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national fuel

March 26, 2014

Hon. Kathleen H. Burgess
Secretary
Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

Re: Proposed Tariff Revision
National Fuel Gas Distribution Corporation

Dear Secretary Burgess:

National Fuel Gas Distribution Corporation ("Distribution" or the "Company") submits the following revision to its tariff, P.S.C. No. 8 - GAS

Leaf No. 37.2 Revision 2

The proposed revision is issued as of today for an effective date of August 18, 2014. In support of this request, Distribution states as follows:

A. Purpose of Proposed Revision

The Company is currently developing a new customer information system (CIS). The new system that the Company has chosen prorates customer bills in a manner different from the current method utilized by the Company, without diminishing customer service. In order to avoid time consuming and potentially costly modifications in developing the new system, the Company proposes to utilize the proration methodology built into the new system, and commonly used by other utilities in New York and elsewhere. Utilizing the new system's proration methodology will require a tariff change. Revision 2 to Leaf No. 37.2 proposes to modify the Company's tariff to accommodate the proration methodology included in the new billing system being developed by the Company. Since the new billing system is not anticipated to be in operation until July 2015, the Company has included a provisional effective term in the tariff. In the proposed tariff the Company is stating that the new proration methodology will be in effect "on or about July 1, 2015". Under the proposed tariff the Company would provide the Commission with 30 days notice to when the new CIS system will be operational and the new proration method would be placed into effect.

The Company is filing this tariff amendment now to provide certainty as to the new CIS system development requirements. It is typical of the systems integration process for CIS replacement to evaluate whether the software can replicate current operations or only with modification. In some applications, CIS software is designed to industry norms or

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established practices, and in those instances, it is in the utility's interest, and the interest of the utility's customers, to replace an existing method with the industry standard. Here, Distribution's current bill proration method is sound, but unnecessarily complicated. With the new CIS, Distribution has an opportunity to improve customer service by conforming its billing practices to the methodology contained in the "off-the-shelf" CIS software. If, however, the Company chose, or was required to retain the existing methodology, then the CIS software would have to be conformed to the Company's method, at some potential cost. It is for this reason that the Company requests that this filing be addressed by the Commission at the session scheduled for August 14, 2014, or reasonably near to that date. With the certainty of a Commission order, the Company can proceed to design its CIS requirements for the new methodology on a timely basis. The key to this process is the flexible implementation date, with notice to the Commission, proposed herein. Without flexibility as to implementation, if there were a delay in the CIS in-service date the Company would be at risk of requiring a costly and wasteful modification to the Company's existing CIS, only to be replaced by the new CIS a short time later. To avoid this result, the Company requests approval of a flexible implementation schedule, as set forth in the proposed tariff language.

As noted, the proration methodology utilized in the new CIS system being developed is similar to the proration methodology used by other New York local distribution companies. (See for example: PSC NO: 90, NEW YORK STATE ELECTRIC & GAS CORPORATION Gas, Leaf : 24 and PSC NO: 219 GAS, NIAGARA MOHAWK POWER CORPORATION, LEAF: 71). Therefore, the Commission has already determined that the method requested herein is reasonable and consistent with the Commission's policies and consumer protection requirements.

Moreover, the proposed change will provide additional benefits including the reduction of the number of circumstances that a customer's bill may be prorated and mitigate the potential for unnecessary customer confusion regarding how a prorated bill was calculated. Based on the current proration language, there have been a number of times where unnecessary customer confusion resulted from the application of the existing proration language. The following example will help to both illustrate the billing implications of the existing language and demonstrate how, from a practical perspective, the language being deleted is unnecessary.

The Company, like all other natural gas utilities, renders bills on a cycle basis. Within each month, the Company utilizes 21 billing cycles to bill its entire customer base for the month. In effect, the Company bills approximately 1/21 of its customers on each of the 21 billing days in the billing cycle. Based on the number of working days during a month, the number of calendar days included in a billing cycle can vary from month to month.

National Fuel currently prorates any bill when the number of days in the billing period does not match the number of days in the bill control period. This can lead to customer confusion when the bill proration calculation results in a higher Billing Service Charge in a month where there are fewer total days in the billing period but more days than the scheduled control compared to the following month which has more days in the actual billing period but fewer days than the scheduled billing period.

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As long as there were no variances in the number of billing days in a cycle there is no need to prorate. However, there are times when the number of days for a customer in the billing cycle may vary from the scheduled number of days. These reasons include, among other things, the customer moving from their current premises, the rerouting of customers from one billing cycle to another, or the receipt of a customer-provided meter reading with a reading date that does not correspond to the scheduled billing cycle.

The last circumstance, a read date other than the scheduled read date, results in a prorationing calculation that may provide a confusing billing rate to the customer.

For example, assume Billing Control 5 has the following scheduled meter reading dates of 10/4, 11/2 and 12/5 for October, November and December 2014, respectively. This results in scheduled billing periods of 29 days for November and 33 days for December. A customer in Billing Control 5 would see a Billing Service Charge of $1.07 for their November and December bills if the Company or customer read the meter on the scheduled dates. Under the current proration methodology, the Billing Service Charge would be prorated for their November and December bills if the Company or the customer read the meter on 11/3/14 (instead of 11/2/14) and read the meter on the other scheduled dates. The proration factor is calculated by dividing the Actual Bill Period by the Scheduled Billing Period. The prorated Billing Service Charge would be calculated as follows:

	November 2014	December 2014
Scheduled Billing Days	29	33
Actual Billing Period Days	30	32
Proration Factor	1.03	0.97
Billing Service Charge	$1.07	$1.07
Prorated Billing Service Charge	$1.10	$1.04

The net result of these calculations is that the customer receives a prorated Billing Service Charge of $1.10 in their November bill covering 30 days followed by a prorated Billing Service Charge of $1.04 in their December bill covering 32 days. Our proposal to eliminate the proration on cycle bills would render this calculation no longer necessary.

As you can see from the table, the existing proration language results in a billing charge rate that is greater for the month with fewer days in the billing cycle than the month with a greater amount of days in the cycle. While the rates vary in a counter-intuitive manner from month to month, the average monthly rate paid over the two months is $1.07 [($1.10 + 1.04)/2].[1]

As can be seen from this simple example, the existing prorationing may lead to results which, while correct, can be confusing to explain to the customer. This example clearly demonstrates that the existing proration language is unnecessary since over the two months of service the customer pays the same average charge. Accordingly, the Company believes that the changes proposed herein will improve customer service by reducing bill complexity.

[1] It should be noted that a similar counter-intuitive rate resulting from the prorationing will apply to the minimum charge.

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B. <u>Newspaper Publication</u>

The Company requests a waiver of the Commission's requirement under Public Service Law §66(12)(b) for newspaper publication of the above revision. The revision is largely non-substantive in customer effect, and therefore the expense of publication would not serve the public interest.

C. <u>Conclusion</u>

For all of the foregoing reasons, Distribution respectfully requests that the proposed tariff revision be approved for an effective date of August 18, 2014.

Please contact the undersigned at (716) 857-7805 or Thomas Clark at (716) 857-7008 if you have any questions on this filing.

Respectfully submitted,

Eric H. Meinl
General Manager
Rates and Regulatory Affairs