

NATIONAL FUEL GAS DISTRIBUTION CORPORATION
BUFFALO, NEW YORK

RATES, RULES AND REGULATIONS

GOVERNING THE FURNISHING
OF
NATURAL GAS SERVICE
IN
TERRITORY DESCRIBED HEREIN

Issued:

Effective: January 1, 2007

R. J. TANSKI, PRESIDENT
BUFFALO, NEW YORK

SECRETARY'S BUREAU
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This Supplement Changes, Increases and Decreases Existing Rates
See Page 2

LIST OF CHANGES MADE BY THIS TARIFF

CHANGE:

1. Efficiency reference for furnace changed to 92%, Gas space heating formulas changed, "condominium" added, "mobile" home changed to "manufactured" and "Other Gas Appliance" category added for determination of the LJI credit.
Pages 10 and 11.
2. The words "decreasing or otherwise decreased or otherwise changed" were added to Rule 4., Section D. Upgrade.
Page 16B.
3. Language was added to Rule 4., Section F. Refunds of Customer Investment to provide an alternative refund calculation.
Page 17.
4. Added the word "gathering" to Rule 11. Refusal or Termination of Service.
Page 20.
5. LIRA percentage discounts table changes.
Pages 37A and 37B.
6. MMT and DMT Transportation Service Monthly Administration rate removed.
Pages 100 and 111.
7. Clarification of the Company's long standing practice and interpretation of its tariff.
Pages 110 and 116.
8. Date changed in Rider B to "January 1, 2007" to reflect current case at R-00061493.
Page 157.

INCREASE:

9. Annual consumption for Residential gas ranges increases.
Page 11.
10. Basic Service Charge for Small Commercial and Public Authority, Intermediate Colume Industrial, Large Volume Industrial, and Large Industrial Services Classes.
Pages 41, 55, 65, and 76.

LIST OF CHANGES MADE BY THIS TARIFF

INCREASE: (con't.)

11. Distribution Charges for Residential, Small Commercial and Public Authority, Large Commercial and Public Authority, Small Volume Industrial, Intermediate Volume Industrial, Large Volume Industrial and Large Industrial Service Classes increases.
Pages 36, 41, 42, 53, 55, 65, and 76.
12. Margin Demand Charge for Load Balancing Service increases.
Page 49, 62, 73, and 80.
13. Commodity Charges for Load Balancing Service increases.
Pages 50, 62, 63, 73, 74, 80, and 81.
14. NGV1 and NGV2 rates increases.
Pages 83 and 84.
15. Bypass rate increases.
Page 86.
16. MMT Transportation Service Rates for Residential, Commercial and Public Authority, Small Volume Industrial, Intermediate Volume Industrial, Large Volume Industrial (intra), and Large Industrial Service Classes increases.
Pages 100 and 101.
17. DMT Transportation Service Rates for Residential, Commercial and Public Authority, Small Volume Industrial, Intermediate Volume Industrial, Large Volume Industrial (intra), and Large Industrial Service Classes increases.
Pages 111 and 112.
18. SATC Basic Service Charge for Small Commercial and Public Authority, Intermediate Volume Industrial Service Classes increases.
Pages 120 and 121.
19. SATC Distribution Charges for Residential, Commercial and Public Authority, Small Volume Industrial, Intermediate Volume Industrial Service Classes increases.
Pages 120 and 121.
20. Rider B increases.
Page 157
21. Rider F increases.
Page 164

LIST OF CHANGES MADE BY THIS TARIFF

DECREASE:

22. Annual consumption for Residential gas water heaters and dryers decreases.
Page 11.
23. Justified Company Investment decreases.
Page 12.
24. MMT Transportation Service Rates for Large Volume Industrial (inter) Service Class decreases.
Page 101.
25. DMT Transportation Service Rates for Large Volume Industrial (inter) Service Class decreases.
Page 112.
26. Rate MMNGS Supplier will be billed for the amount of interstate deliveries to intrastate pools decreases.
Page 118A.

RESERVED FOR FUTURE USE

RESERVED FOR FUTURE USE

RULES AND REGULATIONS APPLYING TO ALL TERRITORIES SERVED

1. RULES AND REGULATIONS

The customer's application for service, the Pennsylvania Public Utility Code and the rules and regulations promulgated by the Pennsylvania Public Utility Commission, as amended from time to time, and the rules and regulations contained herein are a part of the contract with each Customer, and each Customer agrees to be bound thereby.

2. APPLICATIONS FOR SERVICE

The Company may require any applicant for service to sign an application. Regardless of the manner in which an application is made, the acceptance of such application by the Company shall result in a contract service governed by Rule 1.

3. DETERMINATION OF COMPANY INVESTMENT FOR UPGRADE/EXTENSION OF FACILITIES

A. Maximum Company Investment Level

The Company investment for upgrade/extension of facilities for a firm gas customer shall be limited to an amount determined as follows:

$$\text{Maximum Company Investment} = \frac{\text{Additional Annual Revenues} \times \text{Justified Company Investment per Dollar of Additional Annual Revenue}}{\text{Dollar of Additional Annual Revenue}}$$

B. Determination of Additional Annual Revenues

The Additional Annual Revenues are calculated as follows:

(1) The Company will estimate the customer's projected firm annual volumes as follows:

(a) Residential

For guideline purposes, the Company shall use annual gas consumption figures for gas space heating and for various gas appliances as shown below (These figures are based on current insulation standards as well as 92% efficient furnaces):

(C)

(C) Indicates Change

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RULES AND REGULATIONS APPLYING TO ALL TERRITORIES SERVED (Cont'd)

3. DETERMINATION OF COMPANY INVESTMENT FOR UPGRADE/EXTENSION OF FACILITIES
(Cont'd)

Gas Space Heating:

Single Family Home - [(square footage x .029) - 5.4] Mcf
Apartment/Condominium - [(square footage x .024) + 3.14] Mcf
Manufactured Home - [(square footage x .0267) + 6.98] Mcf

(C)

Gas Appliances:

Gas Water Heater - 20.4 Mcf

(D)

Gas Dryer - 3.6 Mcf

(D)

Gas Range - 7.6 Mcf

(I)

Other Gas Appliances - Determined by the Company on a case-by-

(C)

case basis.

(b) Commercial or Public Authority: Industrial

The Company shall estimate projected firm annual volumes on a case-by-case basis.

(2) This annual volume is then distributed into 12 monthly amounts based on an average distribution in the appropriate revenue classification. (Alternatively, the customer's annual usage estimate may be distributed according to his own historic or projected monthly load profile pursuant to the Company's review and approval.)

(3) The appropriate rate schedule is applied to each monthly volume, and the results are added to produce annual gross revenues.

(4) For each monthly volume, the summation of the following costs shall be determined: (a) the portion of monthly gross revenues for recovery of purchased gas costs pursuant to applicable provisions of Rider A to this tariff and the applicable rate schedule; (b) Transition costs pursuant to applicable provision of Rider D to this tariff and the applicable rate schedule.

The portion of monthly gross revenues for recovery of Purchased Gas Costs and Transition Costs for each month shall be added together to produce annual revenues for recovery of Purchased Gas Costs and Transition Costs.

(5) The amount calculated under item (4) above, shall be subtracted from the amount calculated under item (3) above.

(6) Additional annual revenues resulting from the upgrade/extension shall be determined by reducing the annual revenues for recovery of non-gas costs as calculated in (5) above, by the customer's currently generated annual revenues for recovery of non-gas costs, if any, as determined by the Company.

(C) Indicates Change
(D) Indicates Decrease
(I) Indicates Increase

RULES AND REGULATIONS APPLYING TO ALL TERRITORIES SERVED (Cont'd)

3. DETERMINATION OF COMPANY INVESTMENT FOR UPGRADE/EXTENSION OF FACILITIES
(Cont'd)

C. Determination of Justified Company Investment Per Dollar of
Additional Annual Revenue

(1) Residential

The Justified Company Investment Per Dollar of Additional Annual Revenue for residential customers is \$4.58. (D)

(2) Commercial and Public Authority; Industrial

The Justified Company Investment Per Dollar of Additional Annual Revenue for commercial, public authority or industrial customers shall be selected from the table below based upon the projected term of use by the customer of the new or upgraded facilities.

<u>Projected Term of Use of New/Upgraded Facilities (Years)</u>	<u>Justified Company Investment Per Dollar of Additional Annual Revenue</u>
1	\$.47
2	.91
3	1.30
4	1.66
5	1.99
6	2.29
7	2.57
8	2.82
9	3.05
10	3.26
Greater than 10	4.58

(D)

Because the term of use has a substantial effect on the determination of the Justified Company Investment Per Dollar of Additional Annual Revenue, the Company may require a letter of intent from commercial, public authority and industrial customers projecting the term of use of the new or upgraded extension of facilities being requested.

The Company reserves the right to require a guaranteed revenue contract if the customer projects a term of use of the new or upgraded facilities in excess of 10 years or if the customer does not demonstrate that the customer's term of use is reasonable.

(D) Indicates Decrease

RULES AND REGULATIONS APPLYING TO ALL TERRITORIES SERVED (Cont'd)

4. UPGRADE/EXTENSION OF FACILITIES (Cont'd)

The Developer/Builder shall contribute to the cost of extending facilities, an amount equal to the difference between the total cost of construction of facilities less the Maximum Company Investment (as calculated above).

Income taxes, if any, paid with respect to the Contribution will be recorded in a deferred account and such taxes, less the income tax effect of depreciation received with respect to the property constructed with the Contribution, will be included in the Company's rate base in subsequent rate case proceedings.

In the event that the Developer/Builder does not achieve the projected annual completion rate, the Maximum Company Investment and the amount to be contributed will be recalculated, in the same manner stated above, based upon actual additional annual revenues from volumes transported by or purchased from the Company and consumed by the attaching customers during the 60-month period following completion of the extension and the projected additional annual revenues from volumes to be transported by or purchased from the Company and consumed by the customers attached as of the last day of such 60-month period. If the recalculated amount to be contributed is greater than the previously calculated amount to be contributed, the Developer/Builder will be required to pay such difference to the Company; provided, however, that no amount will be required to be paid if the recalculated amount to be contributed exceeds the Company's actual cost of construction less the recalculated Maximum Company Investment.

D. Upgrade

The Company's investment for the upgrade of facilities shall be subject to the formula described in Rule No. 3. An upgrade is required when the customer needs dictate increasing, decreasing or otherwise changing the current service line, main line or meter size for the increased, decreased or otherwise changed volume or pressure requirements. (C)

E. Advance Payment and Construction

Construction of any extension will not be undertaken until the amount of the applicant's contribution has been paid to the Company by the applicant. The actual construction of the extension shall be scheduled at the Company's discretion.

(C) Indicates Change

RULES AND REGULATIONS APPLYING TO ALL TERRITORIES SERVED (Cont'd)

4. UPGRADE/EXTENSION OF FACILITIES (Cont'd)

F. Refunds of Customer Investment

Any customer attaching to a facility extended/upgraded within five (5) years of completion thereof will be required to contribute to the cost of the extension/upgrade in accordance with Rules 3 and 4. In the event a new customer attaches to an extension/upgrade of the Company's facilities paid for by a customer or a developer/builder, within five (5) years of the date of completion thereof, a pro rata refund will be made to customers or developer/builder who were charged for such extension. In the alternative, the customer or builder/developer and Distribution may mutually agree in writing that the refund, if any, shall equal the Company's Maximum Company Investment for the attaching customer less the Company's actual attachment cost of construction. An annual review of such extensions is made on the anniversary date of completion thereof, during said five (5) years, and any refunds due are made at that time except for extensions for a developer/builder of commercial or industrial property which shall be reviewed at the end of year five (5) and any refunds due will be made at that time. No refunds will be paid for attachments occurring more than five (5) years after the completion date and in no case will the aggregate amount of refunds to a customer or developer/builder exceed the amount which the customer or developer/builder paid for the mainline extension/upgrade.

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(C)
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5. MAINTENANCE OF FACILITIES

After initial installation of facilities has been made, pursuant to Rule Nos. 3 and 4, above, all facilities including mains, customer service lines (i.e., the portion of the service line from the outlet of the Company's service stop cock to the inlet of the meter) and Company service lines (i.e. the portion of the service line from the gas main to and including the curb box and service stop cock), shall be maintained, replaced or renewed, as required, at the expense of the Company.

5A. SPECIAL UTILITY SERVICES

The provisions of Rules 3 and 4 do not apply to applications for special utility service. "Special utility service" shall include (a) a request for utility service when the applicant has an installed alternative fuel capability, including service from a natural gas well; (b) a request for utility service when the applicant is already receiving natural gas service from another Pennsylvania public utility; (c) a request for utility service from an applicant located in an area in which another natural gas utility is authorized to serve the applicant; (d) a request for utility service by an applicant who was the owner or ratepayer of record for the premises at the time the Company last provided service to the premises; (e) any request for service by an applicant who, in the Company's view, is unlikely to remain on the Company's system for a sufficient period of time to justify the extension. Applications for special utility service shall be resolved on a case-by-case basis through negotiations between the applicant and the company.

(C) Indicates Change

RULES AND REGULATIONS APPLYING TO ALL TERRITORIES SERVED (Cont'd)

10. LEAKS

The responsibility for detecting leaks or defects in piping between the Company's service connection and the point of consumption shall be upon the customer. The customer shall give immediate notice to the Company of inadequate, irregular or failing gas supply, leakage, abnormally high or low pressures, or any dangerous conditions.

Should any leak or defect be discovered in the mains, service connections, customer's service line, piping, or appliances, the Company shall have the right to shut off the supply of gas until satisfactory repairs have been made.

11. REFUSAL OR TERMINATION OF SERVICE

The Company may decline to serve an applicant (1) until he has complied with state and municipal regulations governing gas service and the approved Rules and Regulations of the Company contained in this Tariff and any supplement thereto, (2) if the Company does not have adequate facilities to render the service desired or if rendering such service would affect unfavorably service to other customers, (3) if in the Company's judgment, the applicant's installation of piping or gas equipment is regarded as hazardous or of such character that satisfactory service cannot be given, (4) if an extension of street main is required beyond length warranted by anticipated revenues, and the customer refuses to pay the charges required by Rule 3 of this Tariff, (5) until all amounts due for regulated service at a previous location have been paid or covered by a payment agreement (unless the amount owed is more than four years after the date of the final bill, in which case service cannot be refused), (6) or where the service proposed is from a gathering, production or transmission pipeline (see Rule 25). (C)

The Company may terminate service for nonpayment of a billing or billings for regulated services, and such termination of service shall be in accordance with general regulations of the Pennsylvania Public Utility Commission applicable thereto and in accordance with the Pennsylvania Public Utility Code.

The Company may not threaten termination of service for nonpayment of unregulated Natural Gas Supplier charges incurred by the customer from qualified Suppliers under Rate Schedule SATS even if the Company purchases receivables from the Supplier.

The Company may terminate service for such reasons and on such notice as specified by the regulations of the Pennsylvania Public Utility Commission, the Pennsylvania Public Utility Code, or for other violation of these Rules and Regulations.

The Company may refuse to serve any applicant, or may terminate service to any customer who fails to pay a security deposit for regulated services or who fails to provide the Company with security in lieu of a deposit as provided for in this Tariff.

(C) Indicates Change

RESIDENTIAL SERVICE RATE SCHEDULE

RESIDENTIAL CLASSIFICATION

This classification shall include gas supplied for residential purposes such as a private dwelling, apartment house with a single meter supplying four or less dwelling units, separately metered apartments of a multiple dwelling, accessory buildings to dwellings or apartment houses such as garages, except at residences receiving service under Rate Schedule LIRAS for Low Income Residential Assistance Service and other places of residence where gas is used for residential purposes.

Churches and missions (places of worship) shall be entitled to Service under the Residential service rate schedule.

AVAILABILITY OF SERVICE

Gas service shall be available at one location, except as otherwise provided, for residential customers.

APPLICABILITY

Applicable in all areas served under this tariff.

MONTHLY RATE

Basic Service Charge

\$12.00 per Month

Distribution Charges

37.475¢ per 100 cubic feet for the first 5,000 cubic feet (I)
27.117¢ per 100 cubic feet for all over 5,000 cubic feet (I)

Gas Adjustment Charge

(9.027¢) per 100 cubic feet

For a period of 12 months starting when gas supply service hereunder is initiated to a former SATC, MMT or DMT customer by the Company, the rates for service under this rate schedule shall exclude the Gas Adjustment Charge. Former SATC, MMT or DMT customers will be charged during this 12 month period the DEDC factor as defined in Rider A to this tariff and as contained in the Distribution charges set forth above, as amended from time to time.

Natural Gas Supply Charge

109.429¢ per 100 cubic feet

The above rates shall be subject to surcharges in accordance with the provisions of Rider B - State Tax Adjustment Surcharge and Rider F - LIRA Discount Charge as set forth in this tariff.

RULES AND REGULATIONS

The rules and regulations set forth in this tariff shall govern, where applicable, the supply of gas service under this rate schedule.

(I) Indicates Increase

RESERVED FOR FUTURE USE

MONTHLY RATE

After completion of selection of the customers to receive service under this rate schedule, the following percentage discounts shall be applied to the Residential Rate Schedule Basic Service Charge, Distribution Charge, Gas Adjustment Charge and Natural Gas Supply Charge:

(C)

ANNUAL INCOME	HOUSEHOLD SIZE						
	1	2	3	4	5	6	7
\$0 - \$999	60%	60%	60%	70%	70%	70%	70%
\$1,000 - \$1,999	60%	60%	60%	70%	70%	70%	70%
\$2,000 - \$2,999	60%	60%	60%	70%	70%	70%	70%
\$3,000 - \$3,999	60%	60%	60%	70%	70%	70%	70%
\$4,000 - \$4,999	60%	60%	60%	70%	70%	70%	70%
\$5,000 - \$5,999	60%	60%	60%	70%	70%	70%	70%
\$6,000 - \$6,999	50%	60%	60%	60%	70%	70%	70%
\$7,000 - \$7,999	50%	50%	60%	60%	60%	60%	60%
\$8,000 - \$8,999	40%	40%	50%	60%	60%	60%	60%
\$9,000 - \$9,999	40%	40%	40%	50%	50%	60%	60%
\$10,000 - \$10,999	30%	40%	40%	50%	50%	50%	60%
\$11,000 - \$11,999	20%	30%	30%	40%	50%	50%	50%
\$12,000 - \$12,999	10%	30%	30%	30%	30%	50%	50%
\$13,000 - \$13,999	10%	20%	20%	30%	30%	40%	50%
\$14,000 - \$14,999	10%	10%	20%	20%	30%	30%	40%
\$15,000 - \$15,999	0%	10%	10%	20%	20%	30%	40%
\$16,000 - \$16,999	0%	10%	10%	10%	20%	20%	20%
\$17,000 - \$17,999	0%	10%	10%	10%	10%	20%	20%
\$18,000 - \$18,999	0%	10%	10%	10%	10%	10%	20%
\$19,000 - \$19,999	0%	10%	10%	10%	10%	10%	10%
\$20,000 - \$20,999	0%	0%	10%	10%	10%	10%	10%
\$21,000 - \$21,999	0%	0%	10%	10%	10%	10%	10%
\$22,000 - \$22,999	0%	0%	10%	10%	10%	10%	10%
\$23,000 - \$23,999	0%	0%	10%	10%	10%	10%	10%
\$24,000 - \$24,999	0%	0%	10%	10%	10%	10%	10%
\$25,000 - \$25,999	0%	0%	0%	10%	10%	10%	10%
\$26,000 - \$26,999	0%	0%	0%	10%	10%	10%	10%
\$27,000 - \$27,999	0%	0%	0%	10%	10%	10%	10%
\$28,000 - \$28,999	0%	0%	0%	10%	10%	10%	10%

(C) Indicates Change

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MONTHLY RATE (Cont')

(C)

ANNUAL INCOME	HOUSEHOLD SIZE						
	8	9	10	11	12	13	14
\$0 - \$999	70%	80%	80%	80%	80%	80%	80%
\$1,000 - \$1,999	70%	80%	80%	80%	80%	80%	80%
\$2,000 - \$2,999	70%	80%	80%	80%	80%	80%	80%
\$3,000 - \$3,999	70%	80%	80%	80%	80%	80%	80%
\$4,000 - \$4,999	70%	80%	80%	80%	80%	80%	80%
\$5,000 - \$5,999	70%	80%	80%	80%	80%	80%	80%
\$6,000 - \$6,999	70%	70%	70%	70%	70%	70%	70%
\$7,000 - \$7,999	70%	70%	70%	70%	70%	70%	70%
\$8,000 - \$8,999	60%	70%	70%	70%	70%	70%	70%
\$9,000 - \$9,999	60%	70%	70%	70%	70%	70%	70%
\$10,000 - \$10,999	60%	60%	60%	60%	60%	60%	60%
\$11,000 - \$11,999	60%	60%	60%	60%	60%	60%	60%
\$12,000 - \$12,999	50%	60%	60%	60%	60%	60%	60%
\$13,000 - \$13,999	50%	60%	60%	60%	60%	60%	60%
\$14,000 - \$14,999	50%	50%	50%	50%	50%	50%	50%
\$15,000 - \$15,999	40%	50%	50%	50%	50%	50%	50%
\$16,000 - \$16,999	40%	50%	50%	50%	50%	50%	50%
\$17,000 - \$17,999	30%	50%	50%	50%	50%	50%	50%
\$18,000 - \$18,999	20%	40%	40%	40%	40%	40%	40%
\$19,000 - \$19,999	20%	30%	40%	40%	40%	40%	40%
\$20,000 - \$20,999	20%	30%	40%	40%	40%	40%	40%
\$21,000 - \$21,999	10%	20%	20%	40%	40%	40%	40%
\$22,000 - \$22,999	10%	20%	20%	20%	30%	30%	30%
\$23,000 - \$23,999	10%	20%	20%	20%	30%	30%	30%
\$24,000 - \$24,999	10%	10%	10%	10%	10%	30%	30%
\$25,000 - \$25,999	10%	10%	10%	10%	10%	30%	30%
\$26,000 - \$26,999	10%	10%	10%	10%	10%	10%	20%
\$27,000 - \$27,999	10%	10%	10%	10%	10%	10%	20%
\$28,000 - \$28,999	10%	10%	10%	10%	10%	10%	10%

(C) Indicates Change

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APPLICABILITY

Applicable in all areas served under this tariff.

MONTHLY RATE

For "Small" Commercial/Public Authority Customers using not more than 250,000 cubic feet per year:

Basic Service Charge		(I)
\$19.89	per Month	
Distribution Charges		
30.429¢	per 100 cubic feet for the first 5,000 cubic feet	(I)
27.171¢	per 100 cubic feet for all over 5,000 cubic feet	(I)
Gas Adjustment Charge		
(9.027¢)	per 100 cubic feet	

For a period of 12 months starting when gas supply service hereunder is initiated to a former SATC, MMT or DMT customer by the Company, the rates for service under this rate schedule shall exclude the Gas Adjustment Charge. Former SATC, MMT or DMT customers will be charged during this 12 month period the DEDC factor as defined in Rider A to this tariff and as contained in the Distribution charges set forth above, as amended from time to time.

Natural Gas Supply Charge	
109.429¢	per 100 cubic feet

The above rates shall be subject to surcharges in accordance with the provisions of Rider B - State Tax Adjustment Surcharge as set forth in this tariff.

For "Small" Commercial/Public Authority Customers using greater than 250,000 cubic feet but not more than 1,000,000 cubic feet per year:

Basic Service Charge		(I)
\$27.53	per Month	
Distribution Charges		
22.942¢	per 100 cubic feet for the first 20,000 cubic feet	(I)
21.578¢	per 100 cubic feet for all over 20,000 cubic feet	(I)
Gas Adjustment Charge		
(9.027¢)	per 100 cubic feet	

For a period of 12 months starting when gas supply service hereunder is initiated to a former SATC, MMT or DMT customer by the Company, the rates for service under this rate schedule shall exclude the Gas Adjustment Charge. Former SATC, MMT or DMT customers will be charged during this 12 month period the DEDC factor as defined in Rider A to this tariff and as contained in the Distribution charges set forth above, as amended from time to time.

(I) Indicates Increase

RESERVED FOR FUTURE USE

Natural Gas Supply Charge
109.429¢ per 100 cubic feet

The above rates shall be subject to surcharges in accordance with the provisions of Rider B - State Tax Adjustment Surcharge as set forth in this tariff.

For "Large" Commercial/Public Authority Customers:

Basic Service Charge
\$121.01 per Month

Distribution Charges
18.574¢ per 100 cubic feet for the first 300,000 cubic feet (I)
17.382¢ per 100 cubic feet for the next 1,700,000 cubic feet (I)
15.198¢ per 100 cubic feet for all over 2,000,000 cubic feet (I)

Gas Adjustment Charge
(9.027¢) per 100 cubic feet

For a period of 12 months starting when gas supply service hereunder is initiated to a former SATC, MMT or DMT customer by the Company, the rates for service under this rate schedule shall exclude the Gas Adjustment Charge. Former SATC, MMT or DMT customers will be charged during this 12 month period the DEDC factor as defined in Rider A to this tariff and as contained in the Distribution charges set forth above, as amended from time to time.

Natural Gas Supply Charge
109.429¢ per 100 cubic feet

The above rates shall be subject to surcharges in accordance with the provisions of Rider B - State Tax Adjustment Surcharge as set forth in this tariff.

APPLICATION PERIOD

The Application Period shall be the twelve months beginning March 1 of each year.

RULES AND REGULATIONS

The rules and regulations set forth in this tariff shall govern, where applicable, the supply of gas service under this rate schedule.

(I) Indicates Increase

RESERVED FOR FUTURE USE

1. The purchased gas demand costs applicable to the Residential, Commercial and Public Authority, Small Volume Industrial, Intermediate Volume Industrial, Large Volume Industrial and Large Industrial classes, the "DC", shall be obtained from Rider "A" - Section 1307(f) Purchased Gas Costs.

2. The number 12 shall be multiplied by the sum of (a) the volume of gas (expressed in Mcf) purchased from the Company by all Residential, Commercial and Public Authority, Small Volume Industrial, Intermediate Volume Industrial, Large Volume Industrial and Large Industrial customers, during the Company Peak Sales Month and (b) the volume of service (expressed in Mcf) to all customers under the "Monthly Volume" provisions of Rate Schedule SB, during the Company Peak Sales Month.

(a) "Company Peak Sales Month" is defined as the calendar month within which the Company experienced the System-Wide Peak Sales Day, such month being December, January or February preceding the Section 1307(f) Application Period for which the determination of the rate per Gas BDU is being made.

(b) "System-Wide Peak Sales Day" is defined as the day of maximum gas purchased by the Company, including all volumes of gas purchased from the Company throughout its entire system in the states of Pennsylvania and New York.

3. The amount determined in Item 1 above shall be divided by the amount determined in Item 2 above to determine the amount included in the rate for recovery of purchased gas costs.

4. The rate per Gas BDU shall be the amount for purchased gas demand costs (Item 3).

The current rate per Gas BDU is as follows:

Purchased Gas Demand Cost	\$.8027/BDU
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Each time there is a change in the provision for recovery of purchased gas costs pursuant to Rider "A" of this tariff, a recomputation shall be made, under Items 1, 2, and 3, above, of the component to be included in the rate for purchased gas demand costs and the rate per Gas BDU shall be changed accordingly.

b. Determination of Customer's Gas BDUs

The Customer's Gas BDUs shall be determined as follows: The actual volumes of gas purchased by the Customer from the Company and used by the Customer in the separately-metered load balancing facilities during such Customer's Peak Billing Cycle, as defined hereinafter, shall be multiplied by a fraction. The numerator shall be the number 30. The denominator shall be the number of days of service for which such Customer was billed in such Customer's Peak Billing Cycle.

The Customer's Peak Billing Cycle shall be the single billing cycle of maximum delivery to the Customer's separately-metered load balancing facilities that ended during one of the months of December, January, February and March during the period beginning with the most recently-completed billing cycle ended in December and ending with the current billing cycle.

If the customer used no gas under this rate schedule during the most recently concluded billing cycles ended in December, January, February or March, then the level of Gas BDUs applicable to Customer shall be zero (0).

2. Margin Demand Charge

a. The rate per Margin BDU shall be \$.5630 per Margin BDU. (I)

b. Determination of Customer's Margin BDUs

The Customer's Margin BDU shall be determined as follows: The actual deliveries of gas to the Customer by Company, including not only volumes of gas purchased by the Customer from the Company and used by the Customer in the separately-metered load balancing facilities but also volumes of Customer-owned gas transported to the Customer's load balancing facilities through the Company's facilities, during such Customer's Peak Billing Cycle, as defined hereinafter, shall be multiplied by a fraction. The numerator shall be the number 30. The denominator shall be the number of days of service for which such Customer was billed in such Customer's Peak Billing Cycle.

The Customer's Peak Billing Cycle shall be the single billing cycle of maximum delivery to the Customer's separately-metered load balancing facilities that ended during one of the months of December, January, February and March during the period beginning with the most recently-completed billing cycle ended in December and ending with the current billing cycle.

If the Customer used no gas under this rate schedule during the most recently concluded billing cycles ended in December, January, February or March, then the level of Margin BDUs applicable to Customer shall be zero (0).

(I) Indicates Increase.

Issued:

Effective: January 1, 2007

B. COMMODITY CHARGES FOR SALES AND FOR TRANSPORTATION SERVICE

1. Commodity Charge for Sales Service

The monthly Commodity Charge for Sales Service shall be the product of multiplying the rate per Mcf, determined as provided below, by the volume of gas sold to the Customer by the Company during the applicable billing cycle.

The rate per Mcf shall be determined as follows and shall be \$9.1416 per Mcf, subject to revision as provided below: (I)

The current components of the rate are as follows:

Purchased Gas Commodity Costs, set forth in Rider "A"	\$ 8.5850/Mcf	
Non-Gas Costs	\$.5566/Mcf	(I)

a. Determination of Rate per Mcf

The rate per Mcf shall be the sum of:

1. The net amount per Mcf for recovery of the commodity component of purchased gas costs and for recovery or refund of "E" Factor amounts, the "PGCC", as determined in Rider "A" - Section 1307(f) Purchased Gas Costs of this tariff; plus
2. The amount of \$.5566 per Mcf for recovery of non-gas costs. (I)

Each time there is a change in the provision for recovery of purchased gas costs pursuant to Rider "A" of this tariff, a recomputation shall be made of the commodity component of purchased gas costs (Item 1, above) and the rate per Mcf shall be changed accordingly. The component included in the rate for recovery of non-gas costs shall remain constant until changed in accordance with a procedure, other than a proceeding pursuant to Section 1307(f) of the Public Utility Code, 66 Pa.C.S. Section 1307(f).

2. Commodity Charge for Transportation Service

The monthly commodity charge for Transportation Service shall be the product of multiplying the rate per Mcf, determined as provided below, by the volume of gas transported by the Company to the Customer's load balancing facilities.

The rate per Mcf for transportation of gas under this rate schedule shall be \$.7066 per Mcf, which includes \$.5566 for recovery of non-gas costs and \$.1500 for recovery of purchased gas. (I)

(I) Indicates Increase

V. SURCHARGE

The Demand Charges and the Commodity Charge for Sales Service and the Commodity Charge for Transportation Service shall be subject to surcharges in accordance with provisions of Rider B - State Tax Adjustment Surcharge.

VI. AMOUNTS TO BE INCLUDED IN OVER/UNDERCOLLECTION OF GAS COSTS

Purchased gas cost revenues billed under this rate schedule shall be included as revenues for recovery of gas costs for purposes of computing Factor "E" of Company's 1307(f) rate in accordance with procedures set forth in Rider "A" - Section 1307(f) Purchased Gas Costs.

VII. SPECIAL PROVISIONS

Monthly metered Special Provisions A through J contained in the Company's Rate Schedule for Transportation Service shall apply to transportation service under this rate schedule.

VIII. RULES AND REGULATIONS

The rules and regulations set forth in this tariff shall govern, where applicable, the supply of gas service under this rate schedule.

MONTHLY RATE

Basic Service Charge
\$65.60 per Month

Distribution Charges
24.214¢ per 100 cubic feet

(I)

Gas Adjustment Charge
(9.027¢) per 100 cubic feet

For a period of 12 months starting when gas supply service hereunder is initiated to a former SATC, MMT or DMT customer by the Company, the rates for service under this rate schedule shall exclude the Gas Adjustment Charge. Former SATC, MMT or DMT customers will be charged during this 12 month period the DEDC factor as defined in Rider A to this Tariff and as contained in the Distribution charges set forth above, as amended from time to time.

Natural Gas Supply Charge
109.429¢ per 100 cubic feet

The above rates shall be subject to surcharges in accordance with the provisions of Rider B - State Tax Adjustment Surcharge.

APPLICATION PERIOD

The Application Period shall be the twelve months beginning March 1 of each year.

RULES AND REGULATIONS

The rules and regulations set forth in this tariff shall govern, where applicable, the supply of gas service under this rate schedule.

(I) Indicates Increase

NATIONAL FUEL GAS
DISTRIBUTION CORPORATION

RESERVED FOR FUTURE USE

MONTHLY RATE

Basic Service Charge
\$201.91 per Month (I)

Distribution Charges
18.333¢ per 100 cubic feet for the first 100,000 cubic feet (I)
14.252¢ per 100 cubic feet for the next 1,900,000 cubic feet (I)
11.058¢ per 100 cubic feet for all over 2,000,000 cubic feet (I)

Gas Adjustment Charge
(9.027¢) per 100 cubic feet

For a period of 12 months starting when gas supply service hereunder is initiated to a former SATC, MMT or DMT customer by the Company, the rates for service under this rate schedule shall exclude the Gas Adjustment Charge. Former SATC, MMT or DMT customers will be charged during this 12 month period the DEDC factor as defined in Rider A to this tariff and as contained in the Distribution charges set forth above, as amended from time to time.

Natural Gas Supply Charge
109.429¢ per 100 cubic feet

The above rates shall be subject to surcharges in accordance with the provisions of Rider B - State Tax Adjustment Surcharge as set forth in this tariff.

APPLICATION PERIOD

The Application Period shall be the twelve months beginning March 1 of each year.

RULES AND REGULATIONS

The rules and regulations set forth in this tariff shall govern, where applicable, the supply of gas service under this rate schedule.

(I) Indicates Increase

NATIONAL FUEL GAS
DISTRIBUTION CORPORATION

RESERVED FOR FUTURE USE

Industrial and Large Industrial customers, during the Company Peak Sales Month defined in Rate Schedule CPA-LBS and (b) the volumes of service (expressed in Mcf) to all customers under the "Monthly Volume" provisions of Rate Schedule SB, during the Company Peak Sales Month defined in Rate Schedule CPA-LBS.

3. The amount determined in Item 1 above shall be divided by the amount determined in Item 2 above to determine the amount included in the rate for recovery of purchased gas costs.
4. The rate per Gas BDU shall be the amount for purchased gas demand costs (Item 3).

The current rate per Gas BDU is as follows:

Purchased Gas Demand Cost	\$.8027/BDU
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Each time there is a change in the provision for recovery of purchased gas costs pursuant to Rider "A" of this tariff, a recomputation shall be made, under Items 1, 2, and 3, above, of the component to be included in the rate for purchased gas demand costs and the rate per Gas BDU shall be changed accordingly.

b. Determination of Customer's Gas BDUs

The Customer's Gas BDUs shall be determined as follows: The actual volumes of gas purchased by the Customer from the Company and used by the Customer in the separately-metered load balancing facilities during such Customer's Peak Billing Cycle, as defined hereinafter, shall be multiplied by a fraction. The numerator shall be the number 30. The denominator shall be the number of days of service for which such Customer was billed in such Customer's Peak Billing Cycle.

The Customer's Peak Billing Cycle shall be the single billing cycle of maximum delivery to the Customer's separately-metered load balancing facilities that ended during one of the months of December, January, February and March during the period beginning with the most recently-completed billing cycle ended in December and ending with the current billing cycle.

If the customer used no gas under this rate schedule during the most recently concluding billing cycles ended in December, January, February or March, then the level of Gas BDUs applicable to Customer shall be zero (0).

2. Margin Demand Charge

a. The rate per Margin BDU shall be \$.5122 per Margin BDU. (I)

b. Determination of Customer's Margin BDUs

The Customer's Margin BDU shall be determined as follows:
The actual deliveries of gas to the Customer by Company, including not only volumes of gas purchased by the Customer from the Company and used by the Customer in the separately-metered load balancing facilities but also volumes of Customer-owned gas transported to the Customer's load balancing facilities through the Company's facilities, during such Customer's Peak Billing Cycle, as defined hereinafter, shall be multiplied by a fraction. The numerator shall be the number 30. The denominator shall be the number of days of service for which such Customer was billed in such Customer's Peak Billing Cycle.

The Customer's Peak Billing Cycle shall be the single billing cycle of maximum delivery to the Customer's separately-metered load balancing facilities that ended during one of the months of December, January, February and March during the period beginning with the most recently-completed billing cycle ended in December and ending with the current billing cycle.

If the Customer used no gas under this rate schedule during the most recently concluded billing cycles ended in December, January, February or March, then the level of Margin BDUs applicable to Customer shall be zero (0).

B. COMMODITY CHARGES FOR SALES AND FOR TRANSPORTATION SERVICE

1. Commodity Charge for Sales Service

The monthly Commodity Charge for Sales Service shall be the product of multiplying the rate per Mcf, determined as provided below, by the volume of gas sold to the Customer by the Company during the applicable billing cycle.

The rate per Mcf shall be determined as follows and shall be \$ 8.9658 per Mcf, subject to revision as provided below: (I)

The current components of the rate are as follows:

Purchased Gas Commodity Costs, set forth in Rider "A"	\$ 8.5850/Mcf	
Non-Gas Costs	\$.3808/Mcf	(I)

a. Determination of Rate per Mcf

The rate per Mcf shall be the sum of:

1. The net amount per Mcf for recovery of the commodity component of purchased gas costs and for recovery or refund of "E" Factor amounts, the "PGCC", as determined in Rider "A" - Section 1307(f) Purchased Gas Costs of this tariff; plus

(I) Indicates Increase

2. The amount of \$.3808 per Mcf for recovery of non-gas costs. (I)

Each time there is a change in the provision for recovery of purchased gas costs pursuant to Rider "A" of this tariff, a recomputation shall be made of the commodity component of purchased gas costs (Item 1, above) and the rate per Mcf shall be changed accordingly. The component included in the rate for recovery of non-gas costs shall remain constant until changed in accordance with a procedure, other than a proceeding pursuant to Section 1307(f) of the Public Utility Code, 66 Pa.C.S. Section 1307(f).

2. Commodity Charge for Transportation Service

The monthly commodity charge for Transportation Service shall be the product of multiplying the rate per Mcf, determined as provided below, by the volume of gas transported by the Company to the Customer's load balancing facilities.

The rate per Mcf for transportation of gas under this rate schedule shall be \$.5308 per Mcf, which includes \$.3808 for recovery of non-gas costs and \$.1500 for recovery of purchased gas costs. (I)

V. SURCHARGE

The Demand Charges and the Commodity Charge for Sales Service and the Commodity Charge for Transportation Service shall be subject to surcharges in accordance with provisions of Rider B - State Tax Adjustment Surcharge.

VI. AMOUNTS TO BE INCLUDED IN OVER/UNDERCOLLECTION OF GAS COSTS

Purchased gas cost revenues billed under this rate schedule shall be included as revenues for recovery of gas costs for purposes of computing Factor "E" of Company's 1307(f) rate in accordance with procedures set forth in Rider "A" - Section 1307(f) Purchased Gas Costs.

VII. SPECIAL PROVISIONS

Monthly metered Special Provisions A through J contained in the Company's Rate Schedule for Transportation Service shall apply to transportation service under this rate schedule.

VIII. RULES AND REGULATIONS

The rules and regulations set forth in this tariff shall govern, where applicable, the supply of gas service under this rate schedule.

(I) Indicates Increase

- C. An Industrial Customer, for which the Company estimates that the total volumes of gas purchased from the Company or transported by the Company during the next succeeding twelve months will be not less than 50,000 Mcf, if the Industrial Customer has used total volumes of gas in at least one billing month of not less than 4,167 Mcf, even if the Customer disagrees with the Company's estimate.
- D. An Industrial Customer for which the Company estimates that total volumes of gas to be used by the customer during the next succeeding twelve months will not be less than 50,000 Mcf of gas per year whether the gas is purchased by the Industrial Customer from the Company, delivered by the Company to the Industrial Customer, or obtained by the customer from another source.

An Industrial Customer that meets the above criteria under this rate schedule at the beginning of an Application Period is required to continue to be subject to this rate schedule during all months of such Application Period. An Industrial Customer that meets the above criteria under this rate schedule during an Application Period is required to continue to be subject to this rate schedule during all or remaining months of such Application Period.

MONTHLY RATE

Basic Service Charge		
\$ 809.00	per Month	(I)
Distribution Charges		
13.749¢	per 100 cubic feet for the first 100,000 cubic feet	(I)
11.931¢	per 100 cubic feet for the next 1,900,000 cubic feet	(I)
9.843¢	per 100 cubic feet for the next 18,000,000 cubic feet	(I)
8.471¢	per 100 cubic feet for all over 20,000,000 cubic feet	(I)
Gas Adjustment Charge		
(9.027¢)	per 100 cubic feet	

For a period of 12 months starting when gas supply service hereunder is initiated to a former SATC, MMT or DMT customer by the Company, the rates for service under this rate schedule shall exclude the Gas Adjustment Charge. Former SATC, MMT or DMT customers will be charged during this 12 month period the DEDC factor as defined in Rider A to this tariff and as contained in the Distribution charges set forth above, as amended from time to time.

Natural Gas Supply Charge	
109.429¢	per 100 cubic feet

The above rates shall be subject to surcharges in accordance with provisions of Rider B - State Tax Adjustment Surcharge.

(I) Indicates Increase

RULES AND REGULATIONS

The rules and regulations set forth in this tariff shall govern, where applicable, the supply of gas service under this rate schedule.

APPLICABLE PERIOD

The Application Period shall be the twelve months beginning March 1 of each year.

Commercial and Public Authority, Small Volume Industrial, Intermediate Volume Industrial, Large Volume Industrial and Large Industrial customers, during the Company Peak Sales Month defined in Rate Schedule CPA-LBS and (b) the volume of service (expressed in Mcf) to all customers under the "Monthly Volume" provisions of Rate Schedule SB, during the Company Peak Sales Month defined in Rate Schedule CPA-LBS.

3. The amount determined in Item 1 above shall be divided by the amount determined in Item 2 above to determine the amount included in the rate for recovery of purchased gas costs.
4. The rate per Gas BDU shall be the amount for purchased gas demand costs (Item 3).

The current rate per Gas BDU is as follows:

Purchased Gas Demand Cost	\$.8027/BDU
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Each time there is a change in the provision for recovery of purchased gas costs pursuant to Rider "A" of this tariff, a recomputation shall be made, under Items 1, 2 and 3, above, of the component to be included in the rate for purchased gas demand costs and the rate per Gas BDU shall be changed accordingly.

b. Determination of Customer's Gas BDUs

The Customer's Gas BDUs shall be determined as follows: The actual volumes of gas purchased by the Customer from the Company and used by the Customer in the separately-metered qualifying load balancing facilities during such Customer's Peak Billing Cycle, as defined hereinafter, shall be multiplied by a fraction. The numerator shall be the number 30. The denominator shall be the number of days of service for which such Customer was billed in such Customer's Peak Billing Cycle.

The Customer's Peak Billing Cycle shall be the single billing cycle of maximum delivery to the Customer's separately-metered qualifying load balancing facilities that ended during one of the months of December, January, February and March during the period beginning with the most recently completed billing cycle and ending with the current billing cycle.

If the customer used no gas under this rate schedule during the most recently concluded billing cycles ended in December, January, February or March, then the level of Gas BDUs applicable to Customer shall be zero (0).

2. Margin Demand Charge

a. The rate per Margin BDU shall be \$.3182 per Margin BDU. (I)

b. Determination of Customer's Margin BDUs

The Customer's Margin BDU shall be determined as follows:
The actual deliveries of gas to the Customer by Company, including not only volumes of gas purchased by the Customer from the Company and used by the Customer in the separately-metered load balancing facilities but also volumes of Customer-owned gas transported to the Customer's load balancing facilities through the Company's facilities, during such Customer's Peak Billing Cycle, as defined hereinafter, shall be multiplied by a fraction. The numerator shall be the number 30. The denominator shall be the number of days of service for which such Customer was billed in such Customer's Peak Billing Cycle.

The Customer's Peak Billing Cycle shall be the single billing cycle of maximum delivery to the Customer's separately-metered load balancing facilities that ended during one of the months of December, January, February and March during the period beginning with the most recently completed billing cycle ended in December and ending with the current billing cycle.

If the Customer used no gas under this rate schedule during the most recently concluded billing cycles ended in December, January, February or March, then the level of Margin BDUs applicable to Customer shall be zero (0).

B. COMMODITY CHARGES FOR SALES AND FOR TRANSPORTATION SERVICE

1. Commodity Charge for Sales Service

The monthly Commodity Charge for Sales Service shall be the product of multiplying the rate per Mcf, determined as provided below, by the volume of gas sold to the Customer by the Company during the applicable billing cycle.

The rate per Mcf shall be determined as follows and shall be \$ 8.8323 per (I) Mcf, subject to revision as provided below:

The current components of the rate are as follows:

Purchased Gas Commodity		
Costs, set forth in Rider "A"	\$ 8.5850/Mcf	
Non-Gas Costs	\$.2473/Mcf	(I)

a. Determination of Rate per Mcf

The rate per Mcf shall be the sum of:

1. The net amount per Mcf for recovery of the commodity component of purchased gas costs and for recovery or refund of "E" Factor amounts, the "PGCC", as determined in Rider "A" - Section 1307(f) Purchased Gas Costs of this tariff; plus

(I) Indicates Increase

2. The amount of \$.2473 per Mcf for recovery of non-gas costs. (I)

Each time there is a change in the provision for recovery of purchased gas costs pursuant to Rider "A" of this tariff, a recomputation shall be made of the commodity component of purchased gas costs (Item 1, above) and the rate per Mcf shall be changed accordingly. The component included in the rate for recovery of non-gas costs shall remain constant until changed in accordance with a procedure, other than a proceeding pursuant to Section 1307(f) of the Public Utility Code, 66 Pa.C.S. Section 1307(f).

2. Commodity Charge for Transportation Service

The monthly commodity charge for Transportation Service shall be the product of multiplying the rate per Mcf, determined as provided below, by the volume of gas transported by the Company to the Customer's load balancing facilities.

The rate per Mcf for transportation of gas under this rate schedule shall be \$.3973 per Mcf, which includes \$.2473 for recovery of non-gas costs and \$.1500 for recovery of Purchased Gas Costs. (I)

V. SURCHARGE

The Demand Charges and the Commodity Charge for Sales Service and the Commodity Charge for Transportation Service shall be subject to surcharges in accordance with provisions of Rider B - State Tax Adjustment Surcharge as set forth in this tariff.

VI. AMOUNTS TO BE INCLUDED IN OVER/UNDERCOLLECTION OF GAS COSTS

Purchased gas cost revenues billed under this rate schedule shall be included as revenues for recovery of gas costs for purposes of computing Factor "E" of Company's 1307(f) rate in accordance with procedures set forth in Rider "A" - Section 1307(f) Purchased Gas Costs.

VII. SPECIAL PROVISIONS

Monthly metered Special Provisions A through J contained in the Company's Rate Schedule for Transportation Service shall apply to transportation service under this rate schedule.

VIII. RULES AND REGULATIONS

The rules and regulations set forth in this tariff shall govern, where applicable, the supply of gas service under this rate schedule.

(I) Indicates Increase

Issued:

Effective: January 1, 2007

- C. An Industrial Customer, for which the Company estimates that the total volumes of gas purchased from the Company or transported by the Company during the next succeeding twelve months will be not less than 200,000 Mcf, if the Industrial Customer has used total volumes of gas in at least one billing month of not less than 17,000 Mcf, even if the Customer disagrees with the Company's estimate.

An Industrial Customer that meets the above criteria under this rate schedule at the beginning of an Application Period is required to continue to be subject to this rate schedule during all months of such Application Period. An Industrial Customer that meets the above criteria under this rate schedule during an Application Period is required to continue to be subject to this rate schedule during all or remaining months of such Application Period.

MONTHLY RATE

Basic Service Charge
\$ 1029.00 per Month

Distribution Charges

11.440¢	per 100 cubic feet for the first	100,000 cubic feet	(I)
9.640¢	per 100 cubic feet for the next	1,900,000 cubic feet	(I)
7.571¢	per 100 cubic feet for the next	18,000,000 cubic feet	(I)
6.213¢	per 100 cubic feet for all over	20,000,000 cubic feet	(I)

Gas Adjustment Charge
(9.027¢) per 100 cubic feet

For a period of twelve months starting when gas supply service hereunder is initiated to a former SATC, MMT or DMT customer by the Company, the rates for service under this rate schedule shall exclude the Gas Adjustment Charge. Former SATC, MMT or DMT customers will be charged during this twelve month period the DEDC factor as defined in Rider A to this tariff and as contained in the Distribution charges set forth above, as amended from time to time.

Natural Gas Supply Charge
109.429¢ per 100 cubic feet

The above rates shall be subject to surcharges in accordance with provisions of Rider B - State Tax Adjustment Surcharge.

GAS SHORTAGE CURTAILMENT

Service under this schedule to an LIS Industrial Customer is subject to curtailment and excess consumption penalty as set forth in Rule 26 of this tariff.

RULES AND REGULATIONS

The rules and regulations set forth in this tariff shall govern, where applicable, the supply of gas service under this Rate Schedule.

(I) Indicates Increase

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LBS and (b) volume of service (expressed in Mcf) to all customers under the "Monthly Volume" provisions of Rate Schedule SB, during the Company Peak Sales Month defined in Rate Schedule CPA-LBS.

3. The amount determined in Item 1 above shall be divided by the amount determined in Item 2 above to determine the amount included in the rate for recovery of purchased gas costs.
4. The rate per Gas BDU shall be the amount for purchased gas demand costs (Item 3).

The current rate per Gas BDU is as follows:

Purchased Gas Demand Cost	\$.8027/BDU
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Each time there is a change in the provision for recovery of purchased gas costs pursuant to Rider "A" of this tariff, a recomputation shall be made, under Items 1, 2 and 3, above, of the component to be included in the rate for purchased gas demand costs and the rate per Gas BDU shall be changed accordingly.

b. Determination of Customer's Gas BDUs

The Customer's Gas BDUs shall be determined as follows: The actual volumes of gas purchased by the Customer from the Company and used by the Customer in the separately-metered load balancing facilities during such Customer's Peak Billing Cycle, as defined hereinafter, shall be multiplied by a fraction. The numerator shall be the number 30. The denominator shall be the number of days of service for which such Customer was billed in such Customer's Peak Billing Cycle.

The Customer's Peak Billing Cycle shall be the single billing cycle of maximum delivery to the Customer's separately-metered load balancing facilities that ended during one of the months of December, January, February and March during the period beginning with the most recently-completed billing cycle ended in December and ending with the current billing cycle.

If the customer used no gas under this rate schedule during the most recently concluding billing cycles ended in December, January, February or March, then the level of Gas BDUs applicable to Customer shall be zero (0).

2. Margin Demand Charge

- a. The rate per Margin BDU shall be \$.2517 per Margin BDU. (I)
- b. Determination of Customer's Margin BDUs

The Customer's Margin BDU shall be determined as follows:
The actual deliveries of gas to the Customer by Company, including not only volumes of gas purchased by the Customer from the Company and used by the Customer in the separately-metered load balancing facilities but also volumes of Customer-owned gas transported to the Customer's load balancing facilities through the Company's facilities, during such Customer's Peak Billing Cycle, as defined hereinafter, shall be multiplied by a fraction. The numerator shall be the number 30. The denominator shall be the number of days of service for which such Customer was billed in such Customer's Peak Billing Cycle.

The Customer's Peak Billing Cycle shall be the single billing cycle of maximum delivery to the Customer's separately-metered load balancing facilities that ended during one of the months of December, January, February and March during the period beginning with the most recently-completed billing cycle ended in December and ending with the current billing cycle.

If the Customer used no gas under this rate schedule during the most recently concluded billing cycles ended in December, January, February or March, then the level of Margin BDUs applicable to Customer shall be zero (0).

B. COMMODITY CHARGES FOR SALES AND FOR TRANSPORTATION SERVICE

1. Commodity Charge for Sales Service

The monthly Commodity Charge for Sales Service shall be the product of multiplying the rate per Mcf, determined as provided below, by the volume of gas sold to the Customer by the Company during the applicable billing cycle.

The rate per Mcf shall be determined as follows and shall be \$ 8.7774 per (I) Mcf, subject to revision as provided below:

The current components of the rate are as follows:

Purchased Gas Commodity		
Costs, set forth in Rider "A"	\$ 8.5850/Mcf	
Non-Gas Costs	\$.1924/Mcf	(I)

a. Determination of Rate per Mcf

The rate per Mcf shall be the sum of:

(I) Indicates Increase

1. The net amount per Mcf for recovery of the commodity component of purchased gas costs and for recovery or refund of "E" Factor amounts, the "PGCC", as determined in Rider "A" - Section 1307(f) Purchased Gas Costs of this tariff; plus

2. The amount of \$.1924 per Mcf for recovery of non-gas costs. (I)

Each time there is a change in the provision for recovery of purchased gas costs pursuant to Rider "A" of this tariff, a recomputation shall be made of the commodity component of purchased gas costs (Item 1, above) and the rate per Mcf shall be changed accordingly. The component included in the rate for recovery of non-gas costs shall remain constant until changed in accordance with a procedure, other than a proceeding pursuant to Section 1307(f) of the Public Utility Code, 66 Pa.C.S. Section 1307(f).

2. Commodity Charge for Transportation Service

The monthly commodity charge for Transportation Service shall be the product of multiplying the rate per Mcf, determined as provided below, by the volume of gas transported by the Company to the Customer's load balancing facilities.

The rate per Mcf for transportation of gas under this rate schedule shall be \$.3424 per Mcf, which includes \$.1924 for recovery of non-gas costs and \$.1500 for recovery of Purchased Gas Costs. (I)

V. SURCHARGE

The Demand Charges and the Commodity Charge for Sales Service and the Commodity Charge for Transportation Service shall be subject to surcharges in accordance with provisions of Rider B - State Tax Adjustment Surcharge as set forth in this tariff.

VI. AMOUNTS TO BE INCLUDED IN OVER/UNDERCOLLECTION OF GAS COSTS

Purchased gas cost revenues billed under this rate schedule shall be included as revenues for recovery of gas costs for purposes of computing Factor "E" of Company's 1307(f) rate in accordance with procedures set forth in Rider "A" - Section 1307(f) Purchased Gas Costs.

VII. SPECIAL PROVISIONS

Monthly metered Special Provisions A through J contained in the Company's Rate Schedule for Transportation Service shall apply to transportation service under this rate schedule.

VIII. RULES AND REGULATIONS

The rules and regulations set forth in this tariff shall govern, where applicable, the supply of gas service under this rate schedule.

(I) Indicates Increase

Rate Schedule - NGV

NATURAL GAS VEHICLE SERVICE

I. APPLICABILITY

Throughout the territory served under this tariff.

II. AVAILABILITY

Sales Service under this rate schedule is available for use of natural gas by a customer directly in a natural gas motor vehicle ("NGV").

III. NATURE OF SERVICE

Service provided in this rate schedule shall be firm service subject to the curtailment priorities of Rule 26. For curtailment purposes, service under this rate schedule shall be defined as curtailment priority number (6), firm large noncritical commercial and industrial requirements other than requirement for boiler fuel use.

IV. RATE

Rates per 100 cu. ft. shall be established by the Company on the first day of each calendar month for each of the categories set forth below to compete with alternative vehicle fuels. The rates shall not be less than the 100% load factor base cost of gas, plus the take-or-pay surcharge, plus the surcharge for Transition Cost, plus the incremental operating cost incurred by the Company for operating Company owned NGV compression equipment on a per Ccf basis, if any, plus \$0.01 per 100 cu. ft., plus the state tax adjustment surcharge, and not more than the tailblock rate of the Commercial and Public Authority Service Rate Schedule, including all applicable surcharges, plus the incremental operating cost incurred by the Company for operating Company owned NGV compression equipment on a per Ccf basis, if any.

The 100% load factor base cost of gas shall be \$0.93877 per 100 cu. ft. (as calculated by adding the purchase gas components of the Load Balancing Service Rates).

Purchased Gas 100% Load Factor Demand Cost	\$0.08027/Ccf
plus	
Purchased Gas Commodity Cost	<u>\$0.85850/Ccf</u>
equals	
100% Load Factor Base Cost of Gas	\$0.93877/Ccf

The incremental operating cost for compression shall be \$0.13436/Ccf.

Natural gas vehicle customers are classified into the following categories:

NGV(1)	All natural gas vehicle customers utilizing Company owned filling facilities. A uniform rate shall be established each month within the parameters set forth above, for customers utilizing Company-owned filling facilities.		
	The minimum NGV(1) rate shall be	\$1.08313/Ccf	(I)
	The current components of the minimum NGV(1) rate are as follows:		
	100% load factor base cost of gas:	\$0.93877/Ccf	
	Incremental operating cost of Company owned NGV compression equipment:	\$0.13436/Ccf	
	Transition Cost Surcharge	\$0.00000/Ccf	
	State Tax Adjustment Surcharge:	\$0.00000/Ccf	(I)
	Minimum allowable Non-Gas cost:	\$0.01000/Ccf	
	The maximum NGV(1) rate shall be	\$1.29036/Ccf	(I)
	The current components of the maximum NGV(1) rate are as follows:		
	Tailblock rate of the Commercial and Public Authority Service Rate Schedule:	\$1.15600/Ccf	(I)
	Incremental operating cost of Company owned NGV Compression equipment:	\$0.13436/Ccf	(I)
	State Tax Adjustment Surcharge:	\$0.00000/Ccf	
NGV(2)	Natural gas vehicle customers utilizing customer owned filling facilities. A uniform rate will be established each month, within the parameters set forth above, to customers utilizing customer owned filling facilities.		
	The minimum NGV(2) rate shall be	\$0.94877/Ccf	(I)
	The current components of the minimum NGV(2) rate are as follows:		
	100% load factor base cost of gas:	\$0.93877/Ccf	
	Transition Cost Surcharge	\$0.00000/Ccf	
	State Tax Adjustment Surcharge:	\$0.00000/Ccf	(I)
	Minimum allowable Non-Gas cost:	\$0.01000/Ccf	
	The maximum NGV(2) rate shall be	\$1.15600/Ccf	(I)

(I) Indicates Increase

The current components of the maximum NGV(2) rate are as follows:

Tailblock rate of the Commercial and Public Authority Service Rate Schedule:	\$1.15600/Ccf	(I)
State Tax Adjustment Surcharge:	\$0.00000/Ccf	(I)

V. SURCHARGE

All charges under this rate schedule will be subject to surcharges in accordance with provisions of Rider B - State Tax Adjustment Surcharge as set forth in this tariff.

VI. AMOUNTS TO BE INCLUDED IN OVER/UNDERCOLLECTION OF GAS COSTS

Purchased gas cost revenues billed under this rate schedule shall be included as revenues for recovery of gas costs for purposes of computing Factor "E" of Company's 1307(f) rate in accordance with procedures set forth in Rider "A" - Section 1307(f) Purchased Gas Costs. Purchased gas cost revenues recovered under this rate schedule shall be the 100% load factor base cost of gas as defined above.

VII. RULES AND REGULATIONS

The rules and regulations set forth in this tariff shall govern, where applicable, the supply of gas service under this rate schedule.

(I) Indicates Increase

RESERVED FOR FUTURE USE

METERING AND FLOW CONTROL EQUIPMENT

The Company may install at the premises of any customer under this rate schedule an automated meter reading device (AMD) and communications device, at customers expense, which will enable the Company to monitor and record each Bypass Customer's daily usage. In addition, if changes in levels of usage of gas from the Company by any Customer under this rate schedule would have the potential to adversely affect service to others customers, the Company may install flow control devices, at customers expense, to restrict the daily flow of gas to the Customer to approximately one-thirtieth (1/30) of the monthly Bypass nomination.

NATURE OF SERVICE

A nomination under this rate schedule shall permit the customer to use the Company's facilities on a firm basis subject to curtailment priorities of Rule 26 of this Tariff. The gas may be either customer-owned gas or Company-owned gas. If the gas is customer-owned, the customer must have contracted with the Company for transportation service under the rate schedule for Transportation Service. If the gas is Company-owned, the customer must have contracted with the Company for standby service under Rate Schedule SB. If the customer is categorized as a residential or firm critical commercial essential human needs customer, then the customer must contract with the Company under rate schedule PSB.

MONTHLY BILLS

The procedures set forth below require bypass customers to pay over a twelve-month period revenues for recovery of non-gas costs of service approximately equal to amounts paid by average non-bypass customers with similar peak month winter usage. The procedures below require a bypass customer to pay over a twelve-month period based on its peak winter monthly usage multiplied by an average monthly load factor for non-bypass customers. The applicable rate is applied to the resulting volume. The procedures also reduce volumes subject to this rate schedule to credit a bypass customer for actual throughput to which the Company's sales or transportation service rates are applied.

RATE

Customers under this rate schedule shall be subject to the applicable rate listed below to be applied to the Billing Volume, as defined below.

<u>For customers receiving service under</u>	<u>Bypass rate</u>	
Commercial/Public Authority Rate Schedule	\$1.3286 per Mcf	(I)
Rate Schedule SVIS	\$1.0440 per Mcf	(I)
Rate Schedule IVIS	\$1.0471 per Mcf	(I)
Rate Schedule LVIS	\$0.7559 per Mcf	(I)
Rate Schedule LIS	\$0.2664 per Mcf	(I)

(I) Indicates Increase

Issued:

Effective: January 1, 2007

RATE SCHEDULE PSB

PRIORITY STANDBY SERVICE

APPLICABILITY

Throughout the territory served under this tariff.

AVAILABILITY OF SERVICE

Service under this rate schedule is available to all customers under the Residential, Commercial and Public Authority, and SVIS Rate Schedules which enter into a contract for service under this Rate Schedule. A customer will be permitted to enter into a contract, prepared by the Company, for service under this rate schedule, however, only if the Company projects that sufficient volumes of gas will be available to the Company during the period of the customer's contract for Priority Standby Service.

Service under this rate schedule is mandatory for all customers categorized as Priority 1 under the curtailment priorities of Rule 26 who enter into contracts with the Company to receive Transportation Service and who do not have dual or alternate fuel equipment on site which is installed and operable with sufficient amounts of alternate fuel available on site during each winter period of each year commencing on December 1 and ending on March 31 of the following year. Service under this rate schedule is voluntary for all other customers.

NATURE OF SERVICE

Priority standby service shall permit the customer to purchase gas on a firm basis subject to curtailment priorities of Rule 26. The Company will take all reasonable steps to obtain or to maintain gas supplies sufficient to enable the Company to provide reasonably continuous service to each Customer receiving Priority Standby Service.

MONTHLY RATE

The monthly rate shall be \$0.5831 per Mcf, which shall be applied to the total monthly volumes transported by the customer during the month.

The rate shall equal the PGDC portion of the commodity rate applicable to the corresponding sales rate classification.

MONTHLY RATE

The monthly rate shall be \$0.2732 per Mcf, which shall be applied to the Monthly Volume, as defined below.

MONTHLY VOLUME

The Mcf volume of gas to which the Monthly Rate set forth above shall be applied, shall be determined for each billing cycle, as set forth below:

1. The volume of gas specified in the Service Agreement under this rate schedule shall be adjusted for each billing cycle by multiplying such volume, expressed in Mcf, by a fraction. The numerator of the fraction shall be the number of days in the billing cycle applicable to the customer and the denominator shall be thirty (30).
2. If the volume determined under item 1, above, is greater than the sum of the Mcf volume of gas purchased by the customer under rate schedules other than load balancing rate schedules during the billing cycle, the Monthly Rate shall be applied to the difference between: (a) the volume determined under item 1, above, and (b) the Mcf volume of gas purchased by the customer under the rate schedules other than load balancing rate schedules during such billing cycle.
3. If the volume determined under item 1, above, is equal to or less than the Mcf volume of gas purchased by the customer under rate schedules other than load balancing rate schedules during the billing cycle, then the Monthly Volume shall be zero (0) Mcf.

MONTHLY RATES

(C)

Commodity Rates

The commodity rates set forth below contain a component, presently \$0.1500 per Mcf, for recovery of purchased gas costs.

For transportation of gas to Residential customers, the monthly rate for transportation of gas both within and outside the Commonwealth of Pennsylvania shall be:

\$3.0116 per Mcf.

(I)

For transportation of gas to Commercial and Public Authority Customers, the monthly rate for transportation of gas produced within the Commonwealth of Pennsylvania shall be:

\$2.8690 per Mcf for Small Commercial/Public Authority using not more than 250 Mcf per year.

(I)

\$2.2059 per Mcf for Small Commercial/Public Authority using greater than 250 Mcf but not more than 1,000 Mcf per year.

(I)

\$1.6548 per Mcf for Large Commercial/Public Authority.

(I)

For transportation of gas to Commercial and Public Authority Customers, the monthly rate for transportation of gas produced outside the Commonwealth of Pennsylvania shall be:

\$2.8690 per Mcf for Small Commercial/Public Authority using not more than 250 Mcf per year.

(I)

\$2.2059 per Mcf for Small Commercial/Public Authority using greater than 250 Mcf but not more than 1,000 Mcf per year.

(I)

\$1.6548 per Mcf for Large Commercial/Public Authority.

(I)

For transportation of gas to Small Volume Industrial Customers, the monthly rate for transportation of gas produced within the Commonwealth of Pennsylvania shall be:

\$2.4183 per Mcf for SVIS Customers.

(I)

For transportation of gas to Small Volume Industrial Customers, the monthly rate for transportation of gas produced outside the Commonwealth of Pennsylvania shall be:

\$2.4183 per Mcf for SVIS Customers.

(I)

(C) Indicates Change

(I) Indicates Increase

For transportation of gas to Intermediate Volume Industrial Customers, the monthly rate for transportation of gas produced within the Commonwealth of Pennsylvania shall be:

\$1.2746 per Mcf for IVIS Customers. (I)

For Transportation of gas to Intermediate Volume Industrial Customers, the monthly rate for transportation of gas produced outside the Commonwealth of Pennsylvania shall be:

\$1.2746 per Mcf for IVIS Customers. (I)

For transportation of gas to Large Volume Industrial Customers and any entity that is not a Gas Service Customer, the monthly rate for transportation of gas produced within the Commonwealth of Pennsylvania shall be:

\$1.0011 per Mcf for LVIS Customers. (I)

For transportation of gas to Large Volume Industrial Customers and any entity that is not a Gas Service Customer, the monthly rate for transportation of gas produced outside the Commonwealth of Pennsylvania shall be:

\$1.0011 per Mcf for LVIS Customers. (D)

For transportation of gas to Large Industrial Customers, the monthly rate for transportation of gas produced within the Commonwealth of Pennsylvania shall be:

\$0.6491 per Mcf for LIS Customers. (I)

For transportation of gas to Large Industrial Customers, the monthly rate for transportation of gas produced outside the Commonwealth of Pennsylvania shall be:

\$0.6491 per Mcf for LIS Customers. (I)

Provided, however, that the Company, in its sole discretion, may reduce by contract the portion of the above rates applicable to the Customer that are for recovery of gas or the portion of the rate for recovery of non-gas costs of service if it is reasonably necessary to do so to meet competition from another supplier of energy including gas from another supplier of gas that has constructed, or could construct, facilities to deliver supplies of gas to a MMT Customer of the Company without use of the Company's facilities or another transportation of gas. The Company may also reduce the compensation for line losses provided for in Special Provisions paragraph B of this rate schedule in order to meet the competitive circumstances cited above. Provided that any reduced compensation for line loss shall not be established at a level lower than the line loss experienced to serve the customer as estimated by the Company. The Company will reduce the applicable rate only if:

- (a) Either (1) the MMT Customer has facilities in place and operable to use an alternative fuel or obtain gas from an alternative supplier or (2) in the Company's judgment, such facilities would be constructed;

(I) Indicates Increase

(D) Indicates Decrease

be subject to refund under any circumstances. As deemed necessary by the Company in its sole discretion, the DMT customer shall be required also to pay, in full, for costs of installing daily metering and communications equipment selected by the Company which will enable the Company to obtain each day meter readings of the volume of gas delivered to the Company or to another point or points acceptable to the Company for the Customer's account and the volume of gas from the Company used by the Customer each day. In addition, with regard to daily metering and communications equipment, the Customer shall pay an amount of money to provide for recovery of the present value of the carrying cost of income taxes on the payment for daily metering and communications equipment. Such carrying cost arises from the delay between federal and Pennsylvania income taxation and income tax deductions over the tax life of the equipment and a further amount equal to 72.67% of the carrying cost (based on present income tax rates). If additional facilities are required for furnishing of gas service, customer's payment for additional facilities required for furnishing of gas service shall be governed by Tariff Rule No. 3, "Extension of Facilities", and Tariff Rule No. 5, "Service Lines."

(C)

CHARACTER OF SERVICE

Gas, of a quality acceptable to the Company, owned by a DMT Service Customer and delivered, either directly or by displacement, into the Company's distribution system, will be transported, by the Company, to the delivery point designated by the DMT Service Customer.

TERM OF SERVICE AGREEMENT

If the requirements of this Rate Schedule are met, the Company shall offer to enter into a Service Agreement with an initial term of at least one year and successive one-year terms thereafter. The initial term of a Service Agreement may be for less than one year only with the mutual consent of both the DMT Service Customer and the Company. If the initial term of a Service Agreement is for less than one year, successive terms thereafter shall be equal in length to the initial term. Either the DMT Service Customer or the Company may terminate the Service Agreement at the end of a term upon written notice thereof to the other more than thirty (30) days prior to the end of a term; further provided, however, that the Company may terminate a Service Agreement at an earlier date as provided by law by provisions of this Tariff.

(C) Indicates Change

MONTHLY RATES

(C)

Commodity Rates

For transportation of gas to Residential customers, the monthly rate for transportation of gas both within and outside the Commonwealth of Pennsylvania shall be:

\$2.8616 per Mcf. (I)

For transportation of gas to Commercial and Public Authority Customers, the monthly rate for transportation of gas produced within the Commonwealth of Pennsylvania shall be:

\$2.7190 per Mcf for Small Commercial/Public Authority using not more than 250 Mcf per year. (I)

\$2.0559 per Mcf for Small Commercial/Public Authority using greater than 250 Mcf but not more than 1,000 Mcf per year. (I)

\$1.5048 per Mcf for Large Commercial/Public Authority. (I)

For transportation of gas to Commercial and Public Authority Customers, the monthly rate for transportation of gas produced outside the Commonwealth of Pennsylvania shall be:

\$2.7190 per Mcf for Small Commercial/Public Authority using not more than 250 Mcf per Year. (I)

\$2.0559 per Mcf for Small Commercial/Public Authority using greater than 250 Mcf but not more than 1,000 Mcf per year. (I)

\$1.5048 per Mcf for Large Commercial/Public Authority. (I)

For transportation of gas to Small Volume Industrial Customers, the monthly rate for transportation of gas produced within the Commonwealth of Pennsylvania shall be:

\$2.2683 per Mcf for SVIS Customers. (I)

For transportation of gas to Small Volume Industrial Customers, the monthly rate for transportation of gas produced outside the Commonwealth of Pennsylvania shall be:

\$2.2683 per Mcf for SVIS Customers. (I)

For Transportation of gas to Intermediate Volume Industrial Customers, the monthly rate for transportation of gas produced within the Commonwealth of Pennsylvania shall be:

\$1.1246 per Mcf for IVIS Customers. (I)

(C) Indicates Change
(I) Indicates Increase

For transportation of gas to Intermediate Volume Industrial Customers, the monthly rate for transportation of gas produced outside the Commonwealth of Pennsylvania shall be:

\$1.1246 per Mcf for IVIS customers. (I)

For transportation of gas to Large Volume Industrial Customers and any entity that is not a Gas Service Customer, the monthly rate for transportation of gas produced within the Commonwealth of Pennsylvania shall be:

\$0.8511 per Mcf. (I)

For transportation of gas to Large Volume Industrial Customers and any entity that is not a Gas Service Customer, the monthly rate for transportation of gas produced outside the Commonwealth of Pennsylvania shall be:

\$0.8511 per Mcf. (D)

For transportation of gas to Large Industrial Customers, the monthly rate for transportation of gas produced within the Commonwealth of Pennsylvania shall be:

\$0.4991 per Mcf. (I)

For transportation of gas to Large Industrial Customers, the monthly rate for transportation of gas produced outside the Commonwealth of Pennsylvania shall be:

\$0.4991 per Mcf. (I)

Provided, however, that the Company, in its sole discretion, may reduce by contract the portion of the above rates applicable to the Customer that is for recovery of gas costs or the portion of the rate for recovery of non-gas costs of service if it is reasonably necessary to do so to meet competition from another supplier of energy including gas from another supplier of gas that has constructed, or could construct, facilities to deliver supplies of gas to a Gas Service Customer of the Company without use of the Company's facilities or another transporter of gas. The Company may also reduce the compensation for line losses provided for in Special Provisions paragraph B of this rate schedule in order to meet the competitive circumstances cited above. Provided that any reduced compensation for line loss shall not be established at a level lower than the line loss experienced to serve the customer as estimated by the Company. The Company will reduce the applicable rate only if:

- (a) Either (1) the Customer has facilities in place and operable to use an alternative fuel or obtain gas from an alternative supplier or (2) in the Company's judgment, such facilities would be constructed;

(I) Indicates Increase

(D) Indicates Decrease

BILLING

Monthly charges, for transportation service pursuant to this rate schedule, are subject to the Late Payment Charges set forth in Section 16 of the Rules and Regulations of this Tariff.

SPECIAL PROVISIONS

A. The volume of gas delivered in to the Company's distribution system, on any day in behalf of Transportation Service Customers for transportation service pursuant to this Rate Schedule, shall be determined by meters and as provided in B, below, at the delivery points specified in the Service Agreement or to another point or points acceptable to the Company. (C)

If any such point of delivery is also a point at which the Company buys or exchanges gas for the Company's own account through the same meter, the volume of gas delivered into the Company's distribution system, in behalf of Transportation Service Customers for transportation service, shall be deemed to be the volume scheduled by the Company and such Customers to be delivered in behalf of such Customers, at such point on such day, determined after the adjustment provided in B, below, but shall not be more than the total amount actually delivered, determined after the adjustment provided in B below, through such meter into the Company's distribution system at such point on such day.

B. To compensate for line losses, the volume of gas delivered into the Company's distribution system, shall be determined for purposes of this Rate Schedule, to be equal to 97.5% of the amount indicated by a meter at the point of delivery into the Company's distribution system; provided however, that, where the only Company facilities involved in transporting gas to the Gas Service Customer are meters, meter installations, house regulators, house regulator installations and industrial measuring and regulating station equipment, no amount shall be deducted as compensation for line losses.

C. Service under this Rate Schedule may be interrupted during periods of supply shortages but only based upon the schedule of priority of curtailment set forth in section 26B of the Rules and Regulations of this tariff.

D. Transportation service under this Rate Schedule may be interrupted or curtailed whenever, in the event of a sudden and unforeseen supply deficiency, the Company invokes emergency curtailment provisions under Tariff Rule 26B.

(C) Indicates Change

RATE SCHEDULE MMNGS
MONTHLY METERED NATURAL GAS SUPPLIER SERVICE

APPLICABLE TO USE FOR

Service hereunder is available to any licensed supplier ("MMNGS Supplier" or "Supplier") which has obtained the consent and appointment of MMT customer(s) whose volumes total at least 5,000 Mcf on an annual basis ("MMT Customer(s)" or "MMT Pool"), and agrees to assume the primary responsibility for the gas supply obligations for that group of MMT Customers.

CHARACTER OF SERVICE

Through the procedures and provisions of this Monthly Metered Natural Gas Supplier rate schedule qualified MMNGS Suppliers will contract for service with qualified MMT Customers and shall serve such MMT Customers for an established term lasting at least one month or one billing cycle.

The Company will bill the Supplier for aggregation services (including any purchases of Company gas) provided to the Supplier.

RATES AND CHARGES

A. Supplier Aggregation Charges

The MMNGS Supplier shall be billed the charges for services rendered for it as provided herein. A MMNGS Service Agreement will allow Suppliers under this service classification to aggregate supplies to serve individual qualified MMT Customers. When necessary to accommodate changes in customer supply and delivery requirements during the month, the Company will permit deliveries of interstate supplies into intrastate market pools. In order to accommodate such deliveries of interstate supplies into intrastate market pools, the MMNGS Supplier will be billed for the amount of interstate deliveries to intrastate pools at a rate of \$0.000/Mcf. (D)

B. Administrative Charges

The Company will charge the MMNGS Supplier an administrative fee of \$100.00 per month for each MMNGS Service Agreement executed with the Company. This charge shall be waived for individual MMT Customers that will be their own MMNGS supplier and have a single account in their MMT Pool.

C. Exchange Fee

The Company will charge the Supplier an exchange fee of \$0.05 per Mcf for each Mcf transferred from and \$0.05 per Mcf transferred to a MMT Pool.

D. Billing Service Charges

An MMNGS Supplier may elect to have the Company bill gas supply charges to the Supplier's MMT customers. The rate to be charged by the Company to the Supplier for Standard Billing Service shall be \$0.20 for each bill rendered to an MMT Customer for the Supplier.

(D) Indicates Decrease

Issued:

Effective: January 1, 2007

RATE SCHEDULE SATC
SMALL AGGREGATION TRANSPORTATION CUSTOMER SERVICE

APPLICABLE TO USE FOR

Service hereunder is available on or after October 30, 2001 to any qualified customer ("SATC Customer" or "Customer") that has enrolled to receive gas supply service from a qualified supplier under the Company's Small Aggregation Transportation Supplier Service ("SATS Supplier" or "Supplier").

CHARACTER OF SERVICE

Through the procedures and provisions of this Small Aggregation Transportation rate schedule SATC Customers will contract for service with a SATS Supplier and be served by such Supplier for an established term ending at the SATC Customer's meter reading in April (April billing cycle). The enrollment period and service starting dates will be as specified in Rate Schedule SATS.

The Company will maintain a list of SATS Suppliers including appropriate contact information as provided by the SATS Supplier. This list will be made available to customers upon request.

The Company will bill the SATC Customer for transportation services rendered by the Company for the SATC Customer.

Customers shall not participate in both the LIRA pilot and the Small Aggregation Transportation Customer Service program.

RATES AND CHARGES

A. Customer Transportation Service Rates

The Company will provide transportation services to deliver gas supplies to the SATC Customer(s). The Customer shall be billed the charges for the transportation services rendered for it at the appropriate charges provided herein for which service the SATC Customer qualifies.

The SATC Customer shall pay the following transportation charges for the transportation of gas. The commodity rates set forth below contain a component, presently \$0.02591 per Ccf, for the recovery of purchased gas demand costs and shall be adjusted pursuant to Rider A of the tariff. Such purchased gas costs collected through these rates shall be included as revenues for the recovery of purchased gas costs as specified in Rider A of this tariff.

RATE SCHEDULE SATC
SMALL AGGREGATION TRANSPORTATION CUSTOMER SERVICE (Cont.)

1. Residential Transportation Rates

SATC Customers that meet the qualifications under the Residential Service Rate Schedule classification:

Rates per Residential SATC Customer per Month:

\$12.00	Basic Service Charge	
.37475	per 100 cu. ft. for the first 5,000 cu. ft.	(I)
.27117	per 100 cu. ft. for all over 5,000 cu. ft.	(I)

2. Commercial and Public Authority Transportation Rates

SATC Customers that meet the qualifications under the Commercial and Public Authority Service Rate Schedule classification:

a. Rates per Commercial/Public Authority customer per month for "Small" Commercial/Public Customers using not more than 250,000 cubic feet per year:

\$19.89	Basic Service Charge	(I)
.30429	per 100 cu. ft. for the first 5,000 cu. ft.	(I)
.27171	per 100 cu. ft. for all over 5,000 cu. ft.	(I)

b. Rates per Commercial/Public Authority customer per month for "Small" Commercial/Public Customers using greater than 250,000 cubic feet but not more than 1,000,000 cubic feet per year:

\$27.53	Basic Service Charge	(I)
.22942	per 100 cu. ft. for the first 20,000 cu. ft.	(I)
.21578	per 100 cu. ft. for all over 20,000 cu. ft.	(I)

c. Rates per Commercial/Public Authority customer per month for "Large" Commercial/Public Customers:

\$121.01	Basic Service Charge	
.18574	per 100 cu. ft. for the first 300,000 cu. ft.	(I)
.17382	per 100 cu. ft. for the next 1,700,000 cu. ft.	(I)
.15198	per 100 cu. ft. for all over 2,000,000 cu. ft.	(I)

(I) Indicates Increase

RATE SCHEDULE SATC
SMALL AGGREGATION TRANSPORTATION CUSTOMER SERVICE (Cont.)

3. Small Volume Industrial Service Transportation Rates

SATC Customers that meet the qualifications under the Small Volume Industrial Service Rate Schedule classification:

Rates per Small Volume Industrial Service SATC Customer per Month:

\$65.60	Basic Service Charge	
.24214	Per 100 cu. ft.	(I)

4. Intermediate Volume Industrial Service Transportation Rates

SATC Customers that meet the qualifications under the Intermediate Volume Industrial Service Rate Schedule classification:

Rates per Intermediate Volume Industrial Service SATC Customer per Month:

\$201.91	Basic Service Charge	(I)
.18333	per 100 cu. ft. for the first 100,000 cu. ft.	(I)
.14252	per 100 cu. ft. for the next 1,900,000 cu. ft.	(I)
.11058	per 100 cu. ft. for all over 2,000,000 cu. ft.	(I)

B. Miscellaneous Customer Surcharges

1. Gas Adjustment Charges

For a period of 12 months starting when service hereunder is rendered to the SATC Customer by the SATS Suppliers, the rates for transportation services under this service classification shall include an amount per 100 cubic feet equal to the Gas Adjustment Charge included in the currently applicable Purchased Gas rate as specified in Rider A of this tariff.

2. Transition costs associated with FERC Order No. 636. The rates for service rendered pursuant to the service classification shall be subject to a monthly transition cost surcharge as described in Rider D to this tariff.

3. Residential rates shall be subject to surcharges in accordance with Rider F - LIRA Discount Charge as set forth in this tariff.

4. The above SATC rates shall be subject to surcharges in accordance with provisions of Rider B - State Tax Adjustment Surcharge.

(I) Indicates Increase

Issued:

Effective: January 1, 2007

RESERVED FOR FUTURE USE

RATE SCHEDULE SATS
SMALL AGGREGATION TRANSPORTATION SUPPLIER SERVICE (Cont.)

1. Billing Service Charges

The rate to be charged by the Company to the Supplier for Standard Billing Service shall be \$0.20 for each bill rendered to an SATC Customer for the Supplier.

The Company shall provide the Supplier receiving Standard Billing Service with meter reading information and other reports in the Company's standard electronic format on a basis corresponding to the SATC Customer's billing cycles. The Supplier shall provide the Company with all required Supplier billing and rate information necessary for customer billing as determined by the Company. The Supplier shall provide such billing information in the Company's required format. The Supplier shall provide Supplier billing information no later than three business days before the last day of the month.

The Company will bill the SATC Customer for gas supplies sold by the Supplier to the Customer subject to the Supplier entering into a billing service contract with the Company. Payments made by the Customer under the billing service will be applied first to amounts to past service due under an amortization agreement with the Company, next to current bills due to the Company, next to gas supply charges owed to the Supplier, next to charges for other non-regulated service charges, and lastly to any "neighbor for neighbor" contribution. The terms and charges for the Supplier billing services other than Standard Billing Services may be negotiated between the Company and the Supplier. The Company shall be under no obligation to provide the Supplier billing services other than Standard Billing Services if mutually agreeable terms and charges cannot be negotiated.

The Company, at its option, may purchase the accounts receivable from participating Suppliers at a discount to be negotiated with the Supplier.

SPECIAL PROVISIONS

A. Gas Quality

Gas delivered by the Supplier must satisfy the quality specifications of the pipelines used to transport Supplier's gas. For deliveries to the Company, such deliveries must be made at an appropriate Company facility located within the Territory, as described in this tariff, or at another point or points acceptable to the Company.

B. Allowance for Losses

As allowance for losses incurred in the process of delivery, the Supplier shall provide the Company with a volume of gas equal to 2.50% of the amount delivered to the Company. In addition, for deliveries into Company capacity retained pursuant to Sections C.3. and C.5., Suppliers shall provide incremental quantities of gas equal to the amount of retainage required to transport gas from the receipt point into such Company retained capacity to the entry point to the Company's system ("City Gate").

RESERVED FOR FUTURE USE

RIDER A
SECTION 1307(f) PURCHASED GAS COSTS
PROVISION FOR RECOVERY OF PURCHASED GAS COSTS

Rates for each Mcf (1,000 cubic feet) of gas supplied under Residential, Low Income Residential Assistance Service, Commercial and Public Authority, Commercial and Public Authority Load Balancing Service ("LBS"), Small Volume Industrial, Intermediate Volume Industrial, Intermediate Volume Industrial LBS, Large Industrial, Large Industrial LBS, Large Volume Industrial, Large Volume Industrial LBS and Natural Gas Vehicle Service rate schedules of this tariff, shall include \$8.5850 per Mcf for recovery of purchased gas commodity costs, calculated in the manner set forth below, pursuant to Section 1307(f) of the Public Utility Code.

Rates for each Mcf (1,000 cubic feet) of gas supplied under Residential, Commercial and Public Authority, Small Volume Industrial Service, Intermediate Volume Industrial, Large Volume Industrial Service, Large Industrial Service and Standby Service rate schedules of this tariff, shall include \$1.4552 per Mcf for recovery of purchased gas demand costs, calculated in the manner set forth below, pursuant to Section 1307(f) of the Public Utility Code.

Rates for each Mcf (1,000 cubic feet) of gas transported under the Small Aggregation Transportation Customer Rate Schedule shall include \$0.2591 per Mcf for the recovery of purchased gas demand costs.

Such rates for gas service shall be increased or decreased, from time to time, as provided by Section 1307(f) of the Public Utility Code and the Commission's regulations, to reflect changes in the level of purchased gas costs.

The amounts per Mcf for recovery of purchased gas costs (commodity and demand) included in rates under each rate schedule of the tariff are as follows:

	Distribution		Gas Adjustment Charge	Natural Gas Supply Charge
	Total	Charges		
Residential	\$10.2993	\$0.2591	\$(0.9027)	\$10.9429
Low Income Residential Assistance Service	\$10.2993	\$0.2591	\$(0.9027)	\$10.9429
Commercial/Public Authority	\$10.2993	\$0.2591	\$(0.9027)	\$10.9429
Small Volume Industrial	\$10.2993	\$0.2591	\$(0.9027)	\$10.9429
Intermediate Volume Industrial	\$10.2993	\$0.2591	\$(0.9027)	\$10.9429
Large Volume Industrial	\$10.2993	\$0.2591	\$(0.9027)	\$10.9429
Large Industrial	\$10.2993	\$0.2591	\$(0.9027)	\$10.9429
Standby	\$0.2732			
Priority Standby	\$0.5831			
Small Aggregation Transportation Customer Rate Schedule	\$0.2591	\$0.2591		

RESERVED FOR FUTURE USE

RESERVED FOR FUTURE USE

"S" - projected Mcf of gas to be billed to customers under the commodity charges of the Residential, Commercial and Public Authority, Commercial and Public Authority Load Balancing Service ("LBS"), Small Volume Industrial, Intermediate Volume Industrial, Intermediate Volume Industrial LBS, Large Industrial, Large Industrial LBS, Large Volume Industrial and Large Volume Industrial LBS Service rate schedules of this tariff during the period when rates will be in effect.

COMPUTATION OF PURCHASED GAS DEMAND COSTS PER MCF OF GAS INCLUDED IN NATURAL GAS SUPPLY CHARGES UNDER THE RESIDENTIAL, COMMERCIAL AND PUBLIC AUTHORITY, SMALL VOLUME INDUSTRIAL, INTERMEDIATE VOLUME INDUSTRIAL, LARGE VOLUME INDUSTRIAL, LARGE INDUSTRIAL AND STANDBY SERVICE RATE SCHEDULES

Purchased gas demand costs, per Mcf, to be included in Natural Gas Supply Charge rates under Residential, Commercial and Public Authority, Small Volume Industrial, Intermediate Volume Industrial, Large Volume Industrial, Large Industrial and Standby rate schedules shall be computed to the nearest one-hundredth cent (0.01c), in accordance with the formula set forth below:

$$PGDC = \left(\frac{(DC)}{(S - (SBS))} \right)$$

Purchased gas demand costs, so computed, shall be included in the rates charged to customers for gas service, pursuant to the Residential, Commercial and Public Authority, Small Volume Industrial Service, Intermediate Volume Industrial Service, Large Volume Industrial Service, Large Industrial Service and Standby Service rate schedules, for an initial period determined by the Commission and for consecutive twelve-month periods beginning August 1 of each year thereafter unless such period is revised by the Commission. The amount of purchased gas demand costs, per Mcf, will vary, if appropriate, based upon annual filings, by the Company, pursuant to Section 1307(f) of the Public Utility Code and such supplemental filings as may be required or be appropriate under Section 1307(f) or the Commission's regulations adopted pursuant thereto.

In computing purchased gas demand costs, per Mcf, pursuant to the formula, above, the following definitions shall apply:

"PGDC" - purchased gas demand costs determined to the nearest one-hundredth cent (0.01c) to be included in rates for each Mcf of gas supplied under Residential, Commercial and Public Authority, Small Volume Industrial Service, Intermediate Volume Industrial Service, Large Volume Industrial Service, Large Industrial Service and Standby Service rate schedules of this tariff.

"DC" - the estimated current demand cost of gas, determined by projecting, for all types of purchased gas, the total demand and winter-requirement charges from any interstate pipeline company or any other source of gas supply purchased by the Company for the projected period when rates will be in effect less projected current purchased gas demand cost revenue recovered through Distribution charges.

"S" - projected Mcf to be billed to customers during the projected period under the Residential, Commercial and Public Authority, Small Volume Industrial, Intermediate Volume Industrial, Large Industrial and Large Volume Industrial Service rate schedules.

"SBS" - projected Mcf volume to be billed to customers during the projected period under the Standby Service rate schedule.

COMPUTATION OF PURCHASED GAS DEMAND COSTS PER MCF OF GAS INCLUDED IN THE DISTRIBUTION CHARGES UNDER THE SALES RATE SCHEDULES AND THE RATE SCHEDULE SMALL AGGREGATION TRANSPORTATION CUSTOMER SERVICE

Purchased gas demand costs transportation, per Mcf, to be included in Distribution Charges under the Residential, Commercial and Public Authority, Small Volume Industrial, Intermediate Volume Industrial, Large Industrial and Large Volume Industrial Service rate schedules and the Rate Schedule Small Aggregation Transportation Customer Service shall be computed to the nearest one-hundredth cent (0.01c), in accordance with the formula set forth below:

$$\text{PGDCT} = \frac{(\text{DCT} + \text{DEDC})}{(\text{S} + \text{SATCV}) - (\text{SBS})}$$

"PGDCT" - Purchased gas demand costs transportation, per Mcf, to be included in Distribution Charges under the Residential, Commercial and Public Authority, Small Volume Industrial, Intermediate Volume Industrial, Large Industrial and Large Volume Industrial Service rate schedules and the Rate Schedule Small Aggregation Transportation Customer Service.

"DCT" - the estimated current demand cost of gas, determined by projecting, for all types of demand purchased gas capacity costs included in the Distribution Charges for Sales Service Rate Schedules and the Small Aggregation Transportation Customer Service Rates, the total usage, demand and winter-requirement charges from any interstate pipeline company or any other source of gas supply purchased by the Company for the projected period when rates will be in effect.

"DEDC" - experienced net overcollection or undercollection of purchased gas demand costs included in the Distribution Charges. Such experienced net overcollection or undercollection shall be determined for the most recent period permitted under law which shall begin with the month following the last month which was included in the previous over-under collection calculation reflected in rates.

The annual filing date shall be the date specified by the Company's Section 1307(f) tariff filing and not the date established by the Commission for pre-filing of certain information pursuant to 52 Pa. Code Sections 53.64(b)(1) and 53.65.

Supplier demand refunds received will be included in the calculation of "DE" with interest added at the annual rate of six percent (6%) calculated from the month received to the effective month such refund is refunded.

"S" - projected Mcf to be billed to customers during the projected period under the Residential, Commercial and Public Authority, Small Volume Industrial, Intermediate Volume Industrial, Large Industrial and Large Volume Industrial Service rate schedules.

"SATCV" - projected Mcf to be transported to customers during the projected period under the Small Aggregation and Transportation Rate Schedule.

"SBS" - projected Mcf volume to be billed to customers during the projected period under the Standby Service rate schedule.

COMPUTATION OF OVER AND UNDER COLLECTED PURCHASED GAS COSTS PER MCF OF GAS TO BE INCLUDED IN THE GAS ADJUSTMENT CHARGE UNDER THE RESIDENTIAL, COMMERCIAL AND PUBLIC AUTHORITY, SMALL VOLUME INDUSTRIAL, INTERMEDIATE VOLUME INDUSTRIAL, LARGE VOLUME INDUSTRIAL, LARGE INDUSTRIAL, AND STANDBY SERVICE RATE SCHEDULES

Over and under collected gas costs, per Mcf, to be included in the Gas Adjustment Charge included in rates under Residential, Commercial and Public Authority, Small Volume Industrial, Intermediate Volume Industrial, Large Volume Industrial, Large Industrial, Small Aggregation Transportation Customer, and Standby rate schedules shall be computed to the nearest one-hundredth cent (0.01c), in accordance with the formula set forth below:

$$GAC = \frac{(CE + DE)}{(S1 + SATCV1)}$$

In computing the gas adjustment charge, per Mcf, pursuant to the formula above, the following definitions will apply:

"GAC" - gas adjustment charge determined to the nearest one-hundredth cent (0.01¢) to be included in rates for each Mcf of gas supplied under Residential, Low Income Residential Assistance Service, Commercial and Public Authority, Commercial and Public Authority Load Balancing Service ("LBS"), Small Volume Industrial, Intermediate Volume Industrial, Intermediate Volume Industrial LBS, Large Industrial, Large Industrial LBS, Large Volume Industrial, Large Volume Industrial LBS, Natural Gas Vehicle Service, Small Aggregation Transportation Customer rate schedules of this tariff.

"CE" - experienced net overcollection or undercollection of purchased gas commodity costs. For the initial filing, pursuant to 1307(f) of the Public Utility Code, in order to achieve an orderly transition from Gas Cost Rate procedures to Section 1307(f) procedures, such experienced net overcollection or undercollection, to be reflected in rates effective September 1, 1985, shall be the net overcollection or undercollection arising under the Gas Cost Rate procedure. The amount of such net overcollection or undercollection shall include the historic net amount as of March 31, 1985 together with the projected net overcollection or undercollection for the five-month period ending August 31, 1985.

After the transition from the Gas Cost Rate procedures, established pursuant to the Commission's order of October 1, 1978 at M-78050055, (52 Pa P.U.C. 217) as amended, to procedures established pursuant to Section 1307(f) of the Public Utility Code, such experienced net overcollection or undercollection shall be determined for the most recent period permitted under law which shall begin with the month following the last month which was included in the previous over-under collection calculation reflected in rates.

The annual filing date shall be the date specified by the Company's Section 1307(f) tariff filing and not the date established by the Commission for pre-filing of certain information pursuant to 52 Pa. Code Sections 53.64(b)(1) and 53.65.

Supplier commodity refunds received will be included in the calculation of "CE" with interest added at the annual rate of six percent (6%) calculated from the month received to the effective month such refund is refunded.

"DE" - experienced net overcollection or undercollection of purchased gas demand costs. For the initial filing, pursuant to 1307(f) of the Public Utility Code, in order to achieve an orderly transition from Gas Cost Rate procedures to Section 1307(f) procedures, such experienced net overcollection or undercollection, to be reflected in rates effective September 1, 1985, shall be the net overcollection or undercollection arising under the Gas Cost Rate procedure. The amount of such net overcollection or undercollection shall include the historic net amount as of March 31, 1985 together with the projected net overcollection or undercollection for the five-month period ending August 31, 1985.

After the transition from the Gas Cost Rate procedures, established pursuant to the Commission's order of October 1, 1978 at M-78050055, (52 Pa P.U.C. 217) as amended, to procedures established pursuant to Section 1307(f) of the Public Utility Code, such experienced net overcollection or undercollection shall be determined for the most recent period permitted under law which shall begin with the month following the last month which was included in the previous over-under collection calculation reflected in rates.

The annual filing date shall be the date specified by the Company's Section 1307(f) tariff filing and not the date established by the Commission for pre-filing of certain information pursuant to 52 Pa. Code Sections 53.64(b)(1) and 53.65.

Supplier demand refunds received will be included in the calculation of "DE" with interest added at the annual rate of six percent (6%) calculated from the month received to the effective month such refund is refunded.

"S1" - projected Mcf of gas to be billed to customers under the natural gas supply charges of the Residential, Commercial and Public Authority, Commercial and Public Authority Load Balancing Service ("LBS"), Small Volume Industrial, Intermediate Volume Industrial, Intermediate Volume Industrial LBS, Large Industrial, Large Industrial LBS, Large Volume Industrial and Large Volume Industrial LBS Service rate schedules of this tariff during the period when rates will be in effect. For a period of twelve months sales volumes associated with former SATC customers returning to sales service shall be excluded from the projected Mcf used in this calculation.

"SATCV1" - Projected customer volume to be transported for the first twelve months of transportation service to former sales customers during the projected period under the Small Aggregation Transportation Rate Schedule.

RIDER B

STATE TAX ADJUSTMENT SURCHARGE

In addition to the charges provided in this tariff, a surcharge of (0.00%) will apply to all charges for service rendered on or after January 1, 2007. (I) (C)

The above surcharge will be recomputed using the same elements prescribed by the Commission:

- a. Whenever any of the tax rates used in calculation of the surcharge are changed;
- b. Whenever the utility makes effective any increased or decreased rates, and
- c. On March 31, 1971, and each year thereafter.

The above recalculation will be submitted to the Commission within ten (10) days after the occurrence of the event or date which occasions such recomputation; and, if the recomputed surcharge is less than the one in effect, the Company will, and if the recomputed surcharge is more than the one then in effect, the Company may submit with such recomputation a tariff or supplement to reflect such recomputed surcharge, the effective date of which shall be ten (10) days after filing.

(C) Indicates Change
(I) Indicates Increase

RIDER F
LIRA DISCOUNT CHARGE

Effective April 1, 2002, a charge will be included in the rates subject to this Rider to provide for recovery of costs of the projected LIRA rate discounts for the upcoming 12 months.

Such charge shall be updated quarterly and effective each February 1, May 1, August 1, and November 1 of the year. The charge will also be updated whenever there is a change to the Residential Sales Service Rate Customer Charge, Distribution Charge, Natural Gas Supply Charge, or Gas Adjustment Charge.

APPLICABILITY

In addition to the charges provided in this tariff, a charge calculated in the manner explained below shall be added to the otherwise applicable charge for each Mcf of sales and transportation volumes delivered by the Company to customers receiving service under the Residential Sales Service Rate Schedule and the Residential rates of the SATC, MMT, and DMT transportation rate schedules.

CALCULATION OF RATE

The charge will be recalculated as specified above.

The charge shall be equal to the total annual projected discounts for LIRA customers for the upcoming 12 month period divided by the annual normalized throughput volumes of the qualified rate classes. The total annual projected discounts for the LIRA customers for the upcoming 12 month period shall equal the sum of the individual monthly total projected discounts for LIRA customers for the upcoming 12 months. The total monthly projected discounts for LIRA customers shall equal the residential bill for the average LIRA customer consumption for the month multiplied by the average discount percentage for LIRA service multiplied by the projected number of LIRA customers for the month.

The currently effective charge to be included in rates is \$0.3704/Mcf. (I)

(I) Indicates Increase

Issued:

Effective: January 1, 2007

NATIONAL FUEL GAS
DISTRIBUTION CORPORATION

Supplement No. to
Gas - Pa. P.U.C. No. 9
Revised Page No. 165
Canceling Revised Page No. 165

RESERVED FOR FUTURE USE

Issued:

Effective: January 1, 2007

NATIONAL FUEL GAS
DISTRIBUTION CORPORATION

Supplement No. to
Gas - Pa. P.U.C. No. 9
Revised Page No. 166
Canceling Revised Page No. 166

RESERVED FOR FUTURE USE

Issued:

Effective: January 1, 2007

National Fuel Gas Distribution Corporation
 Pennsylvania Division
 Case R-00061493
 Summary of Revenue Increase
 (\$000)

	Company as Filed \$ Allocated	Settlement \$ Allocated
Residential	\$ 20,161	\$ 11,869
Small Commercial/Pub Auth <250	\$ 1,141	\$ 472
Small Commercial/Pub Auth >250	\$ 1,325	\$ 143
Large Commercial/Pub Auth	\$ 3,168	\$ 1,317
SVIS	\$ -	\$ 14
IVIS	\$ -	\$ 226
LVIS	\$ -	\$ 187
LIS	\$ -	\$ 72
Total	<u>\$ 25,795</u>	<u>\$ 14,300</u>

SECRETARY'S BUREAU

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	A	B	C	D	E	K	L	M	AA	AB
9	NATIONAL FUEL GAS DISTRIBUTION CORPORATION									
10	PENNSYLVANIA DIVISION									
13	NORMALIZED SALES REVENUES USING RATES IN EFFECT AND PROPOSED RATES									
14	FEBRUARY 1, 2006 THROUGH JANUARY 31, 2007									
15										
16										
17										
18										
19										
20		Rates Effective August 1, 2006								
119		Rate	Mcf	Revenue		Adjusted Normalized Volumes Mcf	Proposed Rates	Normalized Revenues at Proposed Rates	Increase	
120									\$	%
121	Small Commercial/Public Authority LE250									
122	Bills	\$17.0000	107,612	\$1,829,404		107,612	\$19.8900	\$2,140,403		
123	0-5	\$2.6041	350,136	\$911,790		350,136	\$2.7838	\$974,710		
124	Over 5	\$2.2994	616,589	\$1,417,784		616,589	\$2.4580	\$1,515,575		
125	Total		966,725	\$4,158,978		966,725		\$4,630,688		
126	Merchant Function Charge (MFC)	\$0.0000		\$0			\$0.0000	\$0		
127	Subtotal Non Gas Revenues			\$4,158,978				\$4,630,688	\$471.710	11.340%
128	Distribution Charge	\$0.2591		\$250,478			\$0.2591	\$250,478		
129	Natural Gas Supply Charge	\$10.9429		\$10,578,775			\$10.9429	\$10,578,775		
130	Purchased Gas Demand Charge	\$0.0000		\$0			\$0.0000	\$0		
131	Gas Adjustment Charge	(\$0.9027)		(\$872,683)			(\$0.9027)	(\$872,683)		
132	Subtotal Gas Revenues			\$9,956,590				\$9,956,590		
133	STA Tax Revenues	\$0.0000		\$0			\$0.0000	\$0		
134	Revenue Adj.	-0.00190%		(\$268)			-0.00190%	(\$278)		
135	Total			\$14,115,300				\$14,587,000	\$471.700	3.340%
136	Small Commercial LE250 Trans									
137	Bills	\$17.0000	0	\$0		0	\$19.8900	\$0		
138	Administration Fees	\$70.0000	0	\$0		0	\$0.0000	\$0		
139	All Volume	\$2.5435	0	\$0		0	\$2.7190	\$0		
140	Total		0	\$0		0		\$0		
141	Subtotal Non Gas Revenues			\$0				\$0	\$0	0.000%
142	MMT Gas Cost Charge	\$0.1500		\$0			\$0.1500	\$0		
143	Subtotal Gas Revenues			\$0				\$0		
144	STA Tax Revenues	\$0.0000		\$0			\$0.0000	\$0		
145	Total			\$0				\$0	\$0	0.000%
146	Small Commercial LE250 SATC									
147	Bills	\$17.0000	72	\$1,224		72	\$19.8900	\$1,432		
148	0-5	\$2.6041	265	\$690		265	\$2.7838	\$738		
149	Over 5	\$2.2994	256	\$588		256	\$2.4580	\$629		
150	Total		521	\$2,502		521		\$2,799		
151	Subtotal Non Gas Revenues			\$2,502				\$2,799	\$297	11.870%
152	Distribution Charge	\$0.2591		\$135			\$0.2591	\$135		
153	Purchased Gas Demand Charge	\$0.0000		\$0			\$0.0000	\$0		
154	Subtotal Gas Revenues			\$135				\$135		
155	STA Tax Revenues	\$0.0000		\$0			\$0.0000	\$0		
156	Total			\$2,637				\$2,934	\$297	11.260%
157	Total Small Comm/PA LE250 Revenues		967,246	\$14,117,937		967,246		\$14,589,934	\$471.997	3.340%
158	Total Small Comm/PA LE250 Gas Costs			\$9,956,725				\$9,956,725		
159	Total Small Comm/PA LE250 Non Gas Cost Revenues			\$4,161,212				\$4,633,209		

	A	B	C	D	E	K	L	M	AA	AB
9	NATIONAL FUEL GAS DISTRIBUTION CORPORATION									
10	PENNSYLVANIA DIVISION									
13	NORMALIZED SALES REVENUES USING RATES IN EFFECT AND PROPOSED RATES									
14	FEBRUARY 1, 2006 THROUGH JANUARY 31, 2007									
15										
16										
17										
18										
19										
20										
194										
195	Small Commercial/Public Authority GT250									
196	Bills	\$26.5000	48,854	\$1,294,631	48,854	\$27.5300	\$1,344,951			
197	0-20	\$1.9583	698,530	\$1,367,932	698,530	\$2.0351	\$1,421,579			
198	Over 20	\$1.8271	1,097,471	\$2,005,189	1,097,471	\$1.8987	\$2,083,768			
199	Total		1,796,001	\$4,667,752	1,796,001		\$4,850,298			
200	Merchant Function Charge (MFC)	\$0.0000		\$0		\$0.0000	\$0			
201	Subtotal Non Gas Revenues			\$4,667,752			\$4,850,298	\$182,546	3.910%	
202	Distribution Charge	\$0.2591		\$465,344		\$0.2591	\$465,344			
203	Natural Gas Supply Charge	\$10.9429		\$19,653,459		\$10.9429	\$19,653,459			
204	Purchased Gas Demand Charge	\$0.0000		\$0		\$0.0000	\$0			
205	Gas Adjustment Charge	(\$0.9027)		(\$1,621,250)		(\$0.9027)	(\$1,621,250)			
206	Subtotal Gas Revenues			\$18,497,553			\$18,497,553			
207	STA Tax Revenues	\$0.0000		\$0		\$0.0000	\$0			
208	Revenue Adj.	-0.02480%		(\$5,745)		-0.02480%	(\$5,790)			
209	Total			\$23,159,560			\$23,342,061	\$182,501	0.790%	
232										
233	Small Commercial/Public Authority GT250 Trans									
234	Bills	\$26.5000	636	\$16,854	636	\$27.5300	\$17,509			
235	Administration Fees	\$70.0000	636	\$44,520	636	\$0.0000	\$0			
236	All Volume	\$1.9783	41,000	\$81,110	41,000	\$2.0559	\$84,292			
237	Total		41,000	\$142,484	41,000		\$101,801			
238	Subtotal Non Gas Revenues			\$142,484			\$101,801	(\$40,683)	-28.550%	
239	MMT Gas Cost Charge	\$0.1500		\$6,150		\$0.1500	\$6,150			
240	Subtotal Gas Revenues			\$6,150			\$6,150			
241	STA Tax Revenues	\$0.0000		\$0		\$0.0000	\$0			
242	Total			\$148,634			\$107,951	(\$40,683)	-27.370%	
267										
268	Small Commercial/Public Authority GT250 SATC									
269	Bills	\$26.5000	240	\$6,360	240	\$27.5300	\$6,607			
270	0-20	\$1.9583	3,930	\$7,696	3,930	\$2.0351	\$7,998			
271	Over 20	\$1.8271	8,624	\$15,757	8,624	\$1.8987	\$16,375			
272	Total		12,554	\$29,813	12,554		\$30,980			
273	Subtotal Non Gas Revenues			\$29,813			\$30,980	\$1,167	3.910%	
274	Distribution Charge	\$0.2591		\$3,253		\$0.2591	\$3,253			
275	Purchased Gas Demand Charge	\$0.0000		\$0		\$0.0000	\$0			
276	Subtotal Gas Revenues			\$3,253			\$3,253			
277	STA Tax Revenues	\$0.0000		\$0		\$0.0000	\$0			
278	Total			\$33,066			\$34,233	\$1,167	3.530%	
279										
280	Total Small Comm/PA GT250 Revenues		1,849,555	\$23,341,260	1,849,555		\$23,484,245	\$142,985	0.610%	
281	Total Small Comm/PA GT250 Gas Costs			\$18,506,956			\$18,506,956			
282	Total Small Comm/PA GT250 Non Gas Cost Revenue			\$4,834,304			\$4,977,289			

	A	B	C	D	E	K	L	M	AA	AB
9	NATIONAL FUEL GAS DISTRIBUTION CORPORATION									
10	PENNSYLVANIA DIVISION									
13	NORMALIZED SALES REVENUES USING RATES IN EFFECT AND PROPOSED RATES									
14	FEBRUARY 1, 2006 THROUGH JANUARY 31, 2007									
15										
16										
17										
18										
19										
20		Rates Effective August 1, 2006				Non Seasonal Rate Design			Current Rate Design	
502		Rate	Mcf	Revenue	Adjusted Normalized Volumes Mcf	Proposed Rates	Normalized Revenues at Proposed Rates		increase	
503									\$	%
504	Small Volume Industrial Service									
505	Bills	\$65.6000	2,235	\$146,616	2,235	\$65.6000	\$146,616			
506	All Volume	\$1.9760	77,572	\$153,282	77,572	\$2.1623	\$167,734			
507	Total		<u>77,572</u>	<u>\$299,898</u>	<u>77,572</u>		<u>\$314,350</u>			
508	Merchant Function Charge (MFC)	\$0.0000		\$0		\$0.0000	\$0			
509	Subtotal Non Gas Revenues			\$299,898			\$314,350	\$14,452	4.820%	
510	Distribution Charge	\$0.2591		\$20,099		\$0.2591	\$20,099			
511	Natural Gas Supply Charge	\$10.9429		\$848,863		\$10.9429	\$848,863			
512	Purchased Gas Demand Charge	\$0.0000		\$0		\$0.0000	\$0			
513	Gas Adjustment Charge	(\$0.9027)		(\$70,024)		(\$0.9027)	(\$70,024)			
514	Subtotal Gas Revenues			\$798,938			\$798,938			
515	STA Tax Revenues	\$0.0000		\$0		\$0.0000	\$0			
516	Revenue Adj.	-0.09093%		(\$999)		-0.09093%	(\$1,012)			
517	Total			\$1,097,837			\$1,112,276	\$14,439	1.320%	
518	Small Volume Industrial Trans									
519	Bills	\$65.6000	12	\$787	12	\$65.6000	\$787			
520	Administration Fees	\$70.0000	12	\$840	12	\$0.0000	\$0			
521	All Volume	\$2.0731	2,045	\$4,239	2,045	\$2.2683	\$4,639			
522	Total		<u>2,045</u>	<u>\$5,866</u>	<u>2,045</u>		<u>\$5,426</u>			
523	Subtotal Non Gas Revenues			\$5,866			\$5,426	(\$440)	-7.500%	
524	MMT Gas Cost Charge	\$0.1500		\$307		\$0.1500	\$307			
525	Subtotal Gas Revenues			\$307			\$307			
526	STA Tax Revenues	\$0.0000		\$0		\$0.0000	\$0			
527	Total			\$6,173			\$5,733	(\$440)	-7.130%	
528										
529	Total SVIS Revenues		79,617	\$1,104,010	79,617		\$1,118,009	\$13,999	1.270%	
530	Total SVIS Gas Costs			\$799,245			\$799,245			
531	Total SVIS Non Gas Cost Revenue			\$304,765			\$318,764			

	A	B	C	D	E	K	L	M	AA	AB
9	NATIONAL FUEL GAS DISTRIBUTION CORPORATION									
10	PENNSYLVANIA DIVISION									
13	NORMALIZED SALES REVENUES USING RATES IN EFFECT AND PROPOSED RATES									
14	FEBRUARY 1, 2006 THROUGH JANUARY 31, 2007									
15										
16										
17										
18										
19										
20										
532										
533	Intermediate Volume Industrial Service									
534	Bills	\$149.0000	1,034	\$154,066	1,034	\$201.9100	\$208,775			
535	0-100	\$1.4737	17,666	\$26,034	17,666	\$1.5742	\$27,809			
536	100-2000	\$1.0917	130,433	\$142,393	130,433	\$1.1661	\$152,097			
537	Over 2000	\$0.7927	77,736	\$61,621	77,736	\$0.8467	\$65,819			
538	Total		225,834	\$384,114	225,834		\$454,500			
539	Merchant Function Charge (MFC)	\$0.0000		\$0		\$0.0000	\$0			
540	Subtotal Non Gas Revenues			\$384,114			\$454,500	\$70,386	18.320%	
541	Distribution Charge	\$0.2591		\$58,514		\$0.2591	\$58,514			
542	Natural Gas Supply Charge	\$10.9429		\$2,471,279		\$10.9429	\$2,471,279			
543	Purchased Gas Demand Charge	\$0.0000		\$0		\$0.0000	\$0			
544	Gas Adjustment Charge	(\$0.9027)		(\$203,860)		(\$0.9027)	(\$203,860)			
545	Subtotal Gas Revenues			\$2,325,933			\$2,325,933			
546	STA Tax Revenues	\$0.0000		\$0		\$0.0000	\$0			
547	Revenue Adj.	0.00000%		\$0		0.00000%	\$0			
548	Total			\$2,710,047			\$2,780,433	\$70,386	2.600%	
549										
550	MIS Load Balancing									
551	Demand BDU	\$0.8027	0	\$0	0	\$0.8027	\$0			
552	Margin BDU	\$0.4795	0	\$0	0	\$0.5122	\$0			
553	Retail	\$0.3565	0	\$0	0	\$0.3808	\$0			
554	Transportation	\$0.3565	53,729	\$19,154	53,729	\$0.3808	\$20,460			
555	Total		53,729	\$19,154	53,729		\$20,460			
556	Merchant Function Charge (MFC)	\$0.0000		\$0		\$0.0000	\$0			
557	Subtotal Non Gas Revenues			\$19,154			\$20,460	\$1,306	6.820%	
558	Commodity Gas Costs	\$8.5850		\$0		\$8.5850	\$0			
559	MMT Gas Cost Charge	\$0.1500		\$8,059		\$0.1500	\$8,059			
560	Subtotal Gas Revenues			\$8,059			\$8,059			
561	STA Tax Revenues	\$0.0000		\$0		\$0.0000	\$0			
562	Total			\$27,213			\$28,519	\$1,306	4.800%	
596										
597	Intermediate Volume Industrial Trans MMT									
598	Bills	\$149.0000	3,096	\$461,304	3,096	\$201.9100	\$625,113			
599	Administration Fees	\$70.0000	3,096	\$216,720	3,096	\$0.0000	\$0			
600	Intrastate Volume	\$1.0375	1,914,518	\$1,986,312	1,914,518	\$1.1246	\$2,153,067			
601	Interstate Volume	\$1.1224	494,741	\$555,297	494,741	\$1.1246	\$556,386			
602	Total		2,409,259	\$3,219,633	2,409,259		\$3,334,566			
603	Subtotal Non Gas Revenues			\$3,219,633			\$3,334,566	\$114,933	3.570%	
604	MMT Gas Cost Charge	\$0.1500		\$361,389		\$0.1500	\$361,389			
605	Subtotal Gas Revenues			\$361,389			\$361,389			
606	STA Tax Revenues	\$0.0000		\$0		\$0.0000	\$0			
607	Total			\$3,581,022			\$3,695,955	\$114,933	3.210%	

	A	B	C	D	E	K	L	M	AA	AB
9	NATIONAL FUEL GAS DISTRIBUTION CORPORATION									
10	PENNSYLVANIA DIVISION									
13	NORMALIZED SALES REVENUES USING RATES IN EFFECT AND PROPOSED RATES									
14	FEBRUARY 1, 2006 THROUGH JANUARY 31, 2007									
15										
16										
17										
18										
19										
20										
657	Large Volume Industrial Service									
658	Bills	\$404,5000	0	\$0	0	\$809,0000	\$0			
659	0-100	\$1,1026	0	\$0	0	\$1,1158	\$0			
660	100-2000	\$0,9230	0	\$0	0	\$0,9340	\$0			
661	2000-20000	\$0,7166	0	\$0	0	\$0,7252	\$0			
662	Over 20000	\$0,5811	0	\$0	0	\$0,5880	\$0			
663	Total		0	\$0	0		\$0			
664	Merchant Function Charge (MFC)	\$0,0000		\$0		\$0,0000	\$0			
665	Subtotal Non Gas Revenues			\$0			\$0	\$0	0.000%	
666	Distribution Charge	\$0,2591		\$0		\$0,2591	\$0			
667	Natural Gas Supply Charge	\$10,9429		\$0		\$10,9429	\$0			
668	Purchased Gas Demand Charge	\$0,0000		\$0		\$0,0000	\$0			
669	Gas Adjustment Charge	(\$0,9027)		\$0		(\$0,9027)	\$0			
670	Subtotal Gas Revenues			\$0			\$0			
671	STA Tax Revenues	\$0,0000		\$0		\$0,0000	\$0			
672	Revenue Adj.	-0,48284%		\$0		-0,48284%	\$0			
673	Total			\$0			\$0	\$0	0.000%	
674										
675	LVIS Load Balancing									
676	Demand BDU	\$0,8027	0	\$0	0	\$0,8027	\$0			
677	Margin BDU	\$0,3144	0	\$0	0	\$0,3182	\$0			
678	Retail	\$0,2444	0	\$0	0	\$0,2473	\$0			
679	Transportation	\$0,2444	49,894	\$12,194	49,894	\$0,2473	\$12,339			
680	Total		49,894	\$12,194	49,894		\$12,339			
681	Merchant Function Charge (MFC)	\$0,0000		\$0		\$0,0000	\$0			
682	Subtotal Non Gas Revenues			\$12,194			\$12,339	\$145	1.190%	
683	Commodity Gas Costs	\$8,5850		\$0		\$8,5850	\$0			
684	MMT Gas Cost Charge	\$0,1500		\$7,484		\$0,1500	\$7,484			
685	Subtotal Gas Revenues			\$7,484			\$7,484			
686	STA Tax Revenues	\$0,0000		\$0		\$0,0000	\$0			
687	Total			\$19,678			\$19,823	\$145	0.740%	
732										
733	Large Volume Industrial Trans MMT									
734	Bills	\$404,5000	120	\$48,540	120	\$809,0000	\$97,080			
735	Administration Fees	\$70,0000	120	\$8,400	120	\$0,0000	\$0			
736	Intrastate Volume	\$0,7740	592,752	\$458,782	592,752	\$0,7899	\$468,199			
737	Interstate Volume	\$0,8990	189,404	\$170,266	189,404	\$0,8321	\$157,605			
738	Total		782,156	\$685,988	782,156		\$722,884			
739	Subtotal Non Gas Revenues			\$685,988			\$722,884	\$36,896	5.380%	
740	MMT Gas Cost Charge	\$0,1500		\$117,323		\$0,1500	\$117,323			
741	Subtotal Gas Revenues			\$117,323			\$117,323			
742	STA Tax Revenues	\$0,0000		\$0		\$0,0000	\$0			
743	Total			\$803,311			\$840,207	\$36,896	4.590%	
784										
785	Large Volume Industrial Trans DMT									
786	Bills	\$404,5000	348	\$140,766	348	\$809,0000	\$281,532			
787	Administration Fees	\$70,0000	348	\$24,360	348	\$0,0000	\$0			
788	Intrastate Volume	\$0,7689	2,637,561	\$2,028,040	2,637,561	\$0,7860	\$2,073,091			
789	Interstate Volume	\$0,8346	200,638	\$167,462	200,638	\$0,7773	\$155,963			
790	Total		2,838,199	\$2,360,628	2,838,199		\$2,510,586			
791	Subtotal Non Gas Revenues			\$2,360,628			\$2,510,586	\$149,958	6.350%	
792	Subtotal Gas Revenues			\$0			\$0			
793	STA Tax Revenues	\$0,0000		\$0		\$0,0000	\$0			
794	Total			\$2,360,628			\$2,510,586	\$149,958	6.350%	
795										
796	Total LVIS Revenues		3,670,249	\$3,183,617	3,670,249		\$3,370,616	\$186,999	5.870%	
797	Total LVIS Gas Costs			\$124,807			\$124,807			
798	Total LVIS Non Gas Cost Revenues			\$3,058,810			\$3,245,809			

	A	B	C	D	E	K	L	M	AA	AB
9	NATIONAL FUEL GAS DISTRIBUTION CORPORATION									
10	PENNSYLVANIA DIVISION									
13	NORMALIZED SALES REVENUES USING RATES IN EFFECT AND PROPOSED RATES									
14	FEBRUARY 1, 2006 THROUGH JANUARY 31, 2007									
15										
16										
17										
18										
19										
20										
799										
800	Large Industrial Service									
801	Bills	\$514,5000	0	\$0	0	\$1,029,0000	\$0			
802	0-100	\$0.8826	0	\$0	0	\$0.8849	\$0			
803	100-2000	\$0.7030	0	\$0	0	\$0.7049	\$0			
804	2000-20000	\$0.4967	0	\$0	0	\$0.4980	\$0			
805	Over 20000	\$0.3612	0	\$0	0	\$0.3622	\$0			
806	Total		0	\$0	0		\$0			
807	Merchant Function Charge (MFC)	\$0.0000		\$0		\$0.0000	\$0			
808	Subtotal Non Gas Revenues			\$0			\$0	\$0	0.000%	
809	Distribution Charge	\$0.2591		\$0		\$0.2591	\$0			
810	Natural Gas Supply Charge	\$10.9429		\$0		\$10.9429	\$0			
811	Purchased Gas Demand Charge	\$0.0000		\$0		\$0.0000	\$0			
812	Gas Adjustment Charge	(\$0.9027)		\$0		(\$0.9027)	\$0			
813	Subtotal Gas Revenues			\$0			\$0			
814	STA Tax Revenues	\$0.0000		\$0		\$0.0000	\$0			
815	Revenue Adj.	0.00000%		\$0		0.00000%	\$0			
816	Total			\$0			\$0	\$0	0.000%	
817										
818	LIS Load Balancing									
819	Demand BDU	\$0.8027	0	\$0	0	\$0.8027	\$0			
820	Margin BDU	\$0.2510	0	\$0	0	\$0.2517	\$0			
821	Retail	\$0.1919	0	\$0	0	\$0.1924	\$0			
822	Transportation	\$0.1919	0	\$0	0	\$0.1924	\$0			
823	Total		0	\$0	0		\$0			
824	Merchant Function Charge (MFC)	\$0.0000		\$0		\$0.0000	\$0			
825	Subtotal Non Gas Revenues			\$0			\$0	\$0	0.000%	
826	Commodity Gas Costs	\$8,5850		\$0		\$8,5850	\$0			
827	MMT Gas Cost Charge	\$0.1500		\$0		\$0.1500	\$0			
828	Subtotal Gas Revenues			\$0			\$0			
829	STA Tax Revenues	\$0.0000		\$0		\$0.0000	\$0			
830	Total			\$0			\$0	\$0	0.000%	
853										
854	Large Industrial Trans MMT									
855	Bills	\$514,5000	12	\$6,174	12	\$1,029,0000	\$12,348			
856	Administration Fees	\$70,0000	12	\$840	12	\$0,0000	\$0			
857	Intrastate Volume	\$0.4978	245,401	\$122,161	245,401	\$0.4991	\$122,480			
858	Interstate Volume	\$0.4978	10,222	\$5,089	10,222	\$0.4991	\$5,102			
859	Total		255,623	\$134,264	255,623		\$139,930			
860	Subtotal Non Gas Revenues			\$134,264			\$139,930	\$5,666	4.220%	
861	MMT Gas Cost Charge	\$0.1500		\$38,343		\$0.1500	\$38,343			
862	Subtotal Gas Revenues			\$38,343			\$38,343			
863	STA Tax Revenues	\$0.0000		\$0		\$0.0000	\$0			
864	Total			\$172,607			\$178,273	\$5,666	3.280%	
905										
906	Large Volume Industrial Trans DMT									
907	Bills	\$514,5000	144	\$74,088	144	\$1,029,0000	\$148,176			
908	Administration Fees	\$70,0000	144	\$10,080	144	\$0,0000	\$0			
909	Intrastate Volume	\$0.2870	5,487,068	\$1,574,980	5,487,068	\$0.2874	\$1,576,802			
910	Interstate Volume	\$0.2927	961,941	\$281,534	961,941	\$0.2931	\$281,986			
911	Total		6,449,009	\$1,940,682	6,449,009		\$2,006,964			
912	Subtotal Non Gas Revenues			\$1,940,682			\$2,006,964	\$66,282	3.420%	
913	Subtotal Gas Revenues			\$0			\$0			
914	STA Tax Revenues	\$0.0000		\$0		\$0.0000	\$0			
915	Total			\$1,940,682			\$2,006,964	\$66,282	3.420%	
916										
917	Total LIS Revenues		6,704,832	\$2,113,289	6,704,832		\$2,185,237	\$71,948	3.400%	
918	Total LIS Gas Costs			\$38,343			\$38,343			
919	Total LIS Non Gas Cost Revenues			\$2,074,946			\$2,146,894			
920										
921	Total Pennsylvania Division Revenues		42,560,886	\$356,973,532	42,560,886		\$371,273,268	\$14,299,736	4.010%	
922	Total Pennsylvania Division Revenues Gas Costs			\$253,241,638			\$253,241,638			
923	Total Pennsylvania Division Non Gas Cost Revenues			\$103,731,896			\$118,031,632			

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, :
et al. :
 :
v. :
 :
National Fuel Gas Distribution Corporation :

Docket Nos. R-00061493, et al.

2006-12-14 10:06
SECRETARY'S BUREAU

**STATEMENT OF NATIONAL FUEL GAS DISTRIBUTION CORPORATION
IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT OF ALL ISSUES**

**TO ADMINISTRATIVE LAW JUDGES JOHN H. CORBETT, JR. AND
MARK A. HOYER:**

I. INTRODUCTION

National Fuel Gas Distribution Corporation ("Distribution" or "Company") believes that the Settlement achieved by all Parties¹ of all issues in this proceeding is in the best interests of Distribution and its customers, and therefore, is in the public interest. Distribution submits this Statement in Support to explain the numerous reasons that support such a conclusion. Distribution also explains herein its responses to the Directed Questions posed by Vice Chairman Cawley and provisions of the Settlement that respond to matters addressed in those questions.

¹ The Parties are the Office of Trial Staff ("OTS") of the Pennsylvania Public Utility Commission ("Commission"), the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), Community Action Association of Pennsylvania ("CAAP"), and Distribution, (collectively referred to as the "Parties").

II. THE SETTLEMENT IS CLEARLY IN THE PUBLIC INTEREST.

After multiple settlement conferences, the Parties despite their diverse interests, have reached agreement on a broad array of issues in this proceeding clearly demonstrating that the Settlement provides considerable benefits to customers as represented by these competing interests. The Settlement is in the public interest and should be approved.

Distribution filed the request with the Pennsylvania Public Utility Commission (“Commission”) to cover the increased costs of providing service to Distribution’s customers, including its ongoing construction program as well as increases in difficult-to-control costs such as uncollectible expenses. Through the requested increase in annual operating revenues, Distribution will be in position to meet its commitment to invest in its distribution system to provide the necessary service and reliability needed to meet customers’ expectations and Distribution’s obligations to provide safe and reliable service.

The Settlement was achieved after considerable investigation of Distribution’s operations, through both informal and formal discovery, and submission of direct testimony by a number of the Parties in this proceeding and rebuttal testimony by Distribution, OCA and OSBA. In addition, the Parties undertook numerous discussions and negotiations as to revenue level, rate design and other matters that would be in the public interest. The Settlement, if approved by Administrative Law Judges John H. Corbett, Jr. and Mark A. Hoyer (the “ALJs”) and the Commission, will reduce the amount of expense and effort that will be required by the Parties and the Commission to bring this matter to a conclusion. The Parties and the Commission will be able to avoid the substantial effort and expense that would be incurred in continuing to litigate this proceeding, including preparing for and participating in hearings, preparation of briefs, reply briefs, exceptions, replies to exceptions and possible appellate litigation.

Distribution asserts that the increase in annual operating revenues of \$14.3 million under the Settlement represents a fair compromise in the case and is necessary to support Distribution's ongoing construction plan. The Settlement increase represents approximately 55% of Distribution's proposed increase of \$25.892 million and will enable Distribution to provide safe and reliable service to its customers in northwestern Pennsylvania

The Settlement includes key provisions concerning Other Post Employment Benefits ("OPEBs"). Specifically, the Settlement specifies that Distribution will accept the OCA's amortization of deferred OPEB costs and will continue to account for the difference between the OPEB cost determined annually by the actuary in accordance with SFAS 106 and the annual OPEB cost included in rates. That difference will continue to be recorded as a regulatory asset or liability and will be expensed or credited in future rate proceedings in determining periodic OPEB costs. *After the conclusion of the amortization periods discussed above, the amortization amounts will be added to the OPEB cost used to calculate the OPEB regulatory asset or liability.* Further, Distribution will continue to fund OPEBs through irrevocable external trusts, into which contributions will be deposited for the remainder of the amortization periods. Retiree OPEBs and administrative costs of maintaining the trusts will continue to be paid from amounts deposited in the trusts. These are important Settlement provisions because it ensures that adequate funds will be contributed to and accounted for in Distribution's post-employment benefit plans.

The Settlement also provides for \$526,466 of annual research funding to replace a portion of amounts previously funded by the Gas Research Institute surcharge applied to intrastate pipeline rates. Distribution will expend these dollars on additional broad-based Research, Development and Demonstration ("RD&D") that are beneficial to Distribution and its customers

and not on additional customer outreach for enhanced energy efficiency. This Settlement provision ensures continued funding toward the development of worthwhile near-term end-use technologies with wide ranging benefits from efficiency to safety and environmental stewardship.

Further, the Settlement provides for increased funding in Distribution's Low Income Usage Reduction Program ("LIURP") from \$1,183,566 to \$1,300,000. The Settlement increases current LIURP funding even though current amounts are greater than the 0.2% minimum and will enable Distribution to provide its low income customers with expanded assistance during the period covered by the Settlement.

Another important benefit of the Settlement is that the Parties were able to agree upon a compromise revenue allocation which recognizes each party's revenue allocation proposal. The percentage of the increase allocated to the residential class is 83%. The industrial classes and the Commercial and Public Authority classes received a revenue allocation between the range of allocations presented in the case by the parties. The Joint Petitioners agree that the proposed revenue allocation represents a reasonable compromise of each party's position.

The increase to the residential class will be recovered through an equal percentage increase to the rate blocks and without an increase to residential customer charge. Also, the Company agreed to withdraw its seasonal purchase gas demand charge recovery proposal.

The Parties success in reaching agreement on the specific allocations of the revenue increase among the rate classes and upon specific rate designs for the rate classes is significant. These issues are often among the most contentious in a base rate proceeding. Full resolution of these issues by the disparate parties demonstrates, in and of itself, the reasonableness and

fairness of the result. The proposed Settlement also reflects the Commonwealth Court's recent decision in *Lloyd v. PA PUC*, 904 A.2d 1010, (Pa. Cmwlth. 2006).

In addition, Distribution, for purposes of achieving a unanimous settlement, agreed to remove from this proceeding, what it viewed to be significant issues of import. Specifically, the Company agreed to not pursue, in this case, the implementation of its proposed conservation and revenue de-coupling proposals (Enhanced Energy Efficiency Rider). Distribution made these proposals in response to the dramatic changes in the energy market place in the past year, brought on in large part to the significant level of uncertainty and volatility in natural gas prices experienced post Hurricanes Katrina and Rita. Distribution continues to believe that there is a broad consensus for aggressive conservation efforts and recognition that disincentives to encouraging conservation must be addressed. While Distribution continues to support these conservation and de-coupling initiatives, it has agreed to continue its efforts on these matters in the Commission's recently initiated *Investigation of Conservation, Energy Efficiency Activities and Demand Side Response by Energy Utilities and Ratemaking Mechanisms to Promote Such Efforts* at Docket No. M-00061984.

Distribution has also agreed to withdraw its proposed merchant function (unbundling) charge and purchase of receivables proposals. Distribution proposed these concepts to try to encourage customer choice in recognition of the proposals raised in the Commission's SEARCH² proceedings with regard to evaluation of customer choice. These issues will continue to be addressed generically through the Commission's SEARCH proceedings. Distribution will re-evaluate these proposals after completion of the SEARCH proceedings.

² *Investigation into the Natural Gas Supply Market; Report to the General Assembly On Competition in Pennsylvania's Retail Natural Gas Supply Market*, Investigatory Order and Report to the General Assembly, Order entered October 6, 2005 at Docket No. I-00040103.

III. RESPONSE TO VICE CHAIRMAN CAWLEY'S DIRECTED QUESTIONS

In this proceeding, Vice Chairman James H. Cawley posed several directed questions to the Parties. Specifically, Vice Chairman Cawley requested that the Administrative Law Judges and the parties in this proceeding address a number of questions regarding revenue de-coupling and appropriate pricing to encourage conservation. The Company addressed these issues generally in its initial filing (Company Statement No. 11, the Direct Testimony of Eric H. Meinel). Statement No. 11 addressed the subject of revenue de-coupling and rate design changes which considered a number of objectives including pricing designed to encourage conservation. The Company also filed supplemental direct testimony to specifically address the questions asked by Vice Chairman Cawley (Supplemental Direct Testimony of Eric H. Meinel, Statement No. 11-S). Statement No. 11-S summarized the important characteristics of the Company's service territory that are appropriately considered when addressing the appropriate rate design, including revenue decoupling, that should be employed in the Company's service territory. There are a number of points which must be kept in mind when considering the design of the Utility's rates and the encouragement of conservation on the Utility's system.

First, maintaining and expanding infrastructure to provide customers access to natural gas supplies is a benefit to the Utility's service territory. In other words, customers and the economic well being of the service territory are better off with access to natural gas supplies than without access to such supplies. There are also environmental benefits from using natural gas instead of other home heating fuel sources. Considering these impacts it is important to avoid pricing policies that would encourage customers from switching to other fuel sources from natural gas.

It is also important to recognize that the economic well being of the Company's service territory is dependent on the manufacturing sector to a greater degree than the Commonwealth of

Pennsylvania as a whole. Another factor that must be considered is the significant amount of local production in the service territory and the number of interstate pipelines that traverse the service territory. This provides alternative sources of access to natural gas for large industrial, commercial and public authority customers. Therefore, pricing policies that increase the Company's delivery rates to these customers may lead to bypass of the Company's delivery system instead of the energy efficiency results intended to be encouraged by the price increase.

Vice Chairman Cawley's first question related to fixed charges for residential and commercial customers and whether such charges discourage conservation of energy. This question relates to the trade-off between recovering the Company's revenue requirement from customer charges as compared to recovery from volumetric usage rates. The lower the customer charges, and all other things remaining equal, the greater the usage rates would need to be in order to recover the company's revenue requirements. If the rates for usage are higher, customers that reduce consumption would save more than if rates for usage were lower, all other things being equal. However, the important question to ask is, is the increase in usage rates for marginal consumption that would result by shifting costs from customer charges to usage rates significant enough to: (1) encourage additional conservation (2) out weigh the customer impacts of such a change, and (3) allow the utility a fair opportunity to achieve a reasonable rate of return?

Revenue de-coupling models can be used to provide reasonably stable revenues for the utility. It is doubtful, however, that a rate design shift from customer charges to volumetric usage rates would provide enough conservation benefits to offset the negative customer impacts. Shifting revenue recovery from customer charges to volumetric usage rates would cause a greater amount of fixed costs to be recovered from higher usage customers. The Company has

demonstrated in this proceeding that its low income customers tend to use more natural gas than higher income customers and low income customers are also less likely to have the financial resources to invest in energy saving improvements to their homes. Additionally, seasonal and recreational, and other low volume users would be rewarded, albeit unintentionally, but rewarded none-the-less, from such a change. Indeed, a non-heating, low volume customer would never pay the customer related costs if customer costs are recovered volumetrically.

If non-gas costs were recovered from residential customers through a purely volumetric rate, such a rate design would under-recover the customer related costs of serving the average residential customer. These purely customer related costs would need to be recovered from higher usage customers. Customer related costs are costs associated with connecting customers directly to the system including service line and meter costs. A purely volumetric rate design would not recover the customer related costs and would also provide no contribution to other system costs from low usage customers, including, for example, the costs of distribution mains from which all customers benefit.

Recovering non-gas costs from fixed charges is more consistent with how these costs are incurred, since the installation and maintenance costs of distribution pipe does not vary due to the amount of gas consumed it is more appropriate to recover such costs on a fixed basis. The Company would recommend that if there is a concern about providing significant price signals in unit rates that the focus would be on the proper recovery of purchased gas cost expense. If there is a concern that rates are too low to provide benefits to customers to conserve, the winter purchased gas cost rates could be increased. Further, the appropriate natural gas cost pricing for the upcoming year could be reviewed in the annual 1307(f) gas cost proceeding and adjustments could be made based on circumstances at that time. In other words, this provides the

Commission with an opportunity to experiment with pricing policies and test their impacts on promoting conservation while providing the utility with reasonably stable revenues to operate its system.

Rate design which reasonably balances cost causation and appropriate price signals to encourage conservation along with a seasonal recovery of purchased gas cost demand charges would provide incentives to conserve. Winter purchase gas commodity prices could arguably be increased to provide greater conservation incentives.

Vice Chairman Cawley also asked if declining block rate designs remove the incentives for customers to conserve. The Company believes that they do not. Customers have a significant incentive to conserve through avoidance of purchased gas costs. Ultimately it is purchased gas costs that will be saved by customers through conservation. Non-gas cost recovery will remain stable either through the effects of a revenue de-coupling mechanism or through the filing of base rate cases prompted by the decline in customer usage. The most significant component of a customer's bill is the purchase gas cost component. It is the potential to save on purchased gas cost component of the bill that provides customers with the long term benefits from conservation.

The final question raised by Vice Chairman Cawley is whether rate designs should vary by class. More distinctly, is it appropriate that larger commercial and industrial customers pay lower unit rates for distribution? The company believes yes, it is appropriate for larger commercial and industrial customers to pay lower unit rates for distribution services since it costs less on a unit basis to serve such customers. Further, it is important to recognize that such customers can bypass the utility if rates for distribution service are greater than the costs of the customer building a bypass line to a local production source or interstate pipeline. In such

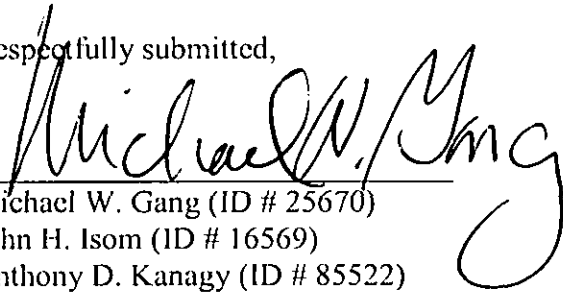
bypass circumstances, the increased delivery unit rates would not result in more efficient usage on the part of the large industrial or commercial customer, but instead result in an inefficient bypass of the Company's distribution system. It would also make the costs of manufacturing more expensive not less in the service territory. A more effective energy efficiency strategy for large volume customers would be to target RD&D funding (including the Delta funding currently in effect) toward energy efficient applications for industries in the Company's service territory.

The Company's initially filed rate design and revenue decoupling proposal was consistent with promoting customer conservation efforts. As this case proceeded, however, it became clear that there was significant opposition to the Company's new and novel proposals from the parties in this case. As with many new ideas, it takes time to educate customers and stakeholders as to the benefits of new approaches. In the spirit of compromise, the Company has agreed to withdraw these proposals and to reflect a more traditional rate design, including no further increase in the residential customer charge in this case. Again, it should be noted that the issue of appropriate rate designs that promote conservation and provide utilities with the appropriate incentive to promote the efficient use of energy is being addressed by this Commission generically in its *Investigation of Conservation, Energy Efficiency Activities and Demand Side Response by Energy Utilities and Ratemaking Mechanisms to Promote Such Efforts* at Docket No. M-00061984. The Company supports the Commission's efforts to review these important issues generically and looks forward to participating in that proceeding where a thorough review of the benefits of conservation efforts and the appropriate means of promoting such efforts will be explored.

IV. CONCLUSION

The Settlement is the result of detailed examination of Distribution's proposal, multiple rounds of testimony and compromise by all Parties. Distribution believes that a fair and reasonable compromise has been achieved in this case, as is evident by the fact that all Parties, including Distribution, OTS, OCA, OSBA and CAAP have reached agreement on all issues in this proceeding. Distribution fully supports this Settlement and respectfully requests that the ALJs and the Commission expeditiously review and approve the Settlement in its entirety.

Respectfully submitted,



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Of Counsel:

Post & Schell, P.C.

Date: October 12, 2006

Attorneys for
National Fuel Gas Distribution Corporation

Elletson and Patricia Cartwright filed Formal Complaints on June 15, 2006. On June 21, 2006, the Office of Small Business Advocate (OSBA) filed a Formal Complaint. On June 26, 2006, the Office of Trial Staff (OTS) filed its Notice of Appearance. On July 5, 2006, the PUC sent notice canceling the prehearing conference. On July 11, 2006, the Community Action Association of Pennsylvania (CAAP) filed a Petition to Intervene. On July 20, 2006, the Commission suspended the proposed effective date of Supplement 61 to March 2, 2007 and assigned the proceeding to the Office of Administrative Law Judge and, further, to Administrative Law Judges John H. Corbett, Jr. and Mark A. Hoyer (ALJs). On July 21, 2006, the PUC sent notice that the initial prehearing conference would be held on August 3, 2006. On July 24, 2006, NFGD filed Supplement No. 66 to Tariff Gas - Pa. P.U.C. No. 9 to suspend the effective date of Supplement 61 to March 2, 2007. Between July 3 and August 30, 2006, approximately one thousand two hundred and sixty (1,260) additional customers filed formal complaints against the proposed rates. Many other customers filed informal complaints, which were docketed as protests.

At the prehearing conference, a procedural schedule for the case was adopted. In addition, the ALJs scheduled five public input hearings in the service territory. Pursuant to that directive, public input hearings were held on August 28, 29 and 30, 2006 in Erie, Meadville, Farrell and Franklin. One hundred and sixty-eight (168) customers provided sworn testimony at these hearings, primarily, regarding their opposition to NFGD's rate increase, revenue decoupling surcharge and customer charge proposals.

On September 6, 2006, the OCA submitted the direct testimony of Lafayette K. Morgan, David C. Parcell, Richard A. Galligan and Barbara R. Alexander. The OCA submitted the rebuttal testimony of Richard A. Galligan on September 28, 2006. The Joint Petitioners have

agreed to stipulate admission of the following OCA statements into the record: OCA Statement Nos. 1, 2, 3, 3-R and 4.

Pursuant to the Commission's policy of encouraging settlements that are in the public interest, the OCA, NFGD, OTS, OSBA and CAAP (Joint Petitioners) met on numerous occasions to discuss the possibility of reaching a settlement. These discussions resulted in this proposed Settlement. As will be discussed below, the OCA submits that the proposed Settlement is in the public interest.

II. DISTRIBUTION REVENUES

A. Revenue Requirement

The proposed Settlement provides for an overall distribution base rate increase of \$14.3 million, about \$11.5 million less than the rate increase amount originally requested by NFGD of \$25.8 million. This rate increase reflects an increase in overall revenues of 4.0% as compared to the Company's original request of a 7.2% increase in overall revenues. Also, the Company has agreed to refrain from filing for a base rate increase before January 28, 2008. This would ensure rate stability, while also ensuring that NFGD customers do not experience significant distribution rate increases during this winter or the following winter.

Based on OCA's analysis of the Company's filing and discovery responses received, the rate increase under the proposed Settlement represents a result that would be within the range of likely outcomes in the event of full litigation of the case. The increase is appropriate and, when accompanied by other important conditions contained in the Settlement, yields a result that is just and reasonable.

B. Enhanced Energy Efficiency (EEE) Rider

As part of the proposed Settlement, NFGD will not implement its proposed EEE Rider. The proposed EEE Rider is a form of revenue decoupling mechanism because it would break the link between the utility's gas sales and its base rate revenue receipts. Specifically, this rider would allow a surcharge on customer bills to reimburse the Company for a portion of lost margins when actual deliveries per customer are less than a targeted level. Conversely, when actual deliveries per customer are higher than a targeted level, the rider would provide for a refund to customers. Public input testimony clearly showed that customers opposed the rider. The OCA also opposed the EEE Rider and argued that it is too broad, improperly shifts risk to customers without any corresponding recognition of risk-related cost savings for the Company, and is not tied to a comprehensive, company-sponsored conservation program. *See* OCA Statement No. 3 of Richard A. Galligan, pp. 32-40. Members of the public were concerned that the proposed rider would punish customers for their past conservation efforts. The removal of this highly controversial rider, along with the changes to rate structure discussed below, ensures that the Settlement rates would provide appropriate conservation signals to customers.

III. RATE STRUCTURE

A. Revenue Allocation

If approved by the PUC, the Settlement would provide the authorization for NFGD to increase base rates by amounts designed to produce a \$14.3 million increase in annual operating revenues, in lieu of the increase of \$25.8 million originally proposed by the Company in this proceeding. This results in an increase in operating revenues of approximately 4.0% as opposed to the Company's original request to increase operating revenues by 7.2%. Under the revenue allocation agreed to by the Joint Petitioners, the NFGD residential class would

experience a 4.3% increase, rather than the proposed 7.3% increase.² In addition to sales customers, the residential class includes Low Income Residential Assistance (LIRA) customers and transportation customers. Residential, non-LIRA, sales customers would receive a 4.6% increase under the proposed Settlement.

Under the proposed Settlement, using current gas cost rates, the average total monthly bill for a NFGD residential customer using 100 Mcf annually would rise from \$120.08 per month to \$125.47 per month.

B. Residential Rate Design

Under the settlement, NFGD would retain its current monthly customer charge of \$12.00 for NFGD residential customers, rather than increase the charge to \$20.64, as originally proposed by the Company. The commodity charges will be increased to recover the necessary revenue increase from the residential class. Each commodity (or usage) block will be increased by 26%, rather than NFGD's proposed increase of 48% to the first usage block and *decrease* of 87% to the second usage block (tailblock).

The OCA submits that eliminating the customer charge increase will significantly benefit residential customers, addresses customer testimony opposing increases in their fixed charges and is directly responsive to Vice Chairman Cawley's Directed Questions regarding the impact of high customer charges on conservation. By providing a customer charge 72% lower than the Company's proposed charge and recovering the remaining revenue through the commodity charges, the commodity charges can provide necessary signals to customers regarding conservation. Significantly, under the proposed Settlement, the commodity charges

² This percentage reflects changes in purchased gas costs effective August 1, 2006. At the time of filing, the proposed increase to the residential class of \$20.2 million was equivalent to 6.9%. Reduced purchased gas costs increase this percentage to 7.3%.

will be increased by the same amount in both the initial usage block and the tailblock. This is much more conducive to customer conservation efforts than the Company's original proposal to increase the initial block while drastically reducing the tailblock rates.

The OCA submits that the residential rate design established through the settlement is reasonable and consistent with sound ratemaking principles.

IV. OTHER ISSUES

A. LIURP Funding

The settlement revenue requirement provides for an increase in funding for the Low Income Usage Reduction Program (LIURP). The Company has agreed to fund its LIURP in the amount of \$1.3 million per year, which is an increase over the Company's proposed funding of \$1,183,566. This funding amount exceeds the minimum 0.2% of revenues set forth in the Commission's regulations. The OCA submits that through funding of LIURP, more low income customers would be provided assistance to better manage their bills and improve the energy efficiency of their homes.

B. Merchant Function Charge

As part of its filing, NFGD proposed a Merchant Function Charge (MFC) that would recover a portion of its uncollectibles expense and its storage working capital costs through a percentage increase in the purchased gas cost (PGC) rate. The OCA opposed the MFC on the basis that it was an unlawful automatic surcharge mechanism for uncollectibles expense. In addition, the mechanism could reduce NFGD's incentive to maximize collections because the MFC would guarantee cost recovery. The Company has addressed the OCA's concerns in the proposed Settlement by withdrawing the proposed Merchant Function Charge.

C. Purchase of Receivables

The Company also proposed a pilot program for purchasing the receivables of certain natural gas suppliers (NGSs). The OCA had several concerns about the purchase of receivables program, the most significant being the Company's proposed ability to terminate a customer's service for nonpayment of the NGS portion of the bill. As discussed in the testimony of OCA witness Barbara R. Alexander, OCA Statement No. 4, pages 6 to 8, this is inconsistent with stated Commission policy. As part of the proposed Settlement, NFGD has agreed to withdraw the purchase of receivables program.

D. Research and Development

NFGD's initial filing included a proposal to increase funding for research and development (R&D) by not-for-profit research groups to improve the reliability, operating costs and environmental compliance of gas-consuming appliances and equipments for the benefit of Pennsylvania natural gas consumers, as well as for local projects within NFGD's service territory. The proposed Settlement maintains funding at the level approved in the settlement of NFGD's last rate case and requires the Company to continue to file an annual report describing the projects that have been funded and their cost. In this way, the proposed Settlement supports continuing R&D funding, and provides for annual review to ensure that the funded projects benefit Pennsylvania ratepayers.

E. Directed Questions

The OCA set forth its responses to the Directed Questions of Vice Chairman Cawley in this proceeding in the Direct Testimony of OCA witness Richard A. Galligan, OCA Statement No. 3, pages 39-40, 42-43. A summary of the OCA responses follows:

“Do fixed charges for residential customer distribution services discourage conservation of energy?” The OCA responded that fixed charges for residential customer distribution services can discourage conservation of energy because, other things being equal, a higher customer charge means lower usage rates. The lower the savings achieved from reduced usage, the lower is the incentive to conserve.

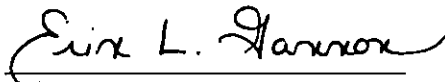
“Do declining block rate designs remove the incentive for consumers, especially large residential consumers, to conserve energy?” Similarly, lower tailblock usage rates reduce the incentive to conserve on gas usage subject to the tailblock rate. Lower tailblock rates lengthen the payback period and may even reduce the list of conservation activities that will be cost effective for customers to pursue. As discussed above, the Settlement addresses these concerns by maintaining the current level of the residential customer charge and preventing a wider gap between usage rates, in direct contrast to NFGD’s initial proposal.

“Can and should rate designs vary among customer classes?” The OCA responded that it is possible to soundly design different rate designs for different customer classes that provide adequate incentive for conservation.

V. CONCLUSION

The OCA submits that the terms and conditions of the proposed settlement of this rate investigation represent a fair and reasonable resolution of the issues and claims arising in this proceeding. If approved by the PUC, this agreement would provide for an increase in annual operating revenues of \$14.3 million with the above-stated conditions.

Respectfully submitted,



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Darryl A. Lawrence
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Assistant Consumer Advocates

Counsel for:
Irwin A. Popowsky
Consumer Advocate

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Dated: October 12, 2006

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I. BACKGROUND

1. OTS was established under the provisions of Section 306 of the Public Utility Code, 66 Pa. C.S. § 306, in 1986 and charged with the representation of the public interest in proceedings relating to rates and rate-related services held before the Commission. As a result, in negotiated settlement of positions, it is incumbent upon the OTS to ensure that the public interest is served and to quantify to what extent amicable resolution of any such proceeding will benefit the public interest.

2. On May 31, 2006 NFG filed with the Commission Supplement No. 61 to Tariff Gas – Pa. P.U.C. No. 9, together with supporting written testimony and exhibits. In that filing, NFG requested approximately \$25.892 million in additional operating revenues based upon a future test year of January 31, 2007.

3. By Order entered July 20, 2006, the Commission initiated an investigation of NFG's proposed general rate increase and the matter was assigned to the Office of Administrative Law Judge. Subsequently, OTS entered its appearance in this proceeding.

4. The on-the-record proceeding was assigned to Administrative Law Judge John H. Corbett, Jr., August 3, 2006.

5. Commission Rules and Regulations encourage settlement of proceedings and, consequently, the parties convened frequent conferences and discussion over the course of this proceeding. These discussions ultimately resulted in a comprehensive stipulation of all issues in controversy and an agreement in principle was reached on October 11, 2006.

II. SETTLEMENT TERMS AND PUBLIC INTEREST STATEMENT

6. The specific terms of the settlement are found at Paragraphs 18(A) through 18(D) of the Joint Petition. The OTS submits that the Settlement represents a balance of the interests of the Company's customers and the interests of NFG. Consequently, the Settlement, as proposed, is in the public interest and should be approved by the ALJs and the Commission for the following reasons:

a. The proposed Settlement permits NFG to increase rates in amounts designed to produce \$14.3 million in annual operating revenues, before late payments, based upon sales and transportation volumes for the twelve months ended January 31, 2007. This is a significant reduction from the originally requested \$25.992 million and provides NFG's customers with a level of savings that otherwise might not have been obtainable had this proceeding been fully litigated.

b. NFG has agreed to withdraw implementation of its proposed EEE Rider and associated \$1.8 million outreach program. This specific proposal had generated significant opposition from, both, the public advocates and the NFG ratepayers in particular. Given the significant social and public policy implications attendant to the implementation of such a proposal, its withdrawal as a condition of this Settlement serves the public interest.

c. The settlement provides that NFG will increase its LIURP funding from \$1,183,566 to \$1,300,000. This proposal will allow a higher level of heating assistance to be distributed to NFG's low-income users during the upcoming heating season.

d. NFG has also agreed to not file a tariff proposing a general increase to base rates prior to January 28, 2008, absent certain criteria as set forth in the Settlement. A “stay-out” of this length will afford NFG customers with a level of stabilized rates through two winter heating seasons that otherwise might have been unobtainable if this proceeding had been fully litigated.

e. The Joint Petitioners have agreed upon a revenue allocation methodology that represents a compromise of the various revenue allocation positions as set forth by the respective parties. For its part, OTS represents that the revenue allocation as agreed upon by the parties represents a movement towards obtaining actual cost of service for each class.

f. Finally, the Settlement provides that the NFG will withdraw its proposals for a merchant function charge and for a purchase of receivables pilot programs. OTS represents that these specific proposals are more properly examined in the context of a general Commission proceeding designed to investigate certain aspects of the natural gas supply market, and not within the context of a base rate proceeding.

7. In addition to the foregoing reasons, based upon OTS’ analysis of the filing and the present proposal, acceptance of this proposed settlement is in the public interest because resolution of this case by settlement rather than litigation will avoid substantial time and expense involved in continuing to formally pursue all issues in this proceeding.

8. OTS further submits that acceptance of the foregoing settlement will negate the need for any direct and cross-examination of witnesses, the preparation of main briefs, reply briefs, exceptions and reply exceptions and the filing of possible appeals.

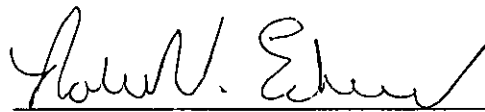
The avoidance of any further expense by settlement of this proceeding serves the interests of the Company, OTS and the customers.

9. OTS' agreement to settle this case is made without any admission or prejudice to any position that OTS might adopt during subsequent litigation in the event the Settlement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

10. If the ALJ recommends that the Commission adopt the Settlement as proposed, OTS has agreed to waive the filing of Exceptions. However, OTS has not waived its rights to file Exceptions with respect to any modifications to the terms and conditions of the Settlement, or any additional matters, that may be proposed by the ALJ in his Recommended Decision. OTS has also reserved the right to file Reply Exceptions to any Exceptions that may be filed by the Company or any formal complainant.

WHEREFORE, the Commission's Office of Trial Staff represents that it supports the Joint Petition as being in the public interest and respectfully requests that the Administrative Law Judge and the Commission approve the foregoing Joint Petition, including all terms and conditions contained therein.

Respectfully submitted,



Robert V. Eckenrod
Prosecutor
Attorney ID No. 84889

Allison A. Curtin
Prosecutor
Attorney ID No. 93176

Office of Trial Staff

Pennsylvania Public Utility Commission
Post Office Box 3265
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(717) 787-1976

Dated: October 12, 2006

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY	:	
COMMISSION	:	
v.	:	
NATIONAL FUEL GAS	:	Docket No. R-00061493
DISTRIBUTION CORPORATION	:	

**STATEMENT OF THE OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT OF ALL ISSUES**

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate (“OSBA”) filed a complaint at Docket No. R-00061493, to the May 31, 2006, filing of National Fuel Gas Distribution Corporation (“NFGD” or “Company”) containing proposed Tariff Gas – Pa. P.U.C. No. 9 (Supplement No. 61). The Company’s May 31st filing requested \$25.87 million in additional annual operating revenues. That would have been an increase of 24.9% over the current levels excluding the cost of gas. The Company’s proposed rate increase would have produced a 9.48% overall rate of return on its original cost rate base, including a 12.25% return on common equity

The OSBA filed direct and rebuttal testimony in this proceeding, and actively participated in the negotiations that led to the proposed settlement. The OSBA is a signatory to the Joint Petition For Settlement Of All Issues (“Joint Petition”) filed on October 12, 2006. The OSBA submits this statement in support of the Joint Petition.

The Joint Petition sets forth a comprehensive list of issues that were resolved through the negotiation process. The following specific issues were of particular significance to the OSBA

when it concluded that the Joint Petition was in the best interests of NFGD's small business customers.

1. While the OSBA did not prepare an exhaustive evaluation of NFGD's proposed revenue requirement, the OSBA did submit testimony contesting the magnitude of the proposed rate of return. The OSBA also prepared an analysis of NFGD's forecasts that it would experience significant declines in gas use per customer for its residential and commercial customers, compared to the forecasts in its last base rates case for test year ending May 2005. The Company's forecasted reduction in throughput contributes significantly to NFGD's need for a rate increase. The Joint Petition reduces the overall magnitude of the proposed rate increase from \$25.87 million to \$14.30 million. The OSBA deems that this reduction represents a reasonable compromise between NFGD's filing and the expert testimony offered by OCA, OTS and OSBA regarding the revenue requirement. In the OSBA's view, a fully litigated proceeding could potentially result in either a higher or lower overall rate increase award.

2. The Joint Petition proposes to allocate the overall revenue increase among NFGD's customer classes as set forth in Appendix B. The proposed revenue allocation is a just and reasonable result for the Company's small business rate classes.¹ Specifically, using any of NFGD's four cost allocation methodologies submitted in this proceeding, all of the four small business customer classes overpay their distribution cost of service at present rates. Nevertheless, in its filing, NFGD proposed to assign above system average rate increases to three of those classes (the SC&PA classes). The terms of the Joint Petition result in below system average distribution rate increases for all four small business classes. This redistribution of the rate increase results in small business customer rates that are closer to their cost of service, thereby reducing the amount by which the Company's small business customers are overpaying.

¹ For the purpose of this proceeding, the OSBA deemed that small businesses take service under four of NFGD's rate classes: Small Commercial and Public Authority Less than or equal to 250 Mcf per year ("SC&PA LE250"), Small Commercial and Public Authority Greater than 250 Mcf per year ("SC&PA GT250"), Large Commercial and Public Authority ("LC&PA") and Small Volume Industrial Service ("SVIS").

3. In expert testimony, the OSBA recommended that NFGD's proposed revenue decoupling mechanism ("RDM") not be approved in this proceeding, for a number of reasons. First, this mechanism is not necessary to encourage ratepayer conservation -- ratepayers already face strong economic incentives to conserve, and businesses who supply insulation, set-back thermostats and other conservation technologies have incentives to encourage the use of their products. Second, this mechanism is an example of single-issue ratemaking, adoption of which would create a risky precedent for other utilities in Pennsylvania. Third, this mechanism will have the effect of deferring rate cases that NFGD would otherwise need to file, thereby making it much more difficult to move rates for small business customers in line with allocated costs. It will therefore have the effect of perpetuating the subsidy from small business customers. Until such time as rates for small business are cost-based, this proposal is unduly discriminatory, in addition to its other flaws. The Joint Petition adopts OSBA's position, and the proposed decoupling mechanism is withdrawn.

4. In its filing, NFGD proposed to adopt a merchant function charge ("MFC") to recover certain costs that are related to gas sales customers only from sales customers (and not transportation customers). While the OSBA expert testimony agreed that, conceptually, the proposal may be consistent with sound regulatory principles, the OSBA did not agree that establishing that charge as a percentage of the purchased gas charge was appropriate. The OSBA testimony indicated that this proposal may run afoul of legal proscriptions against automatic adjustments for uncollectible costs, and the OSBA had intended to substantiate the concerns raised in expert testimony with legal analysis in its brief. In the context of the Joint Petition, NFGD has withdrawn the proposed merchant function charge.

5. The OSBA submitted testimony that NFGD's proposal to establish seasonal rates for purchased gas costs ("PGCs") is not, in concept, unreasonable. However, NFGD's proposed method for seasonalizing costs to develop the proposed seasonal rate differentials is not

consistent with cost causation. The OSBA testimony recommended that this proposal be rejected pending the development of a more accurate cost seasonalization methodology. In the context of the Joint Petition, NFGD has withdrawn the seasonal PGC rate proposed.

6. NFGD proposed two alternative rate design packages for Commercial and Public Authority (“C&PA”) customers, one that was linked with its seasonal PGC rate proposal and one that was generally consistent with its existing tariff structure. The OSBA testimony recommended that a number of aspects of both proposals be modified. First, the proposed increase of 62.5 percent for the customer charge for SC&PA LE250 customers was excessive, for reasons of both gradualism and cost of service. Second, NFGD’s proposed increases for LC&PA sales customers were much higher than its proposed increases for LC&PA transportation customers, although NFGD had no cost justification for the difference. Third, in its seasonal rate designs for both SC&PA rate classes, NFGD’s proposals to significantly increase the first block charges and significantly reduce the tail block charges were not consistent with any cost evidence on the record. In direct testimony, the OSBA presented a specific proposal for rate design within the three C&PA classes that was generally consistent with the existing tariff structure, but which also recognized both the cost of service analysis and the principles of gradualism. In addition to the NFGD proposals, the OTS offered expert testimony recommending that a substantial increase be applied to the customer charge for LC&PA customers, a recommendation that was not consistent either with the OTS customer cost analysis or with the balance of the OTS rate design testimony. The OTS proposal would have had a disproportionate impact on the smaller customers within the LC&PA class, who are more likely to be deemed to be small business customers than are the larger customers within the class. The OSBA submitted rebuttal testimony opposing this increase. The Joint Petition, as detailed in Appendix A thereto, adopts the rate design recommendations made by OSBA in direct testimony for the C&PA classes.

For the reasons set forth in the Joint Petition itself, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed Joint Petition and respectfully requests that the ALJ and the Commission approve the Joint Petition in its entirety.

Respectfully submitted,



Sharon E. Webb
Assistant Small Business Advocate
Attorney ID No. 73995

For:

William R. Lloyd, Jr.
Attorney ID No. 16452
Small Business Advocate

Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101

Dated: October 11, 2006

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
et al.	:	
	:	Docket Nos. R-00061493, et al
v.	:	
	:	
National Fuel Gas Distribution Corporation	:	

**COMMUNITY ACTION ASSOCIATION OF PENNSYLVANIA'S
STATEMENT OF SUPPORT FOR THE JOINT PETITION
OF SETTLEMENT**

The Community Action Association of Pennsylvania (CAAP) supports the Joint Petition for Settlement and agrees to its terms based upon the following:

1. CAAP intervened in the above matter to address the Company's universal service programs.

2. CAAP supports the Joint Petition for Settlement and believes that it is in the public interest based upon the following:

A. The Company has agreed to increase spending for its low income usage reduction program (LIURP) which will help alleviate the impact of the rate increase on low income residential customers.

B. The increase in LIURP spending will provide for additional conservation measures further reducing a low income customer's consumption of energy and therefore his or her energy costs.

C. The Company has agreed to withdraw its Enhanced Energy Efficiency ("EEE") Rider and has agreed to substantially reduce its requested increase in fixed customer charges which will result in a customer continuing to have the ability to reduce his or her bill

through conservation and thus will continue to provide a motive for a customer to reduce his or her consumption of energy.

D. The settlement addresses the numerous and sometimes adverse interests of the many parties involved in this matter and effectively serves the interests of the Company, those parties and the public interest.

E. The settlement is consistent with the Commission's obligation under the Natural Gas Choice and Competition Act to insure that universal service programs are appropriately funded and available and that energy conservation measures are promoted and available to consumers, particularly low income consumers.

Based on the above, CAAP supports the Joint Petition for Settlement.

Respectfully submitted,

s/Joseph L Vullo

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I.D. No. 41279
1460 Wyoming Avenue
Forty Fort, PA 18704
(570) 288-0700
e-mail: jlvullo@bvrrlaw.com
Attorney for Community Action Association
of Pennsylvania

CLIENT NAME _____

CONTACT PERSON _____

CASE NAME _____

CASE/FILE# _____

DATE/TIME ORDERED: _____

DATE/TIME REQUIRED: _____

Box # _____ Box Sect: _____

Product Grade	Mach:	Start Meter	Stop Meter	Waste	Start Time	Stop Time
		1856381				

Add-On	Quantity	Add-On	Quantity
Taps		6.	
Binders		7.	
GBC		8.	
Veil		9.	
Debc		10.	

Perfect: Yes No

CERTIFICATE OF SERVICE

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

VIA FIRST CLASS MAIL & ELECTRONIC MAIL

Honorable John H. Corbett Jr.
Pennsylvania Public Utility Commission
1103 Pittsburgh State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222

Honorable Mark A. Hoyer
Pennsylvania Public Utility Commission
1103 Pittsburgh State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222

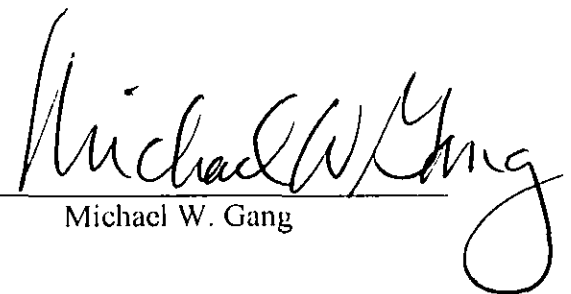
Erin L. Gannon, Esquire
Darryl Lawrence, Esquire
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Joseph L. Vullo, Esquire
Burke Vullo Reilly Roberts
1460 Wyoming Avenue
Forty Fort, PA 18704

Date: October 12, 2006


Michael W. Gang

SECRETARY'S BUREAU
OCT 12 2 14 PM '06



National Fuel

October 17, 2006

James J. McNulty
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

DOCUMENT
FOLDER

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Re: Pennsylvania Public Utility Commission v.
National Fuel Gas Distribution Corporation
Docket No. R-00061493

Dear Secretary McNulty:

Enclosed, for filing, are an original and three (3) copies of the Certificate of Service which indicates that the Joint Petition For Settlement of All Issues (excluding the proposed tariff supplement), Proof of Revenues, and the Statements of Support filed by National Fuel Gas Distribution Corporation, the Office of Trial Staff, the Office of Consumer Advocate, the Office of Small Business Advocate and the Community Action Association of Pennsylvania have been served on the customer complaints via First Class Mail.

Respectfully submitted,

Eric H. Meini

Enclosure

CERTIFICATE OF SERVICE

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

VIA FIRST CLASS MAIL

Honorable John H. Corbett, Jr.
Pennsylvania Public Utility Commission
1103 Pittsburgh State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222

Sharon Webb, Esquire
Office of Small Business Advocate
Commerce Building
300 North Second Street, Suite 1102
Harrisburg, PA 17101

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1103 Pittsburgh State Office Building
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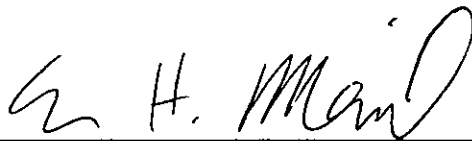
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Michael W. Gang
John H. Isom
Post & Schell
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601

Dated this 17th day of October 2006.



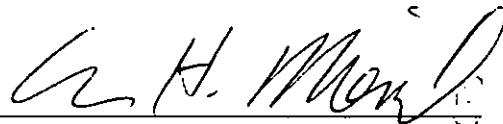
Eric H. Meinl
General Manager,
Rates and Regulatory Affairs

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REGULATORY AFFAIRS

CERTIFICATE OF SERVICE

I hereby certify that, at the direction of the presiding Administrative Law Judges, I have this day by First Class Mail served a true copy of The Joint Petition For Settlement Of All Issues (excluding the proposed tariff supplement), Proof of Revenue, Statement of National Fuel Gas Distribution Corporation In Support of the Joint Petition For Settlement Of All Issues, Office of Trial Staff Statement In Support of Joint Petition For Settlement Of All Issues, Statement of the Office of Consumer Advocate In Support of Joint Petition For Settlement Of All Issues, Statement of the Office of Small Business Advocate In Support of the Joint Petition For Settlement Of All Issues, and Community Action Association of Pennsylvania's Statement of Support for the Joint Petition of Settlement upon the participants listed in Appendix A hereto in accordance with the requirements of §1.54 (relating to service by a participant).

Dated this 17th day of October 2006.



Eric H. Meini
General Manager,
Rates and Regulatory Affairs

2006 OCT 19 PM 5:17
COMMUNICATIONS SECTION

**DOCUMENT
FOLDER**

Anthony D. Kanagy

akanagy@postschell.com
717-612-6034 Direct
File #: 2272-128560

October 24, 2006

VIA HAND DELIVERY

James J. McNulty
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
PO Box 3265
Harrisburg, PA 17105-3265

ORIGINAL

**RE: Pennsylvania Public Utility Commission, et al.
v. National Fuel Gas Distribution Corporation
Docket No. R-00061493, et al.**

Dear Secretary McNulty:

Enclosed, for filing, are an original and three (3) copies of the Stipulation for the Admission of Testimony and Exhibits into the Record in the above-referenced proceeding.

As indicated on the certificate of service, copies have been served on the parties in the manner indicated.

Respectfully submitted,


Anthony D. Kanagy

ADK/jl
Enclosures
cc: Certificate of Service

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30

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ORIGINAL

Pennsylvania Public Utility Commission, :
et al. :
 :
v. :
 :
National Fuel Gas Distribution Corporation :

Docket Nos. R-00061493, et al

STIPULATION FOR THE ADMISSION
OF TESTIMONY AND EXHIBITS
INTO THE RECORD

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SECRETARY'S BUREAU

TO ADMINISTRATIVE LAW JUDGES JOHN H. CORBETT, JR. AND
MARK A. HOYER:

I. INTRODUCTION

National Fuel Gas Distribution Corporation ("Distribution" or "Company"), the Office of Trial Staff ("OTS") of the Pennsylvania Public Utility Commission ("Commission"), the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), and the Community Action Association of Pennsylvania ("CAAP") (collectively referred to as the "Parties") hereby file this Stipulation for the Admission of Testimony and Exhibits ("Stipulation") into the record in the above-captioned proceeding. In support of this Stipulation, the Parties represent as follows:

1. Distribution is a public utility subject to the Commission's regulatory jurisdiction with regard to its Pennsylvania operations. Distribution provides retail gas sales and transportation services to customers in fourteen counties in northwestern Pennsylvania.

Distribution also provides natural gas services in western New York, subject to the regulatory jurisdiction of the New York Public Service Commission.

2. On May 31, 2006, Distribution filed with the Commission Supplement No. 61 to Tariff Gas – Pa. P.U.C. No. 9 (“Supplement No. 61”) together with supporting written testimony and exhibits. Supplement No. 61 was designated Docket No. R-00061493. In Supplement No. 61, Distribution proposed a general increase in base rates designed to produce \$25.892 million of additional annual operating revenues based upon the level of operations for the twelve months ending January 31, 2007 (the “Future Test Year”). The proposed rate increase was submitted pursuant to Section 1308(d) of the Public Utility Code, 66 Pa.C.S. § 1308(d).

3. On July 20, 2006, the Commission entered an Order in which it noted that the proposed increase in base rates had been suspended by operation of law pursuant to Section 1308(d) of the Public Utility Code, 66 Pa.C.S. § 1308(d), for up to seven months or until March 2, 2007, unless permitted by the Commission to become effective at an earlier date, and initiated an investigation of Supplement No. 61.

4. This proceeding was assigned to Administrative Law Judges John H. Corbett, Jr. and Mark A. Hoyer (the “ALJs”) for hearings and issuance of a recommended decision.

5. OTS entered an appearance in these proceedings, OCA and OSBA filed complaints against the proposed general rate increase and CAAP filed a Petition to Intervene.

6. On July 20, 2006, Distribution filed an Answer and New Matter to CAAP’s petition to intervene.

7. An initial prehearing conference was scheduled for August 3, 2006. Prior to the initial prehearing conference, Distribution, OTS, OCA and OSBA agreed to a procedural

schedule, including dates for submitting other parties' direct testimony, rebuttal testimony, surrebuttal testimony, technical evidentiary hearings and briefs.

8. The initial prehearing conference was held August 3, 2006. At the prehearing conference, the ALJs adopted the procedural schedule agreed to by Distribution, OTS, OCA and OSBA.

9. Also on August 3, 2006, the ALJs issued a Prehearing Order. In the Prehearing Order, the ALJs noted that OTS had filed a Notice of Appearance and that OCA and OSBA had filed complaints against the proposed rate increase. The ALJs also noted and granted CAAP's Petition to Intervene, subject to CAAP identifying its member agencies located in Distribution's service territory. The ALJs further set forth the rules regarding electronic service of documents, discovery, scheduling of witnesses, a common brief outline, and instructions for briefs.

10. On August 7, 2006, CAAP filed a Reply to the New Matter of Distribution wherein CAAP identified member agencies that are located in Distribution's service territory and are customers of Distribution.

11. On August 8, 2006, Distribution submitted supplemental direct testimony to provide updated information on certain topics.

12. The Parties undertook substantial formal and informal discovery in this proceeding. Pursuant to the procedural schedule adopted by the ALJs, OTS, OCA, OSBA, and CAAP submitted direct testimony on September 6, 2006. Distribution, OCA and OSBA submitted rebuttal testimony on September 28, 2006.

13. The Parties held multiple settlement conferences to attempt to amicably resolve all outstanding issues in the case. As a result of these conferences and the efforts of the Parties

to examine and resolve the issues in the proceeding, a settlement in principle of all issues was achieved by the Parties prior to the dates scheduled for evidentiary hearings.

14. The settlement is embodied in the Joint Petition for Settlement of All Issues (“Settlement Petition”) that was submitted to the ALJs and filed with the Commission on October 12, 2006. In support of the Settlement Petition, the Parties have entered into this Stipulation to offer into the record without hearing the following previously distributed testimony and exhibits, organized by submitting party and listed as Sections A through E.

A. Distribution Statements and Exhibits for Stipulation into the Record.

Direct Testimony

National Fuel Gas Distribution Corporation Statement No. 1	Direct Testimony of Kathleen A. Frank
National Fuel Gas Distribution Corporation Statement No. 2	Direct Testimony of Ruth M. Friedrich-Alf
National Fuel Gas Distribution Corporation Statement No. 3	Direct Testimony of Paul L. Malachowski
National Fuel Gas Distribution Corporation Statement No. 4	Direct Testimony of John J. Spanos
National Fuel Gas Distribution Corporation Statement No. 5	Direct Testimony of Regina Truitt
National Fuel Gas Distribution Corporation Statement No. 6	Direct Testimony of Joanne E. Zablonksi
National Fuel Gas Distribution Corporation Statement No. 7	Direct Testimony of Garth D. Anderson

National Fuel Gas
Distribution Corporation
Statement No. 8

Direct Testimony of David P. Bauer

National Fuel Gas
Distribution Corporation
Statement No. 9

Direct Testimony of Thomas J. Clark

National Fuel Gas
Distribution Corporation
Statement No. 10

Direct Testimony of Frank J. Hanley
including Appendix A

National Fuel Gas
Distribution Corporation
Statement No. 11

Direct Testimony of Eric H. Meini

National Fuel Gas
Distribution Corporation
Statement No. 12

Direct Testimony of John J. Polka

National Fuel Gas
Distribution Corporation
Statement No. 13

Direct Testimony of Sheila Suarez

National Fuel Gas
Distribution Corporation
Statement No. 14

Direct Testimony of Scott E. Swartzfager

National Fuel Gas
Distribution Corporation
Statement No. 15

Direct Testimony of Nancy J. Taylor

National Fuel Gas
Distribution Corporation
Statement No. 16

Direct Testimony of Steven Wagner

National Fuel Gas
Distribution Corporation
Statement No. 101

Direct Testimony of Kathleen A. Frank

National Fuel Gas
Distribution Corporation
Statement No. 102

Direct Testimony of Ruth M. Friedrich-Alf

National Fuel Gas
Distribution Corporation
Statement No. 103

Direct Testimony of Paul L. Malachowski

National Fuel Gas
Distribution Corporation
Statement No. 104

Direct Testimony of John J. Spanos

National Fuel Gas
Distribution Corporation
Statement No. 105

Direct Testimony of Regina Truitt

National Fuel Gas
Distribution Corporation
Statement No. 106

Direct Testimony of Joanne E. Zablonksi

Direct Case Exhibits

Volume I

Exhibit No. 1 through Exhibit No. 11

Volume II

Exhibit No. 12 through Exhibit No. 19

Volume III

Exhibit No. 101 through Exhibit No. 117

Volume IV

Exhibit No. 400 through Exhibit No. 414

Volume V

Direct Testimony identified above.

Volume VI

Exhibit Nos. NFG 1-1 through NFG 1-21 and
NFG 2-1 through NFG 2-55

Volume VII

Exhibit Nos. NFG 3-1 through NFG 3-23

Volume VIII

Confidential pages of Testimony and Exhibits
identified above.

Supplemental Direct Testimony and Exhibits

National Fuel Gas
Distribution Corporation
Statement No. 11-S

Supplemental Direct Testimony of Eric H.
Meinl including Exhibit 19-S

Rebuttal Testimony

National Fuel Gas
Distribution Corporation
Statement No. 201

Rebuttal Testimony of Kathleen A. Frank

National Fuel Gas
Distribution Corporation
Statement No. 202

Rebuttal Testimony of Ruth M. Friedrich-Alf
including Exhibit No. 202

National Fuel Gas
Distribution Corporation
Statement No. 205

Rebuttal Testimony of Regina Truitt
including Exhibit No. 205

National Fuel Gas
Distribution Corporation
Statement No. 206

Rebuttal Testimony of Joanne E. Zablonksi

National Fuel Gas
Distribution Corporation
Statement No. 208

Rebuttal Testimony of David P. Bauer
including Exhibit No. 208

National Fuel Gas
Distribution Corporation
Statement No. 209

Rebuttal Testimony of Thomas J. Clark
including Exhibit No. 209

National Fuel Gas
Distribution Corporation
Statement No. 210

Rebuttal Testimony of Frank J. Hanley
including Exhibit No. 210

National Fuel Gas
Distribution Corporation
Statement No. 211

Rebuttal Testimony of Eric H. Meinl
including Exhibit No. 211

B. OTS Statements and Exhibits for Stipulation into the Record

Direct Testimony

OTS Statement No. 1

Direct Testimony of Kevan Deardorff,
including OTS Exhibit No. 1

OTS Statement No. 2

Direct Testimony of Janet M. Markovich
including Exhibit No. 2 (and accompanying
Errata Sheet issued September 19, 2006)

OTS Statement No. 3

Direct Testimony of Joseph Kubas
including Exhibit No. 3

OTS Statement No. 4

Direct Testimony of James Farley

C. OCA Statements and Exhibits for Stipulation into the Record

Direct Testimony

OCA Statement No. 1

Direct Testimony of Lafayette K. Morgan, Jr.,
including Schedules LKM-1 through LKM-23

OCA Statement No. 2

Direct Testimony of David C. Parcell,
including Exhibit DCP-1, Schedules 1
through 13

OCA Statement No. 3

Direct Testimony of Richard A. Galligan,
including Appendix A and Schedules RAG-1
through RAG-2

OCA Statement No. 4

Direct Testimony of Barbara R. Alexander,
including BA-Exhibit 1

Rebuttal Testimony

OCA Statement No. 3R

Rebuttal Testimony of Richard A. Galligan

D. OSBA Statements and Exhibits for Stipulation into the Record

Direct Testimony

OSBA Statement No. 1

Direct Testimony of Robert D. Knecht,
including Exhibits IEc-1 through IEc-5

Rebuttal Testimony

OSBA Statement No. 2

Rebuttal Testimony of Robert D. Knecht,
including Exhibits IEc-R1 and IEc-R2

E. CAAP Statement for Stipulation into the Record

Direct Testimony

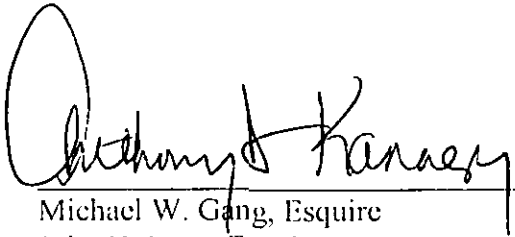
CAAP Statement No. 1

Direct Testimony of John A. Wilson

15. As set forth in the Settlement Petition, the Parties reserve their respective rights to withdraw from the settlement and submit surrebuttal testimony and to cross examine witnesses in the event the Settlement Petition is not approved without modification.

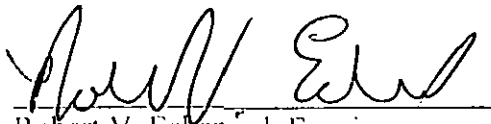
WHEREFORE, the Parties, by their respective counsel, respectfully request that Administrative Law Judges John H. Corbett, Jr. and Mark A. Hoyer admit the foregoing testimony and exhibits into the record in this proceeding.

Respectfully submitted,



Michael W. Gang, Esquire
John H. Isom, Esquire
Anthony D. Kanagy, Esquire
Michael Reville, Esquire
For: *National Fuel Gas Distribution Corporation*

Date: 10/24/06



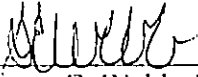
Robert V. Eckenrod, Esquire
Allison A. Curtin, Esquire
For: *Office of Trial Staff*

Date: 10/24/06



Erin L. Gannon, Esquire
Darryl Lawrence, Esquire
For: *Office of Consumer Advocate*

Date: 10/24/2006



Sharon E. Webb, Esquire
For: *Office of Small Business Advocate*

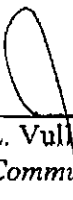
Date: 10/24/2006

Joseph L. Vullo, Esquire
For: *Community Action Association of Pennsylvania*

Date: _____

Sharon E. Webb, Esquire
For: *Office of Small Business Advocate*

Date: _____



Joseph L. Vullo, Esquire
For: *Community Action Association of Pennsylvania*

Date: 10/24/06

CERTIFICATE OF SERVICE

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

VIA FIRST CLASS MAIL & ELECTRONIC MAIL

Honorable John H. Corbett Jr.
Pennsylvania Public Utility Commission
1103 Pittsburgh State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222

Sharon Webb, Esquire
Office of Small Business Advocate
Commerce Building
300 North Second Street, Suite 1102
Harrisburg, PA 17101

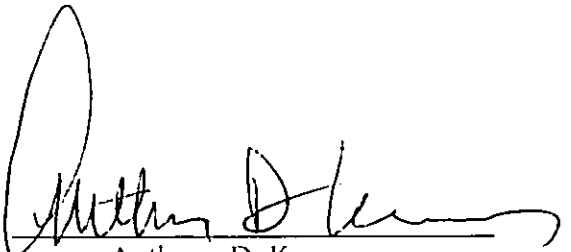
Honorable Mark A. Hoyer
Pennsylvania Public Utility Commission
1103 Pittsburgh State Office Building
300 Liberty Avenue
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Robert V. Eckenrod, Esquire
Allison A. Curtin, Esquire
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Joseph L. Vullo, Esquire
Burke Vullo Reilly Roberts
1460 Wyoming Avenue
Forty Fort, PA 18704

Date: October 24, 2006



Anthony D. Kanagy

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