

PSC NO: 9 GAS
NATIONAL FUEL GAS DISTRIBUTION CORPORATION
INITIAL EFFECTIVE DATE: 05/31/2016

SECTION: 17 LEAF: 2
REVISION: 0
SUPERSEDING REVISION:

SERVICE CLASSIFICATION No. 17 (Cont'd)

BASIC GAS-FOR-ELECTRIC-GENERATION-SERVICE TARIFF - Cont'd

E. ADJUSTMENT OF THE RATE:

The base rate per Mcf transported shall be adjusted each month by the currently effective Value-Added Charge ("VAC") for the month as determined below. The VAC will be updated annually and will be in effect each May 1 for an annual 12-month time period. In no circumstances shall the level of adjustment lead to a unit rate for the month of less than the base rate per Mcf. The VAC shall be determined annually for each Customer based on historical and projected usage for each customer and the appropriate heat rate for the Customer's facility. Annual filings recalculating a Customer's VAC shall be made 60 days after the VAC year. The VAC year shall be the 12 months ended December 31. The equations for determining the VAC and the definition of the variables included in the equations are provided below.

VAC = TYVAC + VACREC

BYSS = Base year spark spread. Average hourly spark spread for the first full year of operation of the New York Independent System Operator ("NYISO"). A single BYSS per MWH shall be established for each of four proxy heat rate tiers as defined below. The hourly electric prices used in calculating the BYSS shall be the real time electric prices for the Western Zone of the NYISO. The gas prices used in calculating the BYSS shall be based on the daily market price of gas reported in SNL for Dominion S. The market price of gas shall be the average of the mid-point price and high price. The daily market price of gas shall be converted to a MWH equivalent for each heat rate defined below. The BYSS shall be the average for the year of each hourly difference between market price of electricity and the market price of natural gas.

TYVAC = Test Year Value Added Charge. The TYVAC shall be the sum of the positive monthly VAC values calculated for the test year divided by the total consumption of the Customer during the test year. The monthly VAC values for the test year shall be the sum of the multiplication for each hour of the month of the MWH produced based on the assumed heat rate and the Customer's metered hourly consumption by 5% of the differences between the hourly spark spreads and the BYSS. The test year shall be the most recent 12 month ended December period that the Customer received service under this rate schedule. If the Customer's facility was not fully operational at the start of the test year, the Customer will be assigned a TYVAC equal to the average TYVAC for all Customers whose facilities were operational for the 12 months within the applicable heat rate tier level.

VACREC = VAC Reconciliation. The VAC REC shall be the result of dividing the difference between the actual TYVAC charges collected from the Customer during the test year and the sum of the positive monthly VAC values calculated for the test year by the total consumption of the Customer during the test year. The VACREC may be positive or negative.

Issued by C. M. Carlotti, President, 6363 Main Street, Williamsville, NY 14221
(Name of Officer, Title, Address)