

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

SECTION: 0 LEAF: 120
REVISION: 0
SUPERSEDING REVISION:

GENERAL INFORMATION (Cont'd)

II.34. SYSTEM MODERNIZATION TRACKER

A. System Modernization Cost Calculation:

The Company shall be permitted to recover the identified costs listed below through this System Modernization Tracker. The determination period for identifying qualified costs for recovery shall be the 12 months ended March 31.

B. Qualified Costs:

The following costs shall qualify for recovery through the System Modernization Tracker.

(1) Leak Prone Pipe Replacement Incentive:

The Company shall be permitted to recover leak prone pipe ("LPP") replacement above the annual leak prone pipe replacement target of 105 miles. Qualified LLP shall be LLP as defined in Case 16-G-xxxx. Beginning with the 12 month period ending March 31, 2018, the Company shall calculate the difference between total annual LLP removed in miles less the targeted annual amount of 105 miles. The annual differences shall be accumulated each year to determine the amount of total LLP incentive that the Company will be permitted to recover. For example, the amount of LLP removal for the 12 months ending March 2020 will be the sum of the annual differences in LLP removed for the 12 months ending March 31, 2018, 2019, and 2020. The sum of the annual differences above the LLP target shall be multiplied by \$172,192 per mile of LLP removed to determine the amount of annual LPP costs authorized to be recovered under this mechanism.

(2) Other Authorized System Improvement Cost:

The Company shall be permitted to recover additional system improvement costs as may be authorized by the Commission. Such costs may include authorized costs incurred to support the Commission's actions in Case 14-M-0101 - Reforming the Energy Vision Proceeding.

C. Recovery of Qualified Costs:

Qualified costs shall first be recovered from the rate payer share of Off-System Sales and Capacity Release. If the amount of costs qualified for recovery exceed the ratepayer share of Off-System Sales and Capacity Release the Company shall be permitted to defer the difference for recovery in a future base rate proceeding.

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