

**PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
Harrisburg, PA 17105-3265**

Public Meeting held March 26, 2026

Commissioners Present:

Stephen M. DeFrank, Chairman, Statement  
Kimberly Barrow, Vice Chair  
Kathryn L. Zerfuss  
John F. Coleman, Jr  
Ralph V. Yanora

Petition of National Fuel Gas Distribution Corporation  
for Approval of a Major Modification to its Existing  
Long-Term Infrastructure Improvement Plan

Docket Number:  
P-2022-3034957

**OPINION AND ORDER**

**BY THE COMMISSION:**

Before the Public Utility Commission (Commission) for consideration is the Petition of National Fuel Gas Distribution Corporation (NFG) for approval of a major modification to NFG's existing Long-Term Infrastructure Improvement Plan (LTIIIP). The Petition was filed on December 11, 2025, and copies were served on the statutory advocates and all active parties of record to NFG's most recent base rate proceeding at Docket Nos. R-2022-3035730, *et al.* No comments were received.

For the reasons expressed in this Opinion and Order we approve NFG's Petition for a major modification to its existing LTIP

## **BACKGROUND**

Effective April 16, 2012, Act 11 of 2012, (Act 11) provides jurisdictional water and wastewater utilities, electric distribution companies, and natural gas distribution companies or a city natural gas distribution operation with the ability to implement a Distribution System Improvement Charge (DSIC) to recover reasonable and prudent costs incurred to repair, improve or replace certain eligible distribution property that is part of the utility's distribution system. The eligible property for the utilities is defined in 66 Pa.C.S. §1351. Act 11 states that as a precondition to the implementation of a DSIC, a utility must file an LTIP with the Commission consistent with 66 Pa.C.S. §1352.

The Commission promulgated regulations relating to LTIPs at 52 Pa. Code §§ 121.1 – 121.8 that became effective December 20, 2014. In accordance with the regulations, DSIC-eligible utilities must include the following elements in its LTIP:<sup>1</sup>

- (1) Types and age of eligible property;
- (2) Schedule for its planned repair and replacement;
- (3) Location of the eligible property;
- (4) Reasonable estimates of the quantity of property to be improved;
- (5) Projected annual expenditures and measures to ensure that the plan is cost effective;
- (6) Manner in which replacement of aging infrastructure will be accelerated and how repair, improvement or replacement will maintain safe and reliable service;
- (7) A workforce management and training program; and

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<sup>1</sup> See, 52 Pa. Code § 121.3.

- (8) A description of a utility’s outreach and coordination activities with other utilities, PennDOT and local governments on planned maintenance/construction projects.

NFG’s LTIIIP addressed the required elements of an LTIIIP at the time it was approved. Therefore, we will only discuss the proposed changes from the LTIIIP in the instant Petition.

### **NFG’S LTIIIP**

NFG is headquartered in Williamsville, New York, and delivers natural gas to more than 749,000 residential, commercial, and industrial customers in Western New York and Northwest Pennsylvania through its nearly 14,825-mile pipeline system. In Pennsylvania, NFG provides natural gas distribution service to approximately 215,000 customers through 4,917 miles of pipe in Armstrong, Butler, Cameron, Clarion, Clearfield, Crawford, Elk, Erie, Forest, Jefferson, McKean, Mercer, Venango, and Warren counties. NFG is a “public utility” within the meaning of Section 102 of the Public Utility Code, 66 Pa. C.S. §§ 102, and, with respect to its provision of gas service, a “natural gas distribution company,” as defined in 66 Pa. C.S. § 2201 and is subject to the regulatory jurisdiction of the Commission.

NFG’s LTIIIP Petition was filed on September 2, 2022, and approved by Commission Order entered December 22, 2022.<sup>2</sup> NFG’s LTIIIP is a five-year plan, spanning the years 2023 through 2027, which significantly increased NFG’s pipeline replacement goals and planned expenditures.

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<sup>2</sup> See, Docket No. P-2022-3034957.

## NFG'S PROPOSED LTIIP CHANGES

The instant Petition asks for a major modification of the current LTIIP in order to accommodate additional expenditures. NFG indicates that the primary reason for the modification is the need for additional capital expenditures for NFG to meet its infrastructure replacement goals. NFG is proposing these changes to allow it to continue to meet its infrastructure replacement goals, despite rising costs. Based on cost increases over the first two years of its LTIIP, NFG anticipates that the total costs for its LTIIP will increase by approximately 30%. As this increase in costs represents more than 20% of the original expected expenditures over the course of the LTIIP, NFG filed for a Major Modification.<sup>3</sup> The changes are discussed in more detail, below.

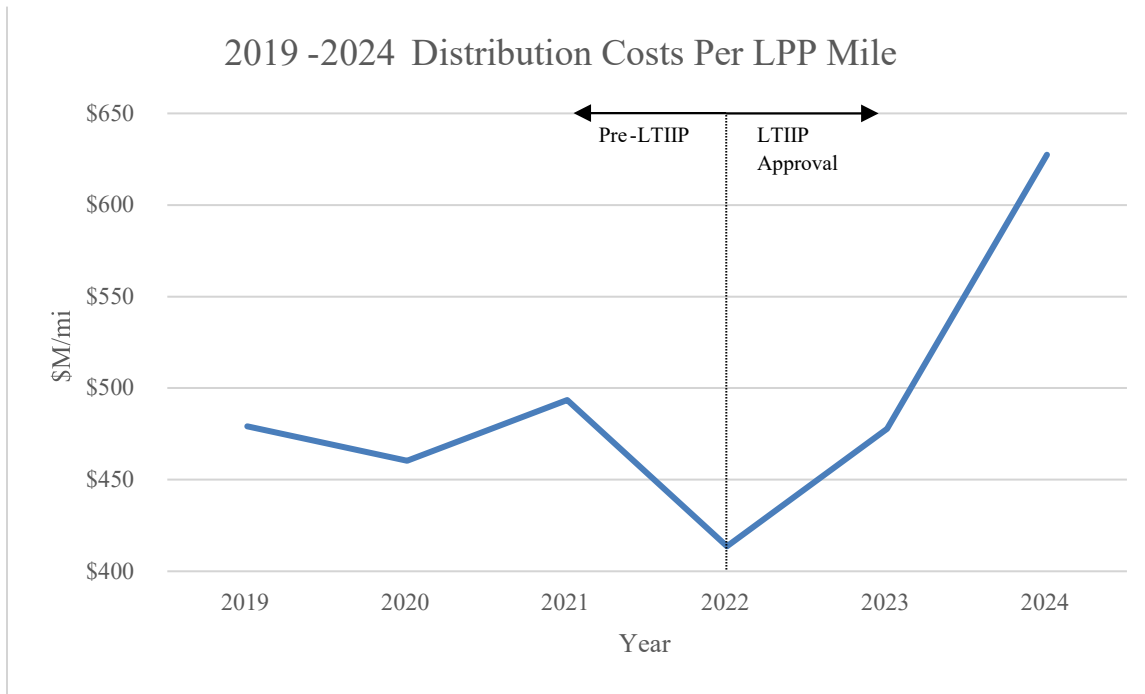
### Discussion

NFG explains that several factors have caused a significant increase to its planned construction costs, including, but not limited to, rising contractor labor costs, material costs, restoration and permitting costs, and inflationary increases stemming from the COVID-19 pandemic. NFG states that its cost estimates for its LTIIP were based on NFG's estimated cost per mile in 2021. Figure 1, below, plots NFG's average replacement cost per mile from 2019 through 2024, showing a 27% increase as compared to its 2019 baseline.

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<sup>3</sup> See, 52 Pa. Code § 121.2 and § 121.5.

**Figure 1: NFG’s Historic Average Pipeline Replacement Cost 2019 through 2024 (\$1,000’s/Mile)**



NFG further explains that its previous baseline cost per mile had been approximately \$460,000. However, during the first two years of its LTIIP, NFG’s cost per mile went from \$478,000 in 2023 to \$627,000 in 2024, or an increase of 31.2% year over year.

Table 1, below, shows the expected increase in NFG’s LTIIP expenditures in order to meet its pipeline replacement goals. NFG plans to spend a total of over \$253 million over the course of its LTIIP, which is an increase of 29.5% over its original projections. NFG proposes no change to its overall goal of replacing approximately 264 miles of main over the life of the LTIIP.

**Table 1: Comparison of LTIP Expenditures, Actual Values for 2023 through 2025, Projected 2026 through 2027**

Year	LTIP Projection (\$MM)	Amended LTIP Projection (\$MM)	Increase (\$MM)	Percentage Increase
2023	\$34.10	\$37.20	\$3.10	9.1%
2024	\$37.90	\$48.50	\$10.60	28.0%
2025	\$38.70	\$43.80	\$5.10	13.2%
2026	\$39.10	\$57.40	\$18.30	46.8%
2027	\$45.80	\$66.50	\$20.70	45.2%
<b>Total</b>	<b>\$195.60</b>	<b>\$253.30</b>	<b>\$57.70</b>	<b>29.5%</b>

**Comments**

No Comments were filed.

**Disposition**

The Commission is aware of the upward pressure in construction and main replacement costs that Pennsylvania’s natural gas utilities have been experiencing, and the numerous factors involved. In particular, increased costs due to competition for contractor resources, additional restoration requirements and permitting fees, as well as the high inflationary pressure caused by the incidence of the COVID-19 pandemic have caused substantial rises in construction costs across the Commonwealth’s natural gas utilities.<sup>4</sup>

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<sup>4</sup> See, *Petition of Peoples Natural Gas Company LLC for Approval of a Major Modification to its Existing Long-Term Infrastructure Improvement Plan*, Order entered July 11, 2024, at Docket Nos. P-2020-3021942 and P-2020-3022053. See also, *Petition of UGI Utilities, Inc. – Gas Division for Approval of its Third Long-Term Infrastructure Improvement Plan*, Order entered December 5, 2024, at Docket No. P-2024-3050769.

Despite these cost increases, the Commission believes it is imperative to remove at-risk pipelines from NFG's distribution system as expeditiously as possible to ensure public safety and reliability of service. Upon review of NFG's Petition, the Commission finds that NFG's Major Modification to its LTIP and its associated expenditures are reasonable, cost-effective and are designed to maintain efficient, safe, adequate, reliable and reasonable service to customers.

### **MODIFIED LTIP SUMMARY**

Commission review of an LTIP must determine if the LTIP:<sup>5</sup>

- Contains measures to ensure that the projected annual expenditures are cost-effective.
- Specifies the manner in which it accelerates or maintains an accelerated rate of infrastructure repair, improvement or replacement.
- Is sufficient to ensure and maintain adequate, efficient, safe, reliable and reasonable service.
- Meets the requirements of 52 Pa. Code § 121.3(a).

The utility has the burden of proof to demonstrate that its proposed LTIP and associated expenditures are reasonable, cost effective and designed to ensure and maintain sufficient, safe, adequate, reliable, and reasonable service to consumers.<sup>6</sup>

The Commission has reviewed NFG's modified LTIP. The Commission finds that NFG has met its burden of proof by demonstrating that its modified LTIP contains measures to ensure that the projected annual expenditures are cost-effective, specifies the manner in which the LTIP accelerates or maintains an accelerated rate of infrastructure repair, improvement, or replacement, is sufficient to ensure and maintain adequate, safe,

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<sup>5</sup> See, 52 Pa. Code § 121.4(e).

<sup>6</sup> See, 52 Pa. Code § 121.4(d).

reliable, and reasonable service, and meets the requirements of 52 Pa. Code § 121.3(a). Accordingly, NFG's modified LTIIIP is approved.

The Commission finds that NFG's modified LTIIIP and manner in which it was filed conform to the requirements of Act 11 and our Regulations. The plan, as approved herein, is designed to maintain safe, adequate, and reliable service and, as such, NFG shall be required to comply with the infrastructure placement schedule and elements of the plan; **THEREFORE,**

**IT IS ORDERED:**

1. That the Petition of National Fuel Gas Distribution Corporation for Approval of a Major Modification to its Existing Long-Term Infrastructure Improvement Plan is approved.
2. That the modifications to the expenditures in National Fuel Gas Distribution Corporation's existing Long-Term Infrastructure Improvement Plan are approved, consistent with this Opinion and Order.
3. That the proceeding at Docket No. P-2022-3034957 be closed.

**BY THE COMMISSION,**



Matthew L. Homsher  
Secretary

(SEAL)

ORDER ADOPTED: March 26, 2026

ORDER ENTERED: March 26, 2026