NATIONAL FUEL STATEMENT NO. 19

JOHN D. TAYLOR

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Docket No. R-2025-3059428

National Fuel Gas Distribution Corporation
Pennsylvania Division

Statement No. 19

Direct Testimony of
John D. Taylor

Topics Addressed: **Cost of Service Study**
Weather Normalization Adjustment

Dated: January 28, 2026

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is John D. Taylor and my business address is 10 Hospital Center Commons, Suite 400, Hilton Head Island, South Carolina 29926.

Q. On whose behalf are you appearing in this proceeding?

A. I am appearing on behalf of National Fuel Gas Distribution Corporation's ("NFGDC") Pennsylvania Division ("National Fuel" or the "Company").

Q. By whom are you employed and in what capacity?

A. I am employed by Atrium Economics, LLC ("Atrium") as a Managing Partner.

Q. Have you prepared an Exhibit describing your professional qualifications?

A. Yes. National Fuel Exhibit JDT-1 presents my professional qualifications.

Q. What was Atrium's assignment in this proceeding?

A. National Fuel requested Atrium to conduct a fully allocated Cost of Service Study ("ACOSS") to determine the embedded costs of serving the Company's gas distribution customers and support its rate design efforts. In this regard, I am sponsoring the ACOSS that allocates National Fuel's gas distribution costs to its rate classes. Additionally, Atrium supported the Company's proposal to convert the Weather Normalization Adjustment ("WNA") from a pilot to a permanent mechanism.

Q. Please summarize your testimony.

A. In my testimony I present National Fuel's ACOSS and discuss its results, as well as the revenue increase apportionment to National Fuel's rate classes, which are used to design rates by Company witness Courtney T. Mann (National Fuel Statement No. 14). My testimony consists of this introduction and summary section and the following additional sections:

- Purpose and Principles of Cost Allocation
- National Fuel's ACOSS
- Determination of National Fuel's Proposed Class Revenues

Additionally, I am supporting the Company's Weather Normalization Adjustment ("WNA") proposal.

Q. What exhibits are you sponsoring in this proceeding?

A. I am sponsoring National Fuel Exhibit D – Cost of Service Study ("Exhibit D"). I also am sponsoring the following Exhibits:

- National Fuel Exhibit JDT-1 – Resume
- National Fuel Exhibit JDT-2 – Proposed Revenue Targets by Class
- National Fuel Exhibit JDT-3 – WNA Mechanism Policy Factors

II. PURPOSE AND PRINCIPLES OF COST ALLOCATION

Q. What is the general purpose and use of an ACOSS in regulatory proceedings?

A. The purpose of an ACOSS is to allocate the gas distribution utility's overall fully projected future test year ("FPFTY") costs to the various classes of service in a manner

that reflects the relative costs of providing service to each class. An ACOSS represents an analysis of which customer or group of customers cause the utility to incur the costs to provide service. The requirement to develop the ACOSS results from the nature of utility costs. Utility costs are characterized by the existence of common costs. Common costs occur when the fixed costs of providing service to one or more rate classes, or the cost of providing multiple products to the same rate class, use the same facilities and the use by one rate class precludes the use by another rate class.

In addition, utility costs may be fixed or variable in nature. Fixed costs do not change with the level of gas throughput, while variable costs change directly with changes in gas throughput. Non-fuel-related utility costs are fixed in the short run and do not vary with changes in customers' loads. This includes the cost of distribution mains, service lines, meters, and regulators. While certain operating inputs like odorant may vary modestly with volumes, those costs are de minimis and do not alter the fundamentally fixed nature of distribution costs.

Finally, the ACOSS provides different contributions to the development of economically efficient rates and the cost responsibility by rate class. This is accomplished through analyzing costs and assigning each rate class its proportionate share of the utility's total revenues and costs within the test year. The results of these studies can be utilized to determine the relative cost of service for each rate class to help determine the individual class revenue responsibility and provide guidance with rate design. Using the cost information per unit of demand, customer, and commodity developed in the ACOSS to understand and quantify the allocated costs in each rate class is a useful step in the rate design process to guide the development of rates.

Q. Is the preparation of an ACOSS an exact science?

A. No. The fundamental purpose of an ACOSS is to aid in the design of rates to be charged by identifying all of the capital and operating costs incurred by a utility to provide service to all of its customers and then assigning or allocating those costs to individual rate classes based on how those rate classes cause the costs to be incurred. The allocation of costs using an ACOSS is a practical requirement of utility regulation since rates are based on the cost of service for the utility under a cost-based regulatory model. As a general matter, utilities must be allowed a reasonable opportunity to earn a return of and on the assets used to serve their customers, with such return on being reflective of a fair rate of return. This is the cost-of-service standard and equates to the revenue requirements for utility service. The opportunity for the utility to earn its allowed rate of return depends on the rates applied to customers producing revenues that equate to the level of the revenue requirement.

Q. Is there a guiding principle that supports the appropriate allocation of costs?

A. Yes, a fundamental foundational principle, cost causation, should be followed to produce accurate and reasonable results. Cost causation addresses the need to identify which customer or group of customers causes the utility to incur particular types of costs, so the analysis results in an appropriate allocation of the utility's total revenue requirement among the various rate classes. In other words, the costs assigned or allocated to particular customers should be those costs that the particular customers caused the utility to incur because of the characteristics of the customers' usage of utility service.

Q. How do you establish the cost and utility service relationships?

A. An important element in the selection and development of a reasonable ACOSS methodology is the establishment of relationships between customer requirements, load profiles, and usage characteristics on the one hand and the costs incurred by the company in serving those requirements on the other hand. To accomplish this, I reviewed National Fuel's expense and plant accounts, operational data, usage information, and conducted interviews with National Fuel employees. The details and data gathered provided information on the key factors that cause the costs to vary and supported studies of the relative costs of providing facilities and services for each rate class. From the results of those analyses, methods of direct assignment and common cost allocation methodologies can be chosen for the utility's plant and expense elements.

Q. What are the steps to performing an ACOSS?

A. A three-step analysis of the utility's total operating costs must be undertaken to establish each customer class's cost responsibility. The three steps that are the basis to conduct an ACOSS are (1) cost functionalization, (2) cost classification, and (3) cost allocation.

Q. Please describe cost functionalization.

A. The first step, cost functionalization, identifies and separates plant and expenses into specific categories based on the various characteristics of utility operation. National Fuel's primary functional cost categories associated with natural gas distribution services include gas supply, transmission, distribution, and customer. Indirect costs that support

these functions, such as general plant and administrative and general expenses, are allocated to functions using allocation factors related to plant and/or labor ratios, i.e., internal allocation factors.

Q. Please describe cost classification.

A. The second step, cost classification, further separates the functionalized plant and expenses according to the primary factors that determine the amount of costs incurred. These factors are: (1) the number of customers; (2) the need to meet the peak demand requirements that customers place on the gas distribution system; and (3) the amount of gas consumed by customers. These classification categories have been identified for purposes of the ACOSS as: (1) customer costs; (2) demand costs; and (3) commodity costs, respectively.

Q. Please describe the types of costs contained in the customer cost, demand cost, and commodity cost categories.

A. Customer-related costs are incurred to attach a customer to the gas distribution system, meter any gas usage, and maintain the customer's account. Customer costs are a function of the number of customers served by the utility and continue to be incurred whether or not the customer uses any gas. They may include capital costs associated with minimum size distribution mains, services, meters, regulators, customer service, and accounting expenses.

Demand or capacity related costs are associated with plant that is designed, installed, and operated to meet maximum hourly or daily gas flow requirements, such as

the utility's transmission and distribution mains, or more localized distribution facilities that are designed to satisfy individual customer maximum demands. Gas supply contracts also have a capacity related component of cost relative to National Fuel's requirements for serving daily peak demands and the winter peaking season.

Commodity related costs are those costs that vary with the throughput sold to, or transported for, customers. Costs related to gas supply are classified as commodity because they vary with the amount of gas volumes purchased by National Fuel for its customers.

Q. Please describe the cost allocation process.

A. The final step is the allocation of each functionalized and classified cost element to the individual rate class. Costs typically are allocated on customer, demand, commodity, or revenue allocation factors. From a cost-of-service perspective, the best approach is a direct assignment of costs where costs are incurred by a customer or class of customers and can be so identified. Where costs cannot be directly assigned, the development of allocation factors by rate class uses principles of both economics and engineering. This results in appropriate allocation factors for different elements of costs based on cost causation. For example, we know from the way customers are billed that each customer requires a meter. Meters differ in size and type depending on the customer's load characteristics. These meters have different costs based on size and type. Therefore, differences in the cost of meters are reflected by using a different average meter cost for each class of service.

Q. Are there factors that can influence the overall cost allocation framework utilized by a gas utility when performing an ACOSS?

A. Yes. First, the fundamental and underlying philosophy applicable to all cost studies pertains to the concept of cost causation for purposes of allocating costs to customer groups. Cost causation addresses the question – which customer or group of customers causes the utility to incur particular types of costs? To answer this question, it is necessary to establish a linkage between a utility's customers and the particular costs incurred by the utility in serving those customers. The factors that can influence the cost allocation used to perform an ACOSS include: (1) the physical configuration of the utility's gas system; (2) the availability of data within the utility; and (3) the state regulatory policies and requirements applicable to the utility.

Q. Why are these considerations relevant to conducting National Fuel's ACOSS?

A. It is important to understand these considerations because they influence the overall context within which a utility's cost study was conducted. In particular, they provide an indication of where efforts should be focused for purposes of conducting a more detailed analysis of the utility's gas system design and operations and understanding the regulatory environment in the state the utility operates in as it pertains to cost-of-service studies and gas ratemaking issues.

Q. How does the availability of data influence an ACOSS?

A. The structure of the utility's books and records can influence the cost study framework.

This structure relates to attributes such as the level of detail, segregation of data by operating unit or geographic region, and the types of load data available.

Q. How do state regulatory policies affect a utility's ACOSS?

A. State regulatory policies and requirements prescribe whether there are any historical precedents used to establish utility rates in the state. Specifically, state regulations and past precedents set forth the methodological preferences or guidelines for performing cost studies or designing rates, which can influence the proposed cost allocation method utilized by the utility.

III. NATIONAL FUEL'S ALLOCATED COST OF SERVICE STUDY

Q. Please describe the Atrium Model used in conducting the ACOSS filed in this proceeding.

A. National Fuel has selected the Atrium excel based model ("Atrium ACOSS Model") to conduct the ACOSS in this general base rate case. Atrium developed the Atrium ACOSS Model on a proprietary basis for its consulting engagements and has been used in multiple jurisdictions. This is the same model I sponsored in the last Company's base rate case at Docket No. R-2022-3035730.

Q. Please describe the process of performing National Fuel's ACOSS presented in this filing.

A. The detailed process description of National Fuel's ACOSS analysis is presented in Exhibit D, providing a full scope of the process including the development of allocation factors

that support various cost of service studies presented in this proceeding as discussed below.

Q. Please discuss the content of the ACOSS Exhibit D.

A. Exhibit D provides the information required under 52 Pa. Code § 53.53(a)(1) and, in particular, Exhibit A - Gas Utilities, by providing a cost-of-service study that fully distributes the Pennsylvania jurisdictional costs of providing retail distribution service to the various rate classes at both present and proposed rates. See 52 Pa. Code § 53.53(a)(1), Exhibit A. The studies contained in National Fuel Exhibit D are based on costs and operating conditions for the Fully Projected Future Test Year Ended October 31, 2027 ("FPFTY").

Exhibit D consists of three sections detailing the process of developing the ACOSS. Section I – Introduction includes an introduction, the general purpose and process of the ACOSS, as well as an overview of the excel-based fully functional ACOSS model presented in this proceeding. Section II – National Fuel's Cost of Service Procedures presents the ACOSS development process specific to the Company, including the Functionalization, Classification, and Allocation of costs. The Allocation section (Section II.3) describes all internal and external allocation factors and the allocation processes used in the ACOSS. The last section, Section III – National Fuel's Cost of Service Results depicts the results of the ACOSS.

Q. Please describe the schedules included in Exhibit D.

A. The following is the list of Schedules included in Exhibit D:

- Schedule 1 - Account Balances and Allocation Methods
- Schedule 2 - External Allocation Factors
- Schedule 3 - Internal Allocation Factors

- Schedule 4 - Comparison of Cost of Service with Revenues under Present and Proposed Rates
- Schedule 5 - Cost of Service and Rate of Return under Present and Proposed Rates
- Schedule 6 - Cost of Service Allocation Study Fully Projected Future Test Year
- Schedule 7 - Functionalized and Classified Rate Base and Revenue Requirement, and Unit Costs by Customer Class

Q. What was the source of the cost data analyzed in the Company's ACOSS?

A. All cost-of-service data was extracted from the Company's total cost of service (i.e., total revenue requirement) and schedules contained in this general rate case filing for the FPFTY ending October 31, 2027. Where more detailed information was required to perform various analyses related to certain plant and expense elements, the data were derived from the historical books and records of the Company and information provided by Company personnel.

Q. How are the National Fuel rate classes structured for purposes of conducting its ACOSS?

A. For National Fuel's ACOSS, I included nine rate classes:

- Residential Service
- Small Commercial & Public Authority Service < 250 Mcf ("SCPA-LL")
- Small Commercial & Public Authority Service > 250 Mcf ("SCPA-UL")
- Large Commercial & Public Authority Service ("LCPA")
- Small Volume Industrial Service ("SVIS")
- Intermediate Volume Industrial Service ("IVIS")
- Large Volume Industrial Service ("LVIS")
- Large Industrial Service ("LIS")
- Natural Gas Vehicle Service ("NGV")

Q. Do you propose any modification to the current customer classes?

A. No. I am not proposing any modifications to the existing customer classes. The current

class structure aligns with the Company's approved tariff schedules and is consistent with the configuration adopted in the Company's most recent general rate case, Docket No. R-2022-3035730 ("2022 Case").

Q. How are Distribution Mains classified and allocated in the ACOSS?

A. The ACOSS presented in Exhibit D was performed utilizing a peak allocation methodology with distribution mains classified as demand and customer related. The Company classified 61% of its investment in distribution mains as customer-related and 39% of the investment as demand-related. The customer-related portion of the distribution mains investment was then allocated to the rate classes based on the number of customers on National Fuel's system. The demand-related portion was allocated to the rate classes based on their respective contribution to the Company's peak day demand under system design and weather conditions, in other words, on a "design day" basis. Transmission mains are allocated to the customer classes based on the contribution to peak day demand. Peak demand represents estimated class peak day requirements. The peak day requirements are estimated based on regression analysis of monthly sales and heating degree days and analysis of winter period throughput to average throughput. Total throughput represents the total throughput for each class during the FPFTY.

Q. How are other plant related costs allocated in the ACOSS?

A. The ACOSS model also relies on special cost studies for meters, services, and regulators. The investments in service lines, meters, meter installation, and regulators are allocated considering customer weighing factors and the relative cost of the investment where

applicable. For a detailed explanation of the allocation factors development please refer to the narrative descriptions presented in Exhibit D with the allocation factors provided in Exhibit D Schedule 2. Miscellaneous Intangible Plant and General Plant accounts are allocated based on labor costs. All plant investment-related accumulated amortization and depreciation expenses follow the classification and allocation of the plant.

Q. Please explain the basis for the Company's choice of classification and allocation methods for Mains.

A. It is widely accepted that distribution mains are installed to meet both system peak period load requirements and to connect customers to the local distribution company's ("LDC") gas system. Therefore, to ensure that the rate classes that cause the Company to incur this plant investment or expense are charged with its cost, distribution mains should be allocated to the rate classes in proportion to their peak period load requirements and number of customers.

There are two cost factors that influence the level of distribution mains facilities installed by an LDC in expanding its gas distribution system. First, the size of the distribution main (i.e., the diameter of the main) is directly influenced by the sum of the peak period gas demands placed on the LDC's gas system by its customers. Secondly, the total installed footage of distribution mains is influenced by the need to expand the distribution system grid to connect new customers to the system. Therefore, to recognize that these two cost factors influence the level of investment in distribution mains, it is appropriate to allocate such investment based on both peak period demands and the number of customers served by the LDC.

Q. Is the method used by the Company to determine a customer cost component of distribution mains a generally accepted technique for determining customer costs?

A. Yes. The two most commonly used methods for determining the customer cost component of distribution mains facilities consist of the following: (1) the zero-intercept approach and (2) the most commonly installed, minimum-sized unit of plant investment. Under the zero-intercept approach, a customer cost component is developed through regression analyses to determine the unit cost associated with a zero-inch diameter distribution main. The method regresses unit costs associated with the various sized distribution mains installed on the LDC's gas system against the size (diameter) of the various distribution mains installed. The zero-intercept method seeks to identify that portion of plant representing the smallest size pipe required merely to connect any customer to the LDC's distribution system, regardless of the customer's peak or annual gas consumption.

Two of the more commonly accepted literary references relied upon when preparing embedded cost of service studies, Electric Utility Cost Allocation Manual, by John J. Doran et al, National Association of Regulatory Utility Commissioners, and Gas Rate Fundamentals, American Gas Association, both describe minimum system concepts and methods as an appropriate technique for determining the customer component of utility distribution facilities. The existence and utilization of a customer component of distribution facilities, specifically for distribution mains, is a fully supportable and commonly used approach in the gas industry.

For purposes of determining the customer component of distribution mains to be

used in National Fuel's ACOSS, the zero-intercept method was employed. Please refer to Exhibit D for the detailed study development process and results.

Q. With respect to National Fuel's specific experience, is there demonstrable evidence to support the use of a customer component of distribution mains?

A. Yes. In developing an appropriate cost allocation basis for distribution mains, the two methods of cost analysis mentioned in the previous response were conducted for the Company's investment in distribution mains, by size and material type of main installed. The zero-intercept method typically uses regression analysis to compare unit costs of the various sized distribution mains installed on National Fuel's gas system against the size (diameter) of the various distribution mains installed. This method seeks to identify that portion of plant representing the smallest size pipe required merely to connect any customer to the LDC's distribution system, regardless of its peak or annual consumption. This regression determines that regardless of the main's diameter, the average cost of a distribution main on National Fuel's gas system will be at least equal to a minimum cost per installed foot. This per foot cost component is exclusively related to the simple fact that National Fuel incurs this cost to install a main, regardless of its size. That is, the installation is unrelated to either peak gas flows or average gas flows, but relating to site prep, permitting, trenching, and recovering. These distinct costs are related more strongly to the process of extending the distribution mains to connect customers, which is a function of the length of distribution mains and not of the size or diameter of the mains.

Q. What method was utilized in National Fuel's 2022 Case to classify and allocate

distribution mains?

A. In the 2022 Case, National Fuel presented ACOSS results using both the customer demand method presented in this case and a peak and average method which allocates distribution mains using what is commonly referred to as the "Seaboard" method, which involves a 50% weighting of peak contribution by the class and 50% weighting of annual throughput.

Q. Can you please provide more details on the Seaboard method?

A. The "Seaboard" methodology of assigning utility cost to classes was developed in the early 1950s as part of the Federal Energy Regulatory Commission ("FERC") rate regulation process for interstate gas pipelines and is based on the premise that both peak and annual usage are of equal importance in determining the cost responsibility of each class. As used at the FERC, this methodology had more to do with rate design and the recovery of revenues than cost allocation and causation. It was developed when gas pipelines sold gas to all their customers including large commercial and industrial customers, when both capacity costs and commodity costs were recovered in the same rates before the advent of purchased gas adjustment mechanisms. With the deregulation of gas within the gas industry in the 1980s, these large customers were given the choice to buy their gas commodity from a producer or marketer and the LDC only provided the delivery of that gas on their distribution system. Other Commissions, including originally the Federal Power Commission, and later, the FERC, moved away from the 50/50 weighting of demand and commodity in favor of a 75 percent demand 25 percent commodity weighting known as the "United" method. FERC adopted the United method

in 1973. After United, in 1983 FERC departed from a percentage weighting for demand and commodity allocations to a Modified Fixed variable approach which allocated all fixed costs based on demand and all variable costs based on commodity.

Q. Has the Seaboard method been relied upon in PA in past gas LDC filings and been under review by the Pennsylvania Public Utility Commission's ("PAPUC" or the "Commission")?

A. Yes. While the PAPUC has recognized a customer component of gas utility infrastructure in recent history, the PAPUC has recently relied on allocating a portion of distribution mains on the annual usage rather than the cost causative basis of matching the allocation of costs with the occurrence of the costs. Given this history, for informational and comparison purposes, I also provide results of the ACOSS model that allocates Distribution Mains using Peak and Average ("P&A") methodology with no customer component.

Q. How are operation and maintenance ("O&M"), customer, and administrative and general ("A&G") expenses classified and allocated in the ACOSS?

A. A utility's O&M expenses generally are thought to support the utility's corresponding plant in service accounts. In general, O&M expenses are allocated based on the cost allocation methods used for the Company's corresponding plant accounts. The majority of customer accounts and services expenses were classified as customer-related costs and allocated based on the average number of distribution customers by class or relative weighting factors based on special studies. A&G expenses were allocated on an account-

by-account basis. Items related to labor costs, such as employee pensions and benefits, were allocated based on O&M labor costs. Items related to plant, such as maintenance of general plant and property taxes, were allocated based on plant. The detailed classification and allocation methods applied to these expense categories can be found on Schedule 1 of Exhibit D.

Q. How are all other cost categories allocated in the ACOSS?

A. Taxes other than income are allocated in a manner that reflected the specific cost associated with each tax expense category. Generally, taxes can be cost classified on the basis of the tax assessment method established for each tax category and can be grouped into the following categories: (1) labor; (2) plant; and (3) revenue. In the National Fuel ACOSS, all non-income taxes were assigned to one of the above stated categories and relevant allocation factors.

Current income taxes were allocated based on each class's net income before taxes. Income taxes for the total revenue requirement were allocated to each class based on the allocation of the required net income by rate class. Income taxes at proposed revenues by class were allocated to each class based on the proposed income prior to taxes for each class. The detailed classification and allocation methods are shown on Schedule 1 of Exhibit D.

Q. Does National Fuel's ACOSS include gas commodity costs?

A. Yes. The ACOSS does include gas commodity costs and gas commodity revenues which are both functionalized to the gas supply function with a net income of zero, since the gas

commodity costs match gas commodity revenues.

Q. Have you provided all workpapers and studies supporting the ACOSS?

A. Yes. All supporting workpapers, calculations, and documentation to the filed ACOSS model are provided in response to the Supplemental Data Requests – Cost of Service accompanying the Company's filing.

Q. Please summarize the results of National Fuel's ACOSS.

A. Table 1 below presents a summary of the results of the Company's ACOSS that can be reviewed in detail in Schedule 5 of Exhibit D. The ACOSS shows an overall revenue deficiency to the Company of $19.7 million.

Table 1 - Summary Results of the Company's ACOSS

Rate Classes	Current Revenues	Cost to Serve	Current Rate of Return	Deficiency /(Surplus)	Revenue to Cost Ratio	Parity Ratio
Residential	$ 97,367	$ 126,095	3.2%	$ 28,728	0.77	0.88
SCPA-LL	6,819	7,330	7.8%	511	0.93	1.06
SCPA-UL	6,989	7,287	8.7%	298	0.96	1.10
LCPA	13,908	8,972	22.5%	(4,936)	1.55	1.77
NGV	131	203	2.1%	72	0.65	0.74
SVIS	444	319	22.2%	(125)	1.39	1.59
IVIS	5,876	3,491	25.5%	(2,385)	1.68	1.93
LVIS	2,730	1,286	35.0%	(1,444)	2.12	2.43
LIS	2,470	1,416	25.8%	(1,054)	1.74	2.00
Total	$ 136,735	$ 156,400	6.3%	$ 19,665	0.87	1.00
Other Revenues	4,219	4,234		15		
Total System	$ 140,953	$ 160,634		$ 19,681		

Table 1 presents the revenue deficiency/excess for each rate class, the class rate of return on net rate base at current rates, the revenue to cost ratio, and the associated parity ratio. Regarding rate class revenue levels, the results show that all classes except Residential,

SCPA-LL, SCPA-UL and NGV are being charged rates that recover more than their indicated costs of service.

Q. How do the results of the customer demand method of allocating distribution mains compare to the Seaboard method of allocating distribution mains?

A. Table 2 below provides a comparison between the two methods. As is expected using the Seaboard method increases the allocation of costs to those classes with higher load factors and large volumes of annual throughput.

Table 2 – Comparison of Customer / Demand and Peak and Average

Rate Classes	Cost to Serve (Cust/Dem)	Cost to Serve (Peak and Average)	Difference
Residential	$ 126,095	$ 108,557	$ 17,538
SCPA-LL	7,330	$ 6,712	618
SCPA-UL	7,287	$ 8,956	(1,669)
LCPA	8,972	$ 15,817	(6,846)
NGV	203	$ 298	(95)
SVIS	319	$ 393	(75)
IVIS	3,491	$ 7,066	(3,574)
LVIS	1,286	$ 3,518	(2,232)
LIS	1,416	$ 5,081	(3,665)
Total	$ 156,400	$ 156,400	-
Other Revenues	4,234	4,234	-
Total System	$ 160,634	$ 160,634	-

IV. NATIONAL FUEL'S PROPOSED CLASS REVENUES

Q. Please describe the proposed approach to apportion National Fuel's proposed *revenue increase to its rate classes.*

A. The apportionment of revenues among rate classes consists of deriving a reasonable

balance between various criteria or guidelines that relate to the design of utility rates.[1] The various criteria that were considered in the process included: (1) cost of service; (2) class contribution to present revenue levels; and (3) customer impact considerations.

After discussions with the Company, the increase proposed in this case was allocated based on considerations of the current parity percentages shown above in Table 1 and the desire to move toward full parity over time while addressing issues of gradualism. National Fuel proposes to:

- For those classes with a revenue to cost parity ratio below 1.0 an increase of 1.1 times the system increase is proposed. This applies to the Residential class and NGV class.
- For those classes with a revenue to cost parity ratio above 1.0 but below 1.5 an increase of 0.9 times the system increase is proposed. This applies to the SCPA-LL and SCPA-UL classes.
- For all other classes with revenue to cost parity ratios above 1.5 an increase of 0.67 times the system increase is proposed. The 0.67 was set to recover the remaining requested increase. This applies to the LCPA, SVIS, IVIS, LVIS, and LIS classes.

The amounts of the existing rate subsidies and excesses among the Company's rate classes were generally reduced. From a class cost of service standpoint, this type of

[1] Revenue apportionment is part of the overall rate design process, which is guided by the principles broadly accepted in the recognized literature on utility ratemaking and regulatory policy. These principles include: (1) Cost of Service; (2) Efficiency; (3) Value of Service; (4) Stability/Gradualism; (5) Non-Discrimination; (6) Administrative Simplicity; and (7) Balanced Budget. These rate design principles draw heavily upon the "Attributes of a Sound Rate Structure" developed by James Bonbright in Principles of Public Utility Rates (Principles of Public Utility Rates, Second Edition, Page 111-113 James C. Bonbright, Albert L. Danielson, David R. Kamerschen, Public Utility Reports, Inc., 1988)

class movement, and reduction in class rate subsidies, is desirable to move class revenues and rates closer to the indicated cost of service for each rate class.

Q. What are the percentage changes in revenues by rate class resulting from the Company's proposed revenue apportionment?

A. Table 3 below summarizes the proposed distribution margin revenue change for each rate class and the percent change in distribution margin revenues resulting from the above-described process.

Table 3 - Proposed Class Revenue Apportionment

Rate Classes	Margin Revenues at Current Rates	Margin Revenues at Proposed Rates	Proposed Revenue Change	Percent Change	Increase Relative to System Increase
Residential	$ 97,367	$ 112,771	$ 15,404	15.82%	1.10
SCPA-LL	$ 6,819	$ 7,702	$ 883	12.94%	0.90
SCPA-UL	$ 6,989	$ 7,893	$ 905	12.94%	0.90
LCPA	$ 13,908	$ 15,249	$ 1,342	9.65%	0.67
NGV	$ 131	$ 152	$ 21	15.82%	1.10
SVIS	$ 444	$ 487	$ 43	9.65%	0.67
IVIS	$ 5,876	$ 6,443	$ 567	9.65%	0.67
LVIS	$ 2,730	$ 2,994	$ 263	9.65%	0.67
LIS	$ 2,470	$ 2,709	$ 238	9.65%	0.67
Total	$ 136,735	$ 156,400	$ 19,665	14.38%	1.00
Other Revenues	$ 4,219	$ 4,234	15	0.37%	
Total System	$ 140,953	$ 160,634	$ 19,681	13.96%	

Further, the Company's percentage changes of total revenues associated with its proposed revenue apportionment by rate class are summarized in Table 4 below.

Table 4 - Proposed Change in Total Revenues by Rate

Rate Classes	Revenues at Current Rates	Revenues at Proposed Rates	Proposed Revenue Change	Percent Change	Increase Relative to System Increase
Residential	$ 198,187	$ 213,591	$ 15,404	7.77%	1.03
SCPA-LL	$ 12,829	$ 13,712	$ 883	6.88%	0.91
SCPA-UL	$ 14,779	$ 15,683	$ 905	6.12%	0.81
LCPA	$ 20,517	$ 21,859	$ 1,342	6.54%	0.87
NGV	$ 529	$ 550	$ 21	3.92%	0.52
SVIS	$ 807	$ 850	$ 43	5.30%	0.70
IVIS	$ 8,051	$ 8,618	$ 567	7.04%	0.94
LVIS	$ 2,960	$ 3,223	$ 263	8.90%	1.18
LIS	$ 2,646	$ 2,884	$ 238	9.01%	1.20
Total	$ 261,305	$ 280,970	$ 19,665	7.53%	1.00
Other Revenues	$ 4,219	$ 4,234	$ 15	0.37%	
Total System	$ 265,524	$ 285,204	$ 19,681	7.41%	

Please refer to the Direct Testimony of Courtney T. Mann (National Fuel Statement No. 14), who sponsors the Company's proposed rate design.

V. WNA MECHANISM

Q. What is the Company proposal regarding WNA in this proceeding?

A. National Fuel is requesting the Commission to approve the current pilot WNA mechanism, which is scheduled to expire in October 2028, as a permanent program. The WNA pilot was part of the 2022 Case settlement agreement approved by the Commission on June 15, 2023.

Q. What is the WNA and what is its purpose?

A. The WNA is a ratemaking mechanism that adjusts the delivery portion of customer bills so that they reflect usage under normal weather conditions rather than actual temperatures experienced during the heating season. Its primary purpose is to moderate the bill

impacts of unusually warm or cold weather, providing customers with greater stability while aligning billed revenues more closely with the Commission-approved revenue requirement.

Q. Does the Commission support the WNA?

A. Yes. In its most recent Final Order in the Columbia Gas of Pennsylvania ("Columbia") case, issued in December 2025, the Commission explicitly approved the continuation of Columbia's WNA mechanism "to allow it a reasonable opportunity to earn up to its Commission-authorized revenue requirement."[2]

Q. Please explain National Fuel's current WNA mechanism.

A. National Fuel's WNA mechanism functions as follows:

i) It adjusts the usage in customer bills based on deviations from normal weather, as measured by Heating Degree Days ("HDDs"), by comparing actual HDDs ("AHDDs") to normal HDDs ("NHDDs") based on a 15-year weather history.

ii) It includes a 3% deadband, meaning no adjustment is made unless the weather deviates by more than ±3% from normal. This prevents minor weather variations from triggering bill changes and ensures that adjustments occur only when there are material deviations.

iii) It applies to all Pennsylvania Natural Gas Residential and Commercial/Public Authority customers served by National Fuel.

[2] Pa. PUC v. Columbia Gas of Pa., Inc., Docket No. R-2024-3067174, Final Order at 301 (Dec. 4, 2025).

iv) It applies during the heating season (October through May). By excluding non-heating season usage and focusing on the weather-sensitive portion of consumption, the mechanism is carefully targeted and limited in scope.

Q. Is the Company proposing any changes to how the WNA mechanism currently operates?

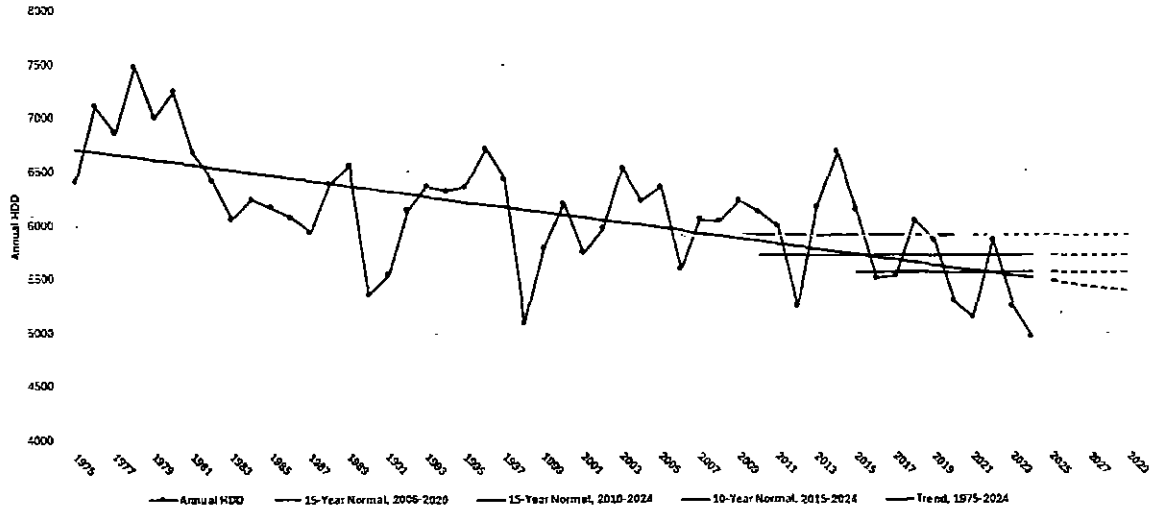
A. Yes. Company witness Cathryn E. Hilliard (National Fuel Statement No. 13) is proposing to establish NHDDs based on 10-year weather history.

Q. What is the significance of using 10-year weather history for establishing NHDDs.

A. Using a 10-year average reflects warmer recent weather. Therefore, the normalized billing determinants will be lower than those derived from the prior 15-year average that includes more cold years, as shown in Figure 1 below.[3] Assuming the warming trend continues, actual usage may be closer to, or even below, the 10-year baseline, triggering a smaller WNA surcharge or credit. However, no one (National Fuel included) can predict the number of HDDs in any given year with certainty; therefore, variations are still expected, and the WNA would still provide value to both customers and the Company.

[3] Based on National Oceanic and Atmospheric Administration (NOAA) data from the Erie, Pennsylvania station.

Figure 1 – Historic Annual HDD and Normalization Alternatives[4]



Q. Why is a WNA mechanism necessary for National Fuel's rate structure?

A. National Fuel's current rate design recovers significant fixed costs through volumetric charges. Weather-driven usage swings can cause under-recovery in warm winters and over-recovery in cold winters. The WNA stabilizes this to provide the Company a reasonable opportunity to recover its authorized revenue requirement while protecting customers from additional charges in colder than normal winters.

Q. Can you elaborate on the relationship between fixed costs and usage-based recovery in National Fuel's current rate design?

A. National Fuel's current rate design recovers a significant portion of its fixed costs, such

[4] Chart interpretation for grayscale / black-and-white printing:
- Annual HDD values are shown by the solid line with circular markers.
- The trend (1975–2024) is shown by a smooth solid line that slopes downward from left to right.
- The shorter horizontal reference lines near the right side of the chart are explained as follows:
  - The highest horizontal line corresponds to the 15-year normal for 2006–2020.
  - The middle horizontal line corresponds to the 15-year normal for 2010–2024.
  - The lowest horizontal line corresponds to the 10-year normal for 2015–2024.

as infrastructure, maintenance, and administrative expenses, through volumetric charges based on customer usage. This means that when weather is warmer than normal and gas consumption declines, National Fuel under-recovers those fixed costs, even though they do not vary with usage. Conversely, colder-than-normal weather can lead to over-recovery. This mismatch creates volatility for both customers and the utility. The WNA mechanism helps address this by normalizing revenues to reflect normal weather conditions, ensuring that fixed costs are recovered more consistently with what was authorized by the Commission when it approved current rates.

Q. What portion of National Fuel's fixed costs is recovered through its current volumetric distribution charges?

A. As shown on National Fuel Exhibit E – Proof of Revenue, at current rates, approximately 63% of base rate distribution revenues for Residential is recovered through the volumetric distribution charge, leaving 37% recovered through fixed charges. For Rates SCPA, approximately 70% of base rate distribution revenue is recovered through the volumetric distribution charge, leaving 30% recovered through fixed charges. This clearly indicates that even though National Fuel's distribution costs are fixed, there is a risk of over- or under-recovery for the vast majority of costs, resulting in the need for the WNA.

Q. How does National Fuel's proposed WNA align with the factors the Commission may consider when evaluating this alternative ratemaking mechanism?

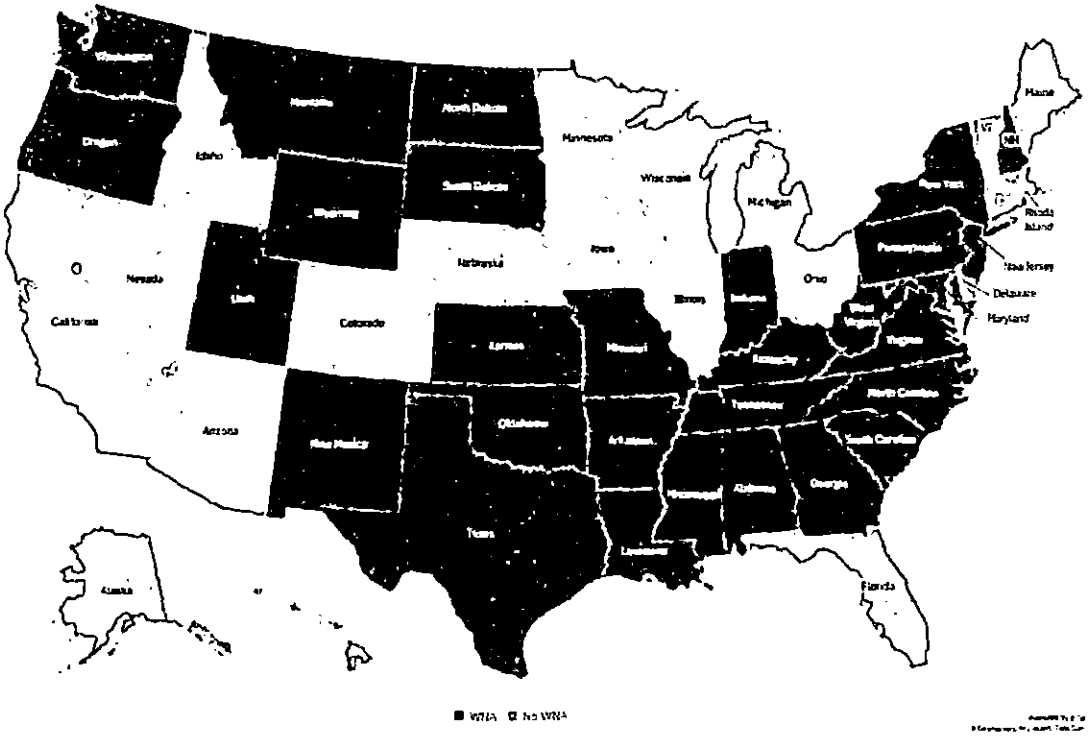
A. Exhibit JDT-3 details how National Fuel's proposed WNA aligns with each of the

fourteen items identified within the Statement of Policy as outlined by the Commission in the alternative rate making Docket No. M-2015-2518883. However, it is important to note that Statements of Policy language suggests that the Commission intends to consider these elements, but not all of them may be relevant or deemed required in order to determine whether a proposal is just and reasonable.

Q. Are WNAs common alternative ratemaking mechanisms in the utility industry?

A. Yes. WNA mechanisms are widely used across the United States to stabilize customer bills and utility revenues during abnormal weather conditions. The map below shows that 29 states with a total of 67 gas utilities have adopted similar mechanisms.

Figure 2 – WNA in the United States



VI. CONCLUSION

Q. Please summarize your primary conclusions.

A. The Company's proposed ACOSS method best reflects the cost causation of distribution mains by accounting for the fact that distribution mains are extended to new customers and are sized to meet peak demand requirements. As such, the Commission should rely on the Company's proposed ACOSS to guide revenue targets for each rate class. In addition, the revenue targets proposed by National Fuel reasonably balance the concepts of cost of service, current revenue contributions, and gradualism, while moving all classes closer to parity.

Q. Please summarize how implementing the proposed WNA mechanism results in fair and equitable ratemaking.

A. The Company's proposed WNA mechanism results in fair and equitable ratemaking due to the following:

- The WNA helps to break the link between the gas consumption of the Company's customers and its distribution revenue recovery, and better aligns the interests of National Fuel and its customers. The fixed costs embedded in National Fuel's volumetric rates for distribution service do not vary in the short-term with changes in temperature.
- The WNA addresses a factor beyond the Company's and customers' control, weather variability. This variability contributes to increased volatility in customers' bills, and increased volatility in the Company's recovery of costs.

- Customers receive greater stability in the non-gas portion of their utility bills, a benefit during the winter months when gas prices tend to be at their highest, and a particular benefit for low-income customers with high bills during the lengthy heating seasons in National Fuel's service areas.

For these reasons, I urge the Commission to approve the continuation of the Company's WNA a permanent ratemaking mechanism.

Q. Does this conclude your pre-filed direct testimony at this time?

A. Yes, it does.

John D. Taylor

MANAGING PARTNER

Mr. Taylor has experience with a wide range of costing, ratemaking, and regulatory activities for gas and electric utilities. He has testified numerous times on these and other issues for clients across North America. He has extensive experience with costing and pricing rates and services, regulatory planning and strategy development, revenue recovery and tracking mechanisms, merger and acquisitions analysis, new product and service development, affiliate transaction reviews, line extension policies, market assessments, litigation support, and organizational and operations reviews. He has testified on numerous occasions as an expert witness on costing and ratemaking related issues on behalf of utilities before federal, state, and provincial regulatory bodies and has extensive experience in evaluating and implementing innovative ratemaking approaches and rate design concepts.

He has also testified on return on equity, electric vehicle and battery storage programs, time-of-use rates, and the appropriate use of statistical analysis during audit testing. Mr. Taylor has led engagements relating to gas supply planning and the review of midstream transportation and storage capacity resources. He has worked as the market monitor for New England ISO's capacity market, supported the negotiation of PPAs, and supported feasibility and prudence studies of generation investments. He has also been involved in selling generating assets and distribution companies, supporting due diligence efforts, financial analyses, and regulatory approval processes.

Mr. Taylor received a master's degree in Economics from American University and holds a bachelor's degree in Environmental Economics from the University of North Carolina at Asheville.

EDUCATION

M.A., Economics, American University

B.A., Environmental Economics, University of North Carolina at Asheville

YEARS EXPERIENCE

18

RELEVANT EXPERTISE

Utility Costing and Pricing, Expert Witness Testimony, Transaction Facilitation, Revenue Requirements, Statistics, Valuation, Market Studies, Rate Case Management, New Product and Service Development, Strategic Business Planning, Marketing and Sales

His consulting career includes Managing Partner with Atrium Economics, LLC; Principal Consultant – Advisory & Planning with Black & Veatch Management Consulting, LLC; Senior Project Manager & Principal of Concentric Energy Advisors, Inc.; and CEO of Nova Data Testing, Inc. Mr. Taylor started his career working on Capitol Hill working with NGOs that were seeking Public Private Partnerships with the Federal Government, World Bank, and International Monetary Fund to pursue various projects in developing countries.

EXPERT WITNESS TESTIMONY PRESENTATION

UNITED STATES:

- California Superior Court of California
- Delaware Public Service Commission
- Florida Public Service Commission
- Federal Energy Regulatory Commission
- Illinois Commerce Commission
- Indiana Utility Regulatory Commission
- Maine Public Service Commission
- Massachusetts Department of Public Utilities
- Minnesota Public Utilities Commission
- New Hampshire Public Utilities Commission
- North Carolina Utilities Commission
- Oregon Public Utility Commission
- Ohio Public Utility Commission
- Pennsylvania Public Utility Commission
- Virginia State Corporation Commission
- Washington Utilities and Transportation Commission
- Public Service Commission of West Virginia

CANADA:

- Alberta Utilities Commission
- British Columbia Utilities Commission
- Ontario Energy Board

REPRESENTATIVE EXPERIENCE

RATE DESIGN AND REGULATORY PROCEEDINGS

Mr. Taylor has worked on dozens of electric and gas rate cases including the development of revenue requirements, class cost of service studies, and projects related to utility rate design issues. Specifically, he has:

- Lead expert and witness for class costs of service studies across North America and worked on dozens of other class cost of service and rate design projects for other lead witnesses.
- Developed WNA mechanism for a gas utility including back casting results and supporting expert witness testimony and exhibits.

- Developed revenue requirement model to comply with a new performance-based formula ratemaking process for a Midwest electric utility.
- Supported the development of time of use rates, demand rates, economic development rates, load retention rates, and line extension policies.
- Analyzed and summarized allocation methodology for a shared services company.
- Assessed the reasonableness of costs through various benchmarking efforts.
- Led the effort to collect and organize plant addition documentation for six Midwest utilities associated with the state commission's audit of rate base.
- Supported lead-lag analyses and testimonies.
- Analyzed customer usage profiles to support reclassification of rate classes for a gas utility.
- Helped conduct a marginal cost analysis to support rate design testimony.

LITIGATION SUPPORT AND EXPERT TESTIMONY

Mr. Taylor has testified in several cases on class cost of service studies and statistical audit methods. He has also supported numerous other expert testimonies. Specifically, he has:

- Filed testimony as an expert witness on allocated class cost of service studies for both electric and gas utilities.
- Filed testimony as an expert witness on the application of statistical analysis.
- Filed testimony before FERC on the rate of return for an Annual Transmission Revenue Requirement and participated in FERC settlement conferences.
- Part of two-person expert witness team that provided an expert report to the British Columbia Utilities Commission on the use of facilities for transportation balancing services for Fortis BC.
- Part of two-person expert witness team that provided an expert report on affiliate transactions and capitalized overhead allocations for Hydro One on three separate occasions.
- Sole expert for expert report on affiliate allocations for Alectra utilities, the second largest publicly owned electric utility in North America. This was conducted shortly after the merger of four distinct utilities.
- Sole expert for expert report on the allocation of overhead costs between transmission and distribution businesses for EPCOR.

TRANSACTION EXPERIENCE

Mr. Taylor has been involved with several generating asset transactions supporting both buy side and sell side analysis and due diligence. His work has included:

- Worked as buy side advisor for a large water utility in the mid-Atlantic region including supporting the review of revenue requirements, rates, and forecasts.
- Helped facilitate and manage processes for a nuclear plant auction by processing Q&A, collecting relevant documentation and managing the virtual data room for auction participants.
- Supported the auction process for steam and chilled water distribution and generation assets in the Midwest.
- Supported the development of a financial model to ascertain the net present value of several competing wholesale power purchase agreements and guided the client with a decision matrix for the qualitative aspects of the offers.
- Provided research on comparable transactions, previous mergers and acquisitions, and potential transaction opportunities for several clients.

FINANCIAL ANALYSIS AND MARKET RESEARCH

Other financial analysis and market research Mr. Taylor has conducted include:

- Estimated the rate impact and costs associated with moving California energy market to 100% renewable.
- Assessed the consequences of a divestiture on the cost-of-service model for a New England gas distribution company.
- Developed LNG market studies for two separate utilities and two separate competitive market participants.
- Modeling alternative mechanisms for the allocation of overhead costs to a nuclear plant.

NATIONAL FUEL EXHIBIT JDT-2

PROPOSED REVENUE TARGETS BY CLASS

National Fuel Gas Distribution Corporation
Gas Class Cost of Service Study
Test Year Ending October 31, 2027
EXHIBIT JDT-2 – PROPOSED REVENUE TARGETS BY CLASS
($ in thousands)

Line No.	Description	Total System	Total Check	Residential Service	Small Commercial & PA Service (LE 250)	Small Commercial & PA Service (GT 250)	Large Comm PA Service	NGV	SVIS	IVIS	LVIS	LIS
1	Total Rate Base	571,582	-	446,527	25,330	27,719	40,971	974	1,072	16,029	6,028	6,930
2	Gas Service Revenue	136,735		97,367	6,819	6,989	13,908	131	444	5,876	2,730	2,470
3	Other Revenues	4,219		3,512	173	191	195	7	9	76	26	29
4	Total Revenue	$ 140,953	-	$ 100,879	$ 6,993	$ 7,179	$ 14,103	$ 138	$ 453	$ 5,953	$ 2,756	$ 2,499
5	Current Revenue to Cost Ratio	0.88		0.78	0.93	0.96	1.54	0.66	1.38	1.67	2.10	1.73
6	Current Parity Ratio	1.00		0.89	1.06	1.09	1.75	0.75	1.57	1.90	2.39	1.97
7	Scenario A: Revenues at Equalized Rates of Return											
8	Revenue Increase/(Decrease)	$ 19,665	-	$ 28,728	$ 511	$ 298	$ (4,936)	$ 72	$ (125)	$ (2,385)	$ (1,444)	$ (1,054)
9	Total Rate Revenue at Equalized Rates of Return	156,400	-	126,095	7,330	7,287	8,972	203	319	3,491	1,286	1,416
10	Other Revenues	4,234	-	3,524	174	191	196	7	9	77	26	29
11	Total Revenue at Equalized Rates of Return	$ 160,634	-	$ 129,620	$ 7,504	$ 7,478	$ 9,168	$ 210	$ 328	$ 3,568	$ 1,312	$ 1,445
12	% Increase of Total Revenues	13.95%		28.48%	7.30%	4.15%	-35.00%	51.96%	-27.63%	-40.06%	-52.39%	-42.17%
13	% Increase of Margin Revenues	14.38%		29.51%	7.49%	4.27%	-35.49%	54.73%	-28.20%	-40.58%	-52.89%	-42.67%
14	Resulting Revenue to Cost Ratio	1.00		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
15	Resulting Parity Ratio	1.00		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
16	Scenario B: Equal Percentage Increase on Gas Service Revenue											
17	Percent Increase	14.38%		14.38%	14.38%	14.38%	14.38%	14.38%	14.38%	14.38%	14.38%	14.38%
18	Revenue Increase/(Decrease)	$ 19,665	-	$ 14,003	$ 981	$ 1,005	$ 2,000	$ 19	$ 64	$ 845	$ 393	$ 355
19	Total Rate Revenue	156,400	-	111,370	7,800	7,994	15,908	150	508	6,721	3,123	2,826
20	Other Revenues	4,234	-	3,524	174	191	196	7	9	77	26	29
21	Total Revenue at Equal Percentage Increase	$ 160,634		$ 114,895	$ 7,974	$ 8,185	$ 16,104	$ 157	$ 517	$ 6,798	$ 3,149	$ 2,855
22	Resulting Revenue to Cost Ratio	1.00		0.89	1.06	1.09	1.76	0.75	1.58	1.91	2.40	1.98
23	Resulting Parity Ratio	1.00		0.89	1.06	1.09	1.76	0.75	1.58	1.91	2.40	1.98
24	Proposed Scenario C: Moderated based on Current Parity Ratio											
25	Multiple of System Increase			1.10	0.90	0.90	0.67	1.10	0.67	0.67	0.67	0.67
26	Percent Increase			15.82%	12.94%	12.94%	9.65%	15.82%	9.65%	9.65%	9.65%	9.65%
27	Revenue Increase/(Decrease)	19,665	-	15,404	1,883	1,905	1,342	21	43	567	263	238
28	Total Rate Revenue	156,400	-	112,771	7,702	7,893	15,249	152	487	6,443	2,994	2,709
29	Other Revenues	4,234	-	3,524	174	191	196	7	9	77	26	29
30	Total Revenue at Proposed	160,634		116,295	7,876	8,085	15,446	159	496	6,520	3,020	2,738
31	Base Rate Margin at Proposed	$ 156,400		$ 112,771	$ 7,702	$ 7,893	$ 15,249	$ 152	$ 487	$ 6,443	$ 2,994	$ 2,709
32	Percent Increase on Base Rate Margin	14.38%		15.82%	12.94%	12.94%	9.65%	15.82%	9.65%	9.65%	9.65%	9.65%
33	Proposed Revenue to Cost Ratio	1.00		0.90	1.05	1.08	1.68	0.76	1.51	1.83	2.30	1.89
34	Proposed Parity Ratio	1.00		0.90	1.05	1.08	1.68	0.76	1.51	1.83	2.30	1.89

NATIONAL FUEL EXHIBIT JDT-3

WNA MECHANISMS

WNA Mechanism Policy Factors

#	Statement of Policy	Company's Response
1	How the ratemaking mechanism and rate design align revenues with cost causation principles as to both fixed and variable costs.	National Fuel Gas's WNA is designed to recover distribution revenues needed to satisfy the cost-of-service requirement determined in this proceeding, while mitigating the variance between actual and projected distribution revenues due to weather. The Company recovers a significant portion of fixed costs through volumetric rates. These fixed costs do not vary with the amount of gas delivered to customers and are composed of fixed operation and maintenance expenses, administrative and general expenses, depreciation, certain taxes, a portion of working capital requirements, and return on investment. These costs also do not vary in the short-term with changes in temperature. In the absence of a rate design that affords the Company the opportunity to recover all fixed costs in a fixed monthly charge, the WNA mechanism better aligns distribution revenues with cost causation principles.
2	How the ratemaking mechanism and rate design impact the fixed utility's capacity utilization.	The WNA mechanism indirectly supports efficient capacity utilization by stabilizing the recovery of fixed distribution costs, which are incurred to maintain National Fuel Gas's infrastructure and capacity to serve customers regardless of fluctuations in gas usage. Since these fixed costs do not change with short-term usage variations, the WNA ensures that the Company can continue investing in the infrastructure necessary to meet peak demand and long-term capacity needs and be compensated for these investments. By supporting revenue stability, the WNA reduces under-recovery risks during periods of lower gas usage, ensuring that the revenues collected align with customers' continued reliance on the utility's fixed assets that provide peak service.
3	Whether the ratemaking mechanism and rate design reflect the level of demand associated with the customer's anticipated consumption levels.	Customer specific usage factors corresponding to their individual demand is continually updated through the WNA formula and reflects the level of demand associated with the customer's anticipated consumption levels. In this proceeding, the Company is also proposing to set Normal Heating Degree Days using a 10-year average rather than a 15-year average, which more accurately captures recent warming trends. Using a more current weather baseline ensures that the WNA formula better aligns normalized usage

WNA Mechanism Policy Factors

#	Statement of Policy	Company's Response
		with customers' anticipated consumption levels under today's climate conditions.
4	How the ratemaking mechanism and rate design limit or eliminate interclass and intraclass cost shifting.	National Fuel Gas's WNA is applied on a customer-specific basis and is designed to be revenue-neutral within each customer class, such that it does not create or exacerbate cross-subsidization either within or across classes.
5	How the ratemaking mechanism and rate design limit or eliminate disincentives for the promotion of efficiency programs.	The Company's WNA only addresses variations due to weather and does not affect customers' ability to pursue energy efficiency measures. Further, the Company continues and will continue to promote the use of energy efficiency measures to its customers as the WNA removes the financial disincentive for National Fuel Gas to promote energy efficiency.
6	How the ratemaking mechanism and rate design impact customer incentives to employ efficiency measures and distributed energy resources.	Customers retain strong incentives to reduce usage because the commodity and other charges remain volumetric. The proposed WNA does not eliminate these price signals, so lower usage still results in lower bills.
7	How the ratemaking mechanism and rate design impact low-income customers and support consumer assistance programs.	Under the proposed WNA mechanism, customers who are currently enrolled to pay their bills based on a percentage of their household income see little to no impact to their bills under the WNA mechanism.
8	How the ratemaking mechanism and rate design impact customer rate stability principles.	The American Gas Association Gas Rate Fundamentals book (Pages 152 – 156) states: "The goal of stability recognizes historical relationships among customers in terms of the proportion of system costs each customer group bears. Stability leads to a policy of gradualism in rate changes if substantial increases (or decreases) are called for in the context of a single rate case. Changes in gas utility pricing policy should be imposed gradually so that customers can

WNA Mechanism Policy Factors

#	Statement of Policy	Company's Response
		adjust and any adverse impacts on the customers' operation are minimized." The WNA mechanism provides customers with more stable annual bills and directly mitigates volatility in their monthly costs. Customers would pay for the costs assigned to the volumetric base rate in the most recent rate case and customers would not pay more or less than that amount solely because the actual weather for the month the customers are billed is different than the weather used to determine the rate design of the volumetric base rate.
9	How weather impacts utility revenue under the ratemaking mechanism and rate design.	The Company's WNA adjusts customers' bills due to variations from normal weather during the heating season months (October through May), and it only mitigates the revenue effect of weather on the original rate design of the volumetric base rate. Without it, the Company is deprived of the opportunity to recover the Commission-approved distribution revenue requirement for the applicable classes during times when warmer than normal weather occurs. Moreover, the absence of a WNA places the Company in a position of receiving a higher amount of revenues from customers when the weather is colder than normal. The WNA avoids both scenarios by minimizing the impact of weather on the Company's revenues and customers' bills.
10	How the ratemaking mechanism and rate design impact the frequency of rate case filings and affect regulatory lag.	The WNA does not impact the Company's rate case frequency nor it effects regulatory lag.
11	If or how the ratemaking mechanism and rate design interact with other revenue sources (e.g., surcharges).	National Fuel Gas's WNA is solely focused on recovering costs that are part of the base revenue requirement and does not interact with other revenue sources, such as Section 1307 automatic adjustment surcharges, restructuring riders, or system improvement charges under Section 1353.
12	Whether the alternative ratemaking mechanism and	National Fuel Gas's WNA includes several consumer protections to ensure fairness and transparency, as follows:

WNA Mechanism Policy Factors

#	Statement of Policy	Company's Response
	rate design include appropriate consumer protections.	a. No Over-Recovery of Revenue: The WNA mechanism results in an adjusted bill that reflects the revenues that would be recovered under normal weather, i.e., the same normal weather used to set rates. The Company does not recover additional distribution revenues due to colder than average temperatures that result in higher-than-normal usage from customers. This is ensured by limiting the mechanism to the heating season and having a deadband. b. No Cross-Subsidization: The WNA is customer-specific. c. Regulatory Oversight: The WNA is subject to Commission review and regulatory reporting requirements to ensure compliance with approved revenue stabilization objectives and to protect consumers from unintended rate impacts. d. Customer Transparency: National Fuel Gas provides clear bill disclosures and customer education regarding WNA adjustments, ensuring consumers understand how the mechanism works and how it impacts their bills.
13	Whether the alternative ratemaking mechanism and rate design are understandable to consumers.	The WNA is not a new concept to the regulated utility industry and similar versions have been successfully implemented by other Pennsylvania natural gas distribution companies. The WNA tariff provides detailed information to the customer of how the mechanism works and the adjustments are displayed separately on bills, ensuring full transparency. The Company has also made available Frequently Asked Questions (FAQs) on its website https://www.nationalfuel.com/utility/weather-normalization-adjustment-pa-home-biz/ Additionally, the Company sent customers a WNA reminder and plain language insert September 2025, ahead of the winter heating season.
14	How the ratemaking mechanism and rate design will support improvements in utility reliability.	The proposed WNA targets the revenue requirement that would have been already subject to scrutiny and approved by the Commission, meaning that its prudency and reasonableness would have been reviewed and deemed appropriate to support reliability driven

WNA Mechanism Policy Factors

#	Statement of Policy	Company's Response
		initiatives. The proposed WNA would help minimize the volatility of the recovery of these costs.

@

Statement

19 - RJ

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Ammend

Scan in

Please &

Thankyou

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d 12/7/2015)