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national fuel

December 11, 2015

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

Re: Case 14-G-0551 - National Fuel Gas Distribution Corporation
Proposed Tariff Amendment

Dear Secretary Burgess:

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

Leaf No. 148.6 Revision 12
Leaf No. 148.17 Revision 0

For the reasons that follow, Distribution respectfully requests that the above tariff revisions be approved, together with changes described below, for an effective date of April 1, 2016.

Introduction

This filing is submitted to the New York Public Service Commission ("NYPSC" or "Commission") by the Company in response to the Commission's Order in Case 14-G-0551 with an issued and effective date of May 15, 2015 ("Order").[1] Ordering paragraph 2 of the Order requires that:

> National Fuel Gas Distribution Corporation shall work with Staff to develop a competitive component of the DG, NGV and

[1] CASE 14-G-0551 - Tariff filing by National Fuel Gas Distribution Corporation for approval to extend its Distribution Generation and Natural Gas Vehicle Programs and for authorization of the Partnership to Revitalize the Industrial Manufacturing Economy of Western New York (Prime-WNY); ORDER APPROVING THE TARIFF AMENDMENTS WITH MODIFICATIONS (Issued and Effective May 15, 2015).

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> Prime-WNY Programs and shall make a new tariff filing to achieve this goal within 90 days of the issuance of this Order.

Three extensions of the required tariff filing date were granted by the Secretary, as permitted in ordering paragraph 5 of the Order. Pursuant to the final extension, the tariff filing required by the Order is due no later than December 14, 2015.

The Company has held a number of conference calls and meetings with Staff to discuss the requirements of the Order. The proposed tariff leafs are filed as a result of those conference calls and meetings.

Summary of the Filing

A consequence of the aforementioned conference calls and meetings was an appreciation of the challenge associated with developing a competitive component of the partnership for DG, NGV and Prime-WNY Programs that (1) provides participating and non-participating customers with overall benefits from the new application, (2) compensates the Company for finding, developing, managing, and providing service to the new natural gas application, and (3) allows the third party providing financing to recover its investment at a reasonable return.

The current funding program offers a straightforward process involving two parties – the Company and the customer. Under this program, the Company effectively foregoes its opportunity to keep 10% of the incremental revenue associated with incremental transportation volumes to the new customer application for the term of the buy down (up to seven years). In return, the Company is allowed to recover a pre-tax rate of return on the funding it provides to the customer for the application buy down. The participating customer receives funding to buy down the initial costs of installing their incremental natural gas application. Non-participating customers receive benefits from the new natural gas application once the funding of the buy down has been amortized through the incremental revenues associated with the incremental volumes transported to the new natural gas fired equipment.

The addition of a third party funding option to the program adds complexity to the transaction, includes an additional step for the customer, to identify and evaluate any third party opportunities, and affects the manner in which participants in the program achieve benefits from the program (e.g., third party funding of the buy down carves out the pre-tax return Distribution typically earns under the program). In light of these added complexities, if a third party funding option is developed it should be as streamlined as possible. Based on the aforementioned discussions between the Company and Staff, the most practical way of applying a competitive component to these programs would be to provide a customer installing the incremental natural gas fired equipment a discounted rate for incremental volumes. A discounted rate of 50% coupled with an 80/20 sharing of incremental benefits between the Company and rate payers would be adequate to maintain the 10% contribution the Company is entitled to under the current

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90/10 symmetrical sharing mechanism. A 50% discount would also provide a contribution for the benefit of non-participating customers. The table below provides an example for the large volume SC 13 TC 4.0 customer class.

	No Discount - 90/10 Sharing			50% Discount – 80/20 Sharing		
	Full Margin Rate	Rate Payer	Company	Discounted Rate	Rate Payer	Company
SC 13 TC 4.0	$0.28356	$0.25520	$0.02836	$0.14178	$0.113424	$0.02836

As can be seen from the table under the 50% Discount - 80/20 Sharing proposal, the Company would be able to maintain the margin it would otherwise have achieved and the rate payer share would be above the $0.10 minimum customer contribution included in the Order for the Prime-WNY program. In order to simplify the process and minimize transaction costs, the term of the discount would be 7 years, and would end regardless as to whether the funding provided to the third party financing the buy down was completely amortized or not. The terms and conditions of the third party financing would be solely between the customer and the third party providing financing and would not be disclosed to the Company.

Conclusion

The Company has worked with Staff to develop the competitive third party financing option as required in the Order. The tariff leafs submitted herein are the results of that effort.

Newspaper Publication

The Company requests that the requirement of Public Service Law §66(12)(b) and 16 NYCRR Section 720-8.1 as to newspaper publication be waived as these revisions will not materially impact the Company's customers.

Company Contacts

For questions relating to this filing, please contact the undersigned at (716) 857-7237 or Eric Meinl at (716) 857-7805.

Respectfully submitted,

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