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VIA ELECTRONIC FILING

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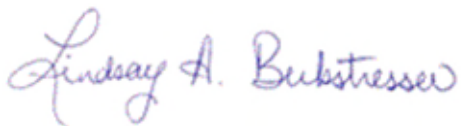
**Re: Pennsylvania Public Utility Commission, et al. v. Peoples Natural Gas Company
LLC
Docket Nos. R-2026-3060855, et al.**

Dear Secretary Homsher:

Enclosed for filing are the Replies of Peoples Natural Gas Company LLC to the Exceptions of Other Parties in the above-referenced proceedings.

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

Respectfully submitted,



Lindsay A. Berkstresser

LAB/sll
Attachment

cc: Honorable Charece Z. Collins (*via email; w/attachment*)
Office of Special Assistants (*via email; w/attachment*)
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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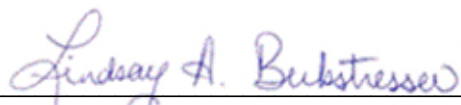
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Dated: October 22, 2026



Lindsay A. Berkstresser

**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	:	
	:	

**REPLIES OF PEOPLES NATURAL GAS COMPANY LLC
TO THE EXCEPTIONS OF OTHER PARTIES**

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I. INTRODUCTION

Peoples Natural Gas Company LLC (“Peoples” or the “Company”) hereby files these Replies to the Exceptions of the Pennsylvania Public Utility Commission’s (“Commission”) Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania (“CAUSE PA”), the Retail Energy Supply Association (“RESA”), and the Pennsylvania Independent Oil and Gas Association (“PIOGA”) to the Recommended Decision (“RD”) issued by Administrative Law Judge Charece Z. Collins (the “ALJ”), as well as a response to the October 14, 2026 comments of Governor Josh Shapiro. For the reasons explained below, and in Peoples’ Briefs and Exceptions, the Commission should reject the Exceptions of other parties as explained herein and grant Peoples’ Exceptions.

II. REPLIES TO EXCEPTIONS

A. THE RECORD EVIDENCE SUPPORTS A RETURN ON EQUITY OF NO LESS THAN THE RD’S RECOMMENDED 10.20% AS PROPOSED BY I&E (OCA EXCEPTION NO. 10; CAUSE PA EXCEPTION NOS. 1 AND 3)

The OCA and CAUSE PA except to the RD’s recommendation to adopt I&E’s proposed return on equity (“ROE”) of 10.20%. As explained in Peoples’ Exceptions, while the evidentiary record fully supports Peoples’ requested ROE of 11.25%, the Company maintains that the Commission should adopt an ROE of no less than the RD’s recommended ROE of 10.20% as it falls within the low end of the range of Company witness Nelson’s estimates.¹

In Exceptions, the OCA and CAUSE PA argue that the RD erred by not accepting OCA’s ROE of 8.5% to 8.8%.² The Company explained in its briefs the many flaws with OCA’s proposed ROE, including the fact that OCA’s 8.8% ROE is lower than all but one authorized ROE for natural gas utilities in the past 46 years, and is insufficient to support the Company’s ongoing infrastructure

¹ Peoples Exceptions, pp. 12-13.

² OCA Exceptions, p. 21; CAUSE PA Exceptions, p. 4.

investment.³ The RD correctly determined that OCA's and CAUSE PA's positions fail to meet the constitutional standards set forth in *Hope* and *Bluefield* and the Commission should reject OCA's and CAUSE PA's ROE proposals.⁴

The OCA's and CAUSE PA's arguments are not supported by the market-based models but rather are based on their view(s) of current economic conditions. Not only has the Company demonstrated that its rates are affordable as compared to other Pennsylvania energy utilities, including both gas and electric utilities,⁵ OCA and CAUSE PA ignore the overwhelming record evidence that demonstrates Peoples' commitment to helping customers who are having difficulty paying their bill. OCA and CAUSE PA also overlook the Company's ongoing commitment to keeping its rates as low as possible. These efforts are described on pages 3-12 of the Company's Main Brief and pages 3-13 of the Company's Reply Brief.

The OCA and CAUSE PA claim that the RD erred by not lowering Peoples' ROE in response to Vice Chair Barrow's Statement, as well as Governor Shapiro's comments.⁶ As explained in the Company's testimony and briefs, these comments do not justify lowering the Company's ROE beyond the 10.20% ROE recommended by I&E, which is already at the low end of the range of ROEs supported by the market-based models.⁷ The RD correctly weighed the evidence in this case and determined as follows:

To the extent parties are advocating further reduction to the rate of return, primarily outlined by Governor Shapiro's letter, I decline to recommend further modifications to the Company's rate of return. I recognize ongoing concerns regarding affordability. However, I do not find that the record contains sufficient evidence in this proceeding to justify departing from the established rate of return principles discussed above. As Peoples convincingly explains, to do so would risk conflict with the cornerstone comparable return standard articulated in *Hope* and *Bluefield*.⁸

³ Peoples Main Brief, p. 56.

⁴ RD, p. 195 (citing *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944) ("*Hope*") and *Bluefield Waterworks and Imp. Co. v. P.S.C. of West Virginia* ("*Bluefield*").

⁵ Peoples Main Brief, p. 7.

⁶ OCA Exceptions, p. 27; CAUSE PA Exceptions, p. 16.

⁷ Peoples Main Brief, p. 70.

⁸ RD, p. 114.

In his October 14, 2026 comments in response to the RD, the Governor continues to advance his proposal for an auction-based cost of equity model or the use of a formula based on the current 10-year U.S. Treasury yield plus the five-year median of an equity risk premium published by the Federal Reserve.⁹ The Company addressed the many problems with this approach in its testimony and briefs,¹⁰ and the RD correctly declined to adopt such a proposal.¹¹

CAUSE PA claims that the RD erred in its application of the *Hope* and *Bluefield* standards because utilities are not “guaranteed” profit¹² when in fact, it is CAUSE PA, not the ALJ, who is misinterpreting *Hope* and *Bluefield*. Certainly, the Company is not “guaranteed” to earn its authorized ROE but rather is entitled only to the *opportunity* to earn that return. Not only must the Company continue to operate its business in a prudent manner, but the Company also continues to face considerable risk due to its substantial level of capital expenditure, opportunities for customers to bypass the Company’s distribution service, as well as other factors, all of which could impede its actual return.¹³

CAUSE PA characterizes the RD’s recommended ROE of 10.20% as “excessively high.”¹⁴ The record evidence does not support CAUSE PA’s claim. Rather, the RD’s recommended 10.20% ROE is supported by I&E and is within the *low* range of returns presented by Company witness Nelson. It is fully supported by the application of the market-based Discounted Cash Flow (“DCF”) and Capital Asset Pricing Model (“CAPM”) models and is below the 10.25% ROE authorized for Distribution System Improvement Charge (“DSIC”) purposes.¹⁵ Moreover, CAUSE PA presented no expert testimony to support its position on cost of capital issues and instead relied entirely on OCA’s flawed proposal. The only testimony CAUSE PA presented on the subject was authored by Mr.

⁹ October 14, 2026 Governor Comments, pp. 4-5.

¹⁰ Peoples Main Brief, pp. 84-90; Peoples Reply Brief, pp. 46-47.

¹¹ The Governor’s Office did not intervene as a party to this proceeding nor did it submit expert testimony or engage in the discovery process.

¹² CAUSE PA Exceptions, p. 10.

¹³ Peoples Main Brief, p. 74.

¹⁴ CAUSE PA Exception, p. 17.

¹⁵ Peoples Reply Brief, p. 32.

Cicero, who is not an expert on cost of capital matters, and who also was involved in providing feedback to the Governor's office on Governor Shapiro's Letter to Utility CEOs.¹⁶

CAUSE PA claims that the Commission has discretion when setting rates and authorizing returns.¹⁷ While it is true that the Commission has discretion to consider various interests when setting rates, its discretion is not unlimited and must be exercised within the confines of established constitutional standards. CAUSE PA also argues that a reasonable rate of return should be assessed under current market conditions,¹⁸ yet it overlooks the substantial record evidence that Peoples presented which demonstrates that the Company's proposed ROE is fully supported by current market conditions.¹⁹

CAUSE PA mischaracterizes the RD's recommended ROE as authorizing Peoples to "rake in hundreds of millions of dollars in profit. . ."²⁰ The record demonstrates that CAUSE PA's rhetoric is not reality. Rather, Peoples is reinvesting its profits back into its system for the benefit of customers so that customers can receive improved safety, reliability, and quality of service.²¹

CAUSE PA claims that Peoples' current revenue levels are sufficient without any rate increase.²² To the contrary, the record evidence demonstrates that without rate relief Peoples' overall return would be 5.99% and its ROE would be 7.14%, which is far less than required to provide the Company with a reasonable opportunity to attract the capital necessary for its investments.²³

For these reasons, and as explained in the Company's testimony and brief, the Commission should reject OCA's and CAUSE PA's Exceptions and authorize a ROE of no less than 10.20% as recommended by I&E and as approved by the RD.

B. THE RD PROPERLY REJECTED I&E'S AND OCA'S PROPOSED CAPITAL STRUCTURES AND OCA'S RELATED INTEREST

¹⁶ CAUSE PA St. No. 1, pp. 3-5, Appendix A; Peoples Hearing Exh. No. 2.

¹⁷ CAUSE PA Exceptions, p. 8.

¹⁸ CAUSE PA Exceptions, p. 9.

¹⁹ Peoples St. No. 15, pp. 62-71.

²⁰ CAUSE PA Exceptions, p. 11.

²¹ Peoples Reply Brief, p. 8.

²² CAUSE PA Exceptions, pp. 17-18.

²³ Peoples Reply Brief, pp. 5-6.

**SYNCHRONIZATION ADJUSTMENT (I&E EXCEPTION NO. 3; OCA
EXCEPTION NOS. 7 AND 9; CAUSE PA EXCEPTION NOS. 2 AND 3)**

I&E, OCA, and CAUSE PA except to the RD's recommendation to adopt Peoples' capital structure of 54.47% common equity and 45.53% long-term debt.²⁴ The RD's recommendation is supported by the Commission's long-standing precedent. Even I&E acknowledges in its Exceptions that "Commission precedent has typically indicated that actual capital structure should be adopted unless a capital structure is atypical or outside a range of reasonableness."²⁵ Nothing in the parties' Exceptions warrants overturning the RD's well-reasoned conclusion on this issue.

OCA and CAUSE PA cite the Commission's decision in *PAWC 2026*.²⁶ In that case, the Commission reduced the allowed equity ratio *to below the top of the barometer group range* and adopted I&E's recommended hypothetical capital structure (55.00% common equity, 44.99% long-term debt, and 0.01% preferred stock) because PAWC's proposed equity ratio *was slightly above the proxy group range*.²⁷ The Commission acknowledged that "the Company's common equity ratio of 56.31% in its proposed actual capital structure is only 0.70% above the high end of the five-year average range of the common equity ratios, i.e., 55.61%," and thus determined that only a slight adjustment to the capital structure was warranted. The Commission rejected OCA's hypothetical 50-50 capital structure.²⁸ Peoples' proposed capital structure is well within the range of the barometer group.²⁹ Thus, *PAWC 2026* supports the RD's conclusion in this case.

OCA, CAUSE PA, and I&E cite to Vice Chair Barrow's Statement in which she urged the partis to take a "critical look" at the Company's ROE and capital structure.³⁰ However, Vice Chair Barrow's Statement does not require the adoption of a hypothetical capital structure in this case. As

²⁴ RD, p. 161.

²⁵ I&E Exceptions, p. 4.

²⁶ OCA Exceptions, pp. 19; CAUSE PA Exceptions, p. 15.

²⁷ *Pa PUC, et al. v. Pennsylvania-American Water Company*, Docket Nos. R-2025-3057983, *et al.* (Order entered July 16, 2026) ("*PAWC 2026*"), p. 185.

²⁸ *Id.* at pp. 185-86.

²⁹ Peoples MB, p. 62-65; Peoples St. No. 15-R, pp. 100, 11.

³⁰ OCA Exceptions, p. 20; I&E Exceptions, pp. 4-5; CAUSE PA Exceptions, p. 13.

evidenced by the extensive discovery and multiple rounds of testimony in this case, the parties have carefully examined these issues. Based upon the evidence presented, the RD correctly determined that Peoples' capital structure is reasonable and should be approved.

The parties also cite Governor Shapiro's Letter to Utility CEOs³¹ to support their claim that current economic conditions should be a basis to depart from the Commission's precedent and impose a hypothetical capital structure.³² Again, the parties ignore the substantial evidence that Peoples' rates are affordable and the many efforts that the Company has undertaken to keep rates as low as possible while helping specific customers who have difficulty paying their bill.³³ The RD correctly found, based on the overwhelming weight of the evidence and the Commission's long-standing precedent, that the Commission should adopt the Company's capital structure for ratemaking purposes.

CAUSE PA endorses the approach outlined by Governor Shapiro that would set the utility's capital structure in line with its parent's capital structure.³⁴ However, as the Company explained, relying on the holding company capital structure is misplaced as it does not reflect the operating utility's specific risks, financing needs, or cost of service, nor does it acknowledge the utility's obligation to serve, which requires the utility to effectively access capital in all market conditions.³⁵ CAUSE PA also claims that I&E's 10.20% ROE was tied to its 50/50 capital structure recommendation.³⁶ However, this is a misstatement as I&E never expressly stated that the two proposals were tied.

Finally, OCA claims that the RD errs in rejecting its corresponding interest synchronization adjustment when it rejected OCA's proposed capital structure.³⁷ On pages 51-52 of his rebuttal testimony, Peoples witness Wachter explained why the OCA's interest synchronization adjustment is

³¹ Governor's Exhibit 1.

³² OCA Exceptions, p. 22; I&E Exceptions, pp. 4-5.

³³ These efforts are described on pages 3-12 of Peoples' Main Brief and pages 3-13 of its Reply Brief.

³⁴ CAUSE PA Exceptions, p. 13.

³⁵ Peoples Main Brief, p. 88; Peoples St. No. 15-R, pp. 52-53.

³⁶ CAUSE PA Exceptions, p. 16.

³⁷ OCA Exception No. 7.

improper. No party responded to this rebuttal testimony. OCA's Exception should be denied.

C. THE COMMISSION SHOULD DENY CAUSE PA'S ALTERNATIVE WNA RECOMMENDATIONS (CAUSE PA EXCEPTION NO. 8)

As the Company explained in its Exceptions, the currently approved WNA is working as intended and should continue without modification.³⁸ CAUSE PA argues that the RD erred in not considering its alternative recommendations in the event that the Commission determines that the WNA should continue.³⁹ The record in this proceeding demonstrates that the alternative recommendations set forth by CAUSE PA should be rejected.

CAUSE PA requests that the WNA be approved for a period of no more than three years.⁴⁰ The fundamental flaw with CAUSE PA's position is that it incorrectly assumes Peoples' WNA is operating like a pilot and is not a permanent mechanism. To the contrary, the Commission approved the Company's WNA in its last base rate case without setting a time limit as to how long the WNA will be in effect.⁴¹

With respect to CAUSE PA's proposal that WNA charges and credits be accumulated by customer class and then recovered or refunded annually, CAUSE PA has not developed such a proposal in detail sufficient to evaluate whether the proposal would be administratively workable, equitable among customers, or more effective than Peoples' current WNA design.⁴² The deficiencies in CAUSE PA's proposal were fully addressed by Peoples in testimony and briefs.⁴³

CAUSE PA's proposal that CAP customers be exempt from the WNA should also be rejected. This recommendation is flawed because it relies on the incorrect assumption that the WNA will operate only as a surcharge and does not address the demonstrated symmetrical operation of the

³⁸ The Company addressed why certain of the proposed modifications to the WNA should be rejected (including increasing the deadband to 5% and removing the months of May and October) in its Exceptions.

³⁹ CAUSE-PA Exceptions, pp. 25-26.

⁴⁰ CAUSE PA Exceptions, p. 26.

⁴¹ *Pa. PUC v. Peoples Natural Gas Company LLC*, Docket No. R-2023-3044549 (Order entered Sept. 12, 2024).

⁴² Peoples St. 17-R, pp. 67-68.

⁴³ Peoples St. 17-R, pp. 67-68; Peoples St. 17-RJ, pp. 11-12; Peoples MB, p. 111.

WNA.⁴⁴ The record evidence demonstrates that the WNA has produced both credits and charges, and in fact, has produced more credits to customers than charges through March 2026.⁴⁵ Exempting CAP customers from the WNA would also exempt these customers from receiving potential credits under the WNA during periods of colder than normal weather when the customers would benefit most. Further, the WNA is beneficial to low-income customers because it provides greater bill stability during the winter months by reducing the volatility associated with abnormal weather.⁴⁶

The Company addressed CAUSE PA's proposal to eliminate certain months from the WNA in its Exceptions.⁴⁷ November and April should not be eliminated from the WNA for the same reasons that October and May should not be eliminated – all of these months contain Heating Degree Days, and therefore their inclusion in the WNA is critical to the mechanism functioning effectively for both the customers and the Company as Peoples explained in its Exceptions.⁴⁸

CAUSE PA's suggestion to eliminate WNA billed revenue from the revenue upon which the DSIC is assessed is also without merit as it is based on CAUSE PA's unsupported assertion that the WNA harms certain households. The record evidence does not support CAUSE PA's position. Further, CAUSE PA's claim that the WNA inflates other riders, including the DSIC and USP Rider, ignores the fact that this operates both ways.⁴⁹ In other words, the WNA has also functioned to lower the amount collected through those riders.

The RD correctly declined to implement these alternative modifications suggested by CAUSE PA. However, as explained in the Company's Exceptions, the Commission should modify the RD and reject the RD's recommendation to eliminate the WNA and instead should allow the currently approved WNA to continue without modification because it serves a critical and helpful function for both the Company and customers.

⁴⁴ Peoples St. 17-RJ, pp. 9-10; Peoples MB, pp. 110-111.

⁴⁵ Peoples St. No. 17, p. 3; Peoples Main Brief, p. 106.

⁴⁶ Peoples Exh. No. JDT-6, p. 2; Peoples St. No. 17, p. 38; Peoples St. No. 17-R, pp. 66-67.

⁴⁷ Peoples Exceptions, pp. 10-11.

⁴⁸ *Id.*

⁴⁹ Peoples Reply Brief, p. 61.

**D. THE RD PROPERLY REJECTED OCA’S RATE BASE ADJUSTMENTS
(OCA EXCEPTION NO. 1)**

OCA excepts to the RD’s rejection of a portion of its rate base adjustments based solely on OCA’s position that the RD erred in rejecting OCA’s corresponding positions on certain expense items, capital structure, and depreciation.⁵⁰ OCA acknowledges that the rate base adjustments were contingent on the RD accepting OCA’s corresponding expense adjustments and hypothetical capital structure, which the RD properly rejected. For the reasons explained herein and in Peoples’ Exceptions and Briefs, the RD correctly rejected OCA’s expense, depreciation, and capital structure adjustments. Accordingly, the RD properly denied OCA’s corresponding rate base adjustments, and OCA’s Exception should be denied.

**E. THE RD PROPERLY ACCEPTED PEOPLES’ INFLATION ADJUSTMENTS
(I&E EXCEPTION NO. 1; OCA EXCEPTION NO. 2)**

The RD properly accepted Peoples’ inflation adjustments to its payment processing expense and advertising expense.⁵¹ OCA and I&E except to the RD’s acceptance of the Company’s inflation adjustments for these two expense categories. OCA disputes that the Consumer Price Index (“CPI”) is a reliable source for determining the Company’s inflation adjustment.⁵² I&E claims that the inflation adjustment is speculative.⁵³

I&E’s argument that the inflationary adjustments are speculative should be rejected. As the RD correctly found, the record evidence in this case supports the inflation adjustment for these two expense categories. The record evidence supports the RD’s conclusion that the inflation adjustments are based on known and measurable changes that were experienced by the Company in each of the expense categories using the most recent historic data available.⁵⁴

OCA claims that the RD erred by relying on the Commission’s decision in the *PECO Gas*

⁵⁰ OCA Exceptions, p. 2.

⁵¹ RD, p. 59.

⁵² OCA Exceptions, p. 3.

⁵³ I&E Exceptions, pp. 1-2.

⁵⁴ Peoples St. No. 2-R, p. 6.

2021 case⁵⁵ because the Commission approved the use of a CPI-based adjustment after it found the utility's own proposed inflation adjustment factors to be unsupported. OCA's argument overlooks the point that the Commission *did in fact rely on the CPI as a reliable basis for making the inflationary adjustments*.⁵⁶ The fact that PECO had first proposed another inflationary factor that the Commission did not accept is irrelevant to the fact that the Commission ultimately viewed the CPI as a reliable indicator of inflation in that case.

I&E and OCA also argue that there are more recent cases following the *PECO Gas 2021* in which the Commission declined to adopt an inflationary adjustment.⁵⁷ Those decisions do not support rejection of the inflation adjustments in this case simply because they were issued after the *PECO Gas 2021* case. The Commission's rejection of the adjustments in those cases was specific to the facts of those cases. Simply because the Commission did not accept an adjustment in one case does not mean that the Commission is now barred from accepting a similar adjustment in another case where the record evidence supports the adjustment, as the RD determined to be the case here. Further, those cases are distinguishable because, as explained in the Company's Reply Brief, the proposals in those cases involved an inflation factor applied to many expense categories that is more akin to a blanket inflation adjustment, whereas here the Company's inflation adjustment is limited to two distinct expense categories.⁵⁸ Further, OCA's position on inflation is contradictory. OCA itself has acknowledged the existence of rising inflation throughout this case.⁵⁹

For these reasons and as explained in Peoples' Briefs, I&E Exception No. 1 and OCA Exception No. 2 should be denied.

F. THE RD PROPERLY REJECTED I&E'S AND OCA'S PROPOSED INCENTIVE COMPENSATION ADJUSTMENTS (I&E EXCEPTION NO. 1; OCA EXCEPTION NO. 3)

⁵⁵ *Pa. PUC v. PECO Energy Co. – Gas Div.*, Docket No. R-2020-3018929, 2021 Pa. PUC LEXIS 241, Order at 10 (June 22, 2021) ("*PECO Gas 2021*")

⁵⁶ *Id.*

⁵⁷ I&E Exceptions, pp. 1-2; OCA Exceptions, pp. 4-5.

⁵⁸ Peoples Reply Brief, pp. 14-15.

⁵⁹ OCA MB, pp. 12-15.

I&E and OCA except to the RD's recommendation to approve the full amount of the Company's incentive compensation claim. Specifically, I&E and OCA propose to disallow a portion of incentive compensation that they claim is tied to financial metrics.⁶⁰ For the reasons explained in the Company's briefs and testimony, the RD's recommendation to approve the Company's incentive compensation claim is well supported by the record evidence as well as Commission precedent, and I&E's and OCA's Exceptions should be denied.

OCA and I&E ask the Commission to ignore all of the applicable precedent on this issue in favor of the *PAWC 2026* and *Columbia 2025* cases.⁶¹ However, as more fully explained in Peoples' Main Brief, pages 20-23, both *PAWC 2026* or *Columbia 2025*⁶² are distinguishable from the facts of this case. In those cases, the Commission did not determine that incentive compensation tied to financial metrics was not recoverable, but rather than the companies had failed to demonstrate that its financial goals benefited ratepayers.⁶³ Here, Peoples explained the many ways in which the Company's incentive compensation program, inclusive of its financial metric, benefits ratepayers as summarized on pages 21-23 of the Company's Main Brief.⁶⁴

OCA claims that Peoples would not be disadvantaged if it were not permitted to recover the full amount of incentive compensation.⁶⁵ Peoples disagrees that being denied recovery of this prudently incurred expense would not put it at a disadvantage. The Company clearly explained that it would be disadvantaged because its incentive compensation is market based and is necessary to be able to attract and retain competent employees.⁶⁶

For these reasons and as more fully explained in Peoples' briefs and testimony, the Commission should deny I&E's and OCA's Exceptions and adopt the RD's decision approving the

⁶⁰ OCA Exceptions, pp. 5-6; I&E Exceptions, pp. 2-3.

⁶¹ I&E Exceptions, pp. 2-3; OCA Exceptions, pp. 5-7.

⁶² *Pa. PUC v. Columbia Gas of Pa., Inc.*, Docket No. R-2025-3053499 (Order entered Dec.9, 2025) ("*Columbia 2025*"), p. 123.

⁶³ *Columbia 2025*, p. 123; *PAWC 2026*, p. 114.

⁶⁴ Peoples Main Brief, pp. 21-23; Peoples St. No. 2-R, p. 18-21.

⁶⁵ OCA Exceptions, p. 7.

⁶⁶ Peoples Rely Brief, p. 17.

full amount of the Company's incentive compensation claim.

G. THE RD PROPERLY ACCEPTED PEOPLES' CLAIM FOR EMPLOYEE EXPENSES AND TRAVEL AND ENTERTAINMENT EXPENSES (OCA EXCEPTION NOS. 4 AND 5)

OCA excepts to the RD's recommendation to approve Peoples' claims for employee expenses and travel and entertainment expenses. As explained in the Company's briefs and testimony, the RD correctly recognized that these expenses are crucial to maintaining a fully staffed and motivated workforce capable of providing quality service to its customers.⁶⁷ The OCA claims that these expenses are not "necessary" to provide safe and reliable service.⁶⁸ However, OCA interprets what is "necessary" to provide safe and reliable service too narrowly. According to OCA only those expenses that are absolutely needed to provide natural gas service at the most basic level would be recoverable. That is clearly not the standard for recoverability as there are many examples of recoverable expenses, e.g. PUC Assessment Fees and insurance expense, as well as others, that are necessary for the Company to provide quality service but do not meet OCA's overly restrictive definition.

For these reasons and as explained in the Company's briefs, OCA Exception Nos. 4 and 5 should be denied.

H. THE RD PROPERLY ACCEPTED PEOPLES' PROPOSAL FOR A ONE-TIME CREDIT ADJUSTMENT TO THE USP RIDER (I&E EXCEPTION NO. 5)

I&E claims that the RD erred by approving the Company's proposal for a one-time credit adjustment to the USP Rider. According to I&E, the one-time credit adjustment should be credited back to all customers rather than through the USP Rider.⁶⁹ The RD correctly approved Peoples' proposal for the one-time credit adjustment in this case because, as the Company explained in its testimony and briefs, the proposal is designed to benefit income-eligible customers who are not participating in CAP as well as those customers whose incomes exceed CAP eligibility but may

⁶⁷ RD, p. 77.

⁶⁸ OCA Exceptions, p. 8.

⁶⁹ I&E Exceptions, pp. 6-7.

still be constrained by their monthly bill obligations.⁷⁰ I&E's Exception No. 5 should be denied.

I. THE RD PROPERLY REJECTED I&E'S PROPOSAL TO CHANGE THE EFFECTIVE DATE OF RATES (I&E EXCEPTION NO. 4)

I&E excepts to the RD's recommendation for rates to be effective on December 26, 2026, in accordance with the suspension date. I&E claims that rates should not be effective until the first day of the Fully Projected Future Test Year, which is January 1, 2027.⁷¹ I&E primarily relies on the *Columbia 2025* decision. However, the Company explained in its testimony and briefs why the facts of *Columbia 2025* are not applicable here and that, importantly, there is no overlap of rate effective periods or the possibility of duplicate recovery in this case.⁷² I&E Exception No. 4 should be denied.

J. THE RD PROPERLY REJECTED OCA'S PROPOSAL TO CHANGE FROM THE EQUAL LIFE GROUP TO THE AVERAGE SERVICE LIFE PROCEDURE FOR DEPRECIATION (OCA EXCEPTION NO. 8)

OCA excepts to the RD's recommendation to approve the Company's depreciation expense claim based on the Equal Life Group ("ELG") method.⁷³ In its Exceptions, OCA simply reiterates many of the arguments raised in its brief, which the RD considered and rejected as unsupported by the record evidence and Commission precedent. Peoples fully addressed OCA's arguments in its testimony and briefs and endeavors not to repeat those arguments here.⁷⁴

The RD properly rejected OCA's requested change from the more accurate ELG procedure to the ultimately more costly Average Service Life ("ASL") procedure. The RD's recommendation is consistent with the Commission's decisions rejecting the OCA's same proposals in *Columbia 2025* and *PAWC 2026*.⁷⁵ Consistent with those decisions, the Commission should not adopt a depreciation procedure change solely to produce short-term rate mitigation where the evidence shows that the change will effectively increase long-term costs and shift responsibility to future customers. In *PAWC*

⁷⁰ Peoples Main Brief, pp. 115-117.

⁷¹ I&E Exceptions, p. 5.

⁷² Peoples Main Brief, p. 115.

⁷³ OCA Exceptions, p. 13.

⁷⁴ Peoples Main Brief, pp. 42-55; Peoples Reply Brief, pp. 24-28.

⁷⁵ *Columbia 2025*, p. 111; *PAWC 2026*, pp. 162-166.

2026, the Commission rejected the same arguments OCA raises here, finding “that the record does not support requiring PAWC to adopt the use of the ALG/ASL procedure in this proceeding.”⁷⁶ The Commission appropriately considered the long-term impacts of OCA’s proposal, stating:

The OCA’s affordability argument also does not warrant adoption of the ALG/ASL adjustment. We recognize the importance of affordability and the magnitude of PAWC’s requested rate increase. However, ratemaking must balance short-term customer impacts with long-term cost responsibility and intergenerational equity. The OCA’s proposed change would provide immediate rate relief by reducing current depreciation expense, but the record supports the ALJs’ finding that the change would also reduce accumulated depreciation, increase rate base, and increase costs to future customers. We will not adopt a depreciation procedure change solely to produce short-term rate mitigation where the evidence shows that the change may increase long-term costs and shift responsibility to future customers.⁷⁷

The record demonstrates that Peoples’ continued use of the ELG procedure is the most precise and equitable approach and results in lower costs to customers over time. OCA claims that the ELG procedure creates intergenerational equity because it results in a higher depreciation expense in the short term as compared to its proposed switch to the ASL method. However, OCA has repeatedly ignored the fact that it is the longstanding use of the ELG method that has resulted in a lower rate base than if ASL had been used. Thus, customers today are paying lower rates than if ASL had been used during the years since ELG’s adoption.⁷⁸

OCA’s fixation on a one-time reduction in rates leads it to ignore the critical harms that its requested change will cause in future years. The change in depreciation methods would result in higher, and continually increasing, rate base in the future and would result in higher rates to future customers in approximately 11 years compared to the continued use of the ELG procedure.⁷⁹ OCA claims that this is true only if Peoples were to avoid increasing its base rates for the next 11 years.⁸⁰

⁷⁶ PAWC 2026, p. 166.

⁷⁷ *Id.*, p. 165.

⁷⁸ Peoples St. No. 16-R, p. 17.

⁷⁹ *Id.*

⁸⁰ OCA Exceptions, p. 15.

What OCA fails to recognize is that the change in depreciation method would still produce continually increasing rate base. Moreover, the Company explained that it updates its depreciation rates regularly. The Company submits annual depreciation reports to the Commission each year updating the Company's depreciation accrual rates for book purposes as well as identifying the underlying depreciation parameters and calculation methods and procedures used to determine depreciation expense.⁸¹ Therefore, the frequency of Peoples' rate case filings is irrelevant to determining the proper depreciation method.

For the reasons explained herein and as more fully explained in Peoples' briefs and testimony, OCA's Exception No. 8 should be denied.

K. THE RD'S PROPOSED RESIDENTIAL CUSTOMER CHARGE DOES NOT IMPEDE ENERGY EFFICIENCY AND CONSERVATION (CAUSE PA EXCEPTION NO. 4)

Peoples proposed to increase the residential customer charge from \$16.80 to \$26.00.⁸² The RD recommended a residential customer charge of \$19.30.⁸³ CAUSE PA excepts to the RD's recommended increase to the customer charge, claiming that it will adversely impact customers' ability to offset their bills through energy efficiency and conservation, particularly for low-income customers.⁸⁴ CAUSE PA's position is incorrect. The Company's proposed customer charge would not impair customers' ability to reduce their bills through conservation because a majority of the Company's distribution base rate revenues, and all commodity costs, will remain associated with usage.⁸⁵ Even at the full amount of the Company's proposed customer charge, the customer charge would make up 20% of the average customer's annual bill, and approximately 80% of the bill would continue to consist of delivery charges, commodity costs, and volumetric rider chargers, allowing customers to continue to realize meaningful savings through conservation.⁸⁶

⁸¹ Peoples Main Brief, p. 53.

⁸² Peoples Main Brief, p. 98.

⁸³ RD, p. 235.

⁸⁴ CAUSE PA Exceptions, pp. 19-20.

⁸⁵ Peoples St. 17-R, p. 29.

⁸⁶ *Id.*, pp. 29-31.

With respect to CAUSE PA's claim that increasing the residential customer charge will harm low-income customers, Peoples witness Taylor demonstrated that the opposite is true. Mr. Taylor prepared an analysis comparing the annual bill increases under the Company's proposed customer charge and the existing customer charge with no increase. The results showed that the representative CAP customer's bill would be approximately \$36 higher if the Commission were to maintain the current residential customer charge rather than accept the Company's proposed customer charge.⁸⁷ Recovering more of the Company's fixed costs through the customer charge also helps stabilize bills by spreading distribution costs throughout the year. Stabilizing bills benefits low-income customers by charging less for distribution service in the winter months when usage is typically higher and moving that recovery to summer months when usage is typically lower.⁸⁸

For these reasons and as more fully explained in the Company's testimony and briefs, CAUSE PA's Exception No. 4 should be denied.

L. THE RECORD SUPPORTS THE RD'S RECOMMENDED SMALL GENERAL SERVICE CUSTOMER CHARGE OF \$25.30 PER MONTH (OSBA EXCEPTION NO. 2)

Peoples proposed to increase the Small General Service ("SGS") customer charge for customers using between 0 to 499 Mcg per year from \$22.00 per month to \$32.14 per month.⁸⁹ The RD recommended that the customer charge be increased to \$25.30.⁹⁰ The OSBA excepts to the RD's proposed increase to the customer charge, claiming that the Company did not provide sufficient support for its proposed increase.⁹¹ To the contrary, Peoples witness Taylor explained that the Company's allocated cost of service study provides the detail demonstrating that the proposed customer charge is reasonable and represents a reasonable movement toward improved alignment between customer-related costs and customer-related revenues.⁹² The OSBA, however, did not

⁸⁷ *Id.*, pp. 34-35.

⁸⁸ *Id.*, pp. 35-37.

⁸⁹ Peoples Main Brief, pp. 103-104.

⁹⁰ RD, p. 236.

⁹¹ OSBA Exceptions, p. 8.

⁹² Peoples St. No. 17-R, at p. 26.

present a customer cost study or identify any costs that are unreasonable or improperly included in the Company's customer cost analysis.⁹³ For these reasons and as explained Peoples' testimony and briefs, OSBA's Exception No. 2 should be denied.

M. PEOPLES DOES NOT BEAR THE BURDEN OF PROOF TO DEMONSTRATE THE REASONABLENESS OF THE POR PROGRAM PROPOSAL (RESA EXCEPTION NO. 4)

The RD recommends that the Commission adopt CAUSE PA's proposal that Peoples no longer purchase receivables from suppliers participating in Peoples' Purchase of Receivables ("POR") Program unless they provide supply at or below Peoples' default service price.⁹⁴ The RD characterizes the POR Program proposal as Peoples' own proposal which incorporates recommendations of CAUSE PA. RESA characterizes Peoples as adopting CAUSE PA's proposal.⁹⁵ To clarify, Peoples did not explicitly adopt this proposal from CAUSE PA but has acknowledged throughout this proceeding the merits of CAUSE PA's proposal in that it has the potential to protect customers from paying higher supplier charges.⁹⁶

RESA argues in Exception No. 4 that CAUSE PA and Peoples did not carry their burden of proof to present evidence or analysis demonstrating the reasonableness of the POR Program proposal. It is well-established that a party that raises an issue that is not included in a public utility's general rate case bears the burden of proof with respect to that issue or proposal.⁹⁷ As discussed, the POR Program proposal was not a proposal included within Peoples' general rate case filing, because it was proposed by CAUSE PA, not by Peoples. The mere fact that Peoples discussed the merits of the proposal does not constitute an adoption of it. Therefore, RESA's argument that Peoples did not carry its burden with respect to the POR Program proposal is incorrect and should be rejected, because the burden was not Peoples to bear.

⁹³ *Id.*

⁹⁴ RD, pp. 356 and 361.

⁹⁵ RESA Exceptions, pp. 11-12.

⁹⁶ Peoples St. 21-R, p. 5; Peoples MB, pp. 143-145; Peoples Reply Brief, pp. 80-81.

⁹⁷ *See, Pa. PUC v. Metropolitan Edison Company, et al.*, Docket Nos. R-00061366 *et al.*, 2007 Pa. PUC LEXIS 5, (Order entered Jan. 11, 2007).

N. PEOPLES WOULD SUPPORT A GENERIC PROCEEDING IN WHICH TO ADDRESS CHANGES TO POR PROGRAM STRUCTURE (RESA EXCEPTION NO. 8)

RESA's Exception No. 8⁹⁸ requests that, if the Commission does not wholly reject the POR Program proposal, it defer such a proposal to a generic proceeding. As an initial matter, Peoples acknowledges the merits of the POR Program proposal and supports the RD's rejection of RESA's arguments opposing the POR Program proposal. However, in the event that the Commission rejects the RD's recommendation to adopt the POR Program proposal, Peoples agrees that the Commission should alternatively initiate a generic proceeding in which to address such a proposed change to POR Program structure. This request is consistent with the record in this proceeding, as Peoples has indicated throughout its testimony and briefs that such a generic proceeding would be useful, as concerns regarding the impact of supplier pricing are not necessarily limited to Suppliers only located within Peoples' service territory.⁹⁹

O. THE RECORD DEMONSTRATES THAT PEOPLES JUSTIFIED THE PROPOSED INCREASE TO RATE AGS (PIOGA EXCEPTION NOS. 1-4)

Peoples proposed to increase Rate AGS from \$0.24/Mcf to \$0.29/Mcf, and the RD properly adopted this proposal.¹⁰⁰ In its Exception Nos. 1-4, PIOGA argues that the RD was incorrect in its finding, and that Peoples failed to justify or to fully explain the proposed increase to Rate AGS.¹⁰¹ However, an examination of the record reveals that this argument must fail.

Peoples fully justified its proposed increase to Rate AGS, citing the need for increased capital to upgrade gathering lines, as well as a need for a reasonable contribution to increased operating and maintenance costs for the Company's gathering system.¹⁰² Costs related to the gathering system are incurred to maintain facilities used in local production, and those costs are embedded in the continued

⁹⁸ Note that RESA Exception No. 8 is mentioned only in Section I.C. of RESA's Exceptions, which is the "Summary of Exceptions," and there is no corresponding argument within Section II regarding Exception No. 8.

⁹⁹ Peoples St. 21-SR, p. 8; Peoples MB, p. 145; Peoples Reply Brief, p. 81.

¹⁰⁰ RD, pp. 365.

¹⁰¹ See, PIOGA Exceptions, pp. 1-2, 5-6, 9, 11.

¹⁰² Peoples St. 5, p. 19; Peoples MB, p. 146.

operation of the gathering system. PIOGA argues that the basis on which Peoples calculated the increase is not justified, but fails to acknowledge that the proposed increase and calculation method proposed by Peoples will (1) result in the collection of only approximately 25.7% of the gathering system cost of service from conventional producers, and (2) would have the lowest impact on producers.¹⁰³ Importantly, any reduction to the Company's proposed Rate AGS rates ordered by the Commission will then be recovered from Peoples' other customers.

For these reasons and as more fully explained in the Company's briefs and testimony, Exception Nos. 1-4 should be denied.

P. THE RD PROPERLY REJECTED PIOGA'S PROPOSALS RELATED TO THE MASTER INTERCONNECT AND MEASUREMENT AGREEMENT ("MIMA")(PIOGA EXCEPTION NOS. 5-6)

PIOGA expressed operational concerns, primarily revolving around the Company's MIMA, which is executed by conventional producers.¹⁰⁴ Peoples rebutted these concerns, noting the effective balance struck by the MIMA in allowing the Company to maintain safe and reliable service and to actively manage its assets, while also reasonably accommodating producer concerns.¹⁰⁵ The RD appropriately rejected PIOGA's challenges to the MIMA.¹⁰⁶ Notably, PIOGA itself was a party to the case in which the MIMA terms were developed. Specifically, MIMA terms were the subject of Peoples' 2019 base rate case, at Docket No. R-2018-3006818 et al., and PIOGA was a participant in the case.¹⁰⁷ PIOGA fails to mention this participation and fails to otherwise sufficiently justify its reasoning for suddenly disputing the MIMA provisions when they failed to effectively do so when the MIMA language was developed.

For these reasons and as more fully explained in the Company's briefs and testimony, Exception Nos. 5-6 should be denied.

¹⁰³ Peoples St. 5-R, p. 3.

¹⁰⁴ See, e.g., PIOGA St. 1, p. 7; PIOGA St. 2, p. 7; PIOGA St. 3, pp. 3-4.

¹⁰⁵ Peoples MB, p. 148.

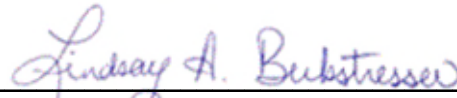
¹⁰⁶ RD at p. 367; PIOGA Exceptions, pp. 12, 14-16, 18-22.

¹⁰⁷ *Pa. PUC v. Peoples Natural Gas Company LLC*, Docket No. R-2018-3006818 (Peoples Replies to Exceptions filed October 22, 2019), at pp. 1-3.

III. CONCLUSION

For all of the foregoing reasons, Peoples Natural Gas Company LLC respectfully requests that the Pennsylvania Public Utility Commission grant the Company's Exceptions and deny the Exceptions of the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania, the Retail Energy Supply Association, and the Pennsylvania Independent Oil and Gas Association, as well as reject the October 14, 2026 comments of Governor Josh Shapiro.

Respectfully submitted,



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