



COMMONWEALTH OF PENNSYLVANIA

October 22, 2026

E-FILED

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

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

Dear Secretary Homsher:

Enclosed please find the Reply Exceptions, on behalf of the Office of Small Business Advocate ("OSBA"), in the above-referenced proceeding.

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

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

Sincerely,

/s/ Steven C. Gray

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

Enclosures

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

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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

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

**For:
NazAarah Sabree
Small Business Advocate**

**Commonwealth of Pennsylvania
Office of Small Business Advocate
Forum Place
555 Walnut Street, 1st Floor
Harrisburg, PA 17101**

Date: October 22, 2026

I. Introduction

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

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

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

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

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

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

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

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

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

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

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

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

On October 2, 2026, ALJ Collions issued her Recommended Decision (“RD”).

On October 14, 2026, the OSBA filed Exceptions to the RD.

The OSBA submits the following Reply Exceptions in response to the Exceptions filed by PNG.

II. Reply Exceptions

Exception No. 1: The ALJ properly rejected PNG's proposal to significantly increase the Small General Service customer charge. (PNG Exception P, at 31)

PNG originally requested that the Small General Service ("SGS") customer charge, for customers that use between 0 and 499 Mcf per year, be increased from \$22.00 per month to \$32.14 per month.¹

The OSBA provided extensive testimony on the issue of increasing the SGS customer charge, for customers that use between 0 and 499 Mcf per year, recommending that it remain at \$22.00 per month.²

The ALJ recommended that the \$22.00 per month SGS customer charge for customers that use between 0 and 499 Mcf per year be increased by \$3.30 per month to \$25.30 per month, which equates to an increase of 15.0%.³

In its Exceptions, PNG seeks clarity as to whether the \$25.30 per month SGS customer charge for customers that use between 0 and 499 Mcf per year should be scaled back⁴.

Since the OSBA recommended that the \$22.00 per month SGS customer charge for customers that use between 0 and 499 Mcf per year should *not* be increased, if the Commission does set the SGS customer charge at \$25.30 per month, the Commission should include the SGS customer charge in the scale back. That scale back would move the SGS customer charge closer to the present SGS customer charge of \$22.00 per month, as recommended by OSBA⁵.

¹ RD, at 220.

² OSBA Main Brief, at 8-11.

³ RD, at 236.

⁴ PNG Exceptions, at 31.

⁵ OSBA Exceptions, at 7-9.

Exception No. 2: The ALJ properly recommended that PNG be required to separate negotiated rate customers and their corresponding revenue into one or more separate classes in the cost of service study filed in PNG's next base rate case. (PNG Exception Q, at 32).

In its current Cost of Service Study ("COSS"), PNG includes competitive customers in the SGS, MGS, LGS, and MLS classes⁶. The OSBA described how this inclusion skews the results of the Company's COSS⁷. Therefore, the OSBA proposed that for future COSS's performed by PNG, that the Company should separate the negotiated customers and corresponding revenue into a separate "Negotiated" customer class⁸.

The ALJ properly determined that this recommendation was reasonable. The ALJ relied upon the fact that this recommendation "will enable the Commission and interested parties to determine the true cost of providing tariff rate service to each of the remaining classes without the lower revenue from customers that pay negotiated rates skewing the results of each class in the COSS".⁹

In its exceptions, PNG disagreed with the ALJ for two reasons. First, the Company claims that 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 COSS is unreasonable or why the Company's current practice should not continue. Second, PNG claims that its witness Ravenstahl explained that grouping negotiated customers into a single customer class would not only be difficult but would provide little value as compared to the Company's existing approach¹⁰.

⁶ Volume 9, Peoples Exhibit JDT-4, at 1-5.

⁷ OSBA Statement No .1, at 10.

⁸ OSBA Main Brief, at 14.

⁹ RD, at 264.

¹⁰ PNG Exceptions, at 32.

First, the Company's claim that the OSBA did not provide any evidence is untrue. As set forth above, the ALJ relied on the expert testimony of OSBA to determine that such separation is reasonable and appropriate to prevent the skewing of the results of the COSS, when negotiated customers are included in classes with tariff rate customers¹¹. The OSBA argued that a COSS is a guide and should be adjusted if it can be shown that the costs and/or revenue requirement of a customer or group of customers is not properly shown. As described by the OSBA, this is the case with negotiated customers¹².

Second, the Company's claim that the various negotiated customers may have different usage patterns was addressed by the OSBA. The OSBA described, and the ALJ agreed, that if the Company believes there are any different size negotiated customers, or negotiated customers with different usage patterns, the Company would be free to create more than one negotiated rate class¹³. More than one negotiated rate class will satisfy the Company's concern. Additionally, the Company failed to provide any evidence challenging the OSBA position that its COSS is skewed.

Furthermore, the Columbia Gas Company of Pennsylvania separates Flex Rate customers into their own class.¹⁴ Also, Pennsylvania America Water currently separates Bulk Contract customers into their own class in the Sanitary Sewer System Operations.¹⁵ PNG provided no valid reason for not doing what these public utility companies currently do. The Commission has previously determined that separating flex rate customers is in the public interest¹⁶. PNG failed

¹¹ OSBA Main Brief, at 14.

¹² OSBA Statement No. 1, at 10.

¹³ RD, at 264

¹⁴ Docket No. R-2025-3053499, Columbia Exhibit 111, Schedule 1.

¹⁵ Docket R-2025-3058051, PAWC Exhibit 12-B, Schedule B.

¹⁶ *PAWC Opinion and Order*, Docket R-2026-3057983 (Order entered July 27, 2026), at 240-241.

to provide any valid reason for the Commission to reverse its recent determination that more COSS information is in the public interest.

Therefore, the Commission should uphold the ALJ recommendation and require PNG to separate negotiated rate customers and their corresponding revenue into one or more separate classes in PNG's cost of service study filed in its next base rate case¹⁷.

III. Conclusion

For the reasons set forth herein, the OSBA respectfully requests that the Commission address PNG Exception P and deny PNG Exception Q.

Respectfully Submitted,

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Dated: October 22, 2026

¹⁷ RD, at 264.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

CERTIFICATE OF SERVICE

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

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