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VIA ELECTRONIC FILING

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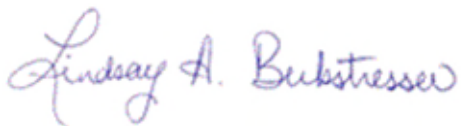
Re: Pennsylvania Public Utility Commission, et al. v. Peoples Natural Gas Company LLC
Docket Nos. R-2026-3060855, et al.

Dear Secretary Homsher:

Enclosed for filing are the Exceptions of Peoples Natural Gas Company LLC to the Recommended Decision in the above-referenced proceedings.

Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,



Lindsay A. Berkstresser

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Attachment

cc: Honorable Charece Z. Collins (*via email; w/attachment*)
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Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this filing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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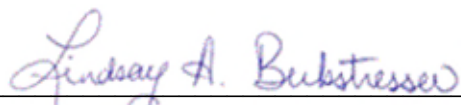
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Dated: October 14, 2026



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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, <i>et al.</i>	:	Docket Nos. R-2026-3060855
	:	C-2026-3061455
v.	:	C-2026-3061593
	:	C-2026-3061685
Peoples Natural Gas Company LLC	:	
	:	

**EXCEPTIONS OF PEOPLES NATURAL GAS COMPANY LLC
TO RECOMMENDED DECISION**

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I. INTRODUCTION

Peoples Natural Gas Company LLC (“Peoples” or the “Company”) hereby files these Exceptions to the Recommended Decision (“RD”) issued by Administrative Law Judge Charece Z. Collins (the “ALJ”). The RD recommends that the Pennsylvania Public Utility Commission (“Commission”) grant an overall base rate increase totaling \$105,396,889.¹ In many aspects, the RD reasonably balances the Company’s need for substantial rate relief with the various interests of the other parties to this proceeding. However, as explained herein, the RD contains several erroneous recommendations that the Commission should modify in its order.

At the outset, it is important for the Commission to recognize that Peoples has undertaken substantial efforts to keep its rates affordable. These efforts are summarized in Section III of both the Company’s Main Brief and its Reply Brief. In particular, Peoples has a history of infrequent rate case filings, having filed just three rate cases in the past fourteen years, despite having invested over \$2.9 billion under its Long Term Infrastructure Improvement Plan (“LTIIP”) alone during this period.² The Company’s customers have benefited from the Company’s prudent management, which has allowed it to maintain customers’ rates at a relatively stable level over the past decade despite rising costs due to inflation and other factors.

The evidence in this case demonstrates that Peoples’ efforts to keep its rates affordable have been effective. Peoples has the third lowest delivered energy cost of any NGDC or EDC in Pennsylvania and is only four cents per MMBtu higher than the second lowest NGDC.³ Peoples is 34% less than the most expensive NGDC and 13% less than the average NGDC. Peoples is 80% less than the most expensive EDC and 70% less than the average EDC.⁴ This information is based

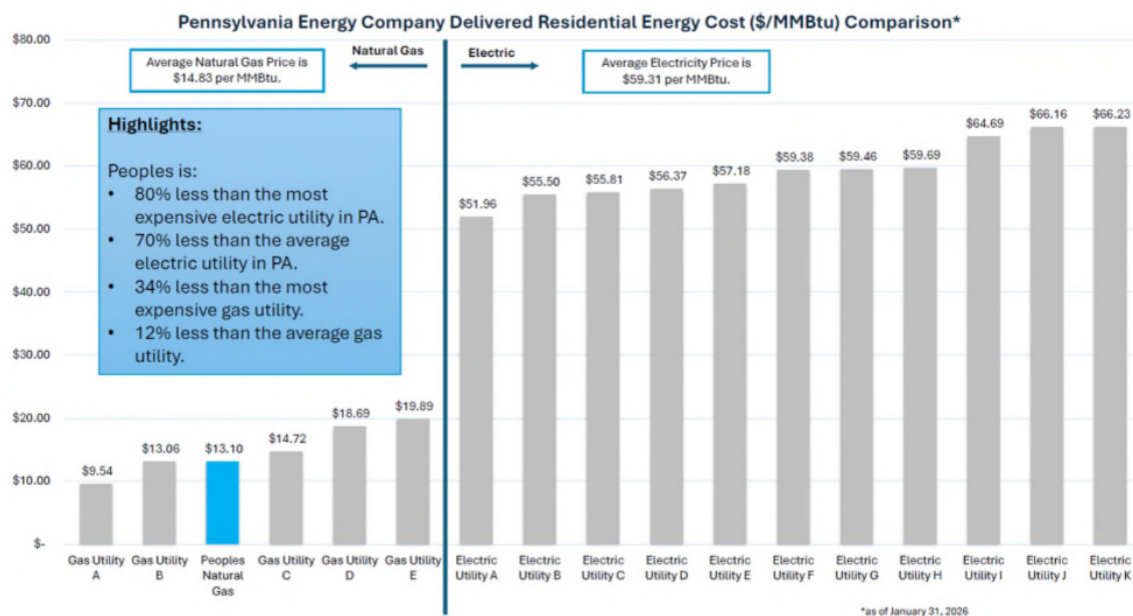
¹ RD, p. 1.

² Peoples St. No. 3-SR, pp. 5-6; Peoples St. No. 6, p. 6.

³ Peoples’ St. No. 1-R, p. 13.

⁴ Peoples St. No. 1-R, pp. 10-14; Peoples St. No. 20-RJ, p. 6.

on the Commission’s Rate Comparison Report for 2026 and is summarized in the following chart comparing the per MMBtu price of all regulated gas and electric utilities in Pennsylvania:⁵



Even at the full requested residential rate increase, Peoples’ price would still be below the average price for a NGDC.⁶ Accordingly, Peoples plays a meaningful role in supporting energy affordability in Pennsylvania.

The Company has elected not to file exceptions on every area of disagreement with the RD. Rather, these Exceptions focus on the most significant errors in the RD, foremost of which is the RD’s recommendation to discontinue, or in the alternative, modify the Company’s existing Commission-approved WNA. As explained herein, the WNA has operated in a manner that is beneficial to both the Company and customers, and the Commission should permit the WNA to continue without modification. Relatedly, the RD incorrectly declines to adopt the Company’s proposed HDDs, which would serve to enhance the application of the WNA and more accurately

⁵ Peoples Exh. No. MAH-1R Revised.

⁶ See Peoples St. No. 1-R, p. 11; Peoples Exh. JDT-5, p. 1; Peoples Main Brief, p. 7.

project normal weather in the determination of revenues.

As explained herein, the Company requests that the Commission correct several of the RD's errors and unsupported recommendations regarding expense adjustments and other issues, as well as an error with the RD's proposed revenue allocation. Additionally, the Company has identified certain areas where the Company seeks clarification from the Commission regarding the recommendations in the RD.

The Company respectfully requests that the Commission grant these Exceptions and modify the RD accordingly.

II. EXCEPTIONS

A. EXCEPTION NO. 1 – THE RD ERRS BY DISCONTINUING THE COMPANY'S COMMISSION-APPROVED WEATHER NORMALIZATION ADJUSTMENT (“WNA”) MECHANISM

Peoples' WNA is mutually beneficial to customers and the Company. An important function of the WNA is that it keeps customers' bills in line with what the customer would expect their bill to be under “normal” weather conditions by applying charges when weather is warmer than normal and credits when weather is colder than normal.⁷ The WNA's ability to provide bill credits to customers during abnormally cold winter heating seasons when bills are traditionally higher is especially significant for customers. Just this past heating season, Peoples' customers received over \$22.6 million in bill credits under the WNA.⁸ Without the WNA, customers would not have received these bill credits.

The WNA is also essential to providing the Company with a reasonable opportunity to recover its Commission-authorized revenue requirement. This is especially true given abnormal weather trends that are outside of the Company's control. These abnormal weather trends prevent

⁷ Peoples St. 17-R, p. 53.

⁸ Peoples St. 17, p. 43.

the Company from recovering its authorized revenue requirement due to the mismatch between fixed cost incurrence and volumetric cost recovery. The Commission approved Peoples' WNA in 2024.⁹ Despite substantial evidence that Peoples' existing WNA has continued to operate in a manner that is fair and reasonable to both the Company and customers, the RD accepts OCA's and CAUSE-PA's proposal to eliminate the Company's WNA.¹⁰ Eliminating the WNA is a drastic step, and the RD does not provide a reasonable basis to justify this action. The Commission should reject the RD's recommendation and permit the Company's WNA to continue without modification.

The RD's recommendation to eliminate the WNA is primarily based on the misconception that "the WNA shifts weather-related risks away from Peoples and onto its customers."¹¹ This statement is simply not accurate and represents a fundamental misunderstanding of how the WNA works.¹² The WNA is designed both (1) to prevent over recovery of costs resulting from increased usage when temperatures are colder than normal, and (2) to allow the Company a reasonable opportunity to recover the fixed costs of providing service when usage declines as a result of warmer than normal temperatures. Because both customers and the Company bear equal risk in weather being colder or warmer than what is used to design rates (i. e. normal), a symmetrical mechanism like the WNA is necessary to ensure that neither customers nor the Company benefit or are harmed when temperatures inevitably and unpredictably deviate from what is assumed to be normal.¹³

The RD ignores evidence that the WNA is operating symmetrically and is serving its

⁹ *Pa. PUC v. Peoples Natural Gas Company LLC*, Docket No. R-2023-3044549 (Order entered Sept. 12, 2024) ("*Peoples 2024 Order*") at pp. 92-93

¹⁰ RD, p. 278.

¹¹ RD, p. 278.

¹² Peoples St. 17-R, pp. 57-58.

¹³ Peoples St. 17-R, pp. 56-58.

intended purpose. The Company's experience clearly illustrates that the WNA has resulted in credits to customers during periods of colder than normal weather and charges to customers during periods of warmer than normal weather.¹⁴ Indeed, Peoples witness Mr. Taylor explained that "the WNA is not a revenue guarantee nor is it a way to limit risk only for the benefit of the Company[.]" and that "[a]bnormal weather affects both customers and the Company because colder-than-normal weather can materially increase customer bills, while warmer-than-normal weather can reduce usage and produce under recovery of weather sensitive distribution revenues."¹⁵ The Commission also recognized this fact when it approved Peoples' WNA:

Alternative rate mechanisms that are decoupled from revenue are a relatively recent development in Pennsylvania. While it seems like a WNA does nothing more than shift risk of warmer weather from a utility to its customers, it is also true that gas utilities have certain fixed costs for providing service that may be impacted by the revenue lost due to lower consumption during warmer winter months. Accordingly, the Commission has approved WNA mechanisms for other gas utilities in the Commonwealth. The arguments made by OCA in opposition to this settlement term are arguments that can be made in opposition to *any* WNA.¹⁶

Importantly, the RD fails to recognize that eliminating the WNA would remove customers' opportunity to receive credits in periods when temperatures are colder than normal, including this most recent winter season, in which Peoples' customers received \$22.6 million in bill credits because of colder than normal weather.¹⁷ These are the periods when bills are the highest and credits are most valuable to customers. While OCA and CAUSE-PA contend that customers would be better served without the WNA because weather will continue to get warmer and colder temperatures will be unlikely, their assertion is contradicted by the most recent winter

¹⁴ Peoples St. 17, p. 43.

¹⁵ RD, p. 267.

¹⁶ *Peoples 2024 Order* at pp. 92-93.

¹⁷ Peoples St. 17, p. 3.

experience.¹⁸ Further, in the Company's last base rate case approving the WNA, the Commission found that a warming trend does not negate the need for the WNA but rather, it further supports the need because without the WNA, the odds are unfairly against the Company being able to recover its weather normalized revenue.¹⁹

The RD overlooks the WNA's substantial consumer protections, including the existing 3% deadband, that were addressed in the Company's briefs. Unlike other approved WNAs, Peoples explained that its WNA contains a "limiter" that provides additional protection during the month of May. For bills rendered in May, the WNA adjustment does not exceed 100% of the billed distribution amount (delivery charge plus customer charge) for that same billing period.²⁰ Although the RD erroneously recommends that the Commission reject the Company's 65-year regression methodology, if approved, the proposed 65-year regression would benefit customers because it will more closely track recent warming trends. The proposed methodology will narrow the circumstances in which the WNA will produce adjustments by making the definition of "normal" weather more representative of what is expected to be normal on a forward-looking basis.²¹ The Company also demonstrated that it has not recovered revenue above the Commission-authorized revenue requirement with the WNA in place.

The RD recites OCA witness Deupree's criticisms of the WNA as the basis for recommending that the Commission discontinue the Company's WNA. However, these arguments were previously considered and rejected by the Commission when it approved Peoples' WNA.²²

¹⁸ Peoples St. 17, p. 42.

¹⁹ *Peoples 2024 Order* at p. 53.

²⁰ Peoples St. 17, pp. 39-40.

²¹ Peoples St. 17-RJ, p. 6.

²² *See Peoples 2024 Order* at pp. 87-92

Moreover, the Commission has approved other companies' WNAs²³ over similar objections to the ones raised by OCA and CAUSE-PA in this case. For example, in *Columbia 2025*, the Commission rejected parties' arguments against the WNA and permitted the WNA to continue with certain modifications even though Columbia's WNA had resulted in Columbia recovering over \$74 million in revenue from its customers through the WNA.²⁴ There is no basis for the Commission to discontinue Peoples' WNA when it has resulted in a total net credit of \$10.8 million to customers as of mid-March 2026.²⁵ Also, the May "limiter" that is included as an additional customer protection in Peoples' WNA was not part of Columbia's WNA.²⁶

The Company fully rebutted each of OCA's and CAUSE-PA's arguments in its testimony and briefs.²⁷ Peoples explained that the FPFTY and DSIC serve an entirely separate purpose from the WNA and do not eliminate the need for the WNA.²⁸ While the FPFTY and DSIC address the timing of cost recovery and infrastructure investment recovery, the WNA addresses the impact of abnormal weather on weather-sensitive distribution revenues after rates have been established. It does so by normalizing customer bills to the same estimate of normal weather that was used in developing the Company's billing determinants. Neither the DSIC or FPFTY achieve this objective.²⁹

Peoples addressed in its testimony and briefs why the Commission's Policy Factors weigh in favor of maintaining the WNA.³⁰ For example, contrary to OCA's and CAUSE-PA's claims,

²³ On October 1, 2026, the Commission entered an Order approving a Settlement of UGI Utilities, Inc. - Gas Division's rate case at Docket No. R-2025-3059523, which included a WNA mechanism.

²⁴ *Pa. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2025-3053499, Opinion and Order entered December 9, 2025, at 298-302 ("*Columbia 2025*").

²⁵ Peoples St. 17, p. 43.

²⁶ Peoples St. 17, p. 39.

²⁷ See Peoples St. 17-R, pp. 53-69; Peoples MB at 105-114; Peoples Reply Brief at 54-69.

²⁸ Peoples St. 17-R, pp. 56-57.

²⁹ Peoples St. 17-R, pp. 56-57.

³⁰ Peoples St. 17, pp. 43-44; Peoples St. 17-R, pp. 66-67; Peoples Reply Brief at 61-67.

the WNA does not discourage conservation. Customers retain strong incentives to reduce usage because commodity and other charges remain volumetric. The proposed WNA does not eliminate these price signals, so lower usage continues to result in lower bills.³¹ Customers still have a strong incentive to utilize energy efficiency measures and will see savings on their bills when they reduce consumption, even with a WNA.

The WNA does not disproportionately impact low-income customers. Customers who are currently enrolled to pay their bills based on a percentage of their household income will see little to no impact on their bills under the WNA mechanism.³² Peoples further addressed the WNA's impacts on low-income customers and how it can help low-income customers mitigate higher winter energy burdens in its Main Brief.³³ In the Company's experience, the WNA has not caused customer confusion as the Company has received only two formal complaints regarding the WNA since its inception.³⁴

While the RD points to OCA's arguments regarding the WNA mechanisms of other utilities and revenue decoupling mechanisms in general,³⁵ the RD overlooks the most relevant and compelling evidence, which is that as of mid-March 2026, Peoples' own WNA has, in fact, resulted in a total net credit of \$10.8 million since inception.³⁶ OCA does not dispute that Peoples' actual experience with the WNA has resulted in more credits to customers than charges. The resulting credits and charges produced by Peoples' WNA refutes OCA's speculation that the mechanism is one-sided.

³¹ Peoples Exh. JDT-6.

³² *Id.*

³³ Peoples MB, pp. 107-108, 110-111.

³⁴ Peoples St. 17, p. 42.

³⁵ RD, pp. 279-281.

³⁶ Peoples St. 17, p. 43.

For the reasons explained herein and in the Company's testimony and briefs, the WNA should be permitted to continue without modification. The Commission should not adopt the RD's recommendation to discontinue the WNA as it is not supported by the record and represents a drastic departure from the Commission's prior order approving Peoples' WNA as well as the Commission's prior orders concerning the WNA in which the Commission has permitted other NGDCs to continue their WNA mechanisms.

B. EXCEPTION NO. 2 – THE RD'S ALTERNATIVE RECOMMENDATION TO MODIFY THE COMPANY'S EXISTING WNA SHOULD BE REJECTED

The RD recommends that, in the alternative, if the Commission permits the WNA to continue, it should modify the WNA by increasing the deadband from 3% to 5% and removing the months of October and May.³⁷ While the Company agrees that the Commission should permit the WNA to continue as explained above, the RD's alternative recommendation to modify the WNA is not supported by the evidence in this case and should be rejected.

The RD relies heavily on the Commission's decision in *Columbia 2025*, in which the Commission modified Columbia's WNA by increasing the deadband to 5% and removing the month May.³⁸ The Company recognizes that the Commission elected to modify Columbia's WNA in this manner. However, Columbia's WNA and Peoples's WNA are distinguishable, and the WNA modifications that the Commission ordered in *Columbia 2025* are not warranted in this case. The RD cites to OCA's position that these modifications will provide greater protection to customers.³⁹ However, the RD fails to recognize that Peoples' WNA already has additional customer protections that were not before the Commission for consideration in *Columbia 2025*.

³⁷ RD, pp. 283-284.

³⁸ *Columbia 2025*, p. 300.

³⁹ RD, p. 284.

For example, Peoples’ WNA contains a “limiter” that provides additional protection during the month of May. For bills rendered in May, the WNA adjustment will not exceed 100% of the billed distribution amount (delivery charge plus customer charge) for that same billing period.⁴⁰ Thus, removing the month of May from the WNA is not warranted in this case. If adopted, the Company’s proposed 65-year regression methodology will also provide additional customer protections because it will more closely track recent warming trends thereby narrowing the circumstances in which the WNA will produce adjustments by making the definition of “normal” weather more representative of what is expected to be normal on a forward-looking basis. Adding a 5% deadband on top of the move to a 65-year trend for determining normal weather is unnecessary, especially when the Company’s existing 3% deadband already limits the application of the WNA by excluding relatively small weather deviations.⁴¹ Neither of these additional customer protections were before the Commission in *Columbia 2025*, yet the RD overlooks these important distinctions.

The RD claims that May is a “shoulder” month and is not a traditional heating month.⁴² However, HDDs still occur in both May and October, and the WNA continues to serve a useful purpose in these months.⁴³ Eliminating these months would erode the effectiveness of the WNA by limiting its application in these months even when actual HDDs are 3% higher or lower than HDDs under a normal weather scenario.⁴⁴ For the WNA mechanism to perform effectively, the WNA needs to be available to the Company and customers in all billing periods in which HDDs exist. In fact, the existence of greater variability in weather during these shoulder months *is even*

⁴⁰ Peoples St. 17, pp. 39-40.

⁴¹ Peoples St. 17-R, p. 63.

⁴² RD, pp. 284, 286.

⁴³ Peoples St. 17-R, pp. 64-65.

⁴⁴ Peoples St. 17-R, pp. 64-65.

more reason to include them in the WNA because the very purpose of the WNA is to normalize the bill and revenue impacts associated with variable weather.⁴⁵ Excluding those months would create inconsistency in the Company's weather-normalization framework by treating certain portions of the heating season differently than others.⁴⁶ There is no harm in continuing to include these months because in years when October and/or May do not experience abnormal HDDs, no charge or credit would be imposed in those months. Further, the RD provides no basis for its alternative recommendation to remove the month of October.

For the reasons explained herein and in the Company's testimony and briefs, the Commission should continue Peoples' WNA without modification.

C. EXCEPTION NO. 3 – THE RD ERRED BY ADOPTING A 10-YEAR AVERAGE OVER THE COMPANY'S PROPOSED 65-YEAR REGRESSION FOR ESTABLISHING HDDS

The RD erroneously concludes that the Company should use a 10-year average period⁴⁷ to establish normal HDDs as recommended by I&E rather than adopting the Company's proposed 65-year regression analysis.⁴⁸ The basis for the RD's recommendation is that the Commission determined in *Columbia 2025* that a 10-year average should be used.⁴⁹ The RD fails to recognize that a 65-year regression was not presented by any of the parties in *Columbia 2025*, and therefore the Commission has not previously considered this methodology for determining HDDs. The RD's conclusion that accepting Peoples' proposal for a 65-year regression would be inconsistent with the Commission's decision in *Columbia 2025* is erroneous because a 65-year regression was not

⁴⁵ Peoples St. 17-R, pp. 64-65.

⁴⁶ *Id.*

⁴⁷ The Company notes that there is a discrepancy between page 51 of the RD, which recommends a 10-year average, and Ordering Paragraph No. 5, which recommends a 20-year average. For purposes of these Exceptions, the Company assumes that the reference to a 20-year average in Ordering Paragraph No. 5 is a typographical error.

⁴⁸ RD, pp. 51-52.

⁴⁹ *Id.*

part of the record for the Commission's consideration in that case.

When comparing the options for establishing normal HDDs presented in this case, the Company's proposed regression analysis is clearly a better indicator of the future trend in HDDs. In its testimony and briefs, the Company explained why its proposed 65-year regression is the superior methodology to a simply 10-year average. First, there are issues with a 10-year average that the RD does not address. The 10-year average could result in much more volatility as compared to the 65-year regression, potentially resulting in larger swings in customers' bills.⁵⁰ The 65-year regression is the superior methodology because it is a trend-based methodology that statistically estimates the downward trend in HDD and projects that trend forward to the FPFTY. Given the downward trend in Pittsburgh area annual HDDs, the trend provides a better estimate of future HDD than a simple average that is not as representative of forward-looking expectations.⁵¹

The RD errs by failing to analyze the merits of the 65-year regression compared to the 10-year average simply because the Commission previously approved the use of a 10-year average in another case that is materially different from the facts presented here. The Commission should reject the RD's recommendation and approve the Company's proposal for establishing HDDs.

D. EXCEPTION NO. 4 – THE COMMISSION SHOULD AUTHORIZE A ROE OF NO LESS THAN THE RD'S RECOMMENDED 10.20% AS PROPOSED BY I&E

The RD recommends that the Commission accept I&E's proposed ROE of 10.20%.⁵² The Company maintains that the record evidence in this case fully supports its requested ROE of 11.25%, inclusive of 25 basis points for management performance. However, while the Company does not agree with every element of I&E's ROE analysis as explained in its testimony and briefs,

⁵⁰ Peoples St. 17-R, p. 60.

⁵¹ Peoples St. 17-R, p. 44.

⁵² RD, p. 188.

the Company also recognizes that the RD's recommended ROE of 10.20% is a market-based ROE that falls within the low end of the range of Company witness Nelson's estimates.⁵³ The Commission should authorize a fair rate of return on common equity that is no less than the 10.20% return recommended by the RD.

E. EXCEPTION NO. 5- THE RD ERRED IN FAILING TO ACCOUNT FOR EXPECTED GROWTH IN OPERATING EXPENSES⁵⁴

The RD recommends rejecting the Company's proposed adjustments to account for known and recently incurred cost increases for the following expense categories: Outside Services—Contracted, Outside Services – IT, Outside Services – A&G, Corporate Insurance, Travel, Memberships, Licenses & Permits, Utilities & Fuel, Fleet, Materials & Supplies, and PUC Assessment.⁵⁵ The RD adopts I&E's and OCA's flawed arguments against the Company's use of average annual increase adjustments to project these expenses, resulting in an erroneous adjustment of \$6,514,263 to the Company's claim.⁵⁶ As a result, the RD incorrectly denies the Company proper recovery of these growing expenses despite significant record evidence.

The Company explained that its average annual increase adjustments are based on actual price increases that the Company has experienced for these expense categories. Yet, the RD rejects these adjustments without sufficient explanation for its reasoning. Notably, the RD correctly accepts the Company's inflationary adjustment for two of its expense categories – Payment Processing and Advertising – based on the RD's acknowledgment that inflation will likely continue into the future and in light of Commission precedent on the issue.⁵⁷ The same reasoning

⁵³ Peoples Reply Brief, p. 37.

⁵⁴ See Peoples Exh. 4, Sch. 1.

⁵⁵ RD, pp. 54, 57.

⁵⁶ RD, p. 57.

⁵⁷ RD, p. 59.

applies to the expense categories as the Company has demonstrated that these costs continue to rise based on known and measurable historic increases for each specific account.

Further, the RD's acceptance of I&E's and OCA's positions effectively limits non-contractual expenses to the HTY level, which is contrary to Section 315(e) of the Public Utility Code. Section 315(e) expressly allows the use of a FPFTY for projecting expenses when the utility provides "appropriate data evidencing the accuracy of the estimates contained in the [FTY] or [FPFTY]" as the Company has provided in this case.⁵⁸

The Company appropriately employed the use of average annual increases to reflect the actual price increases the Company has experienced for these expense categories in recent years. The RD's recommended disallowances should be rejected and the Company's claims should be accepted.

F. EXCEPTION NO. 6- THE RD ERRED BY MODIFYING THE COMPANY'S VACANCY ADJUSTMENT AND REDUCING THE COMPANY'S CLAIM FOR LABOR EXPENSE, EMPLOYEE BENEFITS EXPENSE, AND PAYROLL EXPENSE

The RD recommends that the Commission adopt I&E's proposed reduction of \$3,013,545 to the Company's claim for labor expense and a resulting reduction of \$4,250,657 to rate base.⁵⁹ The RD also makes a corresponding reduction of \$869,594 to employee benefits expense and a \$1,100,335 reduction to rate base, as well as a reduction of \$369,743 to the Company's payroll tax expense and a reduction of \$446,296 to the Company's capitalized payroll taxes.⁶⁰ The basis for the RD's rejection of a portion of the Company's claimed labor, employee benefits, and payroll tax expense is that "vacancies will always be part of the process and it is unlikely that Peoples will

⁵⁸ 66 Pa. C.S. § 315(e).

⁵⁹ RD, p. 64.

⁶⁰ RD, pp. 72, 146.

remain 100% fully staffed 100% of the time.”⁶¹ However, the RD fails to recognize that Peoples’ claim already accounts for the fact that a certain number of positions will be vacant at any given time. Specifically, the Company included a proposed vacancy adjustment of thirty open positions for the FTY and eight open positions for the FPFTY.⁶² These vacancy levels are fully supported by the Company’s own demonstrated progress in filling open positions as well as broader labor market trends. The RD overlooks the fact that for the months of December 2025 through March 2026, the Company’s vacancy rate was down 14% from the average during the twelve months ended November 30, 2025.⁶³ This reduction in the vacancy rate is a result of the Company’s substantial workforce replenishment efforts and is also supported by broader labor market trends as described by Peoples witness Wachter.⁶⁴ For these reasons and as further explained in the Company’s testimony and briefs, the Company’s claims for labor, employee benefits, and payroll tax expense should be accepted, and the RD’s modifications to these expenses and the corresponding rate base adjustments should be rejected.

G. EXCEPTION NO. 7- THE RD ERRED BY REDUCING THE COMPANY’S CLAIM FOR ADVERTISING EXPENSE

The RD reduces Peoples’ claim for advertising expense by \$1,198,286 for a total allowance of \$259,746 as recommended by I&E. As an initial matter, the Company notes that there is a calculation error with the adjustment amount of \$1,198,286 as reflected in Table II to the RD because it removes all of I&E adjustments to advertising expense rather than just the \$997,630 in sports related advertising that the RD accepted. I&E’s proposed adjustments are summarized in the following table:

⁶¹ RD, p. 64.

⁶² Peoples St. 2, p. 10.

⁶³ Peoples St. 2-R, pp. 11-12.

⁶⁴ *Id.*

Advertising		
Company Claim		\$ 1,458,032
I&E Remove:		
Inflation Adj.	(75,656)	
Sports Advertising	(997,630)	
Holiday Market	(125,000)	
Total Adjustments		(1,198,286)
I&E Recommendation		\$ 259,746

The RD rejected I&E's position on the inflation adjustment and thus accepted the Company's adjustment of \$75,656 for inflation.⁶⁵ Therefore, the \$75,656 was improperly removed from the claim. I&E included an adjustment to remove \$125,000 related to a Holiday Market sponsorship which is an erroneous adjustment because, as Peoples explained, the \$125,000 was not included in the Company's claim in the first place.⁶⁶ OCA witness Geiger accepted the Company's clarification and removed the \$125,000 adjustment in surrebuttal testimony, but I&E did not.⁶⁷ Therefore, the RD improperly removed \$125,000 from the Company's advertising expense claim. The correct calculation of the adjustment to advertising expense based on the RD's recommendations results in a total reduction to advertising expense of \$997,630, not \$1,198,286 as used in Table II of the RD.

The RD's reduction to the Company's advertising expense relates to the adoption of I&E's proposal to remove \$997,630 for advertising associated with the Company's sports partnerships.⁶⁸ The RD applies an erroneous standard to evaluate the Company's advertising expense related to sports partnerships. Specifically, the RD states:

It is not clear from the record evidence that sports partnerships are necessary and essential for the provision of safe and reliable service for Peoples customers, and it is therefore not clear that Peoples

⁶⁵ RD, p. 59.

⁶⁶ Peoples St. No. 2-R, p. 31.

⁶⁷ OCA St. No. 2SR, p. 13.

⁶⁸ RD, p. 91.

customers should bear the burden of cost for this type of advertising. While Peoples efforts to inform the community on various issues are commendable, it does not appear that these efforts should be financially supported by customers who are already struggling to pay their bills.⁶⁹

The standard is not whether advertising is absolutely “necessary and essential” nor does it factor in the financial position of customers when determining if the advertising expense is properly recoverable. Rather, the correct standard is set forth in 66 Pa. C.S. § 1316(a), which expressly authorizes the recovery of advertising expenses which meet any of the following criteria:

- (1) Is required by law or regulation.
- (2) Is in support of the issuance, marketing or acquisition of securities or other forms of financing.
- (3) Encourages energy independence by promoting the wise development and use of domestic sources of coal, oil or natural gas and does not promote one method of generating electricity as preferable to other methods of generating electricity.
- (4) Provides important information to the public regarding safety, rate changes, means of reducing usage or bills, load management or energy conservation.
- (5) Provides a direct benefit to ratepayers.⁷⁰

The RD overlooks evidence that Peoples’ sports partnerships advertising satisfies several of the statutory criteria and is therefore properly recoverable. Specifically, the Company presented evidence that Company uses partnerships with local professional sports teams to increase customer and public awareness of critical safety information in the seasons which most closely correspond to potential dangers, including “Call 811” safe digging practices, and detecting and responding to natural gas leaks and preventing carbon monoxide poisoning.⁷¹ The Company also uses these advertisements to promote the availability of bill assistance programs.⁷² Peoples witness Wachter

⁶⁹ *Id.*

⁷⁰ 66 Pa. C.S. § 1316(a).

⁷¹ Peoples St. 2-R, p. 33-36.

⁷² *Id.*

also explained the substantial economic development and community benefits that the regions receives as a result of the Company's professional sports partners.⁷³ The RD fails to properly consider this evidence, which clearly meets the criteria for recoverability set forth in 66 Pa. C.S. § 1316(a)(4), (5) and (6).

Further, the RD's reference to "customers who are already struggling to pay their bills" is misplaced in this context. While the Company makes every effort possible to prudently manage its expenses, whether an expense is properly recoverable is a separate issue from a customer's ability to pay their bill. In fact, customers who have difficulty paying their bills would likely be enrolled in or eligible for one of the Company's many customer assistance programs, which could mitigate or eliminate the amount of the expense that the customers are ultimately responsible for paying.⁷⁴

The Commission should re-evaluate the Company's advertising expense associated with sports partnerships by applying the correct standard and approving the full amount of the Company's advertising expense claim of \$1,458,032.⁷⁵

H. EXCEPTION NO. 8 – THE RD ERRED BY NORMALIZING RATE CASE EXPENSE OVER A 56-MONTH PERIOD

The RD recommends that the Company's rate case expense be normalized over a 56-month period, adopting I&E's downward adjustment.⁷⁶ The RD errs by rejecting Peoples' proposed two-year normalization period because the evidence in this case demonstrates that the Company will need to file rate cases more frequently in the future, and the Commission's precedent supports using future projections of rate case filing frequency as the basis for a rate case expense claim.

⁷³ *Id.*

⁷⁴ *See*, Peoples St. 3, pp. 3-5.

⁷⁵ The Company addresses why RD erred in rejecting its average annual increase adjustment for Advertising Expense in Exception No. 4.

⁷⁶ RD, p. 99.

I&E 56-month normalization period focuses on the Company’s historical filing frequency rather than what the Company plans to do in the future.⁷⁷ In this case, the Company’s historical filing frequency is not an accurate indicator of how frequently the Company will file rate cases moving forward. The RD overlooks the Company’s evidence as to why it was able to avoid filing more frequent rate cases in the past. As Peoples explained in its testimony and briefs, historically the Company was able to maintain a longer period between rate cases due to the unique circumstances of stay-out periods following an acquisition and the impacts of the Internal Revenue Service tax repair election.⁷⁸ Both of these items were one-time and similar situations are not expected to occur in the future.⁷⁹ The RD also overlooks evidence that the Company anticipates needing to file rate cases more frequently than it has in the past due to its significant Long-Term Infrastructure Improvement Plan (“LTIIIP”) investments.⁸⁰ I&E’s longer normalization period simply does not reflect the accelerated investments the Company is making to increase the safety and reliability of its distribution system, and it is not an accurate predictor of future rate case expense.

The RD also ignores Commission precedent that accepts rate case expense claims based on future projections. Peoples explained the Commission’s precedent in *UGI Electric* and other cases accepting rate case expense claims that were based on the utility’s anticipated future filings rather than its historic filing frequency.⁸¹ The Commission has clearly stated that rate case expense, like other expenses, can be properly based on future projections.

⁷⁷ *Id.*

⁷⁸ Peoples St. 2-R, pp. 38-39; Peoples Main Brief, p. 33.

⁷⁹ For example, the pending settlement in the American Water and Essential merger proceeding at Docket Nos. A-2025-3058927, A-2025-3058928 and A-2025-3058929 does not include a stayout for Peoples.

⁸⁰ Peoples Main Brief, pp. 32-34.

⁸¹ *Pa. PUC v. UGI Utilities, Inc. – Electric Division*, Docket No. R-2017-2640058 (Order entered Oct. 25, 2018) at 59-60 (“*UGI Electric*”); Peoples Main Brief pp. 33-34; Peoples Reply Brief, pp. 20-21.

The Commission should adopt Peoples’ two-year normalization period and reject the RD’s adjustment to rate case expense.

I. EXCEPTION NO. 9 – THE RD ERRED BY UTILIZING A THREE-YEAR AVERAGE OF PENSION EXPENSE

The RD recommends that the Commission limit the Company’s claim for pension expense to a three-year average, reducing the Company’s claim by \$835,288.⁸² The RD states a three-year average represents the “middle line” between the Company’s position and I&E’s position on pension expense.⁸³ Peoples used a four-year average to determine its pension expense claim, which is the same methodology that I&E proposed to use to determine pension expense in the Company’s last rate case at Docket No. R-2023-3044549.⁸⁴ In this case, I&E took a completely inconsistent position and proposed to disallow the entire FPFTY pension expense claim based solely on I&E witness Okum’s speculation that the Company may not make a pension contribution in 2026 or 2027 due to the overfunded status of the plan.⁸⁵ Peoples explained why I&E’s proposed disallowance is based on a complete misconception of how the pension plan funding process works.⁸⁶ Alternatively, I&E recommended that the Commission use a three-year average to determine pension expense. I&E’s proposals to reduce the Company’s pension expense claim in this case are unsupported by the evidence.⁸⁷

The RD provides no basis for its adoption of I&E’s alternative three-year average proposal other than it represents a middle ground between I&E and the Company.⁸⁸ The RD’s reasoning in selecting the three-year average is flawed because it gives undue weight to I&E’s primary position

⁸² RD, p. 102.

⁸³ *Id.*

⁸⁴ Peoples MB, p. 34.

⁸⁵ I&E St. No. 1, p. 18.

⁸⁶ Peoples St. 2-R, pp. 42-43.

⁸⁷ *Id.*

⁸⁸ RD, p. 102.

that the Company's claim for pension expense should be denied, which the Company fully rebutted in its testimony and briefs.⁸⁹ There is no basis for the RD's adoption of I&E's alternative three-year average other than that it does not accept either party's primary position on the issue. The Commission should reject the RD's adoption of I&E's alternative three-year average proposal and accept the Company's claim for pension expense.

J. EXCEPTION NO. 10 – THE RD ERRED BY REDUCING THE COMPANY'S CLAIM FOR PAYMENT PROCESSING EXPENSE

Peoples' claim for payment processing expense is \$2,939,659, which includes a 22% increase in the FTY and FPFTY of \$939,253 for increased customer adoption of the payment processing service and a 2.7% inflation adjustment in the FPFTY of \$77,284 for a total adjustment of \$1,016,537. The RD recommends that the Commission accept OCA's proposed decrease of \$1,016,437 to Peoples' payment processing expense.⁹⁰ Initially, the Company notes that the RD made a calculation error by removing the full \$1,016,537 from the Company's advertising expense claim which includes the \$77,284 adjustment which the RD rejected. The \$77,284 represents the Company's inflation adjustment. However, the RD accepted the Company's proposed inflation adjustment for payment processing expense and that amount should not have been removed from the claim. Thus, according to the RD, the amount deducted from payment processing expense in Table II of the RD should have been \$939,253, not \$1,016,537.⁹¹

In addition, the RD erred by rejecting the Company's \$939,253 adjustment to reflect increased customer adoption of the payment processing service.⁹² The RD recommended that the Commission adopt OCA's position without due consideration to the substantial record evidence

⁸⁹ Peoples St. 2-R, pp. 42-43; Peoples MB, pp. 34-35.

⁹⁰ RD, p. 110, Table II.

⁹¹ RD, p. 59.

⁹² RD, pp. 107-110.

presented by the Company, which demonstrates that a growing number of customers are using credit cards as a convenient method to pay their utility bills.⁹³ Specifically, Company witness Wachter explained that remote payments have increased year after year since 2021 and mobile phone based payment have nearly tripled since 2018.⁹⁴ Further, the 22% rate was based upon the Company's actual experience rate. The Company continues to incur additional payment processing fees as a result of more customers using this service. The OCA did not present evidence to refute the data presented by Peoples nor did it offer any explanation to suggest that increased customer utilization of electronic payments would not continue. Therefore, the RD's recommendation to accept OCA's adjustment is inconsistent with the weight of the evidence presented, and the Commission should accept the full amount of the Company's claim for payment processing expense.

K. EXCEPTION NO. 11 – THE RD ERRED BY FAILING TO ADJUST EXISTING REVENUE TO REFLECT THE RECOVERY OF THE LIURP COMPLIANCE SPECIALIST THROUGH BASE RATES

The RD accepts I&E's proposal to recover the costs associated with the addition of a LIURP Compliance Specialist through base rates rather than through the USP Rider as the Company proposed.⁹⁵ While the Company does not except to the recovery of these costs through base rates, the RD fails to make a necessary corresponding adjustment to existing revenue. As Peoples witness Wachter explained, an offsetting reduction to existing revenue is necessary because this revenue was included in the Company's original existing revenue amount as Universal Service Rider revenue.⁹⁶ This adjustment to existing revenue results in an increase of \$111,112 to the RD's total revenue requirement.

⁹³ Peoples St. 2-R, p. 45.

⁹⁴ *Id.*, pp. 46-47.

⁹⁵ RD, p. 114.

⁹⁶ Peoples St. 2-RJ, p. 21.

L. EXCEPTION NO. 12 – THE RD ERRED BY REDUCING THE COMPANY’S CLAIM FOR PUBLIC UTILITY COMMISSION ASSESSMENT EXPENSE

Peoples’ claim for Public Utility Commission Assessment Expense is \$3.859 million. This amount is based on the Company’s 2025 invoice, plus a 6% increase, which is the average percentage increase in the invoice amount over a five-year period.⁹⁷ The RD accepted OCA’s recommended disallowance of \$823,717 based on the average experienced expense amount for the past three years.⁹⁸ The RD erred by reducing the Company’s claim because the Company demonstrated that the application of a 6% increase is reasonable and indicative of future invoice amounts. In fact, according to the Commission’s Annual Notice of Assessment and Peoples Annual Report filed on March 31, 2026, a review of the Peoples’ gross intrastate revenues as compared to the expenditure and gross intrastate revenues for the gas utility group as shown below demonstrates that the Company’s estimate of \$3.859 million for the 2026 invoice amount is conservative and over \$100,000 less than the amount invoiced.

		PUC Assessment	OCA Assessment	OSBA Assessment		
		2026 -27	2026 -27	2026 -27	Invoice Total	Source (Public Document)
1	Expenditure for Gas Utility Group (Schedule B)	\$16,286,307	\$2,725,420	\$736,250		NOA
2	Gross Intrastate Revenues for Gas Utility Group (Schedule B)	\$5,075,314,164	\$5,075,314,164	\$5,075,314,164		NOA
3	Peoples' Gross Intrastate Revenues	\$ 1,023,484,608	\$ 1,023,484,608	\$ 1,023,484,608		Peoples Annual Report Filed 3/31/20
4	Allocation % (Line No. 3 / Line No. 2)	20.17%	20.17%	20.17%		
5	Allocation % x Expenditure Amount = Peoples' Assessment Amount (Line No. 4 x Line No. 1)	\$3,284,286.25	\$549,606.45	\$148,471.70	\$3,982,364	

The Commission should reject the RD’s reduction to Peoples’ public utility assessment expense and approve the full amount of the Company’s claim.

M. EXCEPTION NO. 13 - THE RD ERRED BY REDUCING THE COMPANY’S CLAIM FOR RESIDENTIAL COLLECTION EXPENSE

The RD erroneously reduces the Company’s claim for residential collection expense by \$3,833,503⁹⁹ based on the RD’s adoption of OCA’s proposal to implement a 50-50 sharing of

⁹⁷ RD, p. 115.

⁹⁸ *Id.*

⁹⁹ RD, Table II.

collection expense between the Company and customers. Not only is the OCA's rationale for proposing the 50-50 split flawed, OCA's reduction of \$3,833,503 overstates the adjustment by \$575,244 by double counting the amount of confirmed low-income collection expense.¹⁰⁰ As stated in the RD, the OCA witnesses recognized this error and reduced their proposed disallowance by \$575,244.¹⁰¹ However, the RD failed to consider OCA's corrected figure when adjusting the Company's overall claim for the disallowance.¹⁰² Therefore, the RD's adjustment of the full \$3,833,503 to the Company's claim is in error.

Notwithstanding this error, the Commission should reject the 50-50 sharing proposal and approve the Company's residential collection expense without modification. The OCA's allegation that the Company's collection practices are ineffective is completely baseless, and OCA has failed to provide sufficient evidence as to why the Company should be precluded from recovering the full amount of the expense.

The OCA's proposed disallowance of 50% of the Company's residential collection expense is based on Mr. Colton's belief that the Company's collection practices are ineffective and his concern regarding Customer Assistance Program ("CAP") enrollment.¹⁰³ Neither of Mr. Colton's reasons justify the OCA's proposal to deny half of the Company's cost recovery. The Company's payment arrangement practices are consistent with the Commission's regulations at 52 Pa. Code § 54.75 as reflected in its justified Commission-issued Payment Arrangement ("PAR") rate, which is one third of the industry average.¹⁰⁴ With respect to CAP, as Company witness Black explained, the Company's CAP enrollment has grown significantly, increasing by 18% in 2025.¹⁰⁵ Further,

¹⁰⁰ Peoples St. 2-R at 49-50.

¹⁰¹ RD, pp. 116-117.

¹⁰² RD, Table II; p. 119.

¹⁰³ OCA St. No. 4, pp. 43-50.

¹⁰⁴ Peoples St. No. 18-R, pp. 6-7.

¹⁰⁵ Peoples St. No. 10-R, pp. 11-14.

Peoples explained why OCA's reliance on Universal Service Reporting Requirements Data Dictionary information for ratemaking purposes is flawed.¹⁰⁶

Notably, the RD's own decision not to make a finding that the Company's credit and collection actions are inadequate demonstrates that there is no factual basis to reduce the Company's claim.¹⁰⁷ The Commission should grant Peoples' Exception on this issue and approve the entire amount of the Company's claim for residential collection expense.

N. EXCEPTION NO. 14 - THE COMMISSION SHOULD REJECT THE RD'S RECOMMENDATION TO RECOVER UNIVERSAL SERVICE COSTS FROM ALL CUSTOMER CLASSES IN THE CONTEXT OF THIS PROCEEDING OR, IN THE ALTERNATIVE, GRANT THE COMPANY ADDITIONAL TIME THAT IS NECESSARY TO DETERMINE HOW THE PROPOSAL CAN BE PROPERLY IMPLEMENTED

The RD adopts OCA's proposal to recover universal service costs from all customer classes as opposed to continuing the Company's current practice of recovering these costs solely from the residential customer class through the USP Rider.¹⁰⁸ As Peoples explained in its testimony and briefs, a change to the allocation of universal service costs should not be isolated to a single utility's base rate case and the Company opposes such a change in this proceeding.¹⁰⁹ Determining which customer classes should be responsible for these costs is a policy issue that affects the entire industry, not just the Company, and therefore would be better suited for a general policy proceeding where all stakeholders can participate.¹¹⁰ The RD cites to the Commission's Policy Statement at 52 Pa. Code § 69.266 as support for changing how universal service costs are recovered in this proceeding.¹¹¹ While the Commission's Policy Statement provides guidance, it

¹⁰⁶ Peoples St. 18-R at 7-8.

¹⁰⁷ RD, pp. 298-304.

¹⁰⁸ RD, p. 259.

¹⁰⁹ Peoples St. 2-R, pp. 21-22; Peoples MB, pp. 103-104.

¹¹⁰ *Id.*

¹¹¹ RD, p. 258.

is not binding,¹¹² and is not a basis to implement such a sweeping change to long-standing universal service cost recovery in this proceeding for the reasons explained by the Company and OSBA.¹¹³ Further, the Commission has previously considered and rejected similar arguments by the OCA and CAUSE PA.¹¹⁴ The RD's recommendation would materially change the recovery of these costs by shifting a portion of the costs to small business and commercial and industrial customers that do not currently pay USP Rider charges. Thus, the RD would impose an obligation on Peoples' non-residential customers that is not placed on the non-residential customers of other utilities in Pennsylvania.¹¹⁵ Singling out Peoples' non-residential customers is inappropriate, as other similar customers, including customers of Peoples' competitors, are not required to pay for these programs, which would place Peoples at a competitive disadvantage.¹¹⁶ This is especially concerning given the existence of gas on gas competition with other NGDCs in western Pennsylvania.¹¹⁷ For these reasons, the Commission should reject the RD's recommendation to change the allocation of universal services costs in this proceeding.

Alternatively, if the Commission accepts the RD's recommendation on this issue, the Commission should allow the Company additional time to develop and propose a resolution to resolve the many issues that need to be clarified before OCA's proposal can be implemented. The RD recommends that the "change be implemented with the effective date of new rates."¹¹⁸ The

¹¹² See *Petition of Philadelphia Gas Works for a Statement of Policy on the Application of Philadelphia Gas Works' Cash Flow Ratemaking Method*, 2009 Pa. PUC LEXIS 2018, *20 (December 30, 2009) (policy statements are only an indication of how the PUC intends to proceed); *Pa. Associated Builders & Contrs., Inc. v. Commonwealth Dep't of Gen. Servs.*, 996 A.2d 576, 583 (Pa. Cmwlth. 2010); *R.M. v. Pennsylvania Hous. Fin. Agency*, 740 A.2d 302, 308 (Pa. Cmwlth. 1999).

¹¹³ Peoples St. 2-R, pp. 21-22; Peoples MB, pp. 103-104; OSBA St. 2-R, pp. 3-5; OSBA MB, pp. 11-14.

¹¹⁴ See *Pa. PUC v. Peco Energy Company – Gas Division*, Docket No. R-2020-3018929, 2021 Pa. PUC LEXIS 241, *144 (Order entered June 22, 2021).

¹¹⁵ Peoples St. 17-R, at pp. 21-22.

¹¹⁶ Peoples MB, pp. 103-104.

¹¹⁷ Peoples St. 15, p. 48.

¹¹⁸ RD, p. 260.

RD also noted that to the extent Peoples requires additional time for compliance, that the Company can make an appropriate request with the Commission.¹¹⁹ The Company requests that the Commission allow 90 days from the date of a final Commission order in this proceeding for the Company to examine and address these issues in a subsequent tariff filing with the Commission.

The OCA's proposal lacks significant detail that is necessary to ensure the proposal can be properly implemented.¹²⁰ The Company must address numerous issues related to the implementation of OCA's proposal, including but not limited to the following:

- **OCA's proposed "Inter-Class Allocation of CAP Costs" does not include certain universal service costs.**¹²¹ OCA witness Colton quantified the total amount of universal service costs to be allocated as approximately \$28.9 million.¹²² However, OCA did not include the costs associated with the Company's Low-Income Usage Reduction Program or the Emergency Furnace and Line Repair Program, which are also currently recovered through the USP Rider. Inclusion of these costs adds an approximately additional \$5.5 million as of 10/1/2026, to the amount to be recovered from all classes.
- **Determination of how the "flat fee" proposal will be recovered, including details regarding the mechanics of the recovery mechanism, the allocations to each class, and the resulting bill impacts.** The Company notes that examination of the proposal's bill impacts is critical because a fixed monthly charge, a volumetric charge, or some combination of the two can produce significantly different outcomes for customers with different usage characteristics and load factors. For example, a predominantly fixed recovery mechanism would generally place a proportionally greater burden on smaller-use customers, while a volumetric recovery would affect higher-volume customers more significantly.¹²³ Further, clarity is needed regarding whether the "flat fee" proposal should be a uniform dollar charge imposed equally on every non-residential account regardless of class. For example, OCA witness Colton's proposed allocation of approximately \$400,000 to MLS¹²⁴ customers could result in drastic bill increases to that class given the few customers are currently in that rate class.
- **Implementation of any necessary IT changes.** The Company must determine what IT and billing changes will be needed to implement the proposal.

¹¹⁹ *Id.*

¹²⁰ The Company notes that OCA did not provide the information that would be required for a public utility to file a tariff change pursuant to 52 Pa. Code § 53.52.

¹²¹ RD, p. 246.

¹²² *Id.*

¹²³ Peoples MB, p. 104.

¹²⁴ RD, p. 246.

- **Development of the appropriate tariff language changes.** The Company must modify its tariff and develop entirely new tariff language to implement this change.
- **Treatment of negotiated rate customers.** The Company must ensure that negotiated rate contract customers are handled appropriately.
- **How the proposal will work in conjunction with the one-time credit adjustment.** The Company seeks confirmation that the change in allocation of universal service costs is not intended to change the RD's acceptance of Peoples' proposal to provide a defined credit adjustment through the USP Rider¹²⁵ and that the credit will be provided to only residential customers who currently pay the USP Rider as the Company has proposed.
- **How the recovery of costs will be reconciled.** The Company seeks clarification that only residential customers will be subject to the annual reconciliation amount under OCA witness Colton's proposal, as well as clarification regarding the appropriate treatment if universal service costs are lower than the amount projected and recovered from non-residential customers.
- **Impacts to the bad debt offset calculation.** The Company seeks clarification as to whether non-residential customers are to receive any of the offset benefit under the proposal.

Given the numerous unresolved questions related to OCA's proposal, the Company requests that any Commission order requiring a change to universal service cost allocation specify that the changes will not be effective until after the Commission approves a future tariff filing made by the Company, which the Company requests that it be permitted to file within 90 days from the date of a final Commission order in this proceeding.

O. EXCEPTION NO. 15 – THE COMMISSION SHOULD MODIFY THE RD'S REVENUE ALLOCATION TO THE MLS RATE CLASS BECAUSE IT VIOLATES THE PRINCIPLE OF GRADUALISM AND WOULD RESULT IN RATE SHOCK.

The RD recommends assigning 1% of the revenue increase to customers in the Mainline Service ("MLS") rate class based on OCA's revenue allocation proposal.¹²⁶ This would result in

¹²⁵ RD, p. 292.

¹²⁶ RD, p. 216.

MLS customers receiving a \$2,154,092 increase at proposed rates.¹²⁷ By comparison, Peoples proposed to set MLS customer revenue at their existing revenue in the interest of gradualism and due to the fact that the vast majority of revenues within the MLS class are from negotiated contract customers.¹²⁸

The Commission has recognized the importance of gradualism in revenue allocation.¹²⁹ The RD specifically considered gradualism as an important factor in determining the appropriate customer charges and resulting bill impacts yet failed to apply the same rationale to its revenue allocation.¹³⁰ The RD's recommended revenue allocation to MLS customers violates gradualism principles as it would result in an extreme increase to MLS customers. While a 1% allocation of the increase may seem relatively minor, when considering the actual amount of the increase and the few MLS customers who will be paying for the increase (currently two customers), the result is actually quite drastic and would undoubtedly result in rate shock to these customers. The MLS class is a highly competitive class with options for interstate bypass.¹³¹ A rate increase of the magnitude that is proposed by the RD would likely result in the Company losing these customers to competitive alternatives. Approximately twelve of the Company's customers, two of which are in the MLS class, represent 20% of total throughput and have the ability to bypass the Company's system.¹³² A loss of MLS customers would mean that all remaining customers effectively pay more toward the fixed cost of service as MLS customers contribute toward overall fixed costs.¹³³

¹²⁷ RD, p. 212.

¹²⁸ Peoples St. No. 17-R, p. 32.

¹²⁹ See, e.g., *Pa. PUC v. Peco Energy Company – Gas Division*, Docket No. R-2020-3018929, 2021 Pa. PUC LEXIS 241, **122-123, 133 (Order entered June 22, 2021).

¹³⁰ RD, pp. 234-235.

¹³¹ Peoples St. 15, p. 48.

¹³² *Id.*

¹³³ *Id.*, pp. 48-49.

Further, OCA claims that its revenue allocation proposal was designed to cap the proposed rate increase to any single customer class to no more than 1.15 times the system average increase, but as the following table demonstrates, the proposed allocation to MLS customers is actually far greater than that.¹³⁴ As illustrated in the table below, there are only two full tariff customers in the MLS class with base rate revenue of \$884,440. Thus the 30.01% increase should at most only be calculated based upon \$884,440 rather than the full revenue amount. As such, this would result in only \$265,420 of the total rate increase being allocated to MLS. However, as these two MLS customers are highly competitive this \$265,420 increase to the MLS class should be borne by the LGS class rather than this class.

Full Tariff MLS	quantity	rate	revenue	
Base Rate Delivery - MLS Rate	1,694,527	\$ 0.44	\$ 749,320	Exhibit No. 3, Schedule No. 15, Attachment E, page 6
Customer Charge	24	\$ 5,630	\$ 135,120	Exhibit No. 3, Schedule No. 15, Attachment E, page 6
			\$ 884,440	
		OCA Proposed Rate Increase	30.01%	
		MLS Rate Increase on Full Tariff Customers	\$ 265,420	

The Commission should grant this exception and modify the RD's proposed revenue allocation. Specifically, the Commission should combine MLS and LGS customers for purposes of revenue allocation to avoid rate shock to the MLS class or alternatively accept the Company's proposed allocation to MLS customers of \$265,420.

P. TO THE EXTENT THAT THE RD RECOMMENDS SCALING BACK THE COMPANY'S EXISTING CUSTOMER CHARGES FOR ANY OF THE RATE CLASSES, SUCH A RECOMMENDATION SHOULD BE REJECTED

With respect to customer charges, the RD recommends that the residential customer charge be increased to \$19.30, the SGS customer charge for customers using 0 to 499 Mcf annually be increased to \$25.30, and the SGS customer charge for SGS customers using 500 to 599 Mcf

¹³⁴ RD, p. 208.

annually be increased to \$50.60. For all remaining classes, the RD recommends that the existing customer charge be retained.¹³⁵ Further, in the event that the Commission adopts a lesser revenue increase than requested by the Company, the RD recommends that these customer charges be scaled back. The RD goes on to state:

As I have recommended that less than Peoples' requested revenue increase be approved, I also recommend a scale back based on the OCA's COSS and OCA's proposed revenue allocation, as follows:

For the residential and small general service classes, the residential customer charge of \$19.30, SGS customer charge for customers using 0 to 499 Mcf annually of \$25.30, and SGS customer charge for customers using 500 to 999 Mcf annually of \$50.60 should be scaled back proportionally with the respective usage rate increases to those classes. For the remaining non-residential classes, their *existing* customer charges should be scaled back proportionally with the respective usage rate increases to those classes. (emphasis added)¹³⁶

To the extent that the RD recommends that the customer charges for the remaining non-residential classes be scaled back from the customer charge that is currently in effect under the Company's existing rates, this recommendation is in error and should be rejected. The Company seeks clarity from the Commission as to whether its proposed customer charges (as described on page 34 of Peoples St. 17) for the remaining classes are approved subject to the scale back described in the RD. The Company also seeks clarity that the above-quoted paragraph in the RD is not intended to require a further scale back of the recommended customer charges for residential and SGS customers at the level of revenue increase recommended in the RD and that the stated customers charges of \$19.30, \$25.30, and \$50.60 are approved.

¹³⁵ RD, pp. 234-237.

¹³⁶ RD, p. 237.

Q. EXCEPTION NO. 17 – THE COMMISSION SHOULD REJECT THE RD’S RECOMMENDATION TO REQUIRE PEOPLES TO SEPARATE NEGOTIATED RATE CUSTOMERS INTO A SEPARATE CLASS IN ITS NEXT COST OF SERVICE STUDY

The RD adopts OSBA’s proposal that Peoples be required to “separate negotiated rate customers and the corresponding revenue into one or more separate classes in the cost of service study filed in its next base rate case.”¹³⁷ The OSBA failed to present any evidence as to why Peoples’ existing methodology for including negotiated rate customers within their respective rate classes for purposes of the cost of service study is unreasonable or why the Company’s current practice should not continue.¹³⁸ Peoples witness Ravenstahl explained why OSBA’s proposal is not useful in the context of a cost of service study. Cost of Service and Rate Classes are determined by cost causation. Because it is unlikely that all negotiated rate customers would have similar causation, grouping them into a single customer class would not only be difficult but would provide little value as compared to the Company’s existing approach.¹³⁹ For these reasons and as explained in the Company’s testimony and briefs, the Commission should grant Peoples’ Exception and reject the RD’s recommendation on this issue.

R. EXCEPTION NO. 18– THE RD ERRED BY REQUIRING PEOPLES TO SERVE AN ADDITIONAL 75 LIURP CUSTOMERS WITHOUT A CORRESPONDING INCREASE TO THE LIURP BUDGET

The RD errs by adopting PWPTF’s recommendation to increase the number of customers served annually by 75 but not providing the associated budget increase necessary to serve the additional 75 customers.¹⁴⁰ The average LIURP job cost is just over \$13,000.¹⁴¹ Thus, as part of its proposal, PWPTF recommended an increase in program funding of \$975,000.¹⁴² Without the

¹³⁷ RD, p. 264.

¹³⁸ Peoples St. 17-R, p. 20.

¹³⁹ Peoples St. 8-R, p. 8.

¹⁴⁰ RD, p. 307.

¹⁴¹ PWPTF St. 1, pp. 6-7.

¹⁴² *Id.*

necessary funding, the Company is not able to complete the additional jobs recommended by the RD. The Commission should revise the RD to either reject the proposal to serve an additional 75 LIURP customers or grant the associated budget increase necessary to serve these customers.

S. EXCEPTION NO. 19 – THE RD ERRED BY FINDING THAT OCA ESTABLISHED A *PRIMA FACIE* CASE OF DISPARATE IMPACT WITH REGARD TO THE COMPANY’S SERVICE TERMINATIONS AND REQUIRING A ROOT CAUSE ANALYSIS

The Company excepts to the RD’s finding that OCA presented evidence sufficient to establish a *prima facie* case of disparate impact. The Commission previously rejected OCA’s position on this issue in the Company’s last base rate case, and OCA presented no new evidence here to warrant a different conclusion. Specifically, the Commission stated that “absent proof of explicit discrimination, it is not the role of the Commission to impose this task upon a single public utility in the context of a base rate proceeding.”¹⁴³ The record evidence in this case is very clear that Peoples’ collections and termination activities are automated and strictly based on objective arrearage criteria consistent with Commission regulations, and that Peoples does not discriminate, nor does it consider racial demographics when pursuing termination- or collections-related activity.¹⁴⁴ Therefore, the RD erred in finding a *prima facie* case of disparate impact and the Commission should reject this finding. Because the OCA has failed to present sufficient evidence of disparate impact, the RD’s requirement to conduct a root cause analysis is unnecessary and should also be rejected.

T. EXCEPTION NO. 20 – THE COMMISSION SHOULD RESOLVE THE UNCERTAINTY IN THE RD

¹⁴³ *Pa. PUC et al. v. Peoples Natural Gas Company LLC*, Docket No. R-2023-3044549, Recommended Decision (entered July 15, 2024) (adopted September 12, 2024).

¹⁴⁴ Peoples St. No. 18-R, pp. 8-9; Peoples St. 10-RJ at 11-12.

There are several areas of the RD that require clarification. Specifically, the Company notes that the Commission should address the following items:

- The RD does not make a recommendation with respect to the Company’s request that it be permitted to recover all prudently incurred expenses as a result of complying with other parties’ proposals.¹⁴⁵ The Commission should approve this request.
- The Commission should clarify that Peoples’ unopposed request to continue certain tax related provisions from its 2023 base rate case settlement as reflected in this case is approved.¹⁴⁶
- The Commission should clarify that the Company’s proposed tariff changes regarding Nonliability/Limitation of Liability, Dishonored Payments, and CAP Fraud are approved as filed.¹⁴⁷
- The RD encourages Peoples to increase its CAP participation levels.¹⁴⁸ The Company notes that as a result of its focused efforts to enroll customers, CAP participation grew by 18% in 2025.¹⁴⁹
- The Commission should clarify that the RD’s recommendation to track small business customers with financial difficulties requires the Company to track only small business customers who were not previously on a payment plan but enter into a new payment plan with the Company,¹⁵⁰ as the Company’s current tracking capabilities is limited to customers entering into new formal payment plans.
- Peoples notes that the RD’s recommendation to modify supplier participation in the Company’s Purchase of Receivables Program¹⁵¹ will require the Company to file a change to its Supplier Tariff, which the Company would file by the June 1, 2027 effective date.
- The Commission should clarify Ordering Paragraph 61 of the RD, which states that “The Commission accept Peoples’ proposal for a LIURP Compliance Specialist”, means that the Company’s proposal to add the position of a LIURP Compliance Specialist is approved despite the RD’s recommendation to recover the cost of the position through base rates rather than through the USP Rider as proposed by the Company.
- The Commission should clarify the recommendation on page 371 of the RD and Ordering Paragraph 78 of the RD, which states that “The Commission adopts Peoples’

¹⁴⁵ RD, pp. 121-123.

¹⁴⁶ RD, p. 146.

¹⁴⁷ RD, pp. 337-344.

¹⁴⁸ RD, p. 306.

¹⁴⁹ Peoples St. 10, pp. 5-8.

¹⁵⁰ RD, p. 371.

¹⁵¹ RD, p. 361.

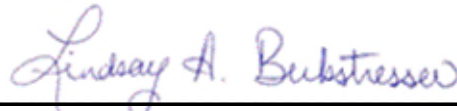
proposal regarding the merger of PNG Gathering into Peoples, and incorporates the tracking concerns noted by OSBA into the Order.” This portion of the RD and Ordering Paragraph confuses two separate issues.

- The Commission should correct the errors on pages 128 and 146 of the RD, which state the amount of the Company’s depreciation claim as \$18.2 million. The correct amount is \$181.2 million.¹⁵²

III. CONCLUSION

For all of the foregoing reasons, Peoples Natural Gas Company LLC respectfully requests that the Pennsylvania Public Utility Commission grant the above Exceptions.

Respectfully submitted,



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¹⁵² Peoples Exhibit No. 2, Sch. 4, page 2 rows 4 and 5.