

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120**

**Public Meeting held June 13, 2024
3045177-ALJ
Docket No. R-2024-3045177, et al.**

**Pa. PUC, et al., v. National Fuel Gas
Distribution Corporation**

STATEMENT OF COMMISSIONER KATHRYN L. ZERFUSS

Before the Commission is the Joint Petition for Settlement of the Rate Investigation pursuant to 66 Pa. C.S. Section 1307(f) for National Fuel Gas Distribution Corporation (NFG or Company). It involves the annual reconciliation of the Company's purchased gas cost (PGC) rates. This matter was litigated with full participation of the statutory advocates and resulted in a settlement of all the issues. In her Recommended Decision, ALJ Charece Collins recommends approval of the Settlement without modification. I agree and will be voting yes to approve the Settlement as proposed.

I commend the Company for proposing, and the statutory advocates for vetting, the unique proposal involving the Certified Natural Gas (CNG) Pilot Program. CNG is natural gas that has been evaluated and verified by an independent third party to have been produced with reduced greenhouse gas (GHG) and environmental impacts, beyond current regulations. It involves low carbon gas produced from certified wells which can reduce methane emissions up to 80% from traditional wells.¹

The Company is proposing to implement a three-year pilot designed to purchase CNG. It will limit the incremental costs associated with CNG premiums to \$175,000 per year. According to NFG this level of funding will allow it to purchase approximately 2.5 to 6.0 Bcf of CNG per year.² In response to concerns raised during the litigation, the Settlement affirms that NFG will pursue the least cost CNG and will undertake commercially reasonable efforts to minimize the cost impact to its PGC customers. There are additional guardrails for evaluating the cost implications of the CNG Pilot Program including the filing of reports in next year's rate proceeding: 1) reporting the daily quantities of CNG purchased, 2) identifying the PGC rate impact of its CNG purchases, and 3) identifying the BTU content of its CNG purchases and any impact of the change in BTU content from that of other purchases on usage.

Moreover, the Company has affirmed additional safeguards for ensuring that it will only pursue certifications with well-known and established certification entities in the market with proven records of working with some of the largest natural gas producers in the country and

¹ NFG PGC St. No. 2 at 8-9; OCA St. 1 at 13-14.

² The Company's witness testified that the current CNG premium is approximately \$0.03 to \$0.07/Dth, which is consistent with the incremental costs that are typically paid for contracting for term gas. NFG PGC St. No. 2R at 7.

around the world to track and reduce emissions.³ Credibility of the certification process is key, and I believe the Settlement takes important steps in that direction.

I appreciate the careful and critical review of the Pilot Program by the Company and the Statutory Advocates in this proceeding and for presenting a Settlement which I believe is in the public interest. As correctly noted by the Office of Consumer Advocate, the damage caused by global warming, largely caused by GHG, is a significant worldwide concern. Many states have begun to address this concern by adopting laws and policies that address carbon emissions associated with the energy delivered to customers.

As co-vice chair of a NARUC - U.S. Department of Energy Task Force on Evolving Gas Infrastructure Planning, I am helping to review the best practices of similar programs occurring throughout the country. I believe the CNG Pilot Program before us will provide the Company and other Pennsylvania NGDCs with the experience and knowledge to minimize the costs associated with implementing GHG reduction strategies. This in turn could provide a positive example and a practical solution for addressing emission reductions nationwide.

DATE: June 13, 2024



Kathryn L. Zerfuss, Commissioner

³ NFG PGC St. 2R at 3-4.