 months of a final decision in this proceeding, report to the Commission its plan to eliminate the collection and retention of customer Social Security Numbers (SSNs) and, at a minimum, “be directed to: (1) refrain from retaining SSNs from customers for more than 30-days after the customer establishes service; (2) refrain from providing a customer SSN to any entity outside of the Company; and (3) notify the customer, at the time the customer is asked to provide his/her/their SSN that, in the absence of the first two steps outlined above, that the SSN will be retained in perpetuity and that the SSN will be provided to a multi-national credit firm, to allow the customer to take such notice into account in deciding whether to provide their SSN.”<sup>125</sup> The OCA determined that the collection and retention of SSNs is unreasonable because it unnecessarily exposes customers to the risks of identity theft without demonstrating that the collection and indefinite retention of SSNs is necessary to provide utility service when less sensitive alternatives are available.<sup>126</sup>

The ALJ agreed with the OCA’s arguments regarding Peoples’ collection and retention of SSNs.<sup>127</sup> The ALJ agreed with the OCA’s arguments regarding Peoples’ CAP participation levels.<sup>128</sup> However, the ALJ failed to prescribe any actual recommendation for how Peoples should address this issue, and simply stated that “Peoples is strongly encouraged to increase CAP participation levels, and to consider eliminating SSN data after 12 months.”<sup>129</sup> This “recommendation” is insufficient as it does not require or even suggest a method for barring the

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<sup>125</sup> OCA M.B. at 125 (quoting OCA St. 4 at 63-64).

<sup>126</sup> OCA M.B. at 124; OCA R.B. at 69.

<sup>127</sup> R.D. at 306.

<sup>128</sup> *Id.*

<sup>129</sup> *Id.*

collection and retention of SSNs, and it wholly ignores the OCA's detailed recommendations, despite acknowledging the harms that result from SSN collection and retention.

The ALJ's recommendation concerning SSNs is similarly insufficient because it does not adequately address the demonstrated risks associated with Peoples' continued collection and indefinite retention of this highly sensitive information. Peoples acknowledges that it collects SSNs to verify identity and assess credit risk and retains SSNs used to establish service indefinitely.<sup>130</sup> Although SSNs may be useful to Peoples for these purposes, the Company has not demonstrated that indefinite collection and retention is necessary to provide adequate and reasonable utility service, particularly where less sensitive alternatives may be available.<sup>131</sup>

The OCA's evidence established that SSNs present significant identity-theft risks because, unlike other identifying information such as names and addresses, an SSN is virtually impossible for an individual to change once compromised.<sup>132</sup> Thus, the Commission should consider whether the claimed usefulness of SSNs justifies exposing customers to the continuing risks associated with collecting and retaining their SSNs when those functions can potentially be accomplished through less intrusive means.<sup>133</sup> The ALJ's suggestion that Peoples "consider eliminating SSN data after 12 months" neither requires Peoples to address these risks nor provides customers with any meaningful protection in the interim.<sup>134</sup>

For these reasons, the OCA submits that the Commission should adopt the ALJ's conclusion that, based on evidence presented by the OCA, it is necessary for Peoples' to modify its procedures to eliminate the collection and retention of SSNs. The ALJ erred in failing to direct

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<sup>130</sup> OCA R.B. at 68.

<sup>131</sup> *Id.* at 69.

<sup>132</sup> OCA M.B. at 124.

<sup>133</sup> OCA R.B. at 68-69.

<sup>134</sup> R.D. at 305.

Peoples’ to adopt the OCA’s recommendation to direct Peoples to: (1) refrain from retaining SSNs from customers for more than 30-days after the customer establishes service; (2) refrain from providing a customer SSN to any entity outside of the Company; and (3) notify the customer, at the time the customer is asked to provide his/her/their SSN that, in the absence of the first two steps outlined above, that the SSN will be retained in perpetuity and that the SSN will be provided to a multi-national credit firm, to allow the customer to take such notice into account in deciding whether to provide their SSN. The Commission should reverse the R.D. on this issue and correct that error.

**Exception No. 13:** The ALJ did not support her recommendation to deny the OCA’s request that Peoples be directed to provide further data tracking for rebilling and back-billing events with substantial evidence. R.D. at 326; OCA M.B. at 138-40; OCA R.B. at 69-70.

The OCA recommended that Peoples begin recording data regarding rebilling and back-billing events that affect more than 100 customers from a common cause and be prepared to provide information regarding the events in its next rate case.<sup>135</sup> Peoples’ customers experienced a significant number of rebills and back-bills issued in 2024 which the Company was not able to attribute to a particular cause because Peoples treats back-billing or rebilling events “as operational blips rather than events warranting proactive attention and communication.”<sup>136</sup>

The ALJ did not find the OCA’s “arguments compelling to recommend that the Commission follow the proposals of OCA regarding back-billing... and therefore d[id] not recommend that the Commission adopt these proposals.”<sup>137</sup> The ALJ did not support this conclusion with findings of fact regarding the adequacy of Peoples’ internal data tracking on back-billing and rebilling events.

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<sup>135</sup> OCA M.B. at 138-40; OCA R.B. at 69-70; OCA St. 5 at 18-25; OCA St. 5SR at 11.

<sup>136</sup> OCA M.B. at 139; OCA R.B. at 70; OCA St. 5 at 24.

<sup>137</sup> R.D. at 326.

Namely, Peoples’ assertion that billing events must be evaluated on a case-by-case basis<sup>138</sup> affirms OCA witness Larkin-Connolly’s concern that back-billing or rebilling events may be treated “as operational blips rather than events warranting proactive attention and communication” and ignores the possibility that significant rebilling events may share a common cause that would not be apparent to the Company to address but-for adequate internal data tracking.<sup>139</sup> There is no support for Peoples’ argument that tracking such data as it occurs “would be a highly ineffective use of the Company’s time and resources”<sup>140</sup> as it is a targeted, limited recommendation that is reasonable. The Commission’s authority to implement the OCA’s recommendation is clear.<sup>141</sup>

The OCA provided sufficient evidence to indicate that the Company’s data tracking for rebilling and back-billing events is inadequate to permit Peoples to identify the cause of significant events, and has provided sufficient evidence for the Commission to determine and prescribe specific modifications to Peoples’ service to improve its adequacy. Because the ALJ’s determination was unsupported by record evidence, and sufficient evidence was presented to indicate the inadequacy of Peoples’ existing service, the OCA excepts to the ALJ’s recommendation and requests that the Commission adopt the OCA’s proposed adjustments to Peoples’ service.

The ALJ erred by denying the OCA’s request that Peoples be directed to provide further data tracking for rebilling and back-billing events with substantial evidence.

**Exception No. 14:** The ALJ erred in recommending that Peoples’ proposed nonliability, dishonored payments, CAP recreational use, and CAP fraud tariff revisions should

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<sup>138</sup> Peoples M.B. at 131.

<sup>139</sup> OCA M.B. at 139-40; OCA St. 5 at 24; OCA St. 5-SR at 11.

<sup>140</sup> Peoples M.B. at 131.

<sup>141</sup> 66 Pa. C.S. § 1505(a).

be adopted. R.D. at 336, 341, 350; OP 66; OCA M.B. at 141-48; OCA R.B. at 71-72.

The OCA recommended that Peoples’ request to implement four modifications to its distribution service tariff regarding nonliability, dishonored payments, and removal of customers from Peoples’ CAP for recreational use in addition to removal for suspected fraud should be rejected.<sup>142</sup> The OCA determined that the proposed tariff revisions are unreasonable, in contravention of Section 1501 of the Public Utility Code.<sup>143</sup> Specifically, the proposed tariff revisions are unnecessary and lack sufficient procedural guardrails to protect ratepayers.

The ALJ recommended that the Commission approve Peoples’ proposed CAP recreational use, nonliability, and dishonored payments tariff revisions.<sup>144</sup> The ALJ provided no analysis to support her recommendations, and her discussion of these revisions was limited to two sentences, each of which simply stated agreement with Peoples’ proposals.<sup>145</sup> However, the ALJ did not specifically issue a recommendation regarding the adoption of Peoples’ proposed CAP fraud reversal tariff language, though the ALJ’s recommended Ordering Paragraphs provide that “[t]he Tariff changes proposed by Peoples are accepted.”<sup>146</sup>

The OCA excepts to the ALJ’s recommendation due to the lack of specificity regarding which tariff revisions should be approved and due to the lack of analysis indicating how Peoples’ tariff revisions are adequate, in light of the statutory requirement that Peoples’ terms of service must be reasonable.<sup>147</sup>

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<sup>142</sup> OCA M.B. at 141-48; OCA R.B. at 71-72; OCA St. 5 at 45-46; OCA St. 5SR at 8-9; OCA St. 4 at 65-68.

<sup>143</sup> OCA M.B. at 142; 66 Pa. C.S. § 1501.

<sup>144</sup> R.D. at 336, 341.

<sup>145</sup> *Id.*

<sup>146</sup> *See* R.D. at 342-44 (discussing Peoples’ position on fraud), 347-48 (discussing Peoples’ position on nonliability), 348-49 (dishonored payments); *but see* R.D. at 334-41 (discussing the CAP recreational use, nonliability, and dishonored payments provisions and recommending Peoples’ proposals be adopted); R.D. at 389, OP 66.

<sup>147</sup> 66 Pa. C.S. § 1501.

Regarding reversal of the CAP recreational use tariff revision, Peoples has not adequately defined what constitutes “recreational use,” nor the extent of usage required to constitute “unjustified usage.”<sup>148</sup> The cost to ratepayers to police whether customer usage is recreational and unjustified is likely greater than the cost of such usage.<sup>149</sup> Further, Peoples’ proposal vests the Company with significant discretion and permits removal of customers from CAP without prior notice of removal, an opportunity to dispute unjust removal, or an opportunity to remove a “recreational” appliance in lieu of being removed from CAP.<sup>150</sup>

Similarly, Peoples’ reversal of CAP benefits for fraudulent usage (1) does not adequately define “fraudulent means”; (2) permits excessive back-billing for CAP benefits; (3) does not consider variable or seasonal income; (4) undermines Commission efforts to extend CAP income recertification periods; and (5) does not provide for a process for reversal of CAP benefits, such as a standard of proof, review mechanism, or an advanced opportunity to contest Peoples’ allegation of fraud prior to removal from CAP.<sup>151</sup> The lack of evidence indicating that either proposal is necessary and/or will save ratepayers more than it will cost to implement,<sup>152</sup> and the absence of procedural safeguards, means that these tariff revisions should be rejected.

Regarding Peoples’ proposed nonliability/limitation of liability tariff revision, Peoples’ customers are increasingly submitting informal and formal complaints related to damage to their property associated with Peoples’ construction activities.<sup>153</sup> While liability limits are not inherently unreasonable, OCA witness Larkin-Connolly testified that the Company’s current liability limits are sufficiently protective.<sup>154</sup> As a result, not only are Peoples’ proposed revisions unnecessary,

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<sup>148</sup> OCA M.B. at 143-44; OCA St. 4 at 65-66.

<sup>149</sup> *Id.*

<sup>150</sup> OCA M.B. at 145; OCA St. 5-SR at 9.

<sup>151</sup> OCA M.B. at 145-48; OCA St. 4 at 67-69; OCA St. 5 at 47; OCA St. 5-SR at 9-11.

<sup>152</sup> OCA M.B. at 147-48; OCA St. 4 at 68-69.

<sup>153</sup> OCA St. 5 at 45.

<sup>154</sup> *Id.*

they are also unreasonable in light of the increase in damage-related complaints by Peoples customers.

Finally, regarding Peoples' proposed dishonored payments tariff revisions, the proposed change is not proportionate to the burden placed on customers if they are not permitted to pay by check or online, meaning that they "must obtain a money order or cashier's check, which adds cost and inconvenience that falls hardest on customers with limited banking access," without imposing procedural guardrails to protect and adequately inform customers.<sup>155</sup> As proposed, Peoples customers would not be aware that Peoples has determined they have a history of dishonored payments and be given the opportunity to act and retain access to their preferred payment method should they choose, before having access revoked.<sup>156</sup>

To the extent that the ALJ's recommendation is based on claims that procedural safeguards are unnecessary in Peoples' distribution tariff because of Peoples' non-tariffed practices and procedures, the ALJ's recommendation is inconsistent with controlling law. It is Peoples' tariff that controls its behavior and operates as the public contract between the utility and its ratepayers, not its non-tariff practices and procedures, or averments regarding the same.<sup>157</sup>

For these reasons, the OCA excepts to the ALJ's recommendation that Peoples' proposed tariff revisions described herein be approved. The ALJ did not provide adequate factual or legal analysis and, instead, provided one sentence approvals without making any findings of fact. The amount of analysis provided is insufficient to support a conclusion that Peoples met its burden of

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<sup>155</sup> OCA St. 5 at 46.

<sup>156</sup> OCA M.B. at 142-43 OCA R.B. at 71-72; OCA St. 5 at 45.

<sup>157</sup> R.D. at 334-35, 342; OCA M.B. at 148; 66 Pa. C.S. § 102 (Defining tariff: "All schedules of rates, **all rules, regulations, practices**, or contracts involving any rate or rates, including contracts for interchange of service, and, in the case of a common carrier, schedules showing the method of distribution of the facilities of such common carrier.") (emphasis added); 66 Pa. C.S. § 1501; *see also Povacz v. Pa. Pub. Util. Comm'n*, 280 A.3d 975, n. 18 (Pa. 2022) ("A PUC-approved tariff is prima facie reasonable, has the full force of law, and is binding on the utility and the customer.") (citing 66 Pa.C.S. § 316; *Lynch v. Pa. Pub. Util. Comm'n*, 594 A.2d 816 (Pa. Cmwlth. 1991), *appeal denied*, 605 A.2d 335 (Pa. 1992)).

proof that its proposed tariff revisions are reasonable under Section 1501.<sup>158</sup> The ALJ's recommendation should therefore be rejected.

### III. CONCLUSION

Based on the foregoing and for the reasons articulated in the OCA's Main and Reply Briefs, the OCA respectfully requests that the Commission grant the OCA's Exceptions and adopt the OCA's positions as discussed above.

Respectfully submitted,

/s/Joel Cheskis

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

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

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

Email: [OCAPeoplesBRC2026@paoca.org](mailto:OCAPeoplesBRC2026@paoca.org)

Dated: October 14, 2026

Counsel for:  
Darryl A. Lawrence  
Consumer Advocate

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<sup>158</sup> 66 Pa. C.S. § 1501.