



October 14, 2026

Via Email Only

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:

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

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

Respectfully Submitted,

A handwritten signature in blue ink that reads "John W. Sweet".

John W. Sweet, Esq.
Counsel for CAUSE-PA

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

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

Certificate of Service

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

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A handwritten signature in blue ink that reads "John Sweet". The signature is stylized, with the first name "John" written above the last name "Sweet", which is written in a cursive-like script.

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October 14, 2026

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BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

**EXCEPTIONS OF
THE COALITION FOR AFFORDABLE UTILITY SERVICES AND ENERGY
EFFICIENCY IN PENNSYLVANIA**

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I. INTRODUCTION

By Secretarial Letter dated October 2, 2026, the Office of Administrative Law Judge issued the Recommended Decision (RD) of Administrative Law Judge (ALJ) Charece Z. Collins in the requested base rate increase of Peoples Natural Gas Company LLC (Peoples or the Company). The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), through its counsel at the Pennsylvania Utility Law Project, files these Exceptions to the Recommended Decision.

As the evidence in this case demonstrates, Peoples' 144,000 plus estimated low income customers have an average income of \$19,011, are already enduring unreasonably high energy burdens of 6.5% annually and 12% during winter at existing rates and any rate increase will exacerbate unaffordability by increasing these burdens substantially.¹ This hardship was confirmed by Peoples' own witness Cynthia Fang who found that Peoples' customers are already facing deeply unaffordable rates at all income levels, and especially among low income households. Atrium analyzed a group of 28,975 Peoples' CAP customers and found that, without CAP benefits, the average gas burden for this group was 10.5%.² This record evidence in this case is fundamentally consistent with growing evidence statewide that spiraling energy costs in Pennsylvania risk pricing consumers out of being able to afford to connect to and maintain utility service, including Peoples' gas service, which is essential to heat homes in winter.³

In this proceeding Vice Chair Barrow specifically requested that the parties to "take a critical look at the Company's requested rate of return and return on equity (ROE) as well as the

¹ CAUSE-PA MB at 19; CAUSE-PA St. 1 at 21-30.

² CAUSE-PA St. 1-SR at 16; Peoples St. 20-R at 21.

³ CAUSE-PA MB at 13-22, 30; OCA MB at 9-22, 56; I&E MB at 41; Statement of Vice Chair Kimberly Barrow, April 16, 2026; Tr. of Proceedings at 259, Index of Exhibits, Governor Shapiro Exhibit 1. (Admitted into Evidence June 11, 2026, Posted to docket on June 16, 2016) (Hereinafter, Governor Shapiro Exhibit 1).

capital structure (common equity ratio and debt capital) to ensure reasonableness.”⁴ She explained that, “Deviations in each of these items translate into millions of dollars charged to customers of all rate classes.”⁵ She noted that, “Too often, the relationship between debt and ROE to cost of debt and capital is asserted as a general matter from basic economic principle alone. However, those relationships are not established empirically and left for the Commission to assume the relationship without any supporting data.”⁶

Governor Shapiro likewise expressed similar sentiments through the testimony of Special Counsel Mark Szybist at the public input hearings in this case and through his open letter to utility CEOs that was entered into evidence in this proceeding.⁷ The Governor explained that utility costs are spiraling out of control and creating an energy affordability crisis in the state of Pennsylvania. He presented several commonsense reforms to keep prices under control and keep energy affordable for Pennsylvanians.⁸

Despite the overwhelming evidence that an increase of no higher than \$9.4 million was warranted, the ALJ granted an excessively high \$105.4 million rate increase and adopted I&E’s 10.2% ROE, but at the Company’s proposed capital structure.⁹ As explained below, not only is the 10.2% ROE excessively high, but coupling it with the equity heavy capital structure proposed by the Company will drive up rates by additional tens of millions of dollars per year that Peoples struggling customers simply cannot afford to pay.

CAUSE-PA respectfully asserts that ALJ Collins erred as a matter of law by awarding a \$105.4 million rate increase based on an excessively high return on equity and a debt heavy capital

⁴ Statement of Vice Chair Kimberly Barrow, April 16, 2026.

⁵ Id.

⁶ Id.

⁷ Governor’s Exhibit 1.

⁸ Id.

⁹ RD at 1, 161, 188-189.

structure, despite substantial evidence of widespread affordability challenges facing Peoples' customers.

In addition to awarding Peoples an unjustified ROE and revenue increase, ALJ Collins also erred in:

- Allowing Peoples to increase its residential customer charge from \$16.80 to \$19.30, which is a hinderance to the Commission's goal of encouraging energy efficiency and conservation.¹⁰
- Requiring Peoples to increase the number of LIURP jobs that it performs each year without providing the increased budget necessary to serve those additional customers.¹¹
- Allowing the Company's proposed Hot Water Tank Pilot without considering the arguments of the other parties, including CAUSE-PA, on this issue.¹²
- Failing to provide a recommendation or conclusion on the Company's proposed CAP Fraud Tariff provision.¹³

Each of these errors, if unaddressed, will exacerbate the negative impact of any approved increase in rates for basic, life-essential home energy services.

Finally, while CAUSE-PA strongly supports the ALJ's recommendation that Peoples' WNA be discontinued, the RD fails to consider CAUSE-PA's alternative recommendations that, if the Commission rejects the ALJ's recommendation and allows the WNA to continue, it should: (1) be applied on a class-wide basis, (2) exclude DSIC revenue, (3) exclude CAP customers, and (4) be charged only during the traditional winter heating season (December through March).

¹⁰ RD at 235; CAUSE-PA MB at 47-52.

¹¹ Id. at 307.

¹² Id. at 106-107; CAUSE-PA MB at 97-99.

¹³ Id. at 342-344.

II. EXCEPTIONS

1. CAUSE-PA Exception # 1: The ALJ erred as a matter of fact and law by awarding an excessive return on equity despite substantial evidence of widespread unaffordability. (RD at 188-189, 195; COL 61; Recommendation No. 37).

The record is clear: Peoples' rates are already unaffordable for a large segment of its customers, and the Company already has sufficient revenue at present rates to maintain safe and reliable service for its customers and has a reasonable opportunity to earn a fair rate of return.¹⁴ Based on these facts, CAUSE-PA recommended that the Commission deny Peoples' request to increase rates.¹⁵ Alternatively, if the Commission were to grant any rate increase, CAUSE-PA recommended that the Commission adopt the lowest reasonable ROE based on the record evidence, which was no more than the 8.5% - 8.8% recommended by OCA witness Garrett,¹⁶ and consider whether it can reasonably be reduced further based on the objective criteria outlined by Governor Shapiro in his letter to utility CEOs and in his testimony at the public input hearings.¹⁷

In the RD, ALJ Collins recommended that the Commission adopt I&E's recommended 10.2% cost of equity based on I&E's discounted cash flow (DCF) and capital asset pricing model (CAPM) models.¹⁸ The RD states: "The Commission has consistently held that a return on equity should be determined by using an informed judgement based on both DCF and CAPM methodologies."¹⁹ CAUSE-PA recognizes that the Commission has previously determined ROE based on DCF and CAPM methodologies, but the "informed judgment" in this case must include consideration of the needs of and impact on Peoples' customers as well as the needs of the Company. ALJ Collins erred in her consideration, because she prioritized the needs of the

¹⁴ CAUSE-PA MB at 17-22, 24-25, 27-32.

¹⁵ Id. at 17-25.

¹⁶ Id. at 40.

¹⁷ Id. at 35, 40-43; OCA MB at 81.

¹⁸ RD at 188.

¹⁹ Id.

Company at the expense of its customers. Specifically, the ALJ rejected the OCA's DCF and CAPM models because they result in a return on equity that was lower than the return authorized for other gas utilities.²⁰ The ALJ also declined to consider the principles recommended by Governor Shapiro to establish a more equitable, market-based ROE.²¹ The ALJ found that there is not "sufficient evidence in this proceeding to justify departing from the established rate of return principles," and did not want to "risk conflict with the cornerstone comparable return standard articulated in Hope and Bluefield."²²

These findings are erroneous as a matter of fact and law by failing to acknowledge widespread unaffordability of Peoples' service at current rates and misapplying the standards in the Hope and Bluefield cases. As outlined in more detail below, the ALJ provides no rationale for summarily rejecting OCA's DCF and CAPM models other than that the result was lower than authorized return on equity for other natural gas utilities.²³ The ALJ also erred by accepting Peoples' argument that the principles outlined by Governor Shapiro in setting an appropriate ROE would "risk conflict with the cornerstone comparable return standard articulated in Hope and Bluefield."²⁴ Both findings are erroneous as a matter of law because the ALJ reads too narrowly the comparable return standard, only considers the aspects of the Hope and Bluefield standards that are favorable to the utility, and fails to consider that, under a fair reading of the applicable legal standards, the Commission must balance the interests of ratepayers paying for service with the needs of the utility.

²⁰ RD at 188.

²¹ Id. at 195.

²² Id.

²³ Id. at 188.

²⁴ Id. at 195.

Under the Hope and Bluefield standard, the Company is entitled to no more than an *opportunity* to earn a *fair* rate of return on its capital investment, they are not entitled to *guaranteed* profit.²⁵ Further, the Commission has a responsibility under Hope and Bluefield to ensure that rates are affordable, that service is accessible to those in need, and that the Company is not taking undue and unfair advantage of its customers.²⁶ A fair return for public utility service is *not* equivalent to “profits such as are realized or anticipated in highly profitable enterprises or speculative ventures”²⁷ – and “does *not* insure that the business shall produce net revenues.”²⁸

Under the “comparable return” standard set in Bluefield, a public utility is entitled to such rates as will permit it to earn a rate of return comparable to that generally being made at the same time and in the same general part of the country on investments in other businesses with similar risks profiles.²⁹ The Court specified that the utility does not have a constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures.³⁰ Critically, the Court recognized that a rate of return may be reasonable at one time and become too high or too low by changes in the economy, acknowledging that the dynamic nature of a fair return requires regulators to assess *current* market conditions – *rather than relying on historical benchmarks alone*.³¹

²⁵ Bluefield Water Works & Improvement Co. v. Public Serv. Comm’n of W.Va., 262 U.S. 679, 692- 93 (1923); Federal Power Comm’n v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944); Pittsburgh v. Pa. PUC, 69 A.2d 844 (Pa. Super Ct. 1949); Duquesne Light Co. v. Barasch, 488 U.S. 299, 310, 312 (1989).

²⁶ Federal Power Comm’n v. Hope Nat’l Gas Co., 320 U.S. 591, 603 (1944); Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Docket No. L-2012-2317273, Final Form Order at 4 (Entered January 8, 2025).

²⁷ Bluefield Water Works & Improvement Co. v. Public Serv. Comm’n of W.Va., 262 U.S. 679, 692-93 (1923).

²⁸ Federal Power Comm’n v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944); FPC v. Natural Gas Pipeline Co., 315 U.S. 575, 590 (1942); Pittsburgh v. Pa. PUC, 69 A.2d 844 (Pa. Super Ct. 1949); see also Duquesne Light Co. v. Barasch, 488 U.S. 299, 310, 312 (1989).

²⁹ Bluefield Waterworks & Imp. Co. v. Pub. Serv. Comm’n of W. Va., 262 U.S. 679, 692-693 (1923) (emphasis added).

³⁰ Id.

³¹ Id.

Under the “end result” doctrine established in Hope, it is the result reached not the method employed that controls whether rates are just and reasonable.³² The Court stated: “It is not theory but the impact of the rate order which counts.”³³ The Court further held that the rate-making process “involves a balancing of the investor and the consumer interests”:

Rates which enable the company to operate successfully, to maintain its financial integrity, to attract capital, and to compensate its investors for the risks assumed certainly cannot be condemned as invalid, even though they might produce only a meager return on the so-called ‘fair value’ rate base.³⁴

Importantly, Hope reaffirmed that the Commission was not bound to the use of any single formula in determining rates, meaning that the Commission has flexibility to determine the methodology used to determine rates, so long as the end result is just and reasonable.³⁵

The Hope and Bluefield standards expressly protect consumers alongside investors, because ratemaking is “a balancing of the investor and the consumer interests;” in cases such as this one where the balance is out of alignment and the evidence warrants a significantly lower return, it is incumbent upon the Commission to exercise the kind of restraint that would be exercised by markets if Peoples were subject to them and not set an authorized return that bears no material relationship to what it could demand in such a market.³⁶ As the Commission explained in its FPFTY Final Form Rulemaking Order:

Inherent in the “cost of providing service” principle of ratemaking is the recognition that public utilities are natural monopolies and that the PUC’s oversight through cost-of-service ratemaking regulation serves as a proxy for a competitive market in appropriately restraining, or exerting downward pressure on, the profit-maximizing prices a monopoly could otherwise charge in the absence of price regulation.³⁷

³² Fed. Power Comm'n v. Hope Nat. Gas Co., 320 U.S. 591, 602 (1944).

³³ Id.

³⁴ Id. at 603, 605.

³⁵ Id. at 603.

³⁶ Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Docket No. L-2012-2317273, Final Form Order at 4 (Entered January 8, 2025).

³⁷ Id.

The Commission's discretion to set rates and authorize returns within a zone of reasonableness is well known:

[A]n agency may issue, and courts are without authority to invalidate, rate order that fall within a "zone of reasonableness," where rates are neither "less than compensatory" nor "excessive," . . . The "zone of reasonableness" is delineated by striking a fair balance between the financial interests of the regulated company the "the relevant public interests, both existing and foreseeable"³⁸

This determination that the Commission has wide latitude in setting rates and must balance the needs of utilities with those of customers is consistent with the determination of Pennsylvania courts which have affirmed the Commission's wide discretion to guard against excessive rates. In Popowsky, the Pennsylvania Supreme Court confirmed that, in determining just and reasonable rates, the Commission has discretion to determine the proper balance between the interests of ratepayers and utilities.³⁹ In U.S. Steel, the Commonwealth Court recognized that "residential customers cannot pay utility bills beyond their means," and upheld the PUC's authority to adjust rate structures in response to economic conditions.⁴⁰

The models employed by OCA witness Garrett in calculating a recommended ROE in this case adhere to these legal principles and more closely approximate Peoples' market-based cost of equity than either Peoples' estimate or the estimate made by I&E and accepted by the ALJ.⁴¹ Mr. Garrett performed a cost of equity analysis on a proxy group of utility companies using CAPM and DCF Models and conducted two variations of both models.⁴² Mr. Garrett determined a cost of equity of 8.8% using the CAPM, 8.5% using the Hamada CAPM, 7.6% using the DCF Model (analyst growth) and 7.1% using the DCF Model (sustainable growth) for a model average of

³⁸ See e.g., Farmers Union Cent. Exch. v. FERC, 734 F.2d 1486, 1502 (D.C. Cir. 1984) (citing FERC v Pennzoil Producing Co., 439 U.S. 508, 517 (1979)) (quoting Permian Basin Area Rate Cases, 390 U.S. 747, 792 (1968)).

³⁹ Popowsky v. Pennsylvania Pub. Util. Comm'n, 665 A.2d 808, 812 (1995).

⁴⁰ U. S. Steel Corp. v. Pennsylvania Pub. Util. Comm'n, 390 A.2d 865, 870–71 (Pa. Commw. Ct. 1978).

⁴¹ OCA MB at 57.

⁴² Id. at 64.

8.0%.⁴³ Based on this analysis, Mr. Garrett recommended an authorized ROE of 8.8%, which represented the *top* end of his model range.⁴⁴

The sole rationale given by the ALJ for rejecting OCA's DCF and CAPM models is that they result in a return on equity lower than the return on equity approved in prior gas utility proceedings.⁴⁵ However, as explained above, the Bluefield Court recognized that a reasonable rate of return may fluctuate according to changes in economic conditions and should be assessed under *current* market conditions *rather than relying on historical benchmarks alone*.⁴⁶ Of note, the frequency of black box settlements in rate proceedings over the last several decades obscures the precedential value of returns approved in prior gas utility rate proceedings.

As Governor Shapiro explained, Pennsylvanians are experiencing markedly higher utility costs with core causes directly within the control of utilities that result from policy and fiscal decisions made by the utilities and their corporate parents.⁴⁷ Pennsylvania's energy unaffordability has reached a crisis level, and it is imperative that in reviewing the justness and reasonableness of rates, the Commission must prioritize the ability of consumers to maintain basic, life essential service to their home.⁴⁸

The ALJ's determination to accept I&E's 10.2% ROE in this proceeding was not reasonable in light of the overall affordability concerns and the demonstrated evidence that a lower ROE, as recommended by OCA witness Garrett, would be sufficient to allow Peoples to earn a fair rate of return commensurate with applicable precedent. When faced with the responsibility of

⁴³ OCA MB at 81.

⁴⁴ Id.

⁴⁵ RD at 188.

⁴⁶ Bluefield Waterworks & Imp. Co. v. Pub. Serv. Comm'n of W. Va., 262 U.S. 679, 692-693 (1923).

⁴⁷ Governor Shapiro Exhibit 1.

⁴⁸ CAUSE-PA MB at 30; Governor Shapiro Exhibit 1.

balancing all the interests at stake in this proceeding, the ALJ erred in prioritizing Peoples' financial expectations over its customers' financial need for affordable service.

CAUSE-PA strongly disagrees with the ALJ's assertion that the principles outlined by Governor Shapiro would constitute a departure from the established rate of return principles.⁴⁹ In fact, the Governor's guidelines are rooted in Hope and Bluefield. As explained above and in CAUSE-PA's Main Brief and Reply Brief, under the Hope and Bluefield standard, the Company is entitled to no more than an *opportunity* to earn a *fair* rate of return on its capital investment, they are not entitled to *guaranteed* profit.⁵⁰ The Commission has a responsibility to ensure that rates are affordable, that service is accessible to those in need, and that the Company is not taking undue and unfair advantage of its customers.⁵¹

CAUSE-PA also strongly disagrees with the ALJ's assertion that there is insufficient evidence to justify consideration of the principles outlined by the Governor in setting an appropriate ROE in this proceeding.⁵² Furthermore, the ALJ's determination that application of these principles would risk deviating from the comparability standard set by Hope and Bluefield is incorrect.⁵³ The Hope and Bluefield standard does not require comparability to authorized ROE in other jurisdictions, it requires the Commission to assess the market value and determine the return that would be required to invest at the current market price for an enterprise's equity.⁵⁴ Here, the market value has to be estimated because neither Peoples nor its corporate parent in publicly

⁴⁹ RD at 195.

⁵⁰ CAUSE-PA MB at 1-2, 5-6, 15, 29; CAUSE-PA RB at 17, 22; Bluefield Water Works & Improvement Co. v. Public Serv. Comm'n of W.Va., 262 U.S. 679, 692- 93 (1923); Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944); Pittsburgh v. Pa. PUC, 69 A.2d 844 (Pa. Super Ct. 1949); Duquesne Light Co. v. Barasch, 488 U.S. 299, 310, 312 (1989).

⁵¹ Federal Power Comm'n v. Hope Nat'l Gas Co., 320 U.S. 591, 603 (1944); Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Docket No. L-2012-2317273, Final Form Order at 4 (Entered January 8, 2025).

⁵² RD at 195.

⁵³ Id.

⁵⁴ See Coakley v. Bangor Hydro-Elec. Co., 194 FERC ¶ 61,208, ¶ 191 (2026) (finding that the expected return on a utility's book value does not reflect "returns on investments in other enterprises" because book value does not reflect the value of any investment that is available to an investor in the market).

traded, but rather only its corporate great grandparent – Essential Utilities – is publicly traded. Thus, the Commission must determine which of the approximations submitted in this proceeding best approaches market value and, consistent with its obligation as Peoples’ economic regulator, should set an ROE that is as low as legally allowed.⁵⁵ The ALJ’s decision rejecting the OCA’s ROE recommendation and the Governor’s approach is inconsistent with the Commission’s obligation to ensure that rates are affordable, that service is accessible to those in need, and that the Company is not taking undue and unfair advantage of its customers.⁵⁶ While the Commission should not substitute macroeconomic analysis for cost-of-service ratemaking, it must take into consideration the underlying economic conditions of both Peoples and its customers to determine the appropriate level of rates to authorize Peoples to collect from its customers.⁵⁷ In short, Peoples – a monopoly utility – should not be authorized by the Commission to rake in hundreds of millions of dollars in profit when tens of thousands of its customers are unable to afford to maintain basic, life-essential service. The ALJ erred in not considering all of these facts in her determination of what ROE to recommend.

The record in this proceeding demonstrates that acute affordability concerns for essential gas service are profound for Peoples’ low and moderate income customers.⁵⁸ Peoples has 144,131 estimated low income customers in its service territory, of which approximately 75% pay full tariff rates and are not enrolled in its low income programs.⁵⁹ In addition, there are approximately 190,000 Peoples customers who have income above the level that qualifies them for assistance,

⁵⁵ See e.g., 2026 PAWC Rate Case Order at 44 (agreeing with the ALJs that customers must pay enough, “but no more than is necessary”).

⁵⁶ Federal Power Comm’n v. Hope Nat’l Gas Co., 320 U.S. 591, 603 (1944); Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Docket No. L-2012-2317273, Final Form Order at 4 (Entered January 8, 2025).

⁵⁷ CAUSE-PA MB at 38.

⁵⁸ Id. at 17-25.

⁵⁹ CAUSE-PA MB at 13.

but who nevertheless lack the income necessary to afford basic needs.⁶⁰ At current rates, Peoples' low income customers already face unaffordable energy burdens, with gas burdens averaging 6.5% throughout the year, and 11%-15% in winter months – significantly higher than the Commission's energy affordability standards.⁶¹ Peoples' low income customers already face disproportionately high termination rates, between 400% to 500% higher than residential customers who are not low income, and carry average arrearages that are approximately four times higher than those held by residential customers who were not confirmed low income.⁶²

The record evidence in the proceeding also demonstrates that that Peoples already has sufficient revenue to maintain safe and reliable service and has a reasonable opportunity to earn a fair rate of return without any rate increase.⁶³ Over the last five years, Peoples has had healthy net income from its operations, totaling approximately \$1.2 billion from 2021-2025, and it projects net income as of the end of December 2026 to be an additional \$261.9 million.⁶⁴ This income was undoubtedly fueled by the actual returns on equity that Peoples has been earning over this period.⁶⁵ These customers cannot afford a substantial rate increase to support a 10.2% ROE for Peoples' investors.

Accordingly, CAUSE-PA respectfully excepts to the ALJ's recommended adoption of I&E's 10.2% ROE and recommends that the Commission instead adopt – at most – the 8.8% ROE recommended by OCA in this proceeding. CAUSE-PA further excepts to the ALJ's recommendation that the Commission disregard the recommendations of Governor Shapiro and

⁶⁰ CAUSE-PA MB at 13.

⁶¹ Id. at 20.

⁶² Id. at 14.

⁶³ Id. at 37-38.

⁶⁴ Id. at 37.

⁶⁵ Id.

recommends that the Commission consider the principles outlined by the Governor to determine whether a further reduction in ROE is warranted.

2. CAUSE-PA Exception # 2: The ALJ erred by approving Peoples proposed equity heavy capital structure. (RD at 161; COL 56, 59; Recommendation No. 34).

In this proceeding, no party – apart from the Company itself – supported the Company’s proposed 54% equity/46% debt capital structure. In their respective Main Briefs, CAUSE-PA, OCA, and I&E each followed Vice Chair Barrow’s request and provided detailed analysis finding that Peoples’ proposed equity heavy capital structure is inequitable to consumers and urged the commission to impute a fairer capital structure.⁶⁶ Specifically, CAUSE-PA and I&E recommended a 50% equity/50% debt capital structure,⁶⁷ and OCA recommended a 49% equity/51% debt capital structure.⁶⁸ Under the principles outlined by Governor Shaprio, an appropriate capital structure would be 54.9% debt and 45.12% equity, because Peoples is a wholly owned subsidiary that is not exposed to the capital markets, and this is the actual capital structure employed by its great grandparent Essential Utilities, which is the entity that is exposed to the markets.⁶⁹

In the RD, the ALJ summarily dismissed these analyses, and recommended that the Commission adopt Peoples’ proposed 54% equity/46% debt capital structure.⁷⁰ The RD erroneously concludes that, pursuant to precedent, the Company’s actual capital structure should be approved unless it is atypical or outside the range of reasonableness and that Peoples’ capital structure is within the range of equity ratios in the proxy group.⁷¹

CAUSE-PA respectfully asserts that the ALJ erred as a matter of law in holding that divergence from the proxy group is the sole criteria for a determination that the Company’s capital

⁶⁶ CAUSE-PA MB at 32-36; OCA MB at 60-64; I&E MB at 39-40.

⁶⁷ CAUSE-PA MB at 32; I&E MB at 39.

⁶⁸ OCA MB at 60.

⁶⁹ RD at 158; Governor’s Exhibit 1.

⁷⁰ Id. at 161.

⁷¹ Id.

structure is disproportionately equity heavy. The Commission has abundant discretion in setting a ratemaking capital structure and is not restrained to accept the capitalization ratio proposed by Peoples.⁷² As long as there is a rational basis for the Commission's methodology in establishing a rate structure, such decisions are left entirely to its discretion.⁷³ Here, in giving undue weight to the proxy group, the ALJ erred. The Commission has a duty to scrutinize the evidence carefully and make necessary adjustments to bring a utility's capital structure in accord with one that is fair, reasonable, and stable.⁷⁴

The Commonwealth Court has explained that a utility's capital structure — particularly that of a wholly-owned subsidiary — may not be comparable to utilities that obtain debt and equity financing on the open market, and that the Commission must make adjustments based on substantial evidence in order to reach a fair result.⁷⁵ Divergence from the proxy group is not the sole criteria for determining whether debt or equity is disproportionately high.⁷⁶ This is especially true for Companies like Peoples, which are not publicly traded and are wholly owned subsidiaries of public companies. Pennsylvania precedent supports finding a subsidiary's capital structure atypical, in part, because it diverges from (or doesn't reflect) market-based financing of the kind the parent uses.⁷⁷ In this instance, Pennsylvania Courts have held that the capital structure of utilities that are wholly-owned subsidiaries may differ from what it would maintain if it were obliged to obtain its debt and equity financing on the open market rather than from a parent company.⁷⁸ The Court further explained:

In such instances the actual capital structure may be weighted too heavily on the debt side or the equity side...The use of the actual capital structure in such peculiar

⁷² Riverton Consol. Water Co. v. Pa. P.U.C., 140 A.2d 114, 121 (Pa. Super. Ct. 1958) (*Riverton*);

⁷³ Emporium Water Co. v. Pennsylvania Pub. Util. Comm'n, 955 A.2d 456 (Pa. Commw. Ct. 2008).

⁷⁴ Lower Paxton Twp. v. Com., Pub. Util. Comm'n, 317 A.2d 917 (Pa. Commw. Ct. 1974).

⁷⁵ Id.

⁷⁶ Riverton Consol. Water Co. v. Pennsylvania Pub. Util. Comm'n, 140 A.2d 114, 121 (Pa. Super 1958).

⁷⁷ Id.

⁷⁸ Id.

circumstances might be unfair to either the utility or its customers, depending upon whether debt or equity is disproportionately high. Under such circumstances the commission must make adjustments based upon substantial evidence in order to reach a fair result.⁷⁹

That dependency, and the resulting divergence from how an independently financed utility would be capitalized, is precisely why the Commission has a duty to scrutinize such structures carefully and make adjustments.

While the ALJ cites several cases where the Commission declined to impute a more equitable capital structure, the Commission has imputed a more equitable capital structure in more recent cases based in part on affordability and macroeconomic considerations.⁸⁰ In Pennsylvania American Water's most recent rate case, the Commission found that it "must closely examine the total relevant record evidence in this proceeding when setting the appropriate capital structure."⁸¹ Considering the totality of evidence in the case, including affordability and macroeconomic considerations, the Commission found it appropriate to apply a hypothetical capital structure for PAWC's Water operations.⁸² The Commission stated that, "although it is often true that a utility's actual capital structure should be utilized in determining the appropriate ROE and overall rate of return to authorize, there are situations in which the Commission must diverge from the use of an actual capital structure."⁸³

There is no evidence to even suggest that Peoples would be unable to attract capital at a 50/50 capital structure. Indeed, Peoples' great-grandparent, Essential Utilities, is the entity that is actually exposed to the markets, and maintains a capital structure of 54.9% debt and 45.1% equity,

⁷⁹ Riverton Consol. Water Co. v. Pennsylvania Pub. Util. Comm'n, 140 A.2d 114, 121 (Pa. Super 1958).

⁸⁰ PA. PUC v. Pennsylvania-American Water Company, Docket No. R-2025-3057983, Opinion and Order at 184 (Adopted July 16, 2026, Entered July 27, 2026).

⁸¹ Id.

⁸² Id. at 185.

⁸³ Id.

which is even more heavily weighted to the debt side.⁸⁴ In this proceeding, Governor Josh Shapiro – through his Special Counsel, Mark Szybist – provided testimony recommending that debt should represent a clear majority of a utility's proposed ratemaking capital structure.⁸⁵ He stated any proposed equity share exceeding the equity amount employed by the utility's parent holding company should require *extraordinary* justification.⁸⁶ Vice Chair Barrow also expressed concern regarding Peoples' proposed capital structure and its impact on the Company's proposed rate increase, and urged the Parties to take a critical look at the Company's requested ROE and capital structure to ensure reasonableness.⁸⁷

As Vice Chair Barrow noted, “Too often, the relationship between debt and ROE to cost of debt and capital is asserted as a general matter from basic economic principle alone.”⁸⁸ Considering the significant difference between Peoples' cost of equity over its cost of debt – at the ALJ's recommended 10.2% ROE the difference is 559 basis points from Peoples cost of long term debt at 4.61%⁸⁹ – the use of Peoples' proposed capital structure is unfair to consumers, because its proposed equity level is disproportionately high.⁹⁰ The result is millions of additional dollars in rates charged to customers simply based on maintaining the status quo.

Further, while the RD adopts I&E's recommended 10.2% ROE, it fails to acknowledge that I&E's ROE recommendation was tied to its recommendation that the Commission impute a 50/50 capital structure.⁹¹ I&E specifically noted the concerns voiced by Vice Chair Barrow and Governor Shapiro regarding higher utility costs and enormous profits earned by utilities.⁹² Its Main

⁸⁴ CAUSE-PA St. 1 at 44, Table 10.

⁸⁵ CAUSE-PA MB at 35; Governor Shapiro Exhibit 1.

⁸⁶ Governor Shapiro Exhibit 1.

⁸⁷ Statement of Vice Chair Kimberly Barrow, April 16, 2026.

⁸⁸ Id.

⁸⁹ RD at 162-163, FOF 57.

⁹⁰ Riverton Consol. Water Co. v. Pa. P.U.C., 140 A.2d 114, 121 (Pa. Super. Ct. 1958).

⁹¹ I&E MB at 39.

⁹² Id. at 16, 41.

Brief states: “I&E believes these concerns highlight the importance of ratepayers only being required to pay rates to fund costs that are necessary for the safe and reliable provision of natural gas service.”⁹³ While CAUSE-PA maintains its position that a 10.2% ROE is excessively high based on the evidence in this proceeding, imputing a less equity heavy capital structure, as intended by I&E’s recommendation, cannot be divorced from this recommendation. It would be doubly punitive to ratepayers to award a grossly utility-friendly ROE while at the same time approving an unnecessarily equity rich capital structure.

To reach a fair result, the Commission must make adjustments based upon substantial evidence; including that Peoples’ rates are already unaffordable for a large segment of Peoples’ customers and, even in the absence of an increase, Peoples already has sufficient revenue to maintain safe and reliable service for its customers – as well as a reasonable opportunity to earn a fair rate of return.⁹⁴ Therefore, CAUSE-PA respectfully excepts to the ALJ’s recommendation that the Commission adopt Peoples’ proposed equity heavy capital structure and urges the Commission to impute a capital structure that is at least 50/50 and is more reflective of the risk that it would bear if it were subject to actual equity markets – like its great grandparent – Essential Utilities.⁹⁵

3. CAUSE-PA Exception # 3: The ALJ erred by granting a \$105.4 million rate increase based on an excessive ROE and equity heavy capital structure. (RD at 1; Recommendation Nos. 2, 39).

As detailed in CAUSE-PA’s Exceptions 1 and 2, the ALJ erred by recommending approval of an excessive ROE combined with an equity heavy capital structure. The combination of these errors would result in an unreasonable and unjustifiable \$105,396,889 million rate increase that Peoples’ customers simply cannot afford.⁹⁶

⁹³ I&E MB at 41.

⁹⁴ CAUSE-PA MB at 34.

⁹⁵ Id.

⁹⁶ RD at 1.

CAUSE-PA stands by its position that Peoples has failed to meet its burden to demonstrate that any rate increase should be approved in this proceeding.⁹⁷ The record evidence demonstrates that Peoples already has sufficient revenue at current rates and that its rates are already unaffordable for low income consumers – making service inaccessible to thousands of households and creating a cascade of consequences for these households and the surrounding communities.⁹⁸ The Commission should not permit Peoples to further burden its already struggling customers to simply generate additional profit for its shareholders, when Peoples already has sufficient revenue at current rates.⁹⁹

To the extent that any rate increase is approved by the Commission, it should be no higher than \$9.5 million.¹⁰⁰ The record demonstrates that rates are already unaffordable for a large segment of Peoples’ customers, which is an important factor in setting just and reasonable rates.¹⁰¹ Affordability is an issue that must be addressed for *all* customers, including low income customers who do not apply for or enroll in low-income assistance programs.¹⁰² The Commission must consider the economic impact on Peoples consumers and exercise its duty to act as proxy for a competitive market and exert downward pressure on rates.¹⁰³

Therefore, CAUSE-PA respectfully excepts to the ALJ’s recommendation that Peoples be allowed to increase its rates by \$105,396,889.¹⁰⁴ To the contrary, Peoples has failed to carry its

⁹⁷ CAUSE-PA MB at 17-25.

⁹⁸ Id. at 17-25, 27-28.

⁹⁹ Id.

¹⁰⁰ Id. at 32.

¹⁰¹ Pa. PUC v. Columbia Gas of Pa., Inc., Docket No. R-2020-3018835 Opinion and Order, at 46-47 (Entered Feb. 19, 2021) (citing 66 Pa. C.S. §§ 523, 526 (a); Lloyd v. Pa. PUC, 904 A.2d 1010, 1019-21 (Pa. Commw. Ct. 2006); Pa. PUC v. Twin Lakes Util., Inc., 2020 Pa. PUC LEXIS 340, *46-54 (order entered Mar. 26, 2020).

¹⁰² Pa. Pub. Utility Comm’n v. Pennsylvania American Water Co., Docket No. R-2025-3057983, Opinion and Order at 41 (Order entered July 27, 2026) (“2026 PAWC Rate Case Order”).

¹⁰³ 2026 PAWC Rate Case Order, R-2025-3057983, at 41.; Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, Docket No. L-2012-2317273, Final Form Order at 4 (order entered January 8, 2025).

¹⁰⁴ RD at 1.

burden to demonstrate that *any* increase in residential rates would be just and reasonable.¹⁰⁵ The Commission should reject the ALJ's recommendation and not allow Peoples to further increase its rates.

4. CAUSE-PA Exception # 4: The ALJ erred by allowing Peoples to increase its residential customer charge from \$16.80 to \$19.30, which impedes the Commission's goal of encouraging energy efficiency and conservation (RD at 235; Recommendation No. 44).

In the RD, the ALJ recommends that the Commission increase Peoples' fixed monthly residential customer charge from \$16.80 to \$19.30.¹⁰⁶ CAUSE-PA respectfully excepts to this finding, as increasing the fixed customer charge will adversely impact the Commission's goal of encouraging energy efficiency and conservation.¹⁰⁷ With the increase, the increased fixed customer charge would comprise a larger proportion of a customer's monthly bill and diminish customers' ability to offset any approved rate increase through efficiency and conservation.¹⁰⁸ The erosion of bill savings through efficiency and conservation will disproportionately affect low income households that rely on conservation to help control costs, exacerbating the already-pronounced affordability gap and undermining the explicit goals of Peoples' Low Income Usage Reduction Program (LIURP).¹⁰⁹

Every dollar that is locked into the customer charge undermines the ability of consumers to mitigate the rate increase through conservation and efficiency.¹¹⁰ Increasing the fixed charge would weaken the ability of low income households to save money on their bills through careful

¹⁰⁵ CAUSE-PA MB at 25.

¹⁰⁶ RD at 235.

¹⁰⁷ CAUSE-PA MB at 47-52. CAUSE-PA notes that its position in testimony was that if the Commission were to approve continuation of the WNA that CAUSE-PA did not object to an increase in the customer charge proportional to the increase in rates approved because it would reduce the amount of each customer's bill that is subject to the WNA. See CAUSE-PA St. 1 at 56. Given that the ALJ correctly determined that the WNA should not continue, CAUSE-PA's position is that any increase in the customer charge is not warranted based on the record.

¹⁰⁸ CAUSE-PA MB at 47-48.

¹⁰⁹ Id. at 48-50.

¹¹⁰ CAUSE-PA MB at 47-52; CAUSE-PA RB at 32.

conservation, including participation in Peoples' LIURP, undercutting the program's purpose to reduce bills for low income customers.¹¹¹ While Peoples asserts that this is not the case because of the close connection between LIURP participation and CAP, this ignores the reality that customers cycle in and out of CAP for various reasons and are thus deprived of the benefits of LIURP-derived energy savings when they are not in CAP and also ignores that not all LIURP recipients are CAP customers.¹¹² As more residential customer bills are shifted to the fixed charge, the achievable bill savings – and the corresponding impact on bill payment ability – will erode.¹¹³ High fixed charges violate the Commission's policies encouraging energy efficiency and conservation, as it hinders customers' ability to reduce their bill through conservation or energy efficiency measures.¹¹⁴ Recovering a greater portion of the bill through the fixed charge also erodes incentive for monopoly utilities to improve operational efficiency, undermining foundational consumer protections embedded in utility ratemaking.¹¹⁵

As explained in more detail in CAUSE-PA's Main Brief, the combination of Peoples' proposed customer charge increase and its WNA pass the traditional business risks of fluctuating gas use onto customers.¹¹⁶ They create a double penalty for customers, who pay a higher fixed customer charge regardless of usage, *plus* bear more of the risk of a warmer winter.¹¹⁷ CAUSE-PA stands by its position that the Commission should reject Peoples' proposed increase to its

¹¹¹ CAUSE-PA MB at 47-52.

¹¹² CAUSE-PA RB at 32.

¹¹³ CAUSE-PA MB at 47-52.

¹¹⁴ Pa. PUC v. Columbia Gas of Pa., Inc., Opinion and Order, Docket No. R-2020-3018835, at 264-265 (order entered Feb. 19, 2021) (Columbia's proposed fixed charge was "contrary to the Commission's goal of encouraging customers to conserve energy.).

¹¹⁵ CAUSE-PA MB at 48.

¹¹⁶ Id. at 61-79.

¹¹⁷ Id. at 46, 51.

residential customer charge and strongly supports the ALJ's recommendation that the Commission reject Peoples' proposed continuation of its WNA pilot.¹¹⁸

5. CAUSE-PA Exception # 5: The ALJ erred by requiring Peoples to increase the number of LIURP jobs that it performs each year without providing the increased budget necessary to serve those additional customers. (RD at 307; Recommendation No. 60).

In her direct testimony, Weatherization Providers Task Force (PWPTF) witness Jennifer Warabak's recommended that Peoples increase its annual budget for LIURP by \$975,000 to support serving an additional 75 customers per year.¹¹⁹ CAUSE-PA supported Ms. Warabak's recommendation.¹²⁰ I&E did not oppose the requirement that Peoples be required to serve an additional 75 households per year, but argued that additional LIURP funding is not necessary because Peoples has not spent its full LIURP budget for the past two years.¹²¹

In the RD, the ALJ accepts I&E's recommendation that Peoples be required to serve and additional 75 households but also recommended that the Commission not grant the necessary funding to serve those households.¹²² CAUSE-PA respectfully excepts to this recommendation because, as explained in CAUSE-PA's Main Brief and Reply Brief, Peoples' LIURP budget is already inadequate to meet growing need for comprehensive usage reduction services.¹²³ In support of its opposition to increased LIURP funding, I&E points to Peoples' unspent rollover funding.¹²⁴ However, Peoples' LIURP underspending in recent years is not indicative of a lack of need for LIURP services in its territory, nor that it could serve additional households without additional funding.¹²⁵ In 2024 and 2025, Peoples transitioned to a new program administrator,

¹¹⁸ RD at 278.

¹¹⁹ PWPTF St. No. 1 at 6-7.

¹²⁰ CAUSE-PA MB at 92-93.

¹²¹ I&E MB at 57-58.

¹²² RD at 307.

¹²³ CAUSE-PA MB at 92-93; CAUSE-PA RB at 52-53.

¹²⁴ I&E MB at 57-58.

¹²⁵ CAUSE-PA MB at 93.

which slowed down LIURP production.¹²⁶ In 2023, prior to this transition, the Company expended 97% of its LIURP budget.¹²⁷ Since completing its transition to a new program administrator, the Company's LIURP production has greatly improved and is projected to exceed the number of customers previously served by the program.¹²⁸ However, considering the costs of labor and materials, requiring Peoples to serve additional households will necessarily require additional funding.

The Choice Act is explicit that universal service and energy conservation programming must be appropriately funded and accessible to those in need.¹²⁹ As rates and costs continue to increase, so too does the need for expanded funding to ensure the program remains available, consistent with the mandates in the Choice Act.¹³⁰ It would be unjust and unreasonable to authorize a rate increase in this proceeding without allocating additional funding to help mitigate the impact on low income households.¹³¹ CAUSE-PA therefore excepts to the ALJ's failure to require additional funding to support the cost of serving an additional 75 households through LIURP, and recommends the Commission adopt Ms. Warabak's recommendation that Peoples increase its annual budget by \$975,000 – supporting comprehensive home efficiency and weatherization services for an additional 75 high-use, low-income households.¹³²

¹²⁶ Peoples St. 10-R at 21.

¹²⁷ CAUSE-PA MB at 93

¹²⁸ Peoples St. 10-R at 21.

¹²⁹ 66 Pa. C.S. § 2203(8).

¹³⁰ CAUSE-PA RB at 52.

¹³¹ PWPTF St. 1 at 3.

¹³² I&E St. 1-R at 2-4; PWPTF St. No. 1 at 6-7.

6. CAUSE-PA Exception # 6: The ALJ erred by allowing the Company's proposed Hot Water Tank Pilot without considering the CAUSE-PA's arguments on this issue. (RD at 107; Recommendation No. 24).

In its Main Brief and Reply Brief, CAUSE-PA opposed Peoples' proposed Hot Water Tank Pilot, which is designed to exclusively incentives the transition of customers with electric hot water heaters to gas hot water heaters.¹³³ CAUSE-PA explained it would be inappropriate to use ratepayer funds to support a load building program that incentivizes fuel switching form electric to fossil fuel, like gas.¹³⁴

In the RD, the ALJ stops short of recommending approval, but indicates: "This Judge is not against Peoples attempting a pilot rebate program for its customers' water heaters."¹³⁵ CAUSE-PA excepts to this finding, as the decision fails to mention CAUSE-PA's opposition and arguments on this issue.¹³⁶ The ALJ fails to consider that the Commission has not traditionally allowed ratepayer funds to be used to conduct fuel switching that builds load because it runs counter to the objectives of reducing consumption and peak demand.¹³⁷ CAUSE-PA also pointed out that rebates for remediating or replacing aging electric hot water heaters are available from the EDCs with overlapping service territory through Act 129.¹³⁸

CAUSE-PA therefore respectfully excepts to this finding and stands by its position that Peoples' fuel switching Hot Water Tank Pilot should be rejected. It would be inappropriate to allow Peoples to spend ratepayer funds to build load by switching customers from electric hot water heaters to gas hot water heaters.¹³⁹

¹³³ CAUSE-PA MB at 97-98.

¹³⁴ CAUSE-PA MB at 97-99; CAUSE-PA RB at 58-59.

¹³⁵ RD at 107.

¹³⁶ Id. at 106-107; CAUSE-PA MB at 97-99; CAUSE-PA RB at 58-59.

¹³⁷ CAUSE-PA MB at 58.

¹³⁸ Id.

¹³⁹ RD at 106-107; CAUSE-PA MB at 97-99; CAUSE-PA RB at 58-59.

7. CAUSE-PA Exception # 7: The ALJ erred by failing to provide a recommendation or conclusion on the Company's proposed CAP Fraud Tariff provision. (RD at 342-344).

In the RD, the ALJ summarizes the positions of the parties regarding Peoples' proposed CAP Fraud provision; however, the RD fails to provide a recommendation or conclusion.¹⁴⁰

CAUSE-PA strongly recommends that the Commission reject the proposed CAP Fraud provision because there is no substantial evidence in the record to demonstrate that this highly subjective process is necessary – nor that Peoples' existing policies are insufficient to fully address suspected fraud.¹⁴¹ This danger of subjectivity is even more pronounced because program enrollment is performed by its third-party CAP administrator, Dollar Energy Fund.¹⁴² This system adds another layer of uncertainty as to whether an applicant or customer was mistaken or whether an error was made in the processing of the income documentation.¹⁴³ Peoples indicated that it has not developed a way for customers to dispute allegations of CAP fraud other than its existing dispute process and their ability to contact the Commission's Bureau of Consumer Services.¹⁴⁴

CAUSE-PA stands by its position that Peoples' proposed tariff change should be denied in this case and, in turn, Peoples should be ordered to instead consult its USAG to develop more clearly defined, objective parameters for identifying CAP fraud and distinguishing it from mistakes in the application process.¹⁴⁵ The Company should work with its USAG to develop guidelines for disputes related to allegations of CAP fraud.¹⁴⁶

¹⁴⁰ RD at 342-344.

¹⁴¹ CAUSE-PA MB at 86-90; CAUSE-Pa RB at 56.

¹⁴² CAUSE-PA MB at 86-90.

¹⁴³ Id. at 86-87.

¹⁴⁴ Id. at 87.

¹⁴⁵ Id.

¹⁴⁶ Id.

8. CAUSE-PA Exception # 8: The ALJ erred by failing to consider CAUSE-PA's alternative recommendations if the Commission were to overturn the ALJ's primary recommendation to discontinue the WNA. (RD at 278, 283-284).

CAUSE-PA strongly supports the ALJ's recommendation that Peoples' WNA be discontinued by the Commission.¹⁴⁷ The WNA shifts weather-related risk from the utility to customers by allowing Peoples to charge customers for consumption of gas they did not use, but that they "should have used" based on the Company's own projections.¹⁴⁸ The WNA formula requires an overly complicated and nuanced calculation that is difficult for customers to understand.¹⁴⁹ These additional charges are disproportionately harmful to low income households who already face difficult choices between heating, food, and other essential needs, undermining their ability to plan for and manage utility expenses by assessing additional charges when weather is warm and usage is low.¹⁵⁰

The RD contains an alternative recommendation that, if the Commission allows the continuance of the Company's WNA, the ALJ recommends the present 3% deadband be increased to 5%, and the months of October and May be removed.¹⁵¹ CAUSE-PA also strongly supports these recommendations in the event that the Commission disagrees with the ALJ's primary recommendation to discontinue the WNA.

However, CAUSE-PA respectfully asserts that the ALJ erred by failing to address the additional alternative recommendations to remediate some of the harm to consumers in the event that the Commission were to allow the WNA to continue.¹⁵² Specifically, in addition to increasing the deadband to 5% and removing October and May, CAUSE-PA recommended that:

¹⁴⁷ RD at 278.

¹⁴⁸ CAUSE-Pa St. 1 at 62.

¹⁴⁹ CAUSE-PA MB at 77-78.

¹⁵⁰ CAUSE-PA RB at 41.

¹⁵¹ RD at 278.

¹⁵² Id. at 274-279

- (1) *The WNA should not be approved for a period of more than three years*, so its effectiveness can be assessed more frequently.¹⁵³
- (2) *The months in which the WNA is operable should be reduced to the period from December through March.*¹⁵⁴ These are the winter months recognized by the Commission and the General Assembly for other public policy purposes such as the winter termination rules that prevent termination of service to households with income at or below 250% FPL.¹⁵⁵ If these are the months when economically vulnerable households must retain service because of the possibility of cold weather, it is unreasonable to allow Peoples to assess a weather-related charge in the months of October, November, April, or May.¹⁵⁶
- (3) *WNA billed revenue should be excluded from the revenue upon which the DSIC is assessed.*¹⁵⁷ Peoples should not be allowed to assess an up to 5% surcharge on top of the WNA surcharge, because it compounds the harm to households for whom the WNA is assessed and inflates the revenue that Peoples collects through its DSIC.¹⁵⁸
- (4) *The WNA should be applied on a per class basis*, reconciled annually, and surcharged over the full 12-months of the subsequent year rather than on a per customer basis.¹⁵⁹ This change would eliminate the hardship that currently exists by imposing WNA charges during the highest usage and most expensive bills in the winter where energy burdens are at their highest.¹⁶⁰
- (5) *CAP customers should be exempt from the WNA.*¹⁶¹ The WNA charges caused by warmer weather trends will increase the bill for CAP customers who are charged according to their average bill, up to the applicable percentage of income payment. These customers already lack the ability to afford their monthly expenses and should not be required to pay any more than necessary. Further, CAP customers who are enrolled in Peoples' percentage of income payment do not pay the WNA charges directly because their bills are capped at their percentage of income bills. Since CAP customers do not pay their full tariff bill, the imposition of WNA charges on CAP bills needlessly increases the costs of the CAP program paid for by other residential customers.¹⁶²

¹⁵³ CAUSE-PA MB at 80; CAUSE-PA RB at 45.

¹⁵⁴ CAUSE-PA MB at 80; CAUSE-PA RB at 46.

¹⁵⁵ See 52 Pa. Code § 56.100(b).

¹⁵⁶ CAUSE-PA MB at 80.

¹⁵⁷ CAUSE-PA MB at 80; CAUSE-PA RB at 46-47.

¹⁵⁸ CAUSE-PA MB at 80; CAUSE-PA RB at 46-47.

¹⁵⁹ CAUSE-PA MB at 81; CAUSE-PA RB at 48-49.

¹⁶⁰ CAUSE-PA MB at 81; CAUSE-PA RB at 48-49.

¹⁶¹ CAUSE-PA MB at 81; CAUSE-PA RB at 49-50.

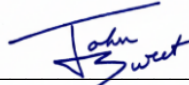
¹⁶² CAUSE-PA MB at 81; CAUSE-PA RB at 49-50.

The ALJ states in the RD, “I am in agreement with the evidence and arguments presented by I&E, OCA, OBSA and CAUSE-PA in this matter.”¹⁶³ However, the ALJ has overlooked or ignored these important alternative reforms. Thus, while CAUSE-PA strongly supports the ALJ’s primary recommendation to deny the WNA, if the Commission decides to allow the WNA to continue, it should only do so on the condition that it is amended in line with the recommendations above.

III. CONCLUSION

For the reasons set forth above, and as more fully explained in CAUSE-PA’s Main Brief and Reply Brief, CAUSE-PA urges the Commission to grant these Exceptions and adopt CAUSE-PA’s positions.

Respectfully submitted,
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¹⁶³ RD at 286.