



17 North Second Street  
12th Floor  
Harrisburg, PA 17101-1601  
717-731-1970 Main  
717-731-1985 Main Fax  
www.postschell.com

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Anthony D. Kanagy, Esquire

akanagy@postschell.com  
717-612-6034 Direct  
717-731-1985 Direct Fax  
File #: 178834

April 21, 2020

***VIA ELECTRONIC FILING***

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

**Re: Pennsylvania Public Utility Commission, et al. v. National Fuel Gas Distribution Corporation**  
**Docket Nos. R-2020-3015251; C-2020-3016657; C-2020-3016944**

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Dear Secretary Chiavetta:

Enclosed please find the Stipulation in Settlement of the Rate Investigation Pursuant to 66 Pa.C.S. § 1307(f) in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Anthony D. Kanagy'. The signature is fluid and cursive, with a large initial 'A'.

Anthony D. Kanagy, Esquire

ADK/kl  
Enclosure

cc: The Honorable Conrad A. Johnson  
Certificate of Service

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2020-3015251
Office of Consumer Advocate	:		C-2020-3016657
Office of Small Business Advocate	:		C-2020-3016944
	:		
v.	:		
	:		
National Fuel Gas Distribution Corporation	:		

**STIPULATION IN SETTLEMENT  
OF THE RATE INVESTIGATION  
PURSUANT TO 66 PA.C.S. § 1307(f)**

**TO ADMINISTRATIVE LAW JUDGE CONRAD A. JOHNSON:**

**I. INTRODUCTION**

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), and National Fuel Gas Distribution Corporation (“Distribution”), being all of the parties to the above-captioned proceeding (hereinafter collectively referred to as the “Parties”), hereby join in this “Stipulation in Settlement of the Rate Investigation Pursuant to 66 Pa.C.S. § 1307(f)” (“Settlement”) and respectfully request that Administrative Law Judge Conrad A. Johnson (the “ALJ”) and the Commission approve this Settlement, including the rates to become effective for service furnished on and after August 1, 2020, that are set forth in the form of a tariff supplement provided as Appendix “A” hereto. The Parties agree that such rates are subject to revision for actual over/under recoveries of purchased gas costs through June 30, 2020, for updates related to the calculation of the Monthly Metered Transportation (“MMT”) balancing charge and for updates to the forecast of wellhead prices. In addition, the Parties

request that the ALJ and the Commission make the findings required by the Public Utility Code as provided herein.

The terms and conditions of the Settlement are set forth in their entirety hereinafter. Distribution's, I&E's, OCA's and OSBA's Statements in Support of the Settlement are provided as Appendices "B" through "E" hereto.

## **II. BACKGROUND**

In support of this Settlement, the Parties state the following:

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

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

3. Because Distribution's annual operating revenues derived from providing gas services to customers in Pennsylvania exceed \$40 million, Distribution's recovery of purchased gas costs is governed by Section 1307(f) of the Public Utility Code, 66 Pa.C.S. § 1307(f), and the Commission's regulations at 52 Pa. Code §§ 53.61 — 53.65 and 53.68.

4. On December 30, 2019, Distribution submitted to the Commission, as required under 52 Pa. Code §§ 53.64 and 53.65, certain data and information in support of a tariff supplement and a tariff addendum proposing changes in rates for recovery of purchased gas costs.

5. On January 13, 2020, the ALJ issued a Prehearing Conference Order establishing a prehearing conference for February 5, 2019, and setting forth certain rules for the proceeding.

6. On January 14, 2020, I&E filed a Notice of Appearance.

7. On January 23, 2020, OCA filed a Notice of Appearance, Complaint, and Public Statement.

8. On January 28, 2020, OSBA filed a Notice of Appearance, Complaint and Public Statement.

9. On January 31, 2020, Distribution filed with the Commission Supplement No. 216 to Tariff Gas - Pa. P.U.C. No. 9 and a Tariff Addendum. In accordance with Section 1307(f)(1) of the Public Utility Code, Supplement No. 216 was issued to become effective following six months' notice, on August 1, 2020. Concurrently with the filing of Supplement No. 216 and the Addendum, Distribution filed the remainder of its direct case, consisting of written direct testimony and associated exhibits.

10. On February 3, 2020, I&E, OCA, OSBA and Distribution submitted prehearing conference memoranda.

11. A prehearing conference was held on February 5, 2019, with the ALJ presiding. At the prehearing conference, the Parties and the ALJ established a litigation schedule for the proceeding.

12. On February 6, 2020, the ALJ issued a Prehearing Order.

13. During the discovery phase of this proceeding, the intervening parties propounded numerous discovery requests to Distribution. Distribution responded to all of these discovery requests.

14. On March 10, 2020, I&E, OCA and OSBA served Direct Testimony.

15. On March 23, 2020, OSBA served Rebuttal Testimony.

16. On March 24, 2020, Distribution served Rebuttal Testimony.

17. On March 30, 2020, OCA and OSBA served Surrebuttal Testimony.

18. On April 1, 2020, the Parties informed the ALJ that they reached a settlement in principle of all issues in the proceeding.

19. Also on April 1, 2020, Distribution filed a Motion for Protective Order.

20. On April 21, 2020, a Stipulation for Admission of Evidence (Stipulation) was filed in order to admit the Parties' Testimony and exhibits into the record. The Stipulation was executed by all the Parties.

21. The terms and conditions of the Settlement are set forth in Sections III - VIII, below.

### **III. PROPOSED FINDINGS OF FACT**

22. Effective on November 1, 2000, Distribution realigned its pipeline and storage capacity in order to identify specific capacity as being held for its New York customers and for its Pennsylvania customers. Generally, delivery points located in Pennsylvania were assigned to the Pennsylvania Division, and delivery points located in New York were assigned to the New York Division. The realignment was approved by the Commission in the Order entered on October 25, 2001, at Docket No. R-00994898.

23. Distribution relies primarily upon gas supplies transported by Tennessee Gas Pipeline, LLC ("Tennessee"), Columbia Gas Transmission, LLC ("Columbia Transmission"), Texas Eastern Transmission, LP ("Texas Eastern" or "TETCO") and National Fuel Gas Supply Corporation ("Supply") to meet the requirements of its sales customers in Pennsylvania (PGC Exhibit No. 8, pp. 2-5).

24. In most instances, Tennessee, Columbia Transmission, and Texas Eastern transport Distribution's gas supplies to Distribution's pipeline capacity on Supply. Supply, in turn, either delivers such gas supplies to Distribution for use by Distribution's sales customers or

injects such supplies into storage fields for later delivery to Distribution for use by its sales customers (PGC Exhibit No. 4, p. 2, PGC Exhibit No. 8, pp. 4-5).

25. Supply is an affiliate of Distribution and is subject to the regulatory jurisdiction of the Federal Energy Regulatory Commission (“FERC”) (PGC Exhibit No. 4, p. 2). Supply owns and operates a transmission system and storage fields, and Supply charges Distribution for transportation and storage services under Supply’s FERC-approved tariff (PGC Exhibit No. 4, pp. 2, 4-5).

26. Distribution’s capacity on Supply, Tennessee, Columbia Transmission, and Texas Eastern is critical for the operation of the system, the provision of reliable service to customers and Distribution’s least cost fuel procurement policy (PGC Exhibit No. 8, pp. 2-3).

27. Locally produced gas delivered directly to Distribution or transported by Supply to Distribution made up approximately 13 percent of gas supplies purchased by Distribution to meet Distribution’s Pennsylvania sales requirements during the 12 months ended November 30, 2019. The remaining 87 percent of gas supplies for Distribution’s sales customers was purchased from sources at Supply interconnects and sources upstream of Supply (PGC Exhibit No. 1, Schedule 1, Sheet 1).

28. The availability of storage enhances Distribution’s ability to buy gas and to utilize its firm upstream transportation capacity at high load factors (PGC Exhibit No. 8, pp. 3-5, 8-10).

29. At least through July 31, 2021, the end of the application period in this proceeding, Distribution will continue to rely principally upon gas supplies transported through facilities of Tennessee, Columbia Transmission, Texas Eastern and Supply, as well as storage (particularly on Supply), to meet the needs of its Pennsylvania sales customers (PGC Exhibit No. 8, pp. 2-5, PGC Exhibit No. 30).

30. Distribution has fully and vigorously represented the interests of its ratepayers in proceedings before the FERC. (PGC Exhibit No. 6; PGC Statement No. 9).

31. Distribution maintains capacity on interstate pipelines sufficient to meet the requirements of its firm customers on all days including Design Day and during peak season periods. Therefore, during a non-Design Day and non-peak season periods, if a portion of this capacity is not needed to serve firm customers, Distribution may attempt to release such capacity, pursuant to FERC Order 636, to other parties in order to mitigate the cost of maintaining such capacity to its PGC customers (PGC Exhibit 8, pp. 16-18).

32. Distribution attempts to mitigate the cost of natural gas supplies to its PGC customers through net revenues resulting from off-system sales activities (PGC Exhibit No. 8, pp. 18-21).

33. Distribution attempts to enter into asset management arrangements, pursuant to FERC Order 712, in order to mitigate the cost of providing gas supplies to its PGC customers (PGC Exhibit No. 8, p. 21).

34. Distribution participates in a sharing mechanism under which it retains 25 percent of the net revenues from off-system sales, capacity releases and asset management arrangements, including storage fill contracts (PGC Exhibit No. 8, pp. 18-21).

35. The remainder of Distribution's system supply that is not transported by pipelines upstream of Supply consists of Appalachian supplies directly attached to the systems of Supply or Distribution and a small volume of gas from Peoples Gas Company LLC, formerly Peoples TWP LLC (PGC Exhibit No. 1, Schedule 1, Sheet 1).

36. During the twelve months ended November 30, 2019, Distribution purchased 2,578,661 Mcf of locally-produced gas to serve customers in Pennsylvania (PGC Exhibit No. 1, Schedule 1, Sheet 1).

37. Locally-produced gas continues to be a useful resource in meeting the requirements of Distribution's sales customers, and Distribution expects to continue to purchase local gas at prices that will not increase the weighted average cost of gas supplies that it sells to its customers (PGC Exhibit No. 8, p. 15).

- a. Distribution purchases dedicated, non-firm, life of reserves locally produced gas from Appalachian producers that is priced at an Appalachian Index ("AI"). The AI is the simple average of the first of the month spot prices for gas delivered to Dominion Energy Transmission, Inc. and Columbia Transmission (PGC Exhibit No. 4, pp. 13-14).
- b. Distribution purchases excess non-firm local production gas at 80 percent of the AI rate (PGC Exhibit No. 4, p. 14).

38. Distribution has implemented, with the Commission's approval, a system-wide customer choice program throughout its Pennsylvania service territory under which all customers, except those served under Distribution's Low Income Residential Assistance Program, may choose a natural gas supplier other than Distribution (PGC Statement No. 3, pp. 5-6).

39. To maintain service to several remote pockets of customers without constructing additional pipeline facilities, Distribution has entered into two exchange agreements – one with UGI Central Penn Gas, Inc. and one with Columbia Gas of Pennsylvania, Inc. Under the agreements, each company takes from the other volumes of gas needed to provide service. The

agreements do not contemplate purchases of gas; instead they contemplate that each company will receive approximately the same volumes of gas from the other over time. If needed, additional deliveries are arranged to eliminate any balance that has built up over time. The companies do not charge each other for this service (PGC Exhibit 4, pp. 5-6).

#### **IV. STANDARDS AND FINDINGS**

##### **A. Historic Reconciliation Period Standards.**

40. With respect to Distribution's gas purchases and gas purchasing practices during the twelve-month historic reconciliation period ended November 30, 2019, it is requested that the ALJ and the Commission find that Distribution has met the standards of Section 1318 of the Public Utility Code, 66 Pa.C.S. § 1318, as required by Section 1307(f)(5) of the Public Utility Code, 66 Pa.C.S. § 1307(f)(5), as to all actual purchased gas costs in the historic period. It is requested that the Commission find that, during the twelve months ended November 30, 2019:

a. Distribution met the requirements of Section 1318(a) of the Public Utility Code by pursuing a least-cost fuel procurement policy, consistent with its obligation to provide safe, adequate and reliable service to its customers; and

b. Distribution met the requirements of Section 1318(b) of the Public Utility Code relating to purchases from and services provided by affiliates.

##### **B. Projected Period Findings.**

41. With respect to the eight-month interim period beginning on December 1, 2019, and with respect to the twelve-month period beginning August 1, 2020, when rates established under this Settlement will be in effect, it is requested that the Commission find, based upon information presently available and based upon evidence of record in this proceeding concerning Distribution's projected purchases and purchasing policies, that the rates to be adopted by the Commission result from Distribution's compliance with the provisions of Section 1318 of the

Public Utility Code, including Sections 1318(a)(1), 1318(a)(2), 1318(a)(3), 1318(a)(4), 1318(b)(1), 1318(b)(2) and 1318(b)(3), 66 Pa.C.S. §§ 1318(a)(1), 1318(a)(2), 1318(a)(3), 1318(a)(4), 1318(b)(1), 1318(b)(2) and 1318(b)(3).

42. The Parties agree that, based upon evidence of record in this proceeding concerning Distribution's projected gas purchases and gas purchasing policies, Distribution's projected gas purchases and projected gas purchasing policies may comply with the standards of Section 1318 of the Public Utility Code. Nevertheless, it is expressly understood and agreed that this Section of the Settlement, Section IV.B., is made solely for the purpose of setting prospective rates that shall be subject to the standards of Section 1318 of the Public Utility Code, 66 Pa.C.S. § 1318, and further review in an appropriate future proceeding. Section IV.B. of the Settlement is not intended in any way to limit or prevent I&E, OCA and OSBA from reviewing, after such projected gas purchases actually have been made and gas purchasing practices actually have been implemented, whether Distribution's gas purchases and gas purchasing practices complied with Section 1318. If, in an appropriate future proceeding, gas purchases and gas purchasing practices from December 1, 2019, through July 31, 2020, and the twelve-month application period commencing August 1, 2020, and ending on July 31, 2021, were challenged, the Commission's findings based upon Section IV of the Settlement shall not bar the examination of such purchases and practices, including, but not limited to, disallowance of, or reductions to, such costs during the eight-month interim period commencing December 1, 2019, and ending on July 31, 2020, and the twelve-month application period commencing August 1, 2020, and ending on July 31, 2021.

V. **OTHER TERMS AND CONDITIONS OF SETTLEMENT**

A. **PGC Rates.**

43. The Parties request that the ALJ and the Commission approve the form of tariff supplement provided as Attachment “A” hereto, including the rates set forth therein. The rates in Attachment “A” are subject to further updates for actual over/under recoveries of purchased gas costs through June 30, 2020, for updates related to the calculation of the MMT balancing charge and for updates to the forecasts of wellhead prices.

B. **Design Day Requirements.**

44. Rates established in this proceeding are based on a contracted-for level of pipeline and storage capacity of 340,690 Dth/day. The Parties agree to use the throughput and capacity amounts projected by the Company to calculate rates in this proceeding. The acceptance by the Parties of this level of throughput and capacity to calculate rates does not indicate their acceptance of, and the Commission’s approval of the settlement will not indicate its approval of, the procedures or methodologies used to calculate these levels of throughput and capacity.

45. In Distribution’s 2021 Section 1307(f) proceeding, any party may contend that Distribution should adjust its capacity to a different level. If the Commission makes a determination concerning the appropriate level of capacity for Distribution, Distribution will undertake all reasonable and appropriate actions, after the determination becomes final, to adjust its level of capacity to the level determined to be appropriate.

46. No party to this Settlement may contend that there should be a disallowance of recovery by Distribution of its cost of capacity for any period prior to Distribution’s first reasonable opportunity to adjust its capacity after the determination of the appropriate level of capacity has become final.

**C. MMT Balancing Charge.**

47. The MMT Balancing Charge Rate will be set at \$0.31 per Mcf. The resulting PGC revenue requirement will be updated in the August 1, 2020 Compliance filing. The Company agrees to update the MMT rate in future quarterly PGC filings to reflect changes in the rates of NFG Supply when final rates are approved by the Federal Energy Regulatory Commission.

**D. Quarterly Rate Calculations.**

48. Distribution agrees to evaluate its quarterly PGC rate calculations and present any proposed changes in its 2021 Section 1307(f) filing, including:

- a) Providing an analysis demonstrating the impact on PGC rates/customers of not adjusting the MMT rate effective February 1, 2020 to reflect NFG Supply's final rates that were effective February 1, 2020;
- b) Providing an analysis demonstrating the impact on PGC rates/customers of designing the Demand Charge Gas Cost ("DCGC") rate based on actual costs for the 2019 PGC period versus adopting a DCGC rate effective February 1, 2020 reflecting an annualization of costs based on NFG Supply's final February 1, 2020 rates.

49. Distribution is not required to propose any changes to its quarterly PGC rate calculations. In addition, all parties reserve the right to propose changes to Distribution's quarterly PGC rate calculations in the 2021 Section 1307(f) proceeding and present adjustments to the proposed 2021 PGC period rates, including but not limited to the PGC rate, the MMT Balancing Charge and the DCGC rate.

**E. Pipeline Penalty Credits.**

50. The Company will identify pipeline penalty credits received as a separate Exhibit in the annual filing to include amount, source, and month in which the pipeline penalty credit was received as a credit on its invoice. The Company will be permitted to continue to flow pipeline penalty credits back to customers through purchased gas costs as reflected in the invoices from the pipelines and will not be required to separately account for them in its calculation of PGC costs or over/under collections.

**F. Storage Fill Contracts.**

51. The Company will share in the savings associated with storage fill contracts pursuant to its Commission-approved sharing mechanism.

**G. Contract Renewals And Changes.**

52. The Parties agree that the Commission should approve the renewals, extensions and changes in pipeline and storage capacity contracts that are explained in PGC Exhibits 4 and 8 and in PGC Statements 1, 7 and 8.

**H. Tariff Changes.**

53. The Parties request that the Commission approve the tariff changes that are set forth in the form of tariff supplement provided as Attachment A hereto. The tariff changes are identified in the List of Changes that is included at pages 2-3 of Appendix A hereto.

**I. Approval of Filing**

54. The Company's 2020 Section 1307(f) filing, as updated in its Rebuttal Testimony, is approved as modified herein.

**VI. PROPOSED CONCLUSIONS OF LAW**

55. The Commission has jurisdiction over the parties and subject matter of this proceeding. 66 Pa.C.S. §§ 1307(f), 1317-18.

56. Distribution has met the requirements of Section 1318 of the Public Utility Code by pursuing a least cost fuel procurement policy, consistent with its obligation to provide safe, adequate and reliable service to its customers. 66 Pa.C.S. § 1318.

57. Distribution's rates for purchased gas costs, as the parties have agreed upon in this proceeding, during the relevant time period are just and reasonable and in compliance with 66 Pa.C.S. § 1318.

58. Distribution has fully and vigorously represented the interests of its ratepayers in proceedings before the FERC and other relevant non-PUC proceedings during the relevant time period in compliance with 66 Pa.C.S. § 1318(a)(1).

59. Distribution has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve the utility from terms in existing contracts with its gas supplier which are or may be adverse to the interests of the utility's ratepayers in compliance with 66 Pa.C.S. § 1318(a)(2).

60. Distribution has taken all prudent steps necessary to obtain lower cost gas supplies on both short-term and long-term bases both within and outside the Commonwealth, including the use of gas transportation arrangements with pipelines and other distribution companies in compliance with 66 Pa.C.S. § 1318(a)(3).

61. Distribution has not withheld from the market or caused to be withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy in compliance with 66 Pa.C.S. § 1318(a)(4).

62. Distribution has fully and vigorously attempted to obtain less costly gas supplies on both short-term and long-term bases from nonaffiliated interests in compliance with 66 Pa.C.S. § 1318(b)(1).

63. Neither Distribution nor its affiliated interests have withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy in compliance with 66 Pa.C.S. § 13181(b)(3).

64. The Settlement is in the public interest.

**VII. PROPOSED ORDERING PARAGRAPHS**

65. That the Settlement among Distribution, I&E, OCA, and OSBA in the above-captioned case is hereby approved and adopted without modification.

66. That Distribution shall file a tariff supplement, to become effective on one day's notice of the final Commission order approving the Settlement, containing changes in rates to provide for the recovery of its costs of purchased gas, consistent with the terms and conditions of the Settlement. Said tariff supplement shall be accompanied by a red-lined version that shall fully set forth all changes that will be made to Distribution's current tariffs.

67. That Distribution, I&E, OCA and OSBA shall comply with the terms and conditions of the Settlement submitted in this proceeding as though each term and condition stated therein had been the subject of an individual ordering paragraph.

68. That upon Distribution's filing of a tariff supplement acceptable to the Commission as conforming with this order and the Settlement and the Commission's approval thereof, the purchased gas rates established therein shall become effective for service rendered on and after August 1, 2020.

69. That the complaints filed by the OCA and OSBA in these proceedings at Docket Nos. C-2020-3016657 and C-2020-3016944, respectively, be marked closed.

70. That the investigation at Docket No. R-2020-3015251 be marked closed.

## **VIII. CONDITIONS OF SETTLEMENT**

71. The Parties acknowledge and agree that this Settlement shall have the same force and effect as if the Parties had fully litigated this proceeding with regard to the historic period ended November 30, 2019.

72. This Settlement is conditioned upon the Commission's approval of terms and conditions contained herein without modification. If the Commission modifies the Settlement, any of the Parties may elect to withdraw from this Settlement and may proceed with litigation. In such event, this Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Parties within five (5) business days after the entry of an order modifying the Settlement.

73. This Settlement is proposed by the Parties to settle certain issues in the instant proceeding and is made without any admission against, or prejudice to, any position which any Party to this Settlement may adopt during any subsequent litigation of this or any other proceeding if the Commission disapproves this Settlement or if the Commission modifies the Settlement and one or more of the Parties elect to withdraw from the Settlement and proceed to litigation.

74. If the Commission does not approve the Settlement and the proceedings continue to hearings on the issues that are the subjects of this Settlement, the Parties reserve their respective rights to conduct full cross-examination, briefing and argument on these subjects.

75. The Commission's approval of this Settlement shall not be construed to represent approval of any Party's position on any issue, except to the extent required to effectuate the terms and agreements of this Settlement in this and future proceedings involving Distribution.

76. It is understood and agreed among the Parties that this Settlement is the result of compromises and does not necessarily represent the position(s) that would be advanced by any Party in this proceeding if it were fully litigated.

77. This Settlement is being presented in this Section 1307(f) proceeding in an effort to resolve outstanding issues in a manner which is fair and reasonable. The Settlement is the product of compromise. This Settlement is presented without prejudice to any position which any of the Parties may have advanced and without prejudice to the position any of the Parties may advance in the future on the merits of the issues in future proceedings. This Settlement does not preclude the Parties from taking other positions in proceedings under Section 1307(f) concerning the recovery of purchased gas costs by other natural gas distribution companies.

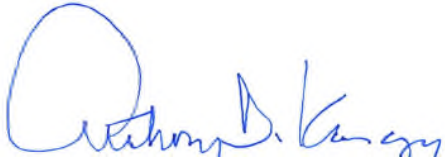
78. Distribution's, I&E's, OCA's and OSBA's Statements in Support of the Settlement, setting forth the basis upon which they believe the Settlement is fair, just and reasonable and is, therefore, in the public interest are provided in Appendices "B" through "E".

**IX. CONCLUSION**

WHEREFORE, the Parties, by their respective counsel, respectfully request that Administrative Law Judge Conrad A. Johnson and the Pennsylvania Public Utility Commission:

- (1) approve this “Stipulation In Settlement Of The Rate Investigation Pursuant To 66 Pa.C.S. § 1307(f)” including all of its terms and conditions, and
- (2) make the findings required by the Public Utility Code as provided herein.

Respectfully submitted,



Date: April 21, 2020

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Anthony D. Kanagy, Esquire  
Post & Schell P.C.  
17 North 2<sup>nd</sup> Street, 12<sup>th</sup> Floor  
Harrisburg, PA 17101-1601

*Counsel for National Fuel Gas  
Distribution Corporation*

Date: \_\_\_\_\_

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Carrie B. Wright, Esquire  
Bureau of Investigation & Enforcement  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor West  
Harrisburg, PA 17105-3265

*Counsel for Bureau of Investigation &  
Enforcement*

**IX. CONCLUSION**

WHEREFORE, the Parties, by their respective counsel, respectfully request that Administrative Law Judge Conrad A. Johnson and the Pennsylvania Public Utility Commission:

- (1) approve this “Stipulation In Settlement Of The Rate Investigation Pursuant To 66 Pa.C.S. § 1307(f)” including all of its terms and conditions, and
- (2) make the findings required by the Public Utility Code as provided herein.

Respectfully submitted,

\_\_\_\_\_  
Anthony D. Kanagy, Esquire  
Post & Schell P.C.  
17 North 2<sup>nd</sup> Street, 12<sup>th</sup> Floor  
Harrisburg, PA 17101-1601

*Counsel for National Fuel Gas  
Distribution Corporation*

Date: \_\_\_\_\_



\_\_\_\_\_  
Carrie B. Wright, Esquire  
Bureau of Investigation & Enforcement  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor West  
Harrisburg, PA 17105-3265

*Counsel for Bureau of Investigation & Enforcement*

Date: 4/21/2020



Date: 4/21/2020

Phillip D. Demanchick, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923

*Counsel for Office of Consumer  
Advocate*

Date: \_\_\_\_\_

\_\_\_\_\_  
Steven C. Gray, Esquire  
Office of Small Business Advocate  
Commerce Building  
300 North Second Street, Suite 1102  
Harrisburg, PA 17101

*Counsel for Office of Small  
Business Advocate*

---

Phillip D. Demanchick, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923

*Counsel for Office of Consumer  
Advocate*

Date: \_\_\_\_\_

/s/ Steven C. Gray

---

Steven C. Gray, Esquire  
Office of Small Business Advocate  
Commerce Building  
300 North Second Street, Suite 1102  
Harrisburg, PA 17101

*Counsel for Office of Small  
Business Advocate*

Date: April 21, 2020

# **APPENDIX A**

**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:

D. L. DeCAROLIS, PRESIDENT  
BUFFALO, NEW YORK

This Supplement includes increases, decreases and changes to existing rates.

See page 2.

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LIST OF CHANGES MADE BY THIS TARIFFCHANGE:

1. LIRA percentage discounts table changes.  
Page 37A and 37B.
2. Monthly Metered Transportation rate calculation changes.  
Page 155

DECREASE:

3. Commodity Charges for the recovery of Purchased Gas for Transportation Service decreases from \$0.2500 to \$0.2300  
Pages 50, 63, 74, and 81.
4. Components of Natural Gas Vehicle rates decrease.  
Pages 83 and 84.
5. Components of Demand Transfer Recovery Rate ("DTR") decreases.  
Page 127.

INCREASE:

6. The Distribution Charge for Residential, Commercial and Public Authority, Small Volume Industrial, Intermediate Volume Industrial, Large Volume Industrial and Large Industrial Service Classes increase.  
Pages 36, 41, 41A, 42, 53, 55, 65 and 76.
7. The Gas Adjustment Charge for Residential, Commercial and Public Authority, Small Volume Industrial, Intermediate Volume Industrial, Large Volume Industrial and Large Industrial Service Classes increase.  
Pages 36, 41, 41A, 42, 53, 55, 65 and 76.
8. The Natural Gas Supply Charge for Residential, Commercial and Public Authority, Small Volume Industrial, Intermediate Volume Industrial, Large Volume Industrial and Large Industrial Service Classes increase.  
Pages 36A, 41, 41A, 42, 53, 55, 66 and 76A.
9. Demand Charges for Load Balancing Service increase.  
Pages 48, 61, 72, 79 and 82.
10. Components of Natural Gas Vehicle rates increase.  
Pages 82, 83 and 84.
11. Priority Standby and Standby rates increase.  
Pages 93, 95 and 147.
12. Monthly Metered Transportation rates increase.  
Pages 100 and 101.

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Issued:

Effective:

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LIST OF CHANGES MADE BY THIS TARIFFINCREASE (cont):

13. The price for purchase of gas by Distribution from a transportation service customer in the event of a curtailment or interruption will increase.  
Pages 106, 117 and 146G.
14. SATC rates increase.  
Pages 119A, 120, 121 and 147.
15. Demand Transfer Recovery Rate ("DTR") increase.  
Page 127.
16. Purchased gas costs in Rider A increase.  
Page 147.
17. LIRA rate discount in Rider F increases.  
Pages 164 and 167
18. The Merchant Function Charge in Rider G increases.  
Page 168.
19. The Price to Compare shown in Rider H decreases.  
Page 169.

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### 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

36.265¢ per 100 cubic feet for the first 5,000 cubic feet (I)

25.907¢ per 100 cubic feet for all over 5,000 cubic feet (I)

##### Gas Adjustment Charge

0.277¢ per 100 cubic feet Purchased Gas Cost Component  
(Rider A)

0.006¢ per 100 cubic feet Merchant Function Charge  
(Rider G)

0.283¢ Per 100 cubic feet Total Gas Adjustment Charge (I)

(D) Indicates Decrease

(I) Indicates Increase

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RESIDENTIAL SERVICE RATE SCHEDULE (cont.)

Natural Gas Supply Charge			
37.222¢	per 100 cubic feet	Purchased Gas Cost Component (Rider A)	(I)
0.830¢	per 100 cubic feet	Merchant Function Charge (Rider G)	(I)
<u>1.050¢</u>	per 100 cubic feet	Gas Procurement Charge (Rider H)	
39.102¢	per 100 cubic feet Charge	Total Natural Gas Supply	(I)

The Natural Gas Supply Charge shall include a Merchant Function Charge (Rider G) to recover uncollectible costs associated with purchase gas costs of 2.2301% and the Gas Procurement Charge (Rider H) to recover costs of procuring natural gas pursuant to 52 Pa. Code §62.223. 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.

(D) Indicates Decrease

(I) Indicates Increase

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## MONTHLY RATE

(C)

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:

Program changes associated with the Order at Docket Nos. R-00072420 and M-00072019 will be implemented the first calendar day of the month following the entry date of the Commission Order if the entry date is at least 5 days prior to the first calendar day of the month. If the entry date is within the 5-day window, program changes will become effective the first day of the subsequent calendar month.

ANNUAL INCOME	HOUSEHOLD SIZE						
	1	2	3	4	5	6	7
\$0 - \$999	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
\$1,000 - \$1,999	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
\$2,000 - \$2,999	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
\$3,000 - \$3,999	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
\$4,000 - \$4,999	70.0%	70.0%	70.0%	70.0%	80.0%	80.0%	80.0%
\$5,000 - \$5,999	60.0%	60.0%	70.0%	70.0%	70.0%	70.0%	70.0%
\$6,000 - \$6,999	50.0%	50.0%	60.0%	60.0%	60.0%	70.0%	70.0%
\$7,000 - \$7,999	40.0%	40.0%	50.0%	50.0%	60.0%	60.0%	60.0%
\$8,000 - \$8,999	30.0%	30.0%	40.0%	50.0%	50.0%	50.0%	50.0%
\$9,000 - \$9,999	20.0%	20.0%	30.0%	40.0%	40.0%	50.0%	50.0%
\$10,000 - \$10,999	10.0%	10.0%	20.0%	30.0%	40.0%	40.0%	40.0%
\$11,000 - \$11,999	10.0%	10.0%	10.0%	20.0%	30.0%	40.0%	40.0%
\$12,000 - \$12,999	10.0%	10.0%	10.0%	10.0%	30.0%	30.0%	30.0%
\$13,000 - \$13,999	10.0%	10.0%	10.0%	10.0%	10.0%	30.0%	30.0%
\$14,000 - \$14,999	10.0%	10.0%	10.0%	10.0%	10.0%	20.0%	20.0%
\$15,000 - \$15,999	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$16,000 - \$16,999	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$17,000 - \$17,999	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$18,000 - \$18,999	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$19,000 - \$19,999	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$20,000 - \$20,999	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$21,000 - \$21,999	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$22,000 - \$22,999	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$23,000 - \$23,999	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$24,000 - \$24,999	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$25,000 - \$25,999	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$26,000 - \$26,999	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$27,000 - \$27,999	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$28,000 - \$28,999	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$29,000 - \$29,999	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%

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MONTHLY RATE (cont'd)

(C)

ANNUAL INCOME	HOUSEHOLD SIZE						
	8	9	10	11	12	13	14
\$0 - \$999	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
\$1,000 - \$1,999	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
\$2,000 - \$2,999	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
\$3,000 - \$3,999	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
\$4,000 - \$4,999	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
\$5,000 - \$5,999	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%
\$6,000 - \$6,999	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%
\$7,000 - \$7,999	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
\$8,000 - \$8,999	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
\$9,000 - \$9,999	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
\$10,000 - \$10,999	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
\$11,000 - \$11,999	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
\$12,000 - \$12,999	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
\$13,000 - \$13,999	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
\$14,000 - \$14,999	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
\$15,000 - \$15,999	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
\$16,000 - \$16,999	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
\$17,000 - \$17,999	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$18,000 - \$18,999	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$19,000 - \$19,999	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$20,000 - \$20,999	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$21,000 - \$21,999	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$22,000 - \$22,999	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$23,000 - \$23,999	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$24,000 - \$24,999	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$25,000 - \$25,999	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$26,000 - \$26,999	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$27,000 - \$27,999	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$28,000 - \$28,999	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
\$29,000 - \$29,999	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

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COMMERCIAL AND PUBLIC AUTHORITY SERVICE RATE SCHEDULE (cont.)

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			
\$19.89	per Month		
Distribution Charges			
30.184¢	per 100 cubic feet for the first 5,000 cubic feet		(I)
26.926¢	per 100 cubic feet for all over 5,000 cubic feet		(I)
Gas Adjustment Charge			
0.277¢	per 100 cubic feet	Purchased Gas Cost Component (Rider A)	
<u>0.001¢</u>	per 100 cubic feet	Merchant Function Charge (Rider G)	
0.278¢	per 100 cubic feet	Total Gas Adjustment Charge	(I)
Natural Gas Supply Charge			
37.222¢	per 100 cubic feet	Purchased Gas Cost Component (Rider A)	(I)
0.085¢	per 100 cubic feet	Merchant Function Charge (Rider G)	(I)
<u>1.050¢</u>	per 100 cubic feet	Gas Procurement Charge (Rider H)	
38.357¢	per 100 cubic feet	Total Natural Gas Supply Charge	(I)

The Natural Gas Supply Charge shall include a Merchant Function Charge (Rider G) to recover uncollectible costs associated with purchase gas costs of 0.2285% and the Gas Procurement Charge (Rider H) to recover costs of procuring natural gas pursuant to 52 Pa. Code §62.223.

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.

(D) Indicates Decrease

(I) Indicates Increase

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COMMERCIAL AND PUBLIC AUTHORITY SERVICE RATE SCHEDULE (Cont'd)

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			
\$27.53	per Month		
Distribution Charges			
22.697¢	per 100 cubic feet for the first 20,000 cubic feet		(I)
21.333¢	per 100 cubic feet for all over 20,000 cubic feet		(I)
Gas Adjustment Charge			
0.277¢	per 100 cubic feet	Purchased Gas Cost Component (Rider A)	
<u>0.001¢</u>	per 100 cubic feet	Merchant Function Charge (Rider G)	
0.278¢	per 100 cubic feet	Total Gas Adjustment Charge	(I)
Natural Gas Supply Charge			
37.222¢	per 100 cubic feet	Purchased Gas Cost Component (Rider A)	(D)
0.085¢	per 100 cubic feet	Merchant Function Charge (Rider G)	(D)
<u>1.050¢</u>	per 100 cubic feet	Gas Procurement Charge (Rider H)	
38.357¢	per 100 cubic feet	Total Natural Gas Supply Charge	(D)

The Natural Gas Supply Charge shall include a Merchant Function Charge (Rider G) to recover uncollectible costs associated with purchase gas costs of 0.2285% and the Gas Procurement Charge (Rider H) to recover costs of procuring natural gas pursuant to 52 Pa. Code §62.223.

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.

(D) Indicates Decrease

(I) Indicates Increase

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DISTRIBUTION CORPORATION

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Canceling Ninety-Second Revised Page No. 42

Commercial and Public Authority Service Rate Schedule (Cont'd)

For "Large" Commercial/Public Authority Customers:

Basic Service Charge

\$121.01 per Month

Distribution Charges

18.961¢	per 100 cubic feet for the first 300,000 cubic feet	(I)
17.769¢	per 100 cubic feet for the next 1,700,000 cubic feet	(I)
15.585¢	per 100 cubic feet for all over 2,000,000 cubic feet	(I)

Gas Adjustment Charge

0.277¢	per 100 cubic feet	Purchased Gas Cost Component (Rider A)	
<u>0.001¢</u>	per 100 cubic feet	Merchant Function Charge (Rider G)	
0.278¢	per 100 cubic feet	Total Gas Adjustment Charge	(I)

Natural Gas Supply Charge

37.222¢	per 100 cubic feet	Purchased Gas Cost Component (Rider A)	(I)
0.085¢	per 100 cubic feet	Merchant Function Charge (Rider G)	(I)
<u>1.050¢</u>	per 100 cubic feet	Gas Procurement Charge (Rider H)	
38.357¢	per 100 cubic feet	Total Natural Gas Supply Charge	(I)

The Natural Gas Supply Charge shall include a Merchant Function Charge (Rider G) to recover uncollectible costs associated with purchase gas costs of 0.2285% and the Gas Procurement Charge (Rider H) to recover costs of procuring natural gas pursuant to 52 Pa. Code §62.223.

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.

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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	\$0.8083/BDU	(I)
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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.

(D) Indicates Decrease

(I) Indicates Increase

Issued:

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NATIONAL FUEL GAS  
DISTRIBUTION CORPORATION

Supplement No. to  
Gas - Pa. P.U.C. No. 9  
Ninetieth Revised Page No. 50  
Canceling Eighty-Ninth Revised Page No. 50

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 \$2.9333 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"	\$2.3767/Mcf	(I)
Non Gas Costs	\$0.5566/Mcf	

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 \$0.5566 per Mcf for recovery of non-gas costs.

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 \$0.8666 per Mcf, which includes \$0.5566 for recovery of non-gas costs and \$0.3100 for recovery of purchased gas.

(I)

(D) Indicates Decrease

(I) Indicates Increase

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DISTRIBUTION CORPORATION

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Gas - Pa. P.U.C. No. 9  
Ninetieth Revised Page No. 53  
Canceling Eighty-Ninth Revised Page No.53

SVIS  
Small Volume Industrial Service Rate Schedule (Cont'd)

MONTHLY RATE

Basic Service Charge			
\$65.60	per Month		
Distribution Charges			
24.601¢	per 100 cubic feet		(I)
Gas Adjustment Charge			
0.277¢	per 100 cubic feet	Purchased Gas Cost Component (Rider A)	
<u>0.001¢</u>	per 100 cubic feet	Merchant Function Charge (Rider G)	
0.278¢	per 100 cubic feet	Total Gas Adjustment Charge	(I)
Natural Gas Supply Charge			
37.222¢	per 100 cubic feet	Purchased Gas Cost Component (Rider A)	(I)
0.085¢	per 100 cubic feet	Merchant Function Charge (Rider G)	(I)
<u>1.050¢</u>	per 100 cubic feet	Gas Procurement Charge (Rider H)	
38.357¢	per 100 cubic feet	Total Natural Gas Supply Charge	(I)

The Natural Gas Supply Charge shall include a Merchant Function Charge (Rider G) to recover uncollectible costs associated with purchase gas costs of 0.2285% and the Gas Procurement Charge (Rider H) to recover costs of procuring natural gas pursuant to 52 Pa. Code §62.223.

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.

(D) Indicates Decrease

(I) Indicates Increase

Issued:

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DISTRIBUTION CORPORATION

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Ninetieth Revised Page No. 55  
Canceling Eighty-Ninth Revised Page No. 55

## IVIS

INTERMEDIATE VOLUME INDUSTRIAL SERVICE RATE SCHEDULE (Cont'd)  
MONTHLY RATE

Basic Service Charge			
\$201.91	per Month		
Distribution Charges			
18.720¢	per 100 cubic feet	for the first 100,000 cubic feet	(I)
14.639¢	per 100 cubic feet	for the next 1,900,000 cubic feet	(I)
11.445¢	per 100 cubic feet	for all over 2,000,000 cubic feet	(I)
Gas Adjustment Charge			
0.277¢	per 100 cubic feet	Purchased Gas Cost Component (Rider A)	
0.001¢	per 100 cubic feet	Merchant Function Charge (Rider G)	
0.278¢	per 100 cubic feet	Total Gas Adjustment Charge	(I)
Natural Gas Supply Charge			
37.222¢	per 100 cubic feet	Purchased Gas Cost Component (Rider A)	(I)
0.085¢	per 100 cubic feet	Merchant Function Charge (Rider G)	(I)
1.050¢	per 100 cubic feet	Gas Procurement Charge (Rider H)	
38.357¢	per 100 cubic feet	Total Natural Gas Supply Charge	(I)

The Natural Gas Supply Charge shall include a Merchant Function Charge (Rider G) to recover uncollectible costs associated with purchase gas costs of 0.2285% and the Gas Procurement Charge (Rider H) to recover costs of procuring natural gas pursuant to 52 Pa. Code §62.223.

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.

(D) Indicates Decrease

(I) Indicates Increase

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Canceling Eighty-Second Revised Page No. 61

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	\$0.8083/BDU	(I)
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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).

(D) Indicates Decrease

(I) Indicates Increase

Issued:

Effective:

2. Margin Demand Charge

- a. The rate per Margin BDU shall be \$.5122 per Margin BDU.
- b. Determination of Customer's Margin BDUs

The Customer's Margin BDUs 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 \$2.7575 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"	\$2.3767/Mcf	(I)
Non Gas Costs	\$0.3808/Mcf	

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

(D) Indicates Decrease

(I) Indicates Increase

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DISTRIBUTION CORPORATION

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Gas - Pa. P.U.C. No. 9  
Thirty-First Revised Page No. 63  
Canceling Thirtieth Revised Page No. 63

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2. The amount of \$0.3808 per Mcf for recovery of non-gas costs.

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 \$0.6908 per Mcf, which includes \$0.3808 for recovery of non-gas costs (I) and \$0.3100 for recovery of purchased gas. (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.

(D) Indicates Decrease

(I) Indicates Increase

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Issued:

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NATIONAL FUEL GAS  
DISTRIBUTION CORPORATION

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Gas - Pa. P.U.C. No. 9  
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Canceling Eighty-Ninth Revised Page No. 65

## LVIS

## Large Volume Industrial Service (Cont'd)

- 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		
Distribution Charges			
14.240¢	per 100 cubic feet	for the first 100,000 cubic feet	(I)
12.422¢	per 100 cubic feet	for the next 1,900,000 cubic feet	(I)
10.334¢	per 100 cubic feet	for the next 18,000,000 cubic feet	(I)
8.962¢	per 100 cubic feet	for all over 20,000,000 cubic feet	(I)
Gas Adjustment Charge			
0.277¢	per 100 cubic feet	Purchased Gas Cost Component (Rider A)	
0.001¢	per 100 cubic feet	Merchant Function Charge (Rider G)	
0.278¢	Per 100 cubic feet	Total Gas Adjustment Charge	(I)

(D) Indicates Decrease

(I) Indicates Increase

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NATIONAL FUEL GAS  
DISTRIBUTION CORPORATION

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Gas - Pa. P.U.C. No. 9  
Forty-Seventh Revised Page No. 66  
Canceling Forty-Sixth Revised Page No. 66

LVIS  
Large Volume Industrial Service (Cont'd)

Natural Gas Supply Charge			
37.222¢	per 100 cubic feet	Purchased Gas Cost Component (Rider A)	(I)
0.085¢	per 100 cubic feet	Merchant Function Charge (Rider G)	(I)
<u>1.050¢</u>	per 100 cubic feet	Gas Procurement Charge (Rider H)	
38.357¢	per 100 cubic feet Charge	Total Natural Gas Supply	(I)

The Natural Gas Supply Charge shall include a Merchant Function Charge (Rider G) to recover uncollectible costs associated with purchase gas costs of 0.2285% and the Gas Procurement Charge (Rider H) to recover costs of procuring natural gas pursuant to 52 Pa. Code §62.223.

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

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.

(D) Indicates Decrease

(I) Indicates Increase

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NATIONAL FUEL GAS  
DISTRIBUTION CORPORATION

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Eighty-Third Revised Page No.72  
Canceling Eighty-Second Revised Page No.72

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	\$0.8083/BDU	(I)
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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 on 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).

(D) Indicates Decrease

(I) Indicates Increase

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NATIONAL FUEL GAS  
DISTRIBUTION CORPORATION

Supplement No. to  
Gas - Pa. P.U.C. No. 9  
Eighty-Sixth Revised Page No. 73  
Canceling Eighty-Fifth Revised Page No. 73

2. Margin Demand Charge

- a. The rate per Margin BDU shall be \$.3182 per Margin BDU.
- b. Determination of Customer's Margin BDUs

The Customer's Margin BDUs 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 \$2.6240 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"	\$2.3767/Mcf	(I)
Non Gas Costs	\$0.2473/Mcf	

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

D) Indicates Decrease

(I) Indicates Increase

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NATIONAL FUEL GAS  
DISTRIBUTION CORPORATION

Supplement No. to  
Gas - Pa. P.U.C. No. 9  
Thirty-First Revised Page No. 74  
Canceling Thirtieth Revised Page No. 74

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2. The amount of \$0.2473 per Mcf for recovery of non-gas costs.

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 \$0.5573 per Mcf, which includes \$0.2473 for recovery of non-gas costs (I) and \$0.3100 for recovery of purchased gas. (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.

(D) Indicates Decrease

(I) Indicates Increase

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DISTRIBUTION CORPORATION

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Gas - Pa. P.U.C. No. 9  
Ninetieth Revised Page No. 76  
Canceling Eighty-Ninth Revised Page No. 76

## LIS

## Large Industrial Service (Cont'd)

- 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

\$1,029.00 per Month

## Distribution Charges

11.931¢ per 100 cubic feet for the first 100,000 cubic feet	(I)
10.131¢ per 100 cubic feet for the next 1,900,000 cubic feet	(I)
8.062¢ per 100 cubic feet for the next 18,000,000 cubic feet	(I)
6.704¢ per 100 cubic feet for all over 20,000,000 cubic feet	(I)

## Gas Adjustment Charge

0.277¢ per 100 cubic feet	Purchased Gas Cost Component (Rider A)	
0.001¢ per 100 cubic feet	Merchant Function Charge (Rider G)	
0.278¢ per 100 cubic feet	Total Gas Adjustment Charge	(I)

(D) Indicates Decrease

(I) Indicates Increase

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NATIONAL FUEL GAS  
DISTRIBUTION CORPORATION

Supplement No. to  
Gas - Pa. P.U.C. No. 9  
Thirty-Second Revised Page No. 76A  
Canceling Thirty-First Revised Page No. 76A

LIS  
Large Industrial Service (Cont'd)

Natural Gas Supply Charge			
37.222¢ per 100 cubic feet		Purchased Gas Cost Component (Rider A)	(I)
0.085¢ per 100 cubic feet		Merchant Function Charge (Rider G)	(I)
<u>1.050¢</u> per 100 cubic feet		Gas Procurement Charge (Rider H)	
38.357¢ per 100 cubic feet		Total Natural Gas Supply Charge	(I)

The Natural Gas Supply Charge shall include a Merchant Function Charge (Rider G) to recover uncollectible costs associated with purchase gas costs of 0.2285% and the Gas Procurement Charge (Rider H) to recover costs of procuring natural gas pursuant to 52 Pa. Code §62.223.

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.

(D) Indicates Decrease

(I) Indicates Increase

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DISTRIBUTION CORPORATION

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Gas - Pa. P.U.C. No. 9  
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Canceling Eighty-Second Revised Page No. 79

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	\$0.8083/BDU	(I)
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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).

(D) Indicates Decrease

(I) Indicates Increase

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DISTRIBUTION CORPORATION

Supplement No. to  
Gas - Pa. P.U.C. No. 9  
Eighty-Sixth Revised Page No. 80  
Canceling Eighty-Fifth Revised Page No. 80

2. Margin Demand Charge

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

The Customer's Margin BDUs 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 \$2.5691 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"	\$2.3767/Mcf	(I)
Non Gas Costs	\$0.1924/Mcf	

a. Determination of Rate per Mcf

The rate per Mcf shall be the sum of:

(D) Indicates Decrease

(I) Indicates Increase

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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.

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 \$0.5024 per Mcf, which includes \$0.1924 for recovery of non-gas costs (I) and \$0.3100 for recovery of purchased gas. (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.

(D) Indicates Decrease

(I) Indicates Increase

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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 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 \$0.31850 per 100 cu. ft. (I)  
(as calculated by adding the purchase gas components of the Load Balancing Service Rates).

Purchased Gas 100% Load Factor Demand Cost	\$0.08083/Ccf	(I)
plus Purchased Gas Commodity Cost	<u>\$0.23767/Ccf</u>	(I)
Equals 100% Load Factor Base Cost of Gas	\$0.31850/Ccf	(I)

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

(D) Indicates Decrease

(I) Indicates Increase

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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: \$0.46115/Ccf (I)

The current components of the minimum NGV(1) rate are as follows:

100% load factor base cost of gas:	\$0.31850/Ccf	(I)
Incremental operating cost of Company owned NGV compression equipment:	\$0.13436/Ccf	
Transition Cost Surcharge	\$0.00000/Ccf	
State Tax Adjustment Surcharge	(\$0.00171)/Ccf	(D)
Minimum allowable Non-Gas cost	\$0.01000/Ccf	

The maximum NGV(1) rate shall be: \$0.67406/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:	\$0.54220/Ccf	(I)
Incremental operating cost of Company owned NGV compression equipment:	\$0.13436/Ccf	
State Tax Adjustment Surcharge	(\$0.00250)/Ccf	(D)

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: \$0.32728/Ccf (I)

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

100% load factor base cost of gas:	\$0.31850/Ccf	(I)
Transition Cost Surcharge	\$0.00000/Ccf	
State Tax Adjustment Surcharge	(\$0.00122)/Ccf	(D)
Minimum allowable Non-Gas cost	\$0.01000/Ccf	

The maximum NGV(2) rate shall be: \$0.54019/Ccf (I)

(D) Indicates Decrease

(I) Indicates Increase

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

Tailblock rate of the Commercial and Public Authority		
Service Rate schedule:	\$0.524220/Ccf	(I)
State Tax Adjustment Surcharge	(\$0.00201)/Ccf	(D)

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.

(D) Indicates Decrease

(I) Indicates Increase

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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 \$1.0072 per Mcf, which shall be applied to the total monthly volumes transported by the customer during the month. (I)

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

(D) Indicates Decrease

(I) Indicates Increase

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#### MONTHLY RATE

The monthly rate shall be \$0.4789 per Mcf, which shall be applied to the (I) 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.

(D) Indicates Decrease

(I) Indicates Increase

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RATE SCHEDULE FOR MONTHLY METERED TRANSPORTATION SCHEDULE (cont'd)

MONTHLY RATES

Commodity Rates

The commodity rates set forth below contain a component, presently \$0.3100 (I)  
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:

\$3.0098 Mcf (D)

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:

\$2.9472 per Mcf for Small Commercial/Public Authority using not more (I)  
than 250 Mcf per year

\$2.2841 per Mcf for Small Commercial/Public Authority using greater (I)  
than 250 Mcf but not more than 1,000 Mcf per year

\$1.7962 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:

\$2.9472 per Mcf for Small Commercial/Public Authority using not more (I)  
than 250 Mcf per year

\$2.2841 per Mcf for Small Commercial/Public Authority using greater (I)  
than 250 Mcf but not more than 1,000 Mcf per year

\$1.7962 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:

\$2.5597 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:

\$2.5597 per Mcf for SVIS Customers (I)

(D) Indicates Decrease

(I) Indicates Increase

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RATE SCHEDULE FOR MONTHLY METERED TRANSPORTATION SCHEDULE (cont'd)

For transportation of gas to Intermediate Volume Industrial Customers, the monthly rate for transportation of gas produced within the Commonwealth of Pennsylvania shall be:  
\$1.4160 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:  
\$1.4160 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:  
\$1.1529 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:  
\$1.1529 per Mcf (I)

For transportation of gas to Large Industrial Customers, the monthly rate for transportation of gas produced within the Commonwealth of Pennsylvania shall be:  
\$0.8009 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:  
\$0.8009 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 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 or eliminate the compensation for line losses provided for in Special Provisions paragraph B of this rate schedule in order to meet the competitive circumstances for alternate fuels or bypass situations cited above excluding competition from other Pennsylvania local distribution companies. 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;

(D) Indicates Decrease

(I) Indicates Increase

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E. In the event of interruption or curtailment of transportation service, pursuant to items C and D, above, and during such period of interruption or curtailment, the MMT Customer must sell to the Company all or a portion of the MMT Customer's supply of gas at the higher of (1) the Transportation Service Customer's cost of purchased gas at the point of delivery to the Company or (2) the Company's average cost of purchased gas per Mcf, as determined based upon the Company's Section 1307(f) Rate, which is \$4.0176. (I)

F. If for any reason (including the default of an MMNGS Supplier), the MMNGS Supplier fails to provide sufficient daily deliveries of natural gas supplies to meet the MMT Customers DDQ pursuant to the terms of MMNGS supply service, and/or MMT Customer's MMNGS Supplier does not provide complete compensation to the Company for services provided under Rate Schedule MMNGS, Special Provision D.3, the Company shall charge the MMT Customer for the deficient daily deliveries under the applicable gas sales rate schedule plus applicable surcharge as set forth in Rate Schedule SB Special Provisions.

(D) Indicates Decrease

(I) Indicates Increase

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E. In the event of interruption or curtailment of transportation service, pursuant to items C and D, above, and during such period of interruption or curtailment, the DMT Service Customer must sell to the Company all or a portion of the DMT Service Customer's supply of gas at the higher of (1) the Transportation Service Customer's cost of purchased gas at the point of delivery to the Company or (2) the Company's average cost of purchased gas per Mcf, as determined based upon the Company's Section 1307(f) Rate, which is \$4.0176. (I)

F. If a Gas Service Customer receiving gas transported by the Company uses less than the amount of gas delivered into the Company's system for transportation to such Customer ("excess deliveries"), the Gas Service Customer receiving gas transported by the Company may use such gas during the banking/balancing period defined below, following which the Company shall have the right, but not the obligation, to purchase remaining excess deliveries of gas from the DMT service Customer at a rate equal to the lowest of (1) the cost at which it was acquired by the DMT Service Customer, including pipeline transportation charges, or (2) the Company's average commodity delivered cost of gas to National Fuel Gas Supply Corporation, or (3) the Company's average commodity cost of locally produced gas during the month when excess deliveries were received by the Company. The cost at which the DMT Service Customer acquired the gas will be determined from such Customer's contract with the supplier or by a sworn affidavit setting forth the Customer's cost of gas, including cost of delivery of such gas to the Company's system. Upon request by the Company, the DMT Service Customer will be required to furnish to the Company the DMT service Customer's choice of (1) a copy of this contract or (2) an affidavit. The banking/balancing period shall be the three billing months after the billing month in which the Company received excess deliveries in behalf of the Customer.

G. "Underdeliveries" are volumes of gas taken from the Company by a Gas Service Customer in excess of the sum of (1) any excess deliveries of the customer at the beginning of the day and (2) the volume of gas delivered to the Company for the customer's account, after adjustment for line losses less volumes of volumes of gas determined to be sales by the Company to the customer. Cumulative underdeliveries, as determined each day, in excess of two percent of the volume of gas delivered by the Company to the customer that day, shall be a sale of gas by the Company to the customer under the applicable rate schedule plus applicable surcharges as set forth in Rate Schedule SB Special Provisions and shall not be recharacterized as transportation service under any circumstances. Cumulative underdeliveries of not more than two percent of the volume of gas delivered to a customer by the Company on any day may be offset by volumes of gas delivered to the Company for the customer's account, after adjustment for line losses, in excess of the volume of gas taken by the customer from the Company on subsequent days within the same billing month.

(D) Indicates Decrease

(I) Indicates Increase

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RATE SCHEDULE SATC  
SMALL AGGREGATION TRANSPORTATION CUSTOMER SERVICE (Cont'd)

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 \$0.03274 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. (I)

(D) Indicates Decrease

(I) Indicates Increase

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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	
\$0.36265	per 100 cubic feet for the first 5,000 cubic feet	(I)
\$0.26926	per 100 cubic feet for all over 5,000 cubic feet	(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	
\$0.30184	per 100 cubic feet for the first 5,000 cubic feet	(I)
\$0.26926	per 100 cubic feet for all over 5,000 cubic feet	(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	
\$0.22697	per 100 cubic feet for the first 20,000 cubic feet	(I)
\$0.21333	per 100 cubic feet for all over 20,000 cubic feet	(I)

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

\$121.01	Basic Service Charge	
\$0.18961	per 100 cubic feet for the first 300,000 cubic feet	(I)
\$0.17769	per 100 cubic feet for the next 1,700,000 cubic feet	(I)
\$0.15585	per 100 cubic feet for all over 2,000,000 cubic feet	(I)

(D) Indicates Decrease

(I) Indicates Increase

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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	
\$0.24601	per 100 cubic feet	(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	
\$0.18720	per 100 cubic feet for the first 100,000 cubic feet	(I)
\$0.14639	per 100 cubic feet for the next 1,900,000 cubic feet	(I)
\$0.11445	per 100 cubic feet for all over 2,000,000 cubic feet	(I)

B. Miscellaneous Customer Surcharges

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

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

(C) Indicates Change

(D) Indicates Decrease

(I) Indicates Increase

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

## C. Total Upstream Capacity Requirements for SATS Suppliers

SATS Suppliers shall be required to provide sufficient firm pipeline transportation and storage capacity to meet the estimated extreme day requirements of their SATC Customer groups as further described below. The SATS Suppliers' estimated extreme day requirements of their SATC Customer Group used for Supplier capacity allocations and requirements shall be based on a sixty-two (62) degree day extreme peak day calculation. The Company shall utilize peaking and temperature swing storage capacity retained by the Company and recovered through SATC rates to provide for any variances between actual and forecasted usage and for any peak delivery requirements for days colder than sixty-two (62) degree days.

Such sufficient pipeline transportation and storage capacity shall be provided through the following means:

## 1. Released ESS Storage Capacity and Associated EFT Capacity

## a. Requirements To Be Met Through ESS Storage

52% of extreme peak day requirements shall be provided through the Company's ESS storage and associated EFT transportation capacity on NFGSC. Such NFGSC Storage and transmission capacity shall be released to SATS Suppliers at the maximum rate under the pipeline's FERC gas tariff. (D)

## b. Initial Assignment of ESS Storage Capacity

In a month a SATS Supplier begins to serve SATC customers, it shall be provided with an initial assignment of storage capacity, based on the percentage set forth at C.1.a. above, to meet the Supplier's requirements for the upcoming winter period. Approximately fifteen days prior to the close of nominations for the month, the Company will calculate the quantity of storage capacity released to match the SATS Supplier's winter requirements based on the number of SATC Customers aggregated by the Supplier. If the initial assignment takes place in a month other than April, the Company will transfer storage gas to the Supplier pursuant to C.1.c below. The SATS Supplier shall be responsible for all taxes and pipeline fees associated with moving or transferring the storage gas to the Company.

(D) Indicates Decrease

(I) Indicates Increase

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

c. Additional Assignments of ESS Storage Capacity

Approximately fifteen days prior to the close of nominations for each month, the Company will recalculate the quantity of storage capacity released to match the SATS Supplier's revised winter requirements based on the number of SATC Customers aggregated by the Supplier. If additional SATC Customers join a SATS Supplier's SATC Customer Group, the Company will release additional capacity as required, based on the percentage set forth at C.1.a. above. In addition, the SATS Supplier will be required to pay the Company for storage gas transferred and all taxes and pipeline fees associated with moving or transferring the storage gas to the Supplier. The storage gas transfer rate shall be the sum of (1) the higher of the Company's average cost of gas based upon the Company's Section 1307f rate, or the DMI for the first day of month in which gas is transferred plus all transportation costs to the Company's City Gate, plus (2) the demand Transfer Recovery Rate ("DTR Rate"). The DTR rate shall equal the per Mcf System Average Unrecovered Demand Charge revenue beginning in the month of April through the initial month that storage capacity is released to the Supplier. The System Average Unrecovered demand Charge Revenue shall equal the sum of the differences between the average demand charge revenues and the average fixed demand costs beginning the month of April through the initial month that storage capacity is released to the Supplier.

The DTR by month shall be as follows:

Capacity Transfer Month	DTR \$/Mcf	
April	\$0.00	
May	\$0.00	
June	\$0.00	
July	\$0.00	
August	\$0.00	
September	\$0.05	(I)
October	\$0.06	(I)
November	\$0.52	(I)
December	\$0.77	(I)
January	\$0.64	(I)
February	\$0.36	(D)
March	\$0.00	

(D) Indicates Decrease

(I) Indicates Increase

Issued:

Effective:

NATIONAL FUEL GAS  
DISTRIBUTION CORPORATION

Supplement No. to  
Gas - Pa. P.U.C. No. 9  
Fifty-Fourth Revised Page No. 131  
Canceling Fifty-Third Revised Page No. 131

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

2. Released Transmission Capacity Not Included in SATC  
Transportation Rates

48% of extreme peak day requirements is to be provided by the release of pipeline capacity upstream of NFGSC and the release of associated EFT transportation capacity on NFGSC which is not included in transportation rates. All such capacity shall be released to SATS Suppliers, and SATS Suppliers shall take such released capacity, at the maximum rate under the pipeline's FERC gas tariff. The actual pipeline capacity path upstream of NFGSC to be released to the Supplier by the Company shall be designated by the Company from its available capacity. The Company will attempt to accommodate a Supplier's request for particular capacity on a first-come first-serve basis. (I)

As an alternative to the above, the Company may designate an alternative capacity path(s) from its available capacity. The capacity release rate for the pipeline capacity path released to the Supplier shall be \$7.4068/Dth which equals the weighted average demand cost of upstream capacity, however, capacity released on NFGSC will be released at the maximum rate under NFGSC's FERC gas tariff. The Company will post a listing of the alternative capacity path(s) designated, including the associated quantity of capacity, on its web site. (I)

For capacity termination notices, prior to the termination notice date of any capacity contract in this Section C.2., the Company will issue a request for proposals to qualified Suppliers under this tariff to determine if the Company should terminate, renew, or replace such contract, in whole or in part. The Company will terminate a proportionate share of the capacity contract if: (1) Suppliers demonstrate that they will provide comparable firm capacity to serve the Company's core customers, (2) the Suppliers agree to assign such comparable capacity at the contracted price to the Company upon Company request if such capacity is required to meet supply requirements of SATC Customers due to the termination of the SATS Supplier pursuant to Section H.1. or if the Supplier has reduced the level of delivery requirements from the previous periods requirements, and 3) the Commission approves such comparable capacity. Comparable capacity must have firm rights for at least the seven (7) winter months, and such capacity must have primary delivery rights into available primary receipt rights on NFGSC held by the Company. Comparable capacity must have firm capacity rights sufficient in volume and duration (with renewal rights) to serve the customers to be served by the SATS Supplier. The Company will post a listing of capacity contracts, including the associated quantity of capacity, that it determines to be of critical status on its web site.

(D) Indicates Decrease

(I) Indicates Increase

Issued:

Effective:

NATIONAL FUEL GAS  
DISTRIBUTION CORPORATION

Supplement No. to  
Gas - Pa. P.U.C. No. 9  
Fifty-Eighth Revised Page No. 146G  
Canceling Fifty-Seventh Revised Page No. 146G

E. In the event of interruption or curtailment of transportation service, pursuant to items C and D, above, and during such period of interruption or curtailment, the DMLMT Service customer must sell to the Company all or a portion of the DMLMT Service Customer's supply of gas at the higher of (1) the Transportation Service Customer's cost of purchased gas at the point of delivery to the Company or (2) the Company's average cost of purchased gas per Mcf, as determined based upon the Company's Section 1307(f) Rate which is \$4.0176.

(I)

F. If a Gas Service Customer receiving gas transported by the Company uses less than the amount of gas delivered into the Company's system for transportation to such Customer ("excess deliveries"), the Gas Service Customer receiving gas transported by the Company may use such gas during the banking/balancing period defined below, following which the Company shall have the right, but not the obligation, to purchase remaining excess deliveries of gas from the DMLMT Service Customer at a rate equal to the lowest of (1) the cost at which it was acquired by the DMLMT Service Customer, including pipeline transportation charges, or (2) the Company's average commodity delivered cost of gas to National Fuel Gas Supply Corporation, or (3) the Company's average commodity cost of locally-produced gas during the month when excess deliveries were received by the Company. The cost at which the DMLMT Service Customer acquired the gas will be determined from such Customer's contract with the supplier or by a sworn affidavit setting forth the Customer's cost of gas, including cost of delivery of such gas to the Company's system. Upon request by the Company, the DMLMT service Customer will be required to furnish to the Company the DMLMT Service Customer's choice of (1) a copy of this contract or (2) an affidavit. The banking/balancing period shall be the three billing months after the billing month in which the Company received excess deliveries in behalf of the Customer.

G. "Underdeliveries" are volumes of gas taken from the Company by a Gas Service Customer in excess of the sum of (1) any excess deliveries of the customer at the beginning of the day and (2) the volume of gas delivered to the Company for the customer's account, after adjustment for line losses less volumes of gas determined to be sales by the Company to the customer. Cumulative underdeliveries, as determined each day, in excess of two percent of the volume of gas delivered by the Company to the customer that day, shall be a sale of gas by the Company to the customer under the applicable rate schedule plus applicable surcharges as set forth in Rate Schedule SB Special Provisions and shall not be recharacterized as transportation service under any circumstances. Cumulative underdeliveries of not more than two percent of the volume of gas delivered to a customer by the Company on any day may be offset by volumes of gas delivered to the Company for the customer's account, after adjustment for line losses, in excess of the volume of gas taken by the customer from the Company on subsequent days within the same billing month.

(D) Indicates Decrease

(I) Indicates Increase

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 Issued:

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 Effective:

NATIONAL FUEL GAS  
DISTRIBUTION CORPORATION

Supplement No. to  
Gas - Pa. P.U.C. No. 9  
Eighty-Fifth Revised Page No. 147  
Canceling Eighty-Fourth Revised Page No. 147

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 \$2.3767 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. (I)

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 \$1.3732 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. (I)

Rates for each Mcf (1,000 cubic feet) of gas transported under the Small Aggregation Transportation Customer Rate Schedule shall include \$0.3274 per Mcf for the recovery of purchased gas demand costs. (I)

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	Natural Gas	
	Total	Charges	Charge	Supply Charge	
Residential	\$4.0773	\$0.3274	\$0.0277		(I)
Low Income Residential Assistance Service	\$4.0773	\$0.3274	\$0.0277	\$3.7222	(I)
Commercial/Public Authority	\$4.0773	\$0.3274	\$0.0277		(I)
Small Volume Industrial	\$4.0773	\$0.3274	\$0.0277	\$3.7222	(I)
Intermediate Volume Industrial	\$4.0773	\$0.3274	\$0.0277	\$3.7222	(I)
Large Volume Industrial	\$4.0773	\$0.3274	\$0.0277	\$3.7222	(I)
Large Industrial	\$4.0773	\$0.3274	\$0.0277	\$3.7222	(I)
Standby	\$0.4789			\$3.7222	(I)
Priority Standby	\$1.0072				(I)
Small Aggregation Transportation Customer Rate Schedule	\$0.3274	\$0.3274			(I)

(D) Indicates Decrease

(I) Indicates Increase

Issued:

Effective:

- (9) An amount determined by multiplying volumes billed under the Small Aggregation Transportation Service rate schedule times the PGDCT charge recovered through rates under rate schedule Small Aggregation Transportation Customer Service.
- (10) An amount equal to the revenues from Daily Metered Transportation customers produced by charges for overdeliveries of transportation gas to such customers.
- (11) An amount equal to 75% of the revenues generated from the release of pipeline transmission and storage capacity other than releases for SATS customers. The Company shall retain the remaining 25%.
- (12) An amount equal to 75% of the savings from gas storage fill contracts as established in Case R-0016789. The Company shall retain the remaining 25%.
- (13) An amount equal to 75% of asset management arrangements under FERC Order 712 for capacity releases associated with identified capacity contracts. The Company shall retain the remaining 25%.

Interest shall be computed monthly at the appropriate rate provided for in Section 1307(f)(5) of the Public Utility Code from the month that the over or under-collection occurs to the effective month such over-under collection is refunded or recouped as appropriate.

#### QUARTERLY UPDATES

The Company's rates for recovery of purchased gas costs will be subject to quarterly adjustments under procedures set forth in the Commission's regulations at 52.Pa. Code § 53.64(i)(5). Such updates will reflect, in addition to data specified in the regulation, changes in the projected commodity cost of purchased gas based upon the NYMEX source of data and method used in projecting the commodity cost of purchased gas approved by the Commission in the Company's most recent annual proceeding for recovery of purchased gas costs under Section 1307(f) of the Public Utility Code. In addition, the Company will calculate rates in the November, February and May quarterly filings using annual sales volumes to determine the purchased gas cost rates as ordered at Docket R-2017-2582461.

The Company's rate for the recovery of purchased gas costs for Monthly Metered Transportation Service will be subject to a quarterly adjustment to reflect changes in the rates of National Fuel Gas Supply Corporation when final rates are approved by the Federal Energy Regulatory Commission.

(C)

(C) Indicates Change

Issued:

Effective:

NATIONAL FUEL GAS  
DISTRIBUTION CORPORATION

Supplement No. to  
Gas - Pa. P.U.C. No. 9  
Sixty-Fifth Revised Page No. 157  
Canceling Sixty-Fourth Revised Page No. 157

## RIDER B

## STATE TAX ADJUSTMENT SURCHARGE

In addition to the charges provided in this tariff, a surcharge of (0.37%) will apply to all charges for service rendered on or after . (I)

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 one (1) day 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 one (1) day after filing.

In Compliance with P-2017-2591001 Order entered October 5, 2017, the Company shall file its State Tax Adjustment Surcharge filings on one day's notice.

(C) Indicates Change

(D) Indicates Decrease

Issued:

Effective:

NATIONAL FUEL GAS  
DISTRIBUTION CORPORATION

Supplement No. to  
Gas - Pa. P.U.C. No. 9  
One-Hundred-First Revised Page No. 164  
Canceling One-Hundredth Revised Page No. 164

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RIDER F  
LIRA DISCOUNT CHARGE

CURRENT LIRA RATE DISCOUNT

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 for the current LIRA Rate Discount to be included in rates is \$0.0505/Mcf.

(I)

(D) Indicates Decrease

(I) Indicates Increase

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Issued:

Effective:

NATIONAL FUEL GAS  
DISTRIBUTION CORPORATION

Supplement No. to  
Gas - Pa. P.U.C. No. 9  
Sixty-Fifth Revised Page No. 167  
Canceling Sixty-Fourth Revised Page No. 167

RIDER F  
LIRA DISCOUNT CHARGE

CAP FUNDING RECONCILIATION CHARGE (con't)  
CALCULATION OF RECONCILIATION COMPONENT OF RATE (con't)

The charge associated with the incremental customer credit will contain the following calculation:

Effective February 1, 2009 and thereafter, an annual credit of \$35 per customer will be provided associated with the LIRA incremental customers. The credit will be based on the average number of LIRA customers billed during the previous fiscal period (October - September) less 11,411. The annual credit will continue until new base rates become effective as a result of a general rate proceeding. If the average number of LIRA customers billed during the previous fiscal period is 11,411 or less, the credit will be \$0.

The CAP Funding Reconciliation Charge will be the summation of the charges calculated above divided by the projected February 1 through January 31 volumes.

CAP Funding Reconciliation Charge Calculation		
	LIRA Rate Discount	\$ (30,310)
+	LIRA Program Costs	\$60,107
+	LIRA Forgiven Pre-Program Arrearages	\$ (370,310)
+	LIRA Incremental Customer Credit	\$0
Equals	Total	\$ (340,513)
Divided by	Projected Feb - Jan Volumes	<u>18,701,134 Mcf</u>
	Cap Funding Reconciliation Charge / Mcf	\$ (0.0182) / Mcf

ADJUSTMENT FOR OVER / UNDER RECOVERY OF PRIOR PERIOD CHARGE

The filing to be effective February 1, 2010 and every February 1 thereafter shall include a levelized rate for over/under collections for the prior (12) month period by comparing projected revenues under this Rider to actual revenue amounts experienced. The annual reconciliation shall be based upon actual revenues through December 31 and estimated revenues for January. Estimates for January shall be included in the following reconciliation period. The rate will be designed to recover or refund the applicable under or over recovery over the twelve (12) month period beginning February.

RIDER F LIRA Discount Charge Component	\$/Mcf	
Current LIRA Rate Discount	\$0.0516	(I)
Cap Funding Reconciliation Charge	\$ (0.0182)	
Adjustment for Over/Under Recovery of Prior Period Charge	\$0.0171	
Total RIDER F	\$0.0505	(I)

The currently effective charge to be included in rates is \$0.0505/Mcf. (I)

(D) Indicates Decrease

(I) Indicates Increase

Issued:

Effective:

NATIONAL FUEL GAS  
DISTRIBUTION CORPORATION

Supplement No. to  
Gas - Pa. P.U.C. No. 9  
Forty-Fourth Revised Page No. 168  
Canceling Forty-Third Revised Page No. 168

Rider G  
Merchant Function Charge (MFC) Rider

Applicability:

The Merchant Function Charge (MFC) shall be added to the Natural Gas Supply Charge and Gas Adjustment Charge of Residential, LIRAS, Commercial and Public Authority, SVIS, IVIS, LVIS and LIS rate schedules.

Such charges 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 Sales Service Rate Customer Charge, Distribution Charge, Natural Gas Supply Charge or Gas Adjustment Charge.

Calculation of Rate:

For customers receiving service in the Residential classification, the MFC shall equal 2.2301% times the Natural Gas Supply Charge and the Gas Adjustment Clause as calculated for Rider A.

The current Residential MFC Charge is:

Natural Gas Supply Charge per Mcf	\$0.0830	(I)
Gas Adjustment clause (E-Factor) per Mcf	\$0.0006	(I)
Total Residential MFC per Mcf	\$0.0836	(I)

For customers receiving service in the Non-Residential classifications, the MFC shall equal 0.2285% times the Natural Gas Supply Charge and Gas Adjustment Clause as calculated for Rider A.

The current Non-Residential MFC Charge is:

Natural Gas Supply Charge per Mcf	\$0.0085	(I)
Gas Adjustment clause (E-Factor) per Mcf	\$0.0001	(I)
Total Non-Residential MFC per Mcf	\$0.0086	(I)

(D) Indicates Decrease

(I) Indicates Increase

Issued:

Effective:

NATIONAL FUEL GAS  
DISTRIBUTION CORPORATION

Supplement No. to  
Gas - Pa. P.U.C. No. 9  
Thirty-First Revised Page No. 169  
Canceling Thirtieth Revised Page No. 169

Rider H  
Gas Procurement Charge (GPC)

APPLICABILITY

Effective June 1, 2013, the Gas Procurement Charge will be included in the Natural Gas Supply Charge of Residential, LIRAS, Commercial and Public Authority, SVIS, IVIS, LVIS and LIS rate schedules.

The charge is designed to recover the costs of procuring natural gas pursuant to 52 Pa. Code §62.223. The natural gas procurement costs included in the GPC charge will only be updated in a base rate case.

The GPC to be included in the Natural Gas Supply Charge shall be \$0.1050 / Mcf and is not reconcilable.

	Residential (¢ per 100 cubic feet)	Non Residential (¢ per 100 cubic feet)	
<b>Price To Compare Component</b>			
Natural Gas Supply Charge			
Purchased Gas Cost Component (Rider A)	37.222	37.222	
Merchant Function Charge associated with Natural Gas Supply Charge (Rider G)	0.830	0.085	
Gas Procurement Charge (Rider H)	<u>1.050</u>	<u>1.050</u>	
Subtotal Natural Gas Supply Charge	39.102	38.357	
Gas Adjustment Charge			
Purchased Gas Cost Component (Rider A)	0.277	0.277	
Merchant Function Charge associated with Gas Adjustment Charge (Rider G)	<u>0.006</u>	<u>0.001</u>	
Subtotal Gas Adjustment Charge	0.283	0.278	
Total Price To Compare	<u>39.385</u>	<u>38.635</u>	(I)

(D) Indicates Decrease

(I) Indicates Increase

Issued:

Effective:

# **APPENDIX B**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
Office of Consumer Advocate	:	Docket Nos. R-2020-3015251
Office of Small Business Advocate	:	C-2020-3016657
	:	C-2020-3016944
v.	:	
	:	
National Fuel Gas Distribution Corporation	:	

**STATEMENT OF NATIONAL FUEL GAS DISTRIBUTION CORPORATION  
IN SUPPORT OF THE STIPULATION IN SETTLEMENT OF  
THE RATE INVESTIGATION PURSUANT TO 66 PA.C.S. § 1307(f)**

**TO ADMINISTRATIVE LAW JUDGE CONRAD A. JOHNSON:**

**I. INTRODUCTION**

National Fuel Gas Distribution Corporation (“Distribution” or the “Company”) hereby files this Statement in Support of the Joint Petition for Settlement of All Issues of the Section 1307(f) Rate Investigation (“Settlement”) entered into by Distribution, the Bureau of Investigation & Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”) (hereinafter, collectively “Parties”) in the above-captioned purchased gas cost proceeding. Distribution respectfully requests that Administrative Law Judge Conrad A. Johnson (the “ALJ”) recommend approval of, and the Commission approve, the Settlement, including the terms and conditions thereof, without modification.

The Settlement, if approved, will resolve all of the issues in this proceeding, including whether Distribution’s historic natural gas costs were and projected natural gas costs will be incurred under a least cost fuel procurement policy. The Settlement is in the interests of

Distribution, its customers, and the other Parties and is otherwise in the public interest. It should accordingly be approved without modification.

The Settlement was achieved after a comprehensive investigation of Distribution's natural gas procurement policies and operations. In addition to informal discovery, Distribution responded to numerous formal discovery requests. The Statutory Parties have years of experience in evaluating Distribution's annual PGC filings and evaluated the Company's 2020 filing.

For the reasons set forth herein, the Settlement is just and reasonable and Distribution's 2020 1307(f) Filing, as modified by the Settlement, should be approved.

## **II. COMMISSION POLICY FAVORS SETTLEMENT**

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements reduce the time and expense that the parties must expend litigating a case and, at the same time, conserve precious administrative resources. The Commission has stated that settlement results are often preferable to those achieved at the conclusion of a fully-litigated proceeding. *See* 52 Pa. Code § 69.401. In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. York Water Co.*, Docket No. R-00049165 (Order entered Oct. 4, 2004); *Pa. Pub. Util. Comm'n v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991).

## **III. THE SETTLEMENT IS IN THE PUBLIC INTEREST**

### **A. PGC RATES**

The Settlement rates that Distribution proposes to place into effect on August 1, 2020 are supported by record evidence. Distribution explained in detail the development of its natural gas supply rates utilizing cost projections, sales projections, and the reconciliation process.

Distribution's testimony and exhibits provided full support for the rates and their underlying calculations. See Distribution PGC St. No. 7, PGC Exhibit No. 21.

In Distribution's pre-filing, it provided 27 exhibits detailing its gas purchases, gas contracts, peak day requirements and provided other information required by the Commission's regulations. In its annual filing made on January 31, 2020, Distribution provided the testimony of 9 witnesses explaining the filing and why the filing was reasonable, along with additional exhibits supporting the filing. The information contained in Distribution's exhibits and testimony demonstrate the reasonableness of Distribution's gas purchase and gas purchasing practices. Additional detail regarding the Company's gas purchasing practices is also provided in the Proposed Findings of Fact set forth in Paragraphs 22-39 of the Settlement.

The Settlement rates also reflect the adjustments that were agreed to by the Parties in this proceeding.

Accordingly, under the terms of the Settlement, the Parties agree that, on August 1, 2020, Distribution may place into effect the natural gas rates set forth in **Appendix A** of the Settlement, subject to updates for actual over/under recoveries of purchased gas costs through June 30, 2020, for updates related to the calculation of the MMT balancing charge and for updates to the forecasts of wellhead prices. Settlement ¶ 43.

## **B. DESIGN DAY REQUIREMENTS**

In this proceeding, no party disputed Distribution's overall design day requirements. The rates set in this proceeding will be based on a contracted-for level of pipeline and storage capacity of 340,690 Dth/day. The Settlement provides that approval of the Settlement and the rates set forth therein will not constitute approval of the specific methodologies used by Distribution to calculate design peak day requirements.

### **C. MMT BALANCING CHARGE**

Distribution's Monthly Metered Transportation ("MMT") balancing charge recovers the Company's costs for balancing the difference between MMT customers' daily deliveries and daily usage. Distribution St. No. 6, pp. 36 – 37. In determining the MMT charge, Distribution calculates the estimated capacity costs required to provide this service and develops the MMT rate based upon projected MMT customer volumes. In its initial filing, Distribution proposed an MMT Balancing Charge rate of \$0.23 per Mcf.

In their respective testimonies, OCA and OSBA proposed revisions to the balancing charge. OCA St. No. 1, p. 9; OSBA St. No. 1. OCA proposed a balancing charge of \$0.36 per Mcf and also proposed that the MMT balancing charge be reconciled for volume differences. OCA further proposed that the MMT balancing charge be updated to reflect changes in National Fuel Gas Supply capacity charges. OCA St. No. 1, p. 3. In its testimony, OSBA questioned the volumes used to calculate the MMT balancing charge. OSBA St. No. 1, p. 2.

During the course of the proceeding, an error in the volumes used to calculate the MMT balancing charge was identified. In Rebuttal Testimony, Distribution presented the corrected balancing charge of \$0.31 per Mcf. Distribution St. No. 6-R, p. 2. Distribution also explained that it opposed OCA's proposal to reconcile the balancing charge for volume differences. Distribution also noted that reconciliation of the MMT balancing charge was eliminated in a settlement of the 2001 PGC proceeding. Distribution St. No. 6-R, p. 4. OSBA also submitted Rebuttal Testimony opposing OCA's proposal to reconcile the MMT Balancing charge for volumes. OSBA St. No. 1-R, pp. 3 – 4.

The Settlement reflects a compromise of the Parties positions in this proceeding. Under the Settlement, the MMT Balancing Charge will be set at \$0.31 per Mcf, which is the rate set forth in the Company's Rebuttal Testimony. The MMT balancing charge also will be updated in

future quarterly PGC filings to reflect changes in the NFG supply rates. Settlement ¶ 47. This Settlement provision reflects the OCA position on this issue. However, the Settlement does not adopt the volume reconciliation provision proposed by the OCA, but rather adopts the Company's and OSBA's position on this issue.

The MMT Balancing Charge provisions of the Settlement reflect a compromise of all of the Parties' positions in this proceeding, are in the public interest and should be adopted without modification.

#### **D. QUARTERLY RATE CALCULATIONS**

In Testimony, OCA proposed certain changes to the way that Distribution calculates quarterly rate changes. OCA also proposed that the cost implications of Distribution's methods for calculating certain quarterly rate changes be evaluated in the Company's 2021 PGC proceeding. OCA St. No. 1, pp. 3 – 4.

In Rebuttal Testimony, Distribution disagreed with OCA's arguments regarding quarterly rate calculations. Distribution St. No. 6-R, p. 5. The Company further noted that it has performed its quarterly rate calculations in the same manner for many years and before considering whether to change its methodology, would need to evaluate the impacts on other rates and impacts on customers, including rate volatility. Distribution St. No. 6-R, p. 6.

The Settlement provisions reflect a compromise of the Parties' positions on these issues. The Settlement provides that Distribution will evaluate its quarterly PGC rate calculations and provide certain analyses in the Company's 2021 PGC proceeding. The Settlement further provides that all Parties have the right to either propose or not propose changes to the Company's quarterly rate change calculation methodology in that proceeding. Settlement ¶¶ 48 – 49.

These Settlement provisions are in the public interest because they allow all Parties time to evaluate how changes to quarterly rate calculations might impact rates and customers and whether such changes may or may not be in the public interest.

#### **E. PIPELINE PENALTY CREDITS**

In its Direct Testimony, I&E argued that Distribution did not clearly identify where pipeline penalty credits are reflected in the PGC filing and that the pipeline penalty credits to ratepayers should include interest from the receipt date. I&E St. No. 1, pp. 2 – 8. In Rebuttal, the Company explained that pipeline penalty credits are reflected on the invoices received from the pipelines and that the Company reflects the benefit of the credit to customers, including interest, from the receipt date. Distribution St. No. 6-R, p. 8.

In order to address I&E's concerns, the Settlement provides that the Company will identify pipeline penalty credits received as a separate Exhibit in the annual filing to include amount, source, and month in which the pipeline penalty credit was received as a credit on its invoice. Settlement ¶ 50. This will make it easier for the Parties to identify pipeline penalty credits in future PGC filings. The Settlement also clarifies that the Company will be permitted to continue to flow pipeline penalty credits back to customers through purchased gas costs as reflected in the invoices from the pipelines and will not be required to separately account for them in its calculation of PGC costs or over/under collections.

These Settlement provisions reflect a compromise of the Parties' positions and are in the public interest.

#### **F. STORAGE FILL CONTRACTS**

In Direct Testimony, OCA thought that the Company was retaining the entire discount of \$57,000 for a storage fill agreement and argued that the discount should be subject to the Company's sharing mechanism which provides that 75% of savings go to customers and 25% are

retained by the Company. OCA St. No. 1, p. 11. In Rebuttal Testimony, Distribution clarified that it did not retain the discount of \$57,000 but had credited the entire discount to customers. Distribution St. No. 7-R, p. 3. Distribution also noted that it intended to apply the sharing mechanism to savings generated from future storage fill contracts.

The Settlement clarifies that the Company will share in the savings associated with storage fill contracts pursuant to its Commission-approved sharing mechanism. Settlement ¶ 51.

#### **G. CONTRACT RENEWALS AND CHANGES**

The Settlement requests that the Commission approve the renewals, extensions and changes in pipeline and storage capacity contracts that are explained in Distribution's PGC Statement Nos. 1, 7 and 8 and in Distribution's PGC Exhibits 4 and 8. Settlement ¶ 52. These contracts are in the public interest for the reasons explained in the Company's testimony and exhibits, and these contracts should be approved.

#### **H. TARIFF CHANGES**

In its filing made on January 31, 2020, Distribution identified the tariff changes that it was proposing to make in this proceeding. The majority of the tariff changes relate to changes in rates related to changes in purchased gas costs. No party in this proceeding objected to the changes. As set forth in Paragraph No. 53, the Parties request that the Commission approve the tariff changes set forth in Appendix A.

#### **I. APPROVAL OF FILING**

Under the Settlement, the Parties have agreed that Distribution's 2020 Section 1307(f) filing is approved except as modified by the Settlement. Settlement ¶ 54. The Parties have thoroughly investigated Distribution's PGC filing through discovery and submission of testimony. Distribution has addressed the contested issues through the specific provisions of the

Settlement and requests that the ALJ and the Commission approve the Company's 2020 PGC filing.

**J. FINDINGS THAT DISTRIBUTION HAS FOLLOWED A LEAST COST GAS PROCUREMENT POLICY**

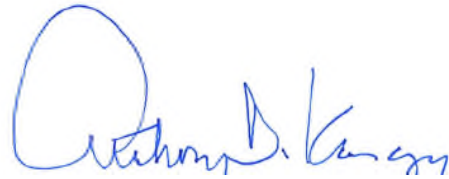
Under the Settlement, the Parties recommend that the ALJ and the Commission make specific findings on certain matters which the Commission is required to address in order to determine whether Distribution is following a "least cost" gas procurement program, consistent with its obligation to provide safe, adequate and reliable service, as required under Section 1318(a) of the Public Utility Code, 66 Pa.C.S. § 1318(a). After investigation of Distribution's filing including substantial discovery, all Parties agree that Distribution is meeting its statutory obligations.

**IV. CONCLUSION**

Through cooperative efforts and the open exchange of information, the Parties have arrived at a Settlement that resolves all issues in the proceeding in a fair and equitable manner. The Settlement is the result of detailed examination of Distribution's natural gas procurement policies through numerous discovery responses, testimony and accompanying exhibits. A fair and reasonable compromise has been achieved in this case, as is evident by the fact that all Parties, including Distribution, I&E, OCA, and OSBA have agreed to the resolution of the issues in this proceeding.

WHEREFORE, National Fuel Gas Distribution Corporation respectfully requests that Honorable Administrative Law Judge Conrad A. Johnson recommend approval of, and the Pennsylvania Public Utility Commission approve by final order, the Settlement, including all terms, conditions and findings set forth therein without modification, and that the Pennsylvania Public Utility Commission's final order also terminate the proceeding and close the above-captioned docket.

Respectfully submitted,



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Anthony D. Kanagy, Esquire  
Attorney ID #85522  
Post & Schell, P.C.  
17 North Second Street  
12<sup>th</sup> Floor  
Harrisburg, PA 17101-1601  
Phone: 717-612-6034  
Fax: 717-731-1985  
E-mail: [akanagy@postschell.com](mailto:akanagy@postschell.com)

Of Counsel:  
Post & Schell, P.C.

Date: April 21, 2020

Counsel for National Fuel Gas  
Distribution Corporation

# **APPENDIX C**



interest held before the Commission. Consequently, in negotiated settlements, it is incumbent upon I&E 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. Based upon I&E analysis of the Company's 1307(f) filing, acceptance of this proposed Settlement is in the public interest and I&E recommends that Administrative Law Judge Conrad Johnson and the Commission approve the Settlement in its entirety.

2. On January 31, 2020, NFG filed with the Commission Supplement No. 216 to Tariff Gas - Pa. P.U.C. No. 9 and a Tariff Addendum. In accordance with Section 1307(f)(1) of the Public Utility Code, Supplement No. 216 was issued to become effective on August 1, 2020.

3. I&E filed a Notice of Appearance on January 14, 2020.

4. A telephonic Prehearing Conference was held on February 5, 2020, which resulted in the establishment of a procedural schedule.

5. Discovery was undertaken by the parties during the proceeding.

6. On March 10, 2020, I&E served its Direct Testimony in this proceeding.

7. In accordance with the Commission's policy favoring settlements over costly and time consuming litigation, 52 Pa. Code § 5.231, the Settling Parties were successful in achieving a full and complete settlement of all issues utilizing the discovery and settlement negotiation process.

8. I&E submits that the proposed Settlement is in the public interest and should be approved by the ALJ and the Commission for the following reasons:

a. After review of the filing and discovery, I&E determined that the information provided by the Company indicates that its gas purchasing practices have satisfied its least cost procurement obligation under the Public Utility Code. 66 Pa. C.S. § 1318. Adhering to a least cost procurement policy benefits ratepayers and is in the public interest because least cost gas directly impacts customer gas bills, while still ensuring that customers receive safe, adequate and reliable service.

Specifically, I&E analyzed the Company's E-factor and found that it was calculated in accordance with established Commission practices. An E-factor is the experienced over/under collections, it reconciles variations between the projected gas costs and actual gas costs as well as variances between projected and actual sales. The E-factor also serves as the vehicle to pass through miscellaneous revenues and to calculate interest. This review is critical because the proper calculation of the E-factor ensures that rates are adjusted appropriately. I&E is satisfied that the Company's E-factor calculation is appropriate and accurate. Additionally, I&E reviewed the Company's projected gas costs and determined that it appears those costs are consistent with a least cost fuel procurement policy.

In its filing, the Company projected a \$0.3202/Mcf increase in the projected gas cost for all classes of retail customers for a projected cost of gas of \$3.8961/Mcf. While those costs are subject to review in a future PGC proceeding, I&E maintains that ratepayers are protected in that NFG gains no unwarranted financial advantages through its projected gas purchases and projected gas purchasing policies. Accordingly, I&E represents that the Settlement maintains the proper balance of the interests of all parties.

For these reasons, I&E maintains that NFG is pursuing a least cost fuel procurement policy consistent with its obligation to provide safe, adequate and reliable service to its customers.

b. NFG has agreed as part of its next PGC filing to identify pipeline penalty credits received as a separate exhibit to include the amount, source and month in which the pipeline penalty credit was received as a credit on its invoice. This is in the public interest as this will result in pipeline penalty credits being more easily identifiable and reviewable in future PGC proceedings. As such, it will be easier for the parties to this proceeding to review and determine that the information provided is accurate and appropriate.

9. Based upon I&E's analysis of the filing, acceptance of this proposed Settlement is in the public interest because resolution of this case by settlement rather than litigation will avoid the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense.

10. I&E further submits that the 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.

11. The Settlement is conditioned upon the Commission's approval of all terms and conditions contained therein and should the Commission fail to grant such approval

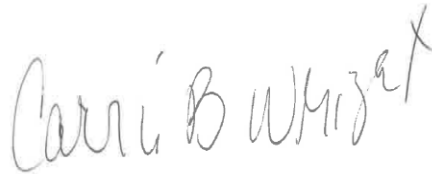
or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company or I&E as provided therein.

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

13. If the ALJ recommends that the Commission adopt the Settlement as proposed, I&E has agreed to waive the filing of Exceptions. However, I&E 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 the Recommended Decision. I&E has also reserved the right to file Reply Exceptions to any Exceptions that may be filed.

**WHEREFORE**, the Commission's Bureau of Investigation and Enforcement represents that it supports the Settlement as being in the public interest and respectfully requests that Administrative Law Judge Katrina L. Dunderdale recommend, and the Commission subsequently approve, the foregoing Joint Settlement Agreement, including all terms and conditions contained therein.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carrie B. Wright". The signature is written in dark ink and is positioned above the printed name and title.

---

Carrie B. Wright  
Prosecutor

Pennsylvania Public Utility Commission  
Bureau of Investigation and Enforcement  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, Pennsylvania 17120  
(717) 783-6156

Dated: April 21, 2020

# **APPENDIX D**



purchased gas costs effective on August 1, 2020. The Company's filing proposed an increase to the PGC rate of \$0.3202/Mcf to a rate of \$3.8961/Mcf.

The Company's 1307(f) filing was assigned to the Office of Administrative Law Judge and was further assigned to the Honorable Administrative Law Judge (ALJ) Conrad A. Johnson for investigation and scheduling of hearings to determine whether NFGD's gas costs comply with the standards set forth in the Public Utility Code. On January 23, 2020, the OCA filed a Formal Complaint, Public Statement and Notice of Appearance. On January 14, 2020, the Bureau of Investigation & Enforcement (I&E) filed a Notice of Appearance. On January 28, 2020, the Office of Small Business Advocate (OSBA) filed a Formal Complaint, Public Statement, and Notice of Appearance.

A Prehearing Conference was held on February 5, 2020, at which time a procedural schedule was adopted. The OCA retained Jerry Mierzwa as its expert to review the Company's filing. The OCA and Mr. Mierzwa propounded four sets of discovery questions on the Company, which were timely answered. An informal discovery conference was also convened.

On March 6, 2020, Governor Tom Wolf issued a Disaster Proclamation in response to COVID-19.<sup>1</sup> On March 15, 2020, Governor Wolf issued an Executive Order implementing telework protocol for state employees and the closing of all state offices in Dauphin County and the Capitol Complex.<sup>2</sup> As a result, the Commission's offices and the statutory parties' offices in Harrisburg were closed and the majority of official communications proceeded through email.

The OCA filed its Direct Testimony on March 10, 2020 and its Surrebuttal Testimony on March 30, 2020. Subsequently, after several negotiations, the parties were able to reach a

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<sup>1</sup> <https://www.governor.pa.gov/wp-content/uploads/2020/03/20200306-COVID19-Digital-Proclamation.pdf>

<sup>2</sup> <https://www.governor.pa.gov/newsroom/gov-wolf-puts-statewide-covid-19-mitigation-efforts-in-effect-stresses-need-for-every-pennsylvanian-to-take-action-to-stop-the-spread>.

comprehensive settlement. On April 1, 2020, the parties notified Judge Johnson of the full settlement. On April 1, 2020, ALJ Johnson suspended the litigation schedule. In addition to the filing of this Settlement, the parties are also filing a Joint Stipulation of Evidence seeking to enter all testimony and exhibits into the evidentiary record.

The OCA submits that the Company has met the requirements of 66 Pa. C.S. §§ 1307(f) and 1318, and the Settlement is in the public interest for the reasons set forth below.

## **II. SETTLEMENT**

### **A. 2020 PGC Rates (Settlement ¶¶ 43-45)**

The Commission encourages parties in contested, on-the-record proceedings to settle cases. See 52 Pa. Code § 5.231. A Settlement, by definition, reflects a compromise of the parties' positions. When active parties in a proceeding reach a settlement, the principal issue for Commission consideration is whether the settlement suits the public interest. Pa. Public Utility Commission v. CS Water and Sewer Associates, 74 Pa. PUC 767, 711 (1991); see also Pa. Public Utility Commission v. Philadelphia Electric Company, 60 Pa. PUC 1, 21 (1985).

The OCA submits that the proposed Settlement is in the public interest and should be approved. The OCA was assisted in its review of the Company's filing by Jerry Mierzwa. Mr. Mierzwa reviewed the Company's preliminary and definitive filing in this matter. The OCA, with Mr. Mierzwa's assistance, conducted discovery through four sets of interrogatories and an informal discovery conference. In Direct Testimony, Mr. Mierzwa identified several errors in the Company's PGC filing.

Generally, the Company's PGC rates did not appropriately reflect the rates of National Fuel Gas Supply Corporation (NFG Supply) that will be in effect during the Company's 2020 PGC period. OCA St. 1 at 2-3. At the time of the Company's filing, NFG Supply, the primary interstate

supplier of NFGD, was in the midst of a rate case at the Federal Energy Regulatory Commission (FERC) docketed at RP19-1426-000, seeking to increase rates by approximately \$77 million to be effective February 1, 2020. OCA St. 1 at 6-7. The projected rates reflected in NFGD's initial filing, however, were based upon NFG Supply's pre-filing rates. OCA St. 1 at 7. Instead, the rate projections should have been based on the best estimate of NFG Supply's rates to be in effect during the 2020 PGC period. OCA St. 1 at 7. Mr. Mierzwa noted that NFG Supply had already entered into a settlement agreement in the FERC proceeding and received FERC approval to place into effect the settlement rates on an interim basis. Thus, the interim settlement rates represented the best estimate of NFG Supply rates to be in effect during the 2020 PGC period. OCA St. 1 at 6-7. Additionally, Mr. Mierzwa identified issues regarding the Monthly Metered Transportation (MMT) Balancing Charge, as it was also not based on the NFG Supply settlement rates in Docket No. RP19-1426. OCA St. 1 at 9-10. Moreover, Mr. Mierzwa identified the MMT Balancing Charge as being designed on MMT volumes which Mr. Mierzwa demonstrated were higher than appropriate. Id. As a result, Mr. Mierzwa calculated an adjustment to the MMT Balancing Charge and recommended in future annual PGC proceedings that MMT Balancing Charge revenues and costs be reconciled for differences between actual and projected MMT volumes. Id., see also Schedule JDM-1.

In its Rebuttal Testimony, the Company agreed with the OCA and corrected its filing to incorporate NFG Supply's interim settlement rates, which represent the best estimate of the actual costs the Company will incur over the 2020 PGC period. See, Distribution PGC Statement No. 6R at 1-2. The Settlement reflects those changes, thereby seeking approval of the Company's 2020 1307(f) filing, as updated in its Rebuttal Testimony and agreeing to set the MMT Balancing Charge Rate at \$0.31 per Mcf, instead of \$0.23 Mcf as originally requested. Settlement ¶¶ 43, 45.

The Company also agreed to update the MMT Balancing charge in future quarterly filings to reflect changes in the rates of NFG Supply if approved by FERC. Settlement ¶ 45. Accordingly, these provisions of the Settlement are in the public interest.

B. February Quarterly PGC Filing (Settlement ¶ 46)

In addition to the corrections noted above, Mr. Mierzwa also identified an issue with the Company's February 1, 2020 quarterly PGC Filing (Quarterly PGC Filing) for PGC rates applicable for the period February - April 2020. OCA St. 1 at 13-14. Specifically, Mr. Mierzwa identified that the Company did not fully reflect NFG Supply's rate increase in certain projected rates that were to take effect on February 1, 2020, specifically the Demand Charge Gas Cost (DCGC) and the MMT Balancing Charge. Id. Mr. Mierzwa noted, however, that the impact of the Company's failure to properly reflect NFG Supply's rate increase would not be known for some time. OCA St. 1 at 15. Mr. Mierzwa ultimately recommended that the parties evaluate the impact of whether customers were assessed improper charges in the Company's 2021 PGC proceeding. Id.

As a result of the OCA's recommendation and the Settlement, NFGD agreed to evaluate its quarterly PGC rate calculation and present any proposed changes in its 2021 Section 1307(f) filing. The Company will provide an analysis of the impact on PGC rates/customers of not adjusting the MMT rate effective February 1, 2020 to reflect NFG Supply's final rates that were effective February 1, 2020. Settlement ¶ 46. Moreover, the Company agreed to provide an analysis demonstrating the impact on PGC rates/customers of designing the DCGC rate based on actual costs for the 2019 PGC period versus adopting a DCGC rate effective February 1, 2020, reflecting an annualization of costs based on NFG Supply's final February 1, 2020 rates. Id. Accordingly, this provision of the Settlement is in the public interest because it will allow the

parties to analyze the full impact of the Company's Quarterly PGC filing in the next 1307(f) proceeding.

As a result of this review, the OCA submits that NFGD's PGC filing meets the requirements of 66 Pa. C.S. § 1307(f) generally and specifically with regard to showing that the Company's natural gas costs are consistent with a least cost fuel procurement policy required by 66 Pa. C.S. § 1318. As such, the OCA submits that the Commission should approve NFGD's proposed PGC rate in accordance with the Settlement.

### III. CONCLUSION

The Office of Consumer Advocate submits that the terms of the Settlement are in the public interest and in the interest of NFGD's ratepayers. Based on the above reasons, the Office of Consumer Advocate submits that the Commission should approve the proposed Settlement.

Respectfully Submitted,



Office of Consumer Advocate  
555 Walnut Street  
5th Floor, Forum Place  
Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152

Phillip D. Demanchick  
Assistant Consumer Advocate  
PA Attorney I.D. # 324761

Santo G. Spataro  
Assistant Consumer Advocate  
PA Attorney I.D. # 327494

Aron J. Beatty  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 86625

Counsel for:  
Tanya J. McCloskey  
Acting Consumer Advocate

DATE: April 21, 2020  
286367

# **APPENDIX E**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Pennsylvania Public Utility Commission</b>	:	
	:	
v.	:	<b>Docket No. R-2020-3015251</b>
	:	
<b>National Fuel Gas Distribution Corporation 1307(f)</b>	:	
	:	

**STATEMENT OF  
THE OFFICE OF SMALL BUSINESS ADVOCATE  
IN SUPPORT OF THE  
STIPULATION IN SETTLEMENT OF THE RATE INVESTIGATION  
PURSUANT TO 66 PA.C.S. § 1307(f)**

**Introduction**

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 in the above-captioned proceeding, which was initiated by National Fuel Gas Distribution Corporation (“NFG” or the “Company”), on January 28, 2020.

The OSBA participated in the negotiations that led to the proposed settlement and is a signatory to the Stipulation in Settlement of the Rate Investigation Pursuant to 66 PA.C.S. § 1307(f) (“*Stipulation*”). The OSBA submits this statement in support of the *Stipulation*.

### **The Stipulation**

The *Stipulation* sets forth a comprehensive list of issues that were resolved through the negotiation process. The following issues were of particular significance to the OSBA when it concluded that the *Stipulation* was in the best interests of NFG's small business customers.

### **Gas Cost Management Plan**

The OSBA reviewed the latest version of the Company's Gas Cost Management Plan. The Plan, which is designed to reduce exposure to first-of-the-month prices that have been problematic in the past, appears to be working as intended. Nevertheless, the OSBA will continue to monitor the success of this program in future gas cost proceedings.

### **Lost and Unaccounted-For Gas**

NFG continues to exhibit one of the lowest levels of lost and unaccounted-for gas ("LAUFG") among Pennsylvania natural gas distribution companies ("NGDCs"), with the current rate hovering around zero percent.

### **Design Day**

In the past four proceedings, the OSBA has conducted an independent evaluation of design day demand levels, based on statistical analysis of daily loads. In general, the Company's proposed design day demand levels are reasonably consistent with the OSBA's analysis. The *Stipulation* at paragraph 44 is consistent with this assessment, in that it accepts NFG's forecast without explicit endorsement of the Company's methodology.

### **Sharing Mechanism**

NFG proposes to continue the 75/25 sharing mechanism for off-system sales and capacity release revenues. Because this sharing approach is generally the standard practice for Pennsylvania NGDCs, the OSBA supports the continuation of the 75/25 split.

### **DMT Customer Imbalances**

Regarding the DMT customer imbalances, the OSBA concluded that the policy is unchanged from previous Section 1307(f) proceedings and did not identify any reason to contest that established method in this proceeding.

### **MMT Load Balancing Charge**

In his Direct Testimony, OSBA witness Robert D. Knecht identified an error in the Company's calculation of the MMT load balancing charge. Mr. Knecht explained the error, as follows:

In reviewing the Company's filed calculations, I noticed that, compared to last year, MMT volumes increased by nearly 15 percent, while the MMT storage deliverability requirements increased by only 3 percent. This appeared to result from an anomalous calculation in PGC Exhibit 26-A, in which MMT customer peak requirements are split between the 52 HDDs (provided by the customer) and the remaining 22 HDDs (supplied by the Company). Unlike prior years, the Company's calculation this year reported negative deliverability requirements for the 22 HDD portion for some MMT customers.

\* \* \*

In an apparent response to an OSBA interrogatory on this subject, the Company submitted a revised version of Exhibit 26-A on March 6, 2020, in which the peak requirements for 22 HDDs were materially increased (and the requirements for 52 HDD correspondingly decreased).

OSBA Statement No. 1, at 4-5 (footnote omitted). This correction by NFG resulted in a recalculation of the MMT load balancing charge. Mr. Knecht explained, as follows:

I note that these revised figures imply that the deliverability requirement for MMT increases about 15.5 percent from last year, which is consistent with the overall increase in MMT annual volumes. Based on my calculations, the MMT rate should remain at 25 cents per mcf.

*Id.*, at 5.

As additional information became available during the proceeding, it became clear that the Company's error in the filed Exhibit 26-A had implications not only for setting the MMT rate, but also for the Company's overall MMT volume forecast, its overall system design day demand, and its overall system contingency capacity. These errors propagated through several exhibits that the Company did not update, notably Exhibits 15 and 24. OSBA Statement No. 1-SR, at 1-2. However, the OSBA determined that these corrections would not require any change in the Company's upstream supply requirements in this proceeding.

In addition, Office of Consumer Advocate ("OCA") witness Jerome B. Mierzwa proposed an MMT load balancing charge of 36 cents. Mr. Knecht explained Mr. Mierzwa's proposal, as follows:

Mr. Mierzwa recommends that the MMT charge be adjusted to reflect (a) National Fuel Gas Supply ('NFGS') upstream storage and deliverability charges based on a tentative settlement in NFGS's rate case before the FERC, and (b) a lower MMT volume forecast than that presented by the Company. Mr. Mierzwa calculates that these changes would increase the MMT charge from the 23 cents per mcf proposed by the Company to 36 cents per mcf.

OSBA Statement No. 1-R, at 1-2 (footnote omitted). However, Mr. Knecht observed, as follows:

In his calculations, Mr. Mierzwa modifies the Company's calculations to reflect a change in the storage capacity requirements (Exhibit JDM-1, Tables II, III and IV), but he does not modify the Company's storage deliverability requirement (Exhibit JDM-1, Tables I and V).

*Id.*, at 2. Mr. Knecht concluded:

As I explained in my direct testimony, the MMT storage deliverability requirement has three components: (a) the capacity necessary to provide the last 22 heating degree days ("HDD") of design day load, (b) a balancing requirement for local production deliveries upon which MMT customers rely, and (c) a share of the contingency capacity that NFGD retains related to its overall design day capacity requirements. Both the HDD and contingency

items are directly dependent on the overall MMT load, and thus should be adjusted when the MMT volume forecast is changed. Instead, Mr. Mierzwa relied on the Company's deliverability requirements as presented in Exhibits 24 and 24A. Had Mr. Mierzwa adjusted the Company's forecast deliverability requirements in proportion to the volume reduction, I estimate that his calculations would imply *an MMT rate of approximately 30.5 cents per mcf.*

*Id.* (emphasis added).

The *Stipulation* generally adopts the calculations performed by Mr. Knecht, by adopting the updated NFGS rates and correcting for the original error from Exhibit 26-A. The *Stipulation* therefore sets the MMT load balancing rate at 31 cents per mcf. *Stipulation*, at Paragraph 45. The Company has also indicated that the necessary corrections to the filed exhibits related to the error in Exhibit 26-A will be incorporated into its compliance filing in this matter. The OSBA supports this rate as a just and reasonable conclusion to this issue.

#### **OCA Proposal for MMT Reconciliation**

Mr. Knecht explained the OCA proposal to reconcile the MMT charge for volume changes, as follows:

Conceptually, Mr. Mierzwa raises a reasonable argument, namely that PGC customers are implicitly bearing all of the risks of swings in MMT volumes. Thus, for example, in a winter that is much warmer than normal, actual volume and revenues for both PGC and MMT customers will likely come in well below forecast, leaving the (mostly) fixed capacity costs unrecovered. These unrecovered costs, however, are subsequently reconciled in the PGC E-factor charge, with none of the unrecovered costs flowing back to MMT customers.

OSBA Statement No. 1-R, at 3. Mr. Knecht explained the problems presented by the OCA proposal:

In practice, however, reconciling the MMT charge only for volume effects has some problems.

First, if volumes are higher or lower than expected, these variances will affect the Company's ability to earn additional revenues through capacity release and off-systems sales. Lower MMT volumes may allow the Company to earn additional third-party revenues, and therefore should be reasonably credited back to MMT customers.

Second, MMT volume variances can result from unanticipated shifts between sales and volume service, which would affect the amount of the overall capacity that is actually used by the MMT customers.

For example, suppose MMT volumes significantly exceed the forecast because more customers than expected moved from PGC to MMT service. In that event, the Company would have the necessary capacity to meet that higher MMT capacity requirement, because it had planned to serve that load through the regular PGC rates. However, under Mr. Mierzwa's reconciliation proposal, the MMT customers would benefit from a credit associated with the higher volumes, but would face no additional costs associated with the higher capacity from which they benefited.

Similarly, this mechanism would then open up the potential for gamesmanship in PGC proceedings, with MMT customers having an economic interest in setting MMT volumes (and implied MMT shopping rates) low, thereby setting the fixed capacity requirements low, and allowing MMT customers to benefit from higher volumes.

OSBA Statement No. 1-R, at 3-4 (formatting added). Mr. Knecht ultimately concluded, as follows:

As such, I am concerned that the cure offered by Mr. Mierzwa may be worse than the disease. Unless these concerns can be addressed, I recommend against adoption of the proposed volume-only reconciliation mechanism for MMT service at this time.

*Id.*, at 4.

The *Stipulation* follows the recommendation of Mr. Knecht and does not implement the OCA proposal to reconcile the MMT charge. The OSBA supports this result.

**Conclusion**

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

Respectfully submitted,

/s/ Steven C. Gray

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

Office of Small Business Advocate  
555 Walnut Street  
Forum Place, 1<sup>st</sup> Floor  
Harrisburg, PA 17101

Dated: April 21, 2020

## CERTIFICATE OF SERVICE

**Docket No. R-2020-3015251**

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 52 Pa. Code § 1.54 (relating to service by a participant).

### VIA E-MAIL

Steven C. Gray, Esquire  
Office of Small Business Advocate  
555 Walnut Street  
Forum Place, 1<sup>st</sup> Floor  
Harrisburg, PA 17101

Phillip D. Demanchick, Esquire  
Santo G. Spataro, Esquire  
Aron J. Beatty, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923

Carrie Wright, Esquire  
Bureau of Investigation & Enforcement  
Commonwealth Keystone Building  
400 North Street, 2nd Floor West  
P.O. Box 3265  
Harrisburg, PA 17105-3265

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, MA 02140

Jerome D. Mierzwa  
Exeter Associates, Inc.  
10480 Little Patuxent Parkway, Suite 300  
Columbia, MD 21044

Date: April 21, 2020



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Anthony D. Kanagy