



NEW YORK STATE SENATOR

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National Fuel customers in WNY to enjoy rate freeze

GEORGE D. MAZIARZ May 8, 2014

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Today the Public Service Commission approved a joint proposal that includes a rate freeze for Western New York customers of the National Fuel Gas Distribution Corporation starting immediately through September 30, 2015. The customer-friendly joint proposal also requires the utility to refund \$5.5 million to customers and provide \$2 million to fund home-weatherization projects and a furnace replacement program for low-income customers in the Buffalo region.

Senator George Maziarz, Chairman of the Senate Energy and Telecommunications Committee, said, “This agreement is in the best interest of National Fuel customers, who will now enjoy an extended rate freeze, a modest refund, and a renewed commitment by their utility to fix old gas lines. All sides cooperated in reaching these proposals, and I support this positive outcome.”

“In making our determination, we recognize the fact that the joint proposal reflects the agreement of normally adversarial parties,” said Commission Chair Audrey Zibelman. “The parties that have signed onto the joint proposal represent a broad spectrum of the public including residential consumers; large industrial, commercial, and institutional customers; and low-income ratepayers. Their agreement to, and support for, the joint proposal is a strong indicator that the settlement proposed is in the public interest.”

In addition to the rate freeze, the joint proposal adopted today by the State Public Service Commission provides National Fuel Gas’ 481,679 residential customers a one-time refund. Most of the company’s commercial and industrial customers will also get refunds. In all, approximately \$1.77 million would be refunded to non-residential customers, and \$3.73 million to residential customers. The new rate agreement covers 516,386 customers in total.

In early 2013, the Commission found that rates being charged to NFG’s customers might be higher than necessary. As a result, the Commission directed a full examination of the company’s rates. Following hearings, the Commission ordered that NFG’s rates be made temporary subject to refund. Over the course of 2013, parties engaged in further discovery and participated in settlement discussions. This effort culminated in today’s adoption of the joint proposal.

In addition to the rate freeze and funding programs for low-income customers, the joint proposal provides an additional \$12.50 per month discount for eligible low-income customers during winter heating months; funding a new pilot gas expansion program; improving gas safety metrics; increasing financial risk for shareholders for failing to meet performance standards; establishing a collaborative to investigate expanding a low-income gas supply program; increasing spending on removal of leak prone pipe by \$8.2 million annually; and providing \$1 million annually in rates to support economic development in Western New York.

The joint proposal also addresses both past and potential future excess earnings. For past excess earnings, it requires the company to establish and fund a \$7.5 million deferred credit account for the benefit of ratepayers within 30 days

following the issuance of the Commission's order. This account would be allocated equitably among service classes on the basis of delivery revenues, net of commodity, and would be used to provide the refunds described above. In addition, \$2 million would be used to fund home weatherization and furnace replacement programs for low-income ratepayers.

The joint proposal also establishes a gas safety performance mechanism comparable to those that the Commission has put in place for other gas utilities. The mechanism will require NFG to increase its annual target for replacement of older, leak-prone pipe by nearly 20 percent.

New York is a leader and first mover in shaping the future of energy. By developing innovative market solutions, the State is delivering on Governor Cuomo's commitment to transform the energy industry into a more resilient, clean, cost-effective and dynamic system. Working with State, citizen and industry-stakeholders, the way of doing business in New York is moving to a more market-based, decentralized approach. This means preserving the environment, decreasing utility bills and creating opportunities for economic growth for current and future generations of New Yorkers. In advancing these new energy systems and solutions, New Yorkers will have improved energy affordability and efficiency without sacrificing their right to live in a cleaner, resilient and more sustainable environment.

The joint proposal that was adopted by the Commission was agreed upon by Department of Public Service staff, National Fuel Gas, Multiple Intervenors (MI), the Utility Intervention Unit of the New York State Department of State, and People United for Sustainable Housing – Buffalo.

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