

Requested by the American Natural Gas Council
Date of EGU Response: September 11, 2025

ANGC 4.04: Witness Summers' Direct testimony at p. 14, ll. 378-379. Witness Summers states: *"Collecting all customer costs through [BSF] charges could disturb the stability that has been maintained for decades."* With reference to that statement, please:

- a. Provide the data, analyses, and rationales upon which the Company has relied to assess the *"stability"* in Basic Service Fees by meter category that has purportedly been *"maintained for decades;"*
- b. Document the full history of Basic Service Fees to which witness Summers refers;
- c. Explain the extent to which the witness believes reflecting actual costs of service in the development of charges for gas service is an important objective, and if the witness believes the cost-basis for charges is unimportant or of lesser importance than other rate design objectives, provide the basis of his understanding of the relative importance of cost-based ratemaking considerations;
- d. Explain witness Summers' understanding of the role of gradualism in the adjustment of rates and charges and why it appears that *"stability"* in BSF charges is viewed as more important than at least gradual movement toward more cost based BSF charges.

Answer: a. The Basic Service Fee (BSF) helps recover a portion of customer-related and distribution plant costs, though it does not cover these costs in full. The BSF contributes to rate stability by ensuring consistent cost recovery regardless of usage levels. It also supports a predictable revenue stream and reduces bill variability through its fixed nature. Maintaining a lower fixed fee helps preserve affordability for customers.

<u>b. Effective Period</u>	<u>BSF1</u>	<u>BSF2</u>	<u>BSF3</u>	<u>BSF4</u>
2014-Current	\$6.75	\$18.25	\$63.50	\$420.25
2002-2014	\$5.00	\$21.00	\$55.00	\$244.00
1995-2002	\$5.00	\$15.00	\$45.00	\$193.00
1993 -1995	\$5.00	\$11.00	\$34.00	\$195.00

c. Cost causation is a principle that applies to both cost of service and rate design. In cost of service, it ensures that costs are allocated fairly among customer classes based on how those costs are incurred. In rate design, cost causation guides the development of price signals within each customer class. While the BSF is used to recover certain fixed customer and plant distribution costs, not all costs are included in its calculation. Including all these costs in the BSF would result in a significant

increase, which could affect those on fixed incomes and low income households. Establishing both cost of service and rate design involves both objective analysis and exercise of judgment. Rate design relies on objective measures, like cost of plant, but it also involves consideration of customer impacts, avoidance of rate shock, establishing meaningful price signals, and it should result in rates that are understandable to customers.

d. The BSF is used to recover fixed customer and plant distribution related costs. While it plays a critical role in ensuring rate stability, not all costs are included in the BSF. The Company's rate design uses fixed, demand, and volumetric rates. This supports fairness, allows customers some control over their bills when adjusting their thermostats, and promotes stable cost recovery. As outlined in James C. Bonbright's, *Principles of Public Utility Rates*, effective ratemaking should reflect objectives such as revenue sufficiency, stability, fairness, cost causation, simplicity, and gradualism. These principles must be considered collectively, with no single objective dominating. The Company is proposing to maintain the current BSF structure, consistent with these guiding principles.

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