BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	R-2026-3059551
Office of Consumer Advocate	:	C-2026-3059880
Office of Small Business Advocate	:	C-2026-3060438
	:	
v.	:	
	:	
National Fuel Gas Distribution Corporation	:	

RECOMMENDED DECISION

Before
Charece Z. Collins
Administrative Law Judge

INTRODUCTION

This Recommended Decision recommends approval of the Joint Petition for Settlement of the Rate Investigation Pursuant to 66 Pa.C.S. § 1307(f) (Joint Petition or Settlement) submitted in this proceeding by National Fuel Gas Distribution Corporation (NFG, Distribution or Company), the Bureau of Investigation and Enforcement (I&E) of the Pennsylvania Public Utility Commission (Commission), the Office of Consumer Advocate (OCA) and the Office of Small Business Advocate (OSBA). OSBA is not a signatory of the Settlement but does not oppose it. This decision finds that the Joint Petition is supported by substantial evidence and is in the public interest. The statutory deadline is August 1, 2026. The last reasonable public meeting date that the Commission can act is July 16, 2026.

HISTORY OF THE PROCEEDING

On December 30, 2025, NFG filed with the Commission its prefiling information in support of its annual purchase gas cost recovery pursuant to Sections 53.64 and 53.65 of Title 52 of the Pennsylvania Code. 52 Pa. Code §§ 53.64, 53.65.

On January 16, 2026, OCA filed a Complaint and Public Statement through its attorney, Harrison Breitman, Esquire.

On January 23, 2026, I&E filed a Notice of Appearance through its attorney, Carrie B. Wright, Esquire.

On January 30, 2026, NFG filed with the Commission a definitive purchase gas cost recovery request pursuant to Section 1307(f) of Title 66 of the Pennsylvania Public Utility Code. 66 Pa.C.S. § 1307(f).

Also on January 30, 2026, NFG filed a letter indicating that it would not be filing an answer to OCA's Complaint.

On February 3, 2026, OSBA filed a Notice of Appearance through its attorney, Steven C. Gray, Esquire

On February 9, 2026, OSBA filed a Formal Complaint and Public Statement through its attorney, Steven C. Gray, Esquire.

On February 11, 2026, the Commission served a notice establishing an initial telephonic prehearing conference for this matter for February 23, 2026, at 10:00 a.m. and assigning me as the presiding officer.

On February 17, 2026, I served a prehearing conference order, setting forth the rules and expectations for the conference.

On February 23, 2026, I&E filed a Notice of Appearance through its attorney, Joanna Toft-Funk, Esquire.

Also on February 23, 2026, NFG filed a letter advising that it would not file an answer to OSBA's Formal Complaint pursuant to 52 Pa. Code § 5.61(d).

No other complaints or petitions to intervene have been filed in this matter.

The telephonic prehearing conference was held as scheduled on February 23, 2026. The participants were:

NFG	Anthony D. Kanagy, Esq.
I&E	Carrie B. Wright, Esq. and Joanna Toft-Funk, Esquire
OCA	Harrison Breitman, Esq. and Olivia M. Spergel, Esq.
OSBA	Steven C. Gray, Esq.

On February 25, 2026, I served a prehearing order setting forth the procedural matters addressed at the prehearing conference, hearing information and the rules that would govern the proceedings.

Also on February 25, 2026, the Commission served a notice establishing telephonic evidentiary hearings for this matter for March 31 and April 1, 2026, at 10:00 a.m.

On March 4, 2026, Anthony D. Kanagy, Esquire, attorney for NFG, filed a Petition for Protective Order. The Parties did not oppose the Petition.

By order dated March 11, 2026, I granted the Motion for Protective Order.

By email dated March 24, 2026, the parties advised that they had reached a full settlement in principle of all issues in this proceeding and requested that the hearings be canceled and that the evidence be admitted by stipulation.

On March 25, 2026, the Commission served a notice cancelling the evidentiary hearings scheduled for March 31 and April 1, 2026 at 10:00 a.m. The evidentiary hearings were cancelled as the opposing parties waived cross-examination.

On April 2, 2026, the Parties (NFG, I&E, OCA, and OSBA) submitted a Joint Stipulation for the Submission of Evidence.

By Order dated April 2, 2026, I adopted the Joint Stipulation for the Submission of Evidence, and admitted into the record the requested testimony and exhibits.

On April 17, 2026, NFG, I&E, and OCA (hereinafter referred to as Joint Petitioners or Parties) filed a Joint Petition for Settlement of the Section 1307(f) Rate Investigation (Joint Petition or Settlement) with accompanying Statements in Support.[1]

Also on April 17, 2026, OSBA filed a letter indicating that it did not oppose the Settlement.

The record in this proceeding consists of the transcript of the prehearing conference, and the written testimonies and exhibits of the parties which were admitted into the record. The record closed on April 17, 2026. This proceeding is now ready for

[1] The Joint Petition includes updated rate information, which will again be updated on June 30, 2026, in the tables reflected on pages 2 and 3 of the Joint Petition.

ruling. For the reasons discussed below, the Settlement will be recommended for approval without modification.

FINDINGS OF FACT

After having duly considered the evidence of record in this proceeding and as required by Section 1318(a) and (b) of the Code, 66 Pa.C.S. § 1318(a) and (b), the findings of fact are made as follows:[2]

1. 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, 2000, at Docket No. R-00994898.

2. 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. Distribution PGC Exhibit No. 8, pp. 2-4; Joint Petition, pp. 6-7.

3. 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

[2] The following findings of fact regarding the Settlement were proposed by the Joint Petitioners and are adopted herein in their entirety (with only slight modifications made for clarity of this Decision).

to Distribution for use by its sales customers. Distribution PGC Exhibit No. 4, p. 2; Distribution PGC Exhibit No. 8, pp. 3-4; Joint Petition, p. 7.

4. Supply is an affiliate of Distribution and is subject to the regulatory jurisdiction of the Federal Energy Regulatory Commission (FERC). Distribution PGC Exhibit No. 4, p. 2; Joint Petition, p. 7. 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. Distribution PGC Exhibit No. 4, p. 2; Joint Petition, p. 7.

5. 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. Distribution PGC Exhibit No. 8, pp. 2-4; Joint Petition, p. 7.

6. The availability of storage enhances Distribution's ability to buy gas and to utilize its firm upstream transportation capacity at high load factors. Distribution PGC Exhibit No. 8, p. 8; Joint Petition, p. 7.

7. At least through July 31, 2027, 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. Distribution PGC Exhibit No. 8, pp. 2-5, PGC Exhibit No. 30; Joint Petition, pp. 7-8.

8. Distribution has fully and vigorously represented the interests of its ratepayers in proceedings before the FERC. Distribution PGC Exhibit No. 6; Distribution PGC Statement No. 3; Joint Petition, p. 8.

9. Distribution attempts to mitigate the cost of natural gas supplies to its PGC customers through net revenues resulting from off-system sales activities. Distribution PGC Exhibit No. 8, pp. 15-19; Joint Petition, p. 8.

10. 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. Distribution PGC Exhibit No. 8, p. 19; Joint Petition, p. 8.

11. 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. Distribution PGC Exhibit No. 8, pp. 17-19; Joint Petition, p. 8.

12. During the twelve months ended November 30, 2025, Distribution purchased 207,176 Mcf of locally-produced gas to serve customers in Pennsylvania. Distribution PGC Exhibit No. 1, Schedule 1, Sheet 1; Joint Petition, p. 8.

13. 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 non-firm, dedicated and excess local production gas in the near-term into its system and Supply's system that will not increase the weighted average commodity cost of gas supplies that it sells to its customers. Distribution PGC Exhibit No. 8, p. 14; Joint Petition, p. 8.

> 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. Distribution PGC Exhibit No. 4, p. 13; Joint Petition, p. 9.

b. Distribution purchases excess non-firm local production gas at 80 percent of the AI rate. Distribution PGC Exhibit No. 4, p. 13; Joint Petition, p. 9.

14. 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. Distribution PGC Exhibit No. 13; Distribution PGC Statement No. 7, pp. 3-4; Joint Petition, p. 9.

15. To maintain service to several remote pockets of customers without constructing additional or replacing pipeline facilities, Distribution has entered into various agreements or tariff sales purchase agreements. Distribution has two exchange agreements – one with UGI Central Penn Gas, Inc (formerly PPL Gas Utilities Corporation and North Penn Gas Company) 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. Distribution also serves some customers via two interconnects with People's Natural Gas Company, LLC (Peoples) where Distribution is receiving firm gas supplies, subject to Peoples' tariff provisions. Distribution PGC Exhibit No. 4, pp. 4-5; Joint Petition, pp. 9-10.

DESCRIPTION AND TERMS OF SETTLEMENT

The 18-page Settlement includes 72 numbered paragraphs, a request for relief, and Appendices A through D. Appendix A is the proposed Tariff Supplement to Gas — Pa. P.U.C. No. 9. Appendices B through D are the Supporting Statements of NFG, I&E and OCA, respectively. The principal terms of the Settlement are as follows:[3]

A. Historic Reconciliation Period Standards.

42. With respect to Distribution's gas purchases and gas purchasing practices during the twelve-month historic reconciliation period ended November 30, 2025, 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, 2025:

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.

43. With respect to the eight-month interim period beginning on December 1, 2025, and with respect to the twelve-month period beginning August 1, 2026, when rates established under this Settlement will be in effect, it is

[3] These terms are cited verbatim and also retain the same formatting, subheadings and numbering as in the Joint Petition.

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).

44. 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 V.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 and OCA 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, 2025, through July 31, 2026, and the twelve-month application period commencing August 1, 2026, and ending on July 31, 2027, 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, 2025, and ending on July 31, 2026, and the twelve-month application period commencing August 1, 2026, and ending on July 31, 2027.

VI. OTHER TERMS AND CONDITIONS OF SETTLEMENT

A. Approval of Filing

45. The Company's 2026 Section 1307(f) filing is approved as updated in the Definitive Filing made on January 30, 2026, and as modified by the revised Exhibits 21 and 21B submitted with Distribution's Rebuttal Testimony on March 19, 2026.

B. Interest Rates

46. Distribution will use an interest rate of 7.0% for the purposes of calculating its E-Factor for the twelve-month period ending July 31, 2026, and an interest rate of 7.75% for the purposes of calculating its E-Factor for the twelve-month period ending July 31, 2025, resulting in a Total Gas Cost Rate per Mcf of $6.3231.

C. PGC Rates

47. The Petitioners request that the ALJ and the Commission approve the form of tariff supplement provided as **Appendix A** hereto, including the rates set forth therein. The rates in **Appendix A** are subject to further updates for actual over/under recoveries of purchased gas costs through June 30, 2026, for updates related to the calculation of the MMT balancing charge and for updates to the forecasts of wellhead prices. The Company will reflect this update and any other applicable updates in the tariff in its August 2026 compliance filing

D. Contract Renewals and Changes

48. The Petitioners agree that the Commission should approve the renewals, extensions and changes in pipelines and storage capacity contracts that are explained in PGC Exhibits 4 and 8 and in Distribution PGC Statement Nos. 2 and 5.

D. Tariff Changes

> 49. The Petitioners request that the Commission approve the tariff changes that are set forth in the form of tariff supplement provided as **Appendix A** hereto. The tariff changes are identified in the List of Changes that is included at pages 2-3 of **Appendix A** hereto.

As explained below, the Parties have agreed to a settlement on all of the issues in this proceeding.

Additionally, the Settlement is conditioned upon common conditions found in most settlements before the Commission. For example, should the Commission disapprove the Joint Petition or modify the terms, the Joint Petitioners reserve the right to withdraw the Settlement and may proceed to litigation. Furthermore, the Settlement is made without any admission against or prejudice to any position which any petitioner may adopt in the event of any subsequent litigation of these proceedings or any other proceeding. All the conditions that the Joint Petitioners agreed to are contained in paragraph numbers 65-72 of the Settlement.

DISCUSSION

Settlement is in the Public Interest

It is the policy of the Commission to encourage parties to settle contested on-the-record proceedings. *See* 52 Pa. Code § 5.231(a). Settlements eliminate the time, effort and expense of litigating a matter to conclusion, which may include review of the Commission's decision by the appellate courts of Pennsylvania. Such savings not only benefit the individual parties, but also the Commission and ratepayers of the utility.

In the Settlement, the Joint Petitioners agree that the Settlement provides for the recovery of natural gas costs that are just and reasonable given the positions advanced in the expert testimony and exhibits of the Joint Petitioners. According to the Joint Petitioners, the Settlement was achieved after a comprehensive investigation of NFG's filing, including extensive formal discovery requests and the service of written direct testimony. The Joint Petitioners further agree that acceptance of the Settlement reduces the necessary costs of litigation and conserves the Commission's resources. NFG Statement in Support, pp. 1-2.

I&E stated that the Settlement balances the interests of NFG, its customers, and the Parties in a fair and equitable manner and presents a resolution for the Commission's adoption that best serves the public interest. I&E Statement in Support, p. 3. I&E specifically stated after reviewing the filing in this matter and all discovery, that it agrees that the information provided by NFG indicates that its gas purchasing practices have satisfied its least cost procurement obligation under the Public Utility Code. 66 Pa.C.S. § 1318; I&E Statement in Support, p. 4. I&E averred that 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 ensuring that customers receive safe, adequate and reliable service. I&E Statement in Support, pp. 4, 6. I&E specifically noted that based on its analysis of NFG's filing, acceptance of the proposed Settlement is in the public interest because NFG's E-Factor calculation is accurate, which will ensure that rates are adjusted appropriately. I&E Statement in Support, pp. 4-6. I&E also maintains that the Settlement resolves the issues raised by I&E in a way that is mutually agreeable to NFG and I&E, and 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. I&E Statement in Support, pp. 6-7.

OCA also submitted that the Gas Cost Rate (GCR) rates in Appendix A accurately represent the implementation of the terms of the Settlement. OCA Statement in Support, p. 3. OCA has stated that the proposed Settlement is in the public interest and NFG's proposed PGC rate and tariff changes should be approved. OCA Statement in Support, p. 4.

1. <u>PGC Rates</u>

In its Statement in Support of the Settlement, NFG advises that the Settlement rates reflect the adjustments that were agreed to by the Parties in this proceeding. Under the terms of the Settlement, the Parties agree that, on August 1, 2026, NFG will place into effect the natural gas rates set forth in Appendix A of the Settlement, as modified by the Settlement, and subject to updates for actual over/under recoveries of purchased gas costs through June 30, 2026, for updates related to the calculation of the Monthly Metered Transportation (MMT) balancing charge and for updates to the forecasts of wellhead prices. Settlement, p. 11, ¶ 44; NFG Statement in Support, p. 3.

NFG submits that the Settlement rates that it proposes to place into effect on August 1, 2026, are supported by record evidence. NFG explained in detail the development of its natural gas supply rates utilizing cost projections, sales projections, and the reconciliation process. Distribution contends that its testimony and exhibits provided full support for the rates and their underlying calculations. *See* Distribution PGC St. Nos. 4 and 4-R; PGC Exhibit No. 21 Revised; NFG Statement in Support, pp. 2-3.

In NFG's pre-filing, filed on December 30, 2025, it provided 27 exhibits detailing its gas purchases, gas contracts, peak day requirements and other information required by the Commission's regulations. In its annual filing (made on January 30, 2026), NFG offered the testimony of seven witnesses explaining the filing and why, according to NFG, it was reasonable. NFG also offered additional exhibits supporting the filing. Further detail regarding the Company's gas purchasing practices was also provided in the Parties' Proposed Findings of Fact set forth in Paragraphs 27-41 of the Settlement. NFG Statement in Support, p. 3.

In discussing its analysis of the Settlement (detailed in the Public Interest section above), I&E has also concluded that the Settlement maintains the proper balance of the interest of all Parties, and that NFG is pursuing a least cost fuel procurement policy consistent with its obligation to provide safe, adequate and reliable service. I&E Statement in Support, p. 5.

OCA also concluded that the terms of this Settlement are in the public interest and should be approved (further detailed in the sections below). OCA Statement in Support, p. 4.

2. <u>Interest Rates</u>

In this proceeding, NFG used a prime interest rate of 6.75% when calculating the interest component of its E-Factor for the twelve-month period ending July 31, 2026. *See* Distribution PGC Exhibit 21, Schedules 3 and 6.; NFG Statement in Support, p. 3. Distribution used a prime interest rate of 7.75% when calculating the interest component of its E-Factor for the twelve-month period ending July 31, 2025. *See* Distribution PGC Exhibit 21, Schedule 7. NFG Statement in Support, p. 3. After the consideration of I&E's evidence and witness testimony, the Settlement reflects I&E's position on this issue for the twelve-month period ending July 31, 2026, and NFG's position on this issue for the twelve-month period ending July 31, 2025. NFG Statement in Support, pp. 4-5.

NFG is in agreement that the interest rate used for the twelve-month period ending July 31, 2026, for the purposes of calculating the Total Gas Cost Rate in its Main Filing, should have been 7.0%. Settlement ¶ 46. Under the Settlement, NFG will use an interest rate of 7.0% for the purposes of calculating its E-Factor for the twelve-month period ending July 31, 2026, and an interest rate of 7.75% for the purposes of calculating its E-Factor for the twelve-month period ending July 31, 2025, resulting in a Total Gas Cost Rate per Mcf of $6.3231. Settlement ¶ 46; NFG Statement in Support pp. 4-5.

In its Statement in Support, I&E noted that it analyzed NFG's E-Factor, and as a part of its review, I&E witness Okum determined that NFG used an incorrect interest rate when calculating the interest component of its E-factor for the twelve-month period ending July 31, 2026. I&E St. No. 1, p. 3; I&E Statement in Support, p. 4. I&E noted that the methodology mandated at 66 Pa. C.S. § 1307(f)(5) requires use of the prime interest rate for commercial borrowing in effect 60 days prior to a utility's tariff filing. Instead, the Company used the interest rate placed in effect on December 11, 2025 for the twelve-month period ending July 31, 2026, and the interest rate in effect 60 days prior to the previous 1307(f) filing, or December 2, 2024, for the twelve-month period ending July 31, 2025. I&E Statement in Support, p. 4.

I&E further noted that the prime interest rate for commercial borrowing in effect 60 days prior to the current filing, or December 1, 2025, was 7.00%.[4] Therefore, I&E witness Okum recommend using an interest rate of 7.00% to compute interest on all periods of over/(under) collections that contribute to the E-Factor calculation. In rebuttal testimony NFG witness Mann agreed with Ms. Okum that the appropriate interest rate for the twelve-month period ending July 31, 2026 was 7.00%. However, for the twelve-month period ended July 31, 2025, the interest rate of 7.75% is consistent with NFG's Annual 1307(f) 2025 filing which aligns with the methodology mandated by 66 Pa. C.S §

[4] https://www.jpmorganchase.com/legal/historical-prime-rate.

1307(f)(5). Distribution PGC St. No. 4R, p. 2; I&E Statement in Support, p. 5. I&E maintained that it is in agreement with NFG's testimony on this matter. I&E Statement in Support, p. 5.

Because NFG has agreed to use the interest rate of 7.0% for the purposes of calculating its E-Factor for the twelve-month period ending July 31, 2026, and an interest rate of 7.75% for the purposes of calculating its E-Factor for the twelve-month period ending July 31, 2025, I&E is satisfied that the Company's E-factor calculation, with the interest rates noted above, is appropriate and accurate. I&E further 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. I&E Statement in Support, p. 5.

No other party presented testimony on this issue. NFG's interest rate application for calculating its E-Factor should be approved, as modified by the Settlement, as being in the public interest.

3. <u>Contract Renewals and Changes</u>

NFG notes that the Settlement requests that the Commission approve the renewals, extensions and changes in pipeline and storage capacity contracts that are explained in its Distribution PGC Statement Nos. 2 and 4, and in its Distribution PGC Exhibits 4 and 8. Settlement ¶ 48. NFG avers that these contracts are in the public interest for the reasons explained in its testimony and exhibits, and these contracts should be approved. NFG Statement in Support, p. 5. The other Joint Petitioners, I&E, and OCA did not specifically address this Settlement paragraph in their respective Statements in Support, but they agreed in the Settlement that the aforementioned contract renewals and changes should be approved by the Commission.

4. Tariff Changes

NFG noted that no Party in this proceeding objected to the tariff changes the Company proposed in this proceeding. NFG further noted that the majority of the proposed changes are related to changes in rates associated with changes in purchased gas costs. NFG therefore requested that the Commission approve NFG's tariff changes without modification. *See* Settlement ¶ 49; NFG Statement in Support, p. 5.

In its Statement in Support of the Settlement, I&E explained that an E-Factor is the experienced over/under collection. The E-Factor reconciles variations between the projected gas costs and actual gas costs as well as variances between projected and actual sales. I&E explained that the E-Factor also serves as the vehicle to pass through miscellaneous revenues and to calculate interest. I&E maintains that this review is critical because the proper calculation of the E-Factor ensures that rates are adjusted appropriately.

I&E confirmed that, consistent with its witness testimony, it is satisfied that NFG's E-Factor calculation, with the agreed upon 7.0% and 7.75% interest rates (discussed above) is appropriate and accurate. I&E further confirmed that it believes that NFG's projected gas costs are consistent with a least cost fuel procurement policy. I&E acknowledged that while those costs are subject to review in a future PGC proceeding, it maintains that ratepayers are protected in that NFG gains no unwarranted financial advantages through its projected gas purchases and projected gas purchasing policies. I&E therefore concluded that the Settlement maintains the proper balance of the interest of all Parties, and that NFG is pursuing a least cost fuel procurement policy consistent with its obligation to provide safe, adequate and reliable service. I&E Statement in Support, pp. 5-6.

OCA did not specifically address this Settlement paragraph in their respective Statements in Support, but it agreed that the Settlement should be approved in its entirety without modification.

Recommendation – Approval of Settlement

The Settlement represents the agreement of the Parties proposing a resolution of all the issues in this proceeding. The Settlement is the result of carefully produced compromises. The Commission encourages parties in contested, on-the-record proceedings to settle cases. *See* 52 Pa. Code § 5.231. Compromises dispense with costly litigation and promote judicial economy.

Upon due consideration of the terms and conditions of the Settlement, including the Supporting Statements of the Joint Petitioners, I conclude that the Settlement constitutes a fair, just and reasonable resolution of the Commission's investigation for the reasons the Joint Petitioners explain above. I further conclude that NFG has met all the requirements of Section 1318 of the 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. Therefore, the Settlement is in the public interest and should be approved without modification. *Pa. Pub. Util. Comm'n v. City of Lancaster – Bureau of Water*, Docket No. R-2010-2179103 (Opinion and Order entered July 14, 2011) (*citing Warner v. GTE North, Inc.*, Docket No. C-00902815 (Opinion and Order entered Apr. 1, 1996); *Pa. Pub. Util. Comm'n v. CS Water and Sewer Assoc.*, 74 Pa.P.U.C. 767 (1991)).

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the Parties to this proceeding. 66 Pa.C.S. §§ 1307(f), 1317, 1318.

2. National Fuel Gas Distribution Corporation is pursuing a least cost fuel procurement policy during the relevant time period consistent with its obligation to provide safe, adequate and reliable service to its customers in compliance with Section 1318 of the Public Utility Code. 66 Pa.C.S. § 1318.

3. National Fuel Gas Distribution Corporation's rates for purchased gas costs during the relevant time period are just and reasonable and in compliance with Section 1318 of the Public Utility Code. 66 Pa.C.S. § 1318.

4. National Fuel Gas Distribution Corporation 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 Section 1318(a)(1) of the Public Utility Code. 66 Pa.C.S. § 1318(a)(1).

5. National Fuel Gas Distribution Corporation has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve itself from terms in existing contracts with its gas suppliers, which are or may be averse to the interests of its ratepayers, during the relevant time period in compliance with Section 1318(a)(2) of the Public Utility Code. 66 Pa.C.S. § 1318(a)(2).

6. National Fuel Gas Distribution Corporation has taken all prudent steps necessary during the relevant time period 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 Section 1318(a)(3) of the Public Utility Code. 66 Pa.C.S. § 1318(a)(3).

7. National Fuel Gas Distribution Corporation has not withheld from the market or caused to be withheld from the market during the relevant time period any gas supplies, which should have been used as part of a least cost fuel procurement policy

in compliance with Section 1318(a)(4) of the Public Utility Code. 66 Pa.C.S. § 1318(a)(4).

8. National Fuel Gas Distribution Corporation has fully and vigorously attempted to obtain less costly gas supplies on both short-term and long-term bases from nonaffiliated interests during the relevant time period in compliance with Section 1318(b)(1) of the Public Utility Code. 66 Pa.C.S. § 1318(b)(1).

9. Neither National Fuel Gas Distribution Corporation nor any affiliated interest during the relevant time period has withheld from the market any gas supplies, which should have been used as part of a least cost fuel procurement policy in compliance with Section 1318(b)(3) of the Public Utility Code. 66 Pa.C.S. § 1318(b)(3).

10. The Joint Petition for Settlement of the Rate Investigation Pursuant to 66 Pa.C.S. § 1307(f) that National Fuel Gas Distribution Corporation, the Pennsylvania Public Utility Commission's Bureau of Investigation and Enforcement, and the Office of Consumer Advocate have executed and submitted at this docket is in the public interest and, therefore, should be approved without modification. *Pa. Pub. Util. Comm'n v. City of Lancaster – Bureau of Water*, Docket No. R-2010-2179103 (Opinion and Order entered July 14, 2011) (*citing Warner v. GTE North, Inc.*, Docket No. C-00902815 (Opinion and Order entered Apr. 1, 1996); *Pa. Pub. Util. Comm'n v. CS Water and Sewer Assoc.*, 74 Pa.P.U.C. 767 (1991)).

<u>ORDER</u>

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition for Settlement of the Rate Investigation Pursuant to 66 Pa.C.S. § 1307(f) executed and submitted by National Fuel Gas Distribution Corporation, the Pennsylvania Public Utility Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate (and unopposed by the Office of Small Business Advocate) at Docket No. R-2026-3059551 be approved without modification.

2. That National Fuel Gas Distribution Corporation be permitted to file a tariff supplement, incorporating the terms of the Settlement and changes to its rates, rules and regulations as set forth in Appendix A of the Settlement on at least one day's notice after entry of the Commission's Order approving 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 National Fuel Gas Distribution Corporation's current tariffs.

3. That upon National Fuel Gas Distribution Corporation's filing of a tariff supplement as conforming with this Opinion and Order and the Joint Petition for Settlement and the Commission's approval thereof, the purchased gas rates established therein shall become effective for service rendered on or after August 1, 2026.

4. That the Complaint of the Office of Consumer Advocate at Docket No. C-2026-3059880 be deemed satisfied.

5. That the Complaint of the Office of Small Business Advocate at Docket No. C-2026-3060438 be deemed satisfied.

6. That upon acceptance and approval by the Commission of the tariff supplement and supporting data filed by the National Fuel Gas Distribution Corporation as being consistent with the Joint Petition for Settlement of the Rate Investigation, the investigation at Docket Number R-2026-3059551 shall be terminated and the case marked closed.

Date: May 12, 2026

/s/
Charece Z. Collins
Administrative Law Judge