

Settlement
Frequently Asked Questions (FAQs)

What is this case about?

On March 15, 2024, Columbia Gas of Pennsylvania, Inc. (Columbia) asked the Public Utility Commission (PUC) to increase rates for its customers. If the rate increase request is granted, Columbia can collect an additional \$124.1 million per year in total from all customers, a 21.7% increase over current distribution revenues.

How was the OCA involved?

The OCA filed a Formal Complaint opposing Columbia's proposed rate increase. We reviewed the case for lawfulness and fairness of the proposed increases and charges. This was done with help from expert witnesses and public participation. During the case, the OCA represented the interests of consumers and participated fully in this case. Among other things, we sought extensive discovery, prepared and submitted expert witness written testimony and accompanying exhibits, participated in public input hearings and evidentiary hearings, participated in settlement discussions, and submitted a main brief and a reply brief.

Did the OCA enter into a settlement for this case?

Yes. The OCA entered into a partial settlement with Columbia Gas and the other parties to this base rate case (Partial Settlement). All but one of the contested issues were resolved in the Partial Settlement. The unresolved contested issue was Columbia's proposed Municipal Levelization Charge, which the OCA opposed, and the issue was fully litigated.

What is a settlement?

A settlement is an agreement between participants in a case before the PUC to stop litigating and propose a negotiated outcome of the case to the PUC. Once participants agree to settle, the parties to the settlement submit the terms of their agreement to the Administrative Law Judge (ALJ) assigned to the case.

What is the difference between a full settlement and a partial settlement?

The parties can agree to settle a case in full or in part. A full settlement resolves all the contested issues in the proceeding, meaning no issue will proceed to litigation. In contrast, a partial settlement means the parties were able to resolve some but not all contested issues; the remaining unresolved issues will then proceed to litigation before the ALJ for a recommended decision and to the PUC for a final order.

What is the process for a settlement?

The settling parties submit a joint petition for settlement to the ALJ for approval along with the settling parties' statements in support of the settlement. Other participants in the case who are not party to the settlement may provide support or objections to the settlement once it has been submitted to the ALJ.

The ALJ, after receiving the joint petition, statements in support, and comments, then decides whether they should recommend that the PUC adopt the settlement because it is in the public interest or reject the settlement if it is not. The PUC, based on the recommendation from the ALJ and any exceptions to the ALJ's recommendation filed by any party, then either approves the settlement, which ends the proceeding, or rejects the settlement and reopens the case.

A settlement agreement can only be approved by the PUC if it finds that the settlement is in the public interest.

Why did the OCA agree to settle this case?

In deciding whether to settle a case or fully litigate a case, the OCA weighs the potential benefits gained for consumers against the risk of higher rates if the case were fully litigated. The OCA believes that if this case had been litigated, the result would likely have been worse for consumers than what was negotiated in the Partial Settlement. Additionally, in the Partial Settlement, the OCA was able to achieve certain protections and improvements for customers that the OCA could not guarantee as a litigation outcome. In this regard, settling enabled the OCA to better control certain outcomes that best serve consumer interests.

In recent years, the PUC has often approved rate increases higher than the OCA has recommended and less often required the utility to respond to concerns that the OCA raises about customer billing, low-income customer assistance, and quality of service issues. When a case is fully litigated, there is no guarantee that the PUC will adopt the OCA's positions, particularly where the utility and other parties disagree. On the other hand, when the OCA settles a case, we have greater control over the outcome (although even with a settlement, the PUC could decide to reject or modify the settlement) because we are offering the PUC one position agreed to by all the parties. By settling the case, we have tried to limit the amount of rate increase, while ensuring that the Company must provide positive benefits to its customers.

What would have happened if the OCA did not settle the case?

The ALJs assigned to this case would hear the OCA and other parties' arguments and issue a Recommended Decision detailing their findings and recommendations to the PUC. The parties would have a chance to respond by filing "exceptions" that argue for or against the Recommended Decision. Next, the PUC would evaluate the parties' arguments and the ALJs' recommendations, and issue an Order approving, denying, or modifying the Recommended Decision. That final Order is what dictates the rate increase that will be allowed and any conditions required.

What consumer benefits are contained in the settlement?

If fully accepted by the PUC, the Partial Settlement provides that:

- Columbia will be allowed to increase its total annual revenue by \$74.0 million over current base rates. If approved, the rate increase would take effect on December 14, 2024. This is less than that \$124.1 million requested by Columbia and the OCA believes that it is likely less than would have been given if the case were fully litigated.

- The state income tax rate is 7.99% and future adjustments to the Pennsylvania Corporate Net Income Tax to flow through to customers automatically each year.
- A base level of infrastructure investment must be accomplished before any additional expenditures can be recovered through the Distribution System Improvement Charge (DSIC) can be increased and will not go into effect until at least January 1, 2026.
- In its next base rate case, Columbia agreed to provide a report showing its capital expenditures, plant additions and retirements for the future test years ending December 31, 2024 and December 31, 2025, respectively.
- Columbia agreed to file a cash working capital study in its first base rate case filed after January 1, 2026.
- Interested stakeholders can challenge the Weather Normalization Adjustment (WNA) surcharge in Columbia's next base rate case.
- Columbia withdrew its Revenue Normalization Adjustment proposal.
- Residential customers are allocated \$48.44 million of the total \$74 million revenue requirement increase.
- The Residential customer charge will be set at \$17.25 per month, which is less than the \$26.00 per month proposal by Columbia and \$0.50 more than the current customer charge.
- Updates to Columbia's Three-Year Energy Efficiency Plan are accepted.
- Columbia will work with the Universal Service Advisory Committee (USAC) to develop a plain language notice regarding the right to enter Customer Assistance Program (CAP) and arrearage forgiveness benefits.
- A customer or applicant who provides self-certification or other income documentation that household income is at or below 150% of the federal poverty level will not be asked to provide a cash deposit.
- Columbia will review call scripting and checklists for its customer service representatives to assist in screening customers for eligibility and refer low-income customers to available assistance programs, including CAP, before placing customers on a payment arrangement.
- Columbia will increase its Low Income Usage Reduction Program (LIURP) annual budget by \$800,000 beginning in 2026.

Because the rate increase in the Partial Settlement is close to the best possible scenario of what we would have expected after litigation, and because the above benefits would likely not have been required by the PUC in a final order after litigation, the OCA agreed to the Partial Settlement.

What happens now with the Partial Settlement?

At this time, a Joint Petition for Settlement has been submitted to the ALJ who oversaw this proceeding from its beginning. The Joint Petition for Settlement contains the Partial Settlement itself and Statements in Support of the Settlement from each of the active parties in this proceeding. The ALJ will review the Settlement and the Statements in Support from each party and release a Recommended Decision (RD) that either: (1) approves the Settlement in full, (2) modifies the Settlement, or (3) rejects the Settlement. Once the RD is issued, all active parties to this proceeding will have a chance to comment on the RD by filing exceptions. Parties will typically only do this if they disagree with something in the RD. Finally, the PUC will review the RD and any exceptions and publish an Opinion and final Order in this proceeding.

While we stand by the litigation positions set forth in our testimony in this proceeding, partially settling this case allowed us to ensure that certain customer benefits would be implemented at a rate increase that is within the range of what we expect the PUC would have approved anyways.

The PUC issued the ALJ's RD on October 1, 2024. In the RD, the ALJ recommended that the Partial Settlement be approved without modification and Columbia's proposed Municipal Levelization Charge be denied.

I filed a Formal Complaint and want to Object to or Support the Partial Settlement. How do I do that?

When the RD was released on October 1, 2024, it was emailed to customers who filed a Formal Complaint and they can file Exceptions to all or part of the ALJ's recommendations. Customers can contact the OCA at consumer@paoca.org or 1-800-684-6560 with questions about the RD or how to file Exceptions. Exceptions are due on or before **October 15, 2024**.

When will we know if the PUC accepts, modifies, or rejects the Partial Settlement?

The PUC will likely rule on the settlement at its Public Meeting on November 7, 2024.

When will these rate increases go into effect?

If approved by the PUC, the new rates would go into effect on December 14, 2024.

What can I do now to begin preparing for these rate increases?

Try to lower your natural gas usage. There are a number of steps you can take. Every little bit helps. Search for drafts in your home and seal them. Install weather-stripping and caulking around windows and doors to decrease drafts there. Even if you installed weather-stripping and caulking a couple years ago, you may need to reattach it or replace it. Make sure it is positioned properly to eliminate drafts. Use draft stopping gaskets specially made to fit behind switch plates and electric sockets. Check your gas appliances to make sure they are operating properly. Change your furnace filter regularly and have your furnace serviced if you can. Keep your water heater set for a comfortable temperature. If your water is so hot that you mix it with cold water to use it, you are wasting money heating it to that temperature. If you can be comfortable in your home with a lower

temperature, turn your thermostat down a couple degrees. The Office of Consumer Advocate can send you a free copy of an Energy Savings Guide, or you can find it on the Department of Energy's website, http://www.eere.energy.gov/consumer/energy_savers/.

What can I do if I cannot afford the rate increases?

You may enter into a payment arrangement with Columbia. Under the Public Utility Code, all customers with an unpaid balance are able to enter into a payment arrangement with their utility service provider, which prevents the utility from terminating the customer's utility service for a past due balance as long as the customer is able to meet their monthly billing requirement under the payment arrangement. If you believe that you may not be able to pay your bill by the due date, contact Columbia before the due date to discuss a potential payment arrangement. Check out Columbia's website at: <https://www.columbiagaspa.com/bills-and-payments/financial-support/income-eligible-assistance-programs> for other available options and arrangements.

If you are facing termination of service and someone in your household has a medical condition that would be made worse without gas service, you may provide Columbia with a Medical Certification. A Medical Certification signed by a physician, physician's assistant, or nurse practitioner can stop Columbia from terminating your gas service for up to 30 days at a time and can be renewed as long as you remain current on your monthly bills. You will not be responsible for paying towards your past due balance for as long as your termination is suspended under a Medical Certification, though the balance will remain until it is paid off. The Medical Certification Form is available on the PUC's website at: https://www.puc.pa.gov/media/1779/standard_medical_certificate_form.docx. For more information on preventing disconnection or restoring service with a medical certificate, the PUC's Medical Certificate Guidance factsheet is available on the PUC's website at https://www.puc.pa.gov/media/1778/medical_certificate_guidance.docx. You may contact Columbia with questions regarding their process for submitting a Medical Certification.