Received: 10/31/2023

October 31, 2023

VIA ELECTRONIC FILING
Honorable Michelle L. Phillips
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case 23-G-____ - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of National Fuel Gas Distribution Corporation for Gas Service

Dear Secretary Phillips,

National Fuel Gas Distribution Corporation ("National Fuel" or the "Company") hereby submits its proposed changes to tariff P.S.C. No. 9 - Gas, as listed on Attachment A to this letter.

The revisions are issued as of October 31, 2023 with a proposed effective date of December 2, 2023, although the Company understands that, after customary statutory suspension periods, they may not become effective until October 1, 2024. This is the first base rate increase sought by National Fuel since 2016, and it is only the second increase sought by National Fuel in the last 15 years. In that time, while the costs of goods and services that our customers must purchase for their homes and businesses have steadily risen, the average National Fuel residential customer bill has consistently been significantly lower than it was in 2008. This results from our base rates remaining largely unchanged over 15 years and the natural gas supplies we procure for our customers having remained low cost due to our proximity to abundant Appalachian production and ample capacity on affiliated and non-affiliated interstate pipelines to transport the supplies to our utility system. We are justifiably proud of our long record of maintaining affordability, while providing safe and reliable service to our customers. However, growing cost pressures and the need to advance New York's greenhouse gas ("GHG") emissions reduction goals require us to make this filing.

Among other things, the revised tariff leaves are designed to increase the Company's annual revenue by approximately $88.8 million, with the total revenue requirement being based upon operations during the projected rate year ending September 30, 2025. As set forth in the supporting testimony and exhibits, National Fuel's proposal will: 1) enable the Company to continue to invest in system safety, reliability, and GHG emissions reductions; 2) address the impacts of inflation and the rising cost of service; and 3) implement elements of National Fuel's Long-Term Plan and pursue decarbonization actions that can advance Climate Leadership and Community Protection Act ("CLCPA") goals.

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Details regarding specific items that contribute to the requested increase are shown in Attachment B. Attachment C shows the bills that will be increased or decreased and the overall percentage change by Service Class.

An electronic copy of the Company's prepared written testimony and exhibits, which comprise the Company's direct case in support of this rate case filing, are also submitted herewith. Hard copies will be provided shortly under separate cover to Department of Public Service Staff, as requested, once copying production has concluded.[1]

The witnesses and Panels that will testify on behalf of the Company are:

Bickey Rimal (ECOS)	Janine M. Ward (Audits)
CLCPA Panel	John J. Spanos (Depreciation)
Customer Service Panel	Joshua C. Nowak (Cost of Capital)
Demand Forecast Panel	Melissa F. Bartos (MCOS)
Energy Services & Sustainability Panel	Operations & Safety Panel
Finance Panel	Policy Panel
Gas Supply Administration Panel	Revenue Requirement Panel
Human Resources Panel	Revenues & Rate Design Panel
Information Technology Panel	Site Investigation and Remediation Panel
Infrastructure and Engineering Panel	Tax Panel

While the Company is filing a traditional one-year rate case, it is also submitting schedules that present two additional rate years of information for the sole purpose of facilitating a multi-year settlement process. The Company is open to pursuing a multi-year negotiated rate plan in this proceeding because it could benefit customers by providing rate predictability and an opportunity to spread out, or levelize, customer bill impacts, while also saving ratepayers the expense associated with multiple, successive rate cases that would be anticipated without a multi-year settlement.

Description of Rate Request

In this rate filing, the Company seeks an increase in annual revenues of approximately $88.8 million, raising base delivery revenues by approximately 30.8%[2] and total revenues by 11.1%. The Company's proposed new base delivery rates will increase the average residential

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1 Two sets of testimony and exhibits will be delivered to the New York State Department of State, Utility Intervention Unit in accordance with 16 NYCRR §4.5(d)(l).

2 After considering the impact of certain existing surcharges and refunds that will be discontinued, the Company's net billed delivery revenues collected from ratepayers will increase $81.8 million, or 27.6%, in the Rate Year.

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heating customer's monthly delivery bill by $11.69, or 29.3%, and the monthly total bill by $11.31, or 13.7%. The average small commercial customer will see their monthly delivery bill increase $18.48, or 24.2%, and the monthly total bill by $16.65, or 8.3%. Since 2008, the delivery portion of National Fuel's customer bills has remained largely unchanged, with the delivery portion of the average residential monthly bill expected to be $38.86 in calendar 2023, a mere $0.05, or 0.1%, higher than the delivery portion of the average residential monthly bill in calendar 2008. We are proud to currently have the lowest average monthly delivery charges in New York State. Had the Company's delivery rates kept pace with inflation since 2008, as measured by the U.S. Bureau of Labor Statistics' Consumer Price Index, the average residential customer would be paying $56.52 per month in delivery charges. The Company's proposed base delivery rate increase would bring the average monthly delivery charge to $51.62 for the average residential customer, still below where the residential delivery charge would have been had it simply kept pace with inflation since 2008.

National Fuel generally has been able to avoid increasing its delivery rates due to a persistent focus on controlling costs, changing demographics among its workforce, and its ability to operate and finance the business efficiently over the long-term. The Company, however, is now experiencing significant increases in its cost of service driven principally by the need to continue investing in system modernization and GHG emissions reductions, and to address the impact that severe inflation and other external economic factors have had on the essential labor, goods, and services necessary to operate the Company's system.

Given these factors, National Fuel's current rates do not allow it a reasonable opportunity to recover its cost of providing safe and reliable service. Without the proposed increase National Fuel's projected revenues will be insufficient to allow us to make necessary investments in critical energy infrastructure, to adequately compensate our employees (who are critical to maintaining system safety and quality customer service), and to make investments that will enable the Company to continue to develop and implement initiatives that further align its long-term strategy with the emissions reduction goals of the CLCPA without sacrificing safety, reliability, and affordability. The Company anticipates that, even with its proposed increase, National Fuel's average monthly delivery charges will continue to be among the lowest in New York State.

National Fuel's highest priority is the safety of our customers, employees and the communities we serve. We have a long-standing culture of safety that encourages continuous improvement of our safety performance, with demonstrated success in reducing total leak backlog, meeting third-party damage prevention goals and providing outstanding emergency response. Without compromising safety or reliability in the least, and in fact, dramatically increasing our attention to the safety and reliability of our underground system, the Company and its dedicated employees have consistently done more with less. The proposed increases, however, are unavoidable and necessary for the Company to continue to provide the safe and reliable service customers have come to expect.

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The primary drivers of the Company's requested rate increase include: 1) higher rate base, which is being driven by the Company's leak prone pipe replacement program and the impacts of historically high inflation on internal and external labor and materials that have increased the Company's average cost per mile of pipeline replaced; 2) higher operations and maintenance expense, which is primarily being driven by increasing internal labor costs due to persistently high inflation, initiatives to address employee retention and attraction challenges in the current highly competitive labor market, and a larger workforce complement needed to address increasing compliance, new regulatory requirements, and supplement the technical expertise that will be needed to implement the Company's Long Term Plan; 3) higher cost of capital, which is being driven by a higher equity capitalization ratio and an increase in the required return on equity necessary to continue to attract investor capital in the current high interest rate environment; and 4) regulatory asset and liability amortizations, which are being driven principally by the recovery of regulatory asset balances associated with the deferral of revenues earned under the Company's leak prone pipe replacement tracking mechanisms.

Rate Moderation

The Company does not seek this necessary rate increase lightly and recognizes customers are still experiencing the lingering effects of the COVID-19 Pandemic and high levels of inflation that continue to place pressure on the cost of all goods and services. Accordingly, the Company has taken voluntary steps to moderate the proposed rate increase. For example, the Company's filing proposes a return on equity ("ROE") approximately 50 basis points below the average ROE recommended by the Company's expert, which reduced the proposed revenue requirement by $3.9 million. The Company is also proposing to defer the collection of any under recovery relating to its pending petition for COVID-19 pandemic uncollectible expense tracker until its next rate case, which is currently projected to be a net $8.9 million regulatory asset on September 30, 2024. It is also requesting to amortize its net $38.2 million regulatory asset over a three-year period to spread the rate impact of these assets over multiple years. In addition, while persistent inflation may make achieving it difficult, the Company has applied a 1% productivity adjustment in the projected operations and maintenance expense for the benefit of customers to reflect the possibility of future productivity gains, which reduced the proposed revenue requirement by $0.9 million.

Finally, the Company has taken a number of actions since its last rate case that have lowered rates and moderated customer bill impacts of certain programs implemented in response to the COVID-19 Pandemic, including forgoing the recovery of carrying costs on the build-up of arrears when the Company was unable to conduct terminations and collections activity, as well as rate offsets applied against the cost of the State's arrearage relief program for the benefit of ratepayers. Furthermore, the Company voluntarily petitioned the Commission in 2022 to implement a refund of approximately $15 million to customers to stop the recovery of Pension and OPEB costs authorized in the last case. These actions accelerated savings to customers that otherwise would have been available to help offset the proposed increase in this rate filing.

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System Modernization

A core aspect of the Company's business is the continuous investment in its pipeline infrastructure used to deliver natural gas to customers in Western New York. National Fuel plans to spend a majority of its capital expenditure budget over the next five years on investments that maintain and enhance the safety and reliability of its gas system. In fact, approximately 70% of National Fuel's capital expenditure budget is dedicated to continuing to invest in the removal and replacement of leak prone pipe ("LPP") where non-pipe alternatives are not available or appropriate. The Company is proposing to continue to target the replacement of 110 miles per year of LPP largely consisting of bare steel and wrought iron main and transmission pipelines that can pose a risk to system safety and reliability. This activity level would keep the Company on pace to replace all of its remaining inventory of leak prone mains and services by 2035, consistent with Commission directives. National Fuel's LPP Replacement Program has already reduced annual GHG emissions from its distribution system in New York by approximately 69%, and if extended to 2035 as proposed will result in an anticipated 90% reduction in such emissions, all from 1990 levels. The Company also plans to continue to upgrade and modernize compressor and regulator stations, measurement and metering equipment, and other essential facilities that are necessary to ensure the continued safe and reliable operation of critical energy infrastructure for the benefit of residents and businesses in Western New York.

The revenue support provided through this rate proceeding will allow the Company to continue to provide Western New York residents with the overwhelming benefits of access to a low priced, reliable and increasingly decarbonized energy supply. This access delivers unparalleled economic benefits to the homes and businesses of Western New York.

CLCPA

The Company's rate filing includes a number of programs and initiatives that will make substantial contributions towards achieving the decarbonization goals of the CLCPA. For example, the Company is proposing the following GHG emissions reduction initiatives as part of this filing:

1) Hybrid Heating Pilot, which will evaluate the feasibility, cost effectiveness, functionality, and impact of different conditions on hybrid heating systems and cold climate air source heat pumps in the Company's service territory;
2) Demand Response Pilot for implementation in the Company's service territory;
3) Renewable Natural Gas ("RNG") Pilot, which will allow the Company to purchase RNG to meet system-wide natural gas requirements;
4) Continuation of the Company's Leak Prone Pipe Replacement Program, which as noted above reduces GHG emissions from the natural gas system;

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5) Certified Natural Gas Pilot, which will allow the Company to purchase natural gas from operators who are implementing best practices in relation to emissions reduction and environmental impact;
6) Continuation of the Research, Development & Demonstration Program, which the Company uses to fund projects aimed at facilitating GHG emissions reductions;
7) Service Center Solar System; and
8) Expansion of the Company's EV fleet and infrastructure, including charging points.

These initiatives are expected to result in meaningful additional emissions reductions that will grow over time. The Company's filing also contains proposals, including but not limited to the specific proposals identified above, that provide benefits to disadvantaged communities.

Other Changes Proposed in this Rate Request

This filing also includes other changes to the Company's rates and services, including the following:

- The Company is proposing to continue its customer service programs, including its unique five-tier energy affordability program, which help provide affordable bills to low-income households;

- The Company is requesting additional funding to expand its heating equipment repair and replacement program for vulnerable households;

- The Company is proposing to expand no-fee payment options and recover the cost of certain payment methods in base rates;

- The Company is seeking to continue its Energy Efficiency programs and enhance its energy efficiency partnerships towards building shell and weatherization measures to reduce natural gas usage;

- The Company is a proposing number of initiatives to enhance gas safety, including expanding the current Residential Methane Detector Program; an enhanced leak survey program; a Damage Prevention Inspection Program; additional resources for line locating vendor services; and a Cross Bore Program;

- The Company is requesting funding to promote employee health and safety, including implementing a safety alert system for field employees, initiating an operations supervisory specific safety training program, developing a formal annual safety leadership training program for Operations supervisors, and providing additional training for supervisory and managerial staff;

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- The Company is proposing to stand-up a 24x7 centralized security operations center that will allow for proactive monitoring and response for critical physical infrastructure and cyber assets; and

- The Company is requesting a CLCPA surcharge, which will include the recovery of costs associated with programs and initiatives authorized by the Commission and undertaken in connection with the Company's efforts to facilitate the goals of the CLCPA thereby maintaining transparency on customer bills and ensuring that costs being recovered from ratepayers to advance New York's climate policy efforts are clearly segregated from base delivery and supply rates.

Procedural Matters

The Company addresses the following procedural matters associated with this filing in accordance with the requirements of the Commission, including:

1) A draft Notice of Proposed Rulemaking in the form required by the State Administrative Procedure Act and specified by the New York State Department of State pursuant to 16 NYCRR § 3.5(i) is attached hereto as Attachment D;

2) A Notice of the filing will be published in newspapers pursuant to the requirements of Public Service Law § 66(12)(b) and in accordance with 16 NYCRR § 720-8.1. Once published, the Company will file proof of newspaper publication of the Notice with the Secretary, in accordance with 16 NYCRR § 720-8.1(a)(2);

3) Copies of this filing will be available for inspection by the general public on the Company's public website; and

4) The Company will furnish bill inserts to its customers concerning this filing in accordance with 16 NYCRR § 720-9.1.[3]

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[3] Due to the production time needed to create bill inserts, the Company requests a limited waiver of 16 NYCRR § 720-9.1 to allow it to start mailing bill inserts within 15 days instead of 7 days of the rate filing.

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We look forward to working with the Department of Public Service Staff and our other stakeholders over the next eleven months while this rate increase request is examined in detail.

Respectfully submitted,

Donna L. DeCarolis
President

Enclosure

cc: Active Parties to Cases 16-G-0257 and 22-G-0610 (w/ enclosure)

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Attachment A

PSC No. 9 – Gas: List of Proposed Tariff Leaves

Section No. – Leaf No.	Revision No.	Superseding Revision No.		Section No. – Leaf No.	Revision No.	Superseding Revision No.
0-2	**5**	**4**		**1-1**	**2**	**1**
0-3	**13**	**12**		**1-1.1**	**0**	
0-3.1	**0**			**1-2**	**2**	**1**
0-10	**2**	**1**		**2-1.1**	**1**	**0**
0-61	**3**	**2**		**3-1**	**2**	**1**
0-62	**3**	**2**		**3-1.1**	**0**	
0-63	**2**	**1**		**4-1**	**2**	**1**
0-64	**2**	**1**		**4-2**	**3**	**2**
0-65	**2**	**1**		**4-2.1**	**1**	**0**
0-67	**2**	**1**		**4-3**	**2**	**1**
0-69	**2**	**1**		**4-4**	**2**	**1**
0-116	**5**	**4**		**4-5**	**2**	**1**
0-117	**5**	**4**		**4-6**	**2**	**1**
0-118	**3**	**2**		**5-1**	**2**	**1**
0-119	**4**	**3**		**5-2**	**2**	**1**
0-120	**5**	**4**		**5-3**	**2**	**1**
0-120.1	**4**	**3**		**6-1**	**2**	**1**
0-121	**2**	**1**		**6-2**	**2**	**1**
0-122	**3**	**2**		**6-3**	**2**	**1**
0-124	**3**	**2**		**7-1**	**2**	**1**
0-125	**6**	**5**		**7-1.1**	**0**	
0-126	**4**	**3**		**8-1**	**2**	**1**
0-127	**2**	**1**		**8-2**	**2**	**1**
0-128	**2**	**1**		**10-1**	**3**	**2**
0-129	**7**	**6**		**10-1.1**	**1**	**0**
0-130	**8**	**7**		**10-2**	**2**	**1**
0-131	**6**	**5**		**10-3**	**2**	**1**
0-132	**5**	**4**		**14-2**	**2**	**1**
0-136	**2**	**1**		**15-1**	**2**	**1**
0-142	**3**	**2**		**15-2**	**2**	**1**
0-144	**3**	**2**		**15-3**	**2**	**1**
0-145	**2**	**1**		**15-4**	**2**	**1**
0-146	**4**	**3**		**19-15**	**2**	**1**
0-147	**5**	**4**				
0-150	**5**	**4**				
0-156	**1**	**0**				
0-156.1	**0**					
0-157	**1**	**0**				

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NATIONAL FUEL GAS DISTRIBUTION CORPORATION
NEW YORK DIVISION
REVENUE REQUIREMENT RECONCILIATION
VS. CASE 16-G-0257

Rate Base			**$38.0**
Investment in Net Plant		$22.5	
Deferred Income Taxes - Depreciation		2.5	
EBCAP		9.8	
Other		3.3	
		38.0	
Rate of Return			**11.7**
Equity Return		5.7	
Capital Structure and Cost Rates		6.0	
		11.7	
Revenues			**(11.5)**
Operating Expenses			**49.7**
Labor		26.6	
Benefits			
Pension and OPEBs	(15.6)		
Health Care	1.9		
All Other Benefits	2.3		
Total Benefits		(11.4)	
Uncollectible Expense		3.2	
Information Technology		5.8	
Contractors and Outside Services		8.0	
Regulatory Deferral Amortization		13.3	
All Other O&M		4.3	
		49.7	
Depreciation Expense			**13.7**
Other Taxes			**(2.0)**
Income Taxes			**(11.1)**
Federal Tax Rate - 35% vs. 21%		(8.0)	
State Income Tax Rate - 6.5% vs. 7.25%		0.4	
ARAM		(3.6)	
		(11.1)	
Rounding / Other			0.3
Total Base Rate Revenue Requirement			**$88.8**

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Attachment C

NATIONAL FUEL GAS DISTRIBUTION CORPORATION
NEW YORK DIVISION
ESTIMATED REVENUE EFFECTS OF PROPOSED GAS RATES
RATE YEAR - TWELVE MONTHS ENDED SEPTEMBER 30, 2025

	Avg. Customers	Mcf Delivered	Revenue at Current Rates	Revenue at Proposed Rates	Change in Revenues	% Change
Sales Service						
SC-1 Residential	413,122	42,245,875	$ 376,612,854	$ 434,095,340	$ 57,482,486	15.26%
SC-2 SLIP	73,871	8,148,117	71,245,480	81,792,082	10,546,602	14.80%
SC-3 General	24,429	7,394,808	56,491,039	61,867,108	5,376,070	9.52%
SC-3 Streetlighting	3	1,814	15,965	15,793	(171)	-1.07%
Total Sales	511,424	57,790,615	504,365,337	577,770,324	73,404,987	14.55%
Transportation Service						
SC-1 Residential	18,064	2,628,050	8,733,575	11,748,602	3,015,027	34.52%
SC-2 SLIP	994	129,819	460,456	619,241	158,785	34.48%
SC-3 General	10,857	7,186,803	17,513,445	22,359,374	4,845,929	27.67%
SC-3 Streetlighting	2	3,650	18,882	18,882	0	0.00%
SC-13 - TC 1.1	21	271,702	434,849	552,722	117,873	27.11%
SC-13 - TC 2.0	7	308,483	353,729	450,856	97,127	27.46%
SC-13 - TC 3.0	12	1,086,037	941,955	1,184,137	242,182	25.71%
SC-13 - TC 4.0	6	3,556,590	1,278,483	1,641,816	363,333	28.42%
SC-13 - TC 4.1	1	297,000	161,078	204,005	42,927	26.65%
SC-16	1	546,640	169,427	169,427	0	0.00%
SC-18 - TC 1.1	638	6,696,040	12,557,319	15,446,282	2,888,963	23.01%
SC-18 - TC 2.0	83	3,153,162	4,361,501	5,308,047	946,546	21.70%
SC-18 - TC 3.0	37	3,259,665	3,500,139	4,216,379	716,240	20.46%
SC-18 - TC 4.0	20	7,892,193	3,387,623	4,137,674	750,051	22.14%
SC-18 - TC 4.1	9	2,118,248	1,677,471	1,983,628	306,157	18.25%
Total Transportation	30,752	39,134,082	55,549,932	70,041,072	14,491,140	26.09%
Total Revenue	542,176	96,924,697	$ 559,915,270	$ 647,811,396	$ 87,896,127	15.70%
Late Payment Charges			6,050,952	6,907,307	856,354	14.15%
Grand Total			$ 565,966,222	$ 654,718,703	$ 88,752,481	15.68%