

STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

October 31, 2023

SUBJECT: Proposed Major Revenue Increase for Rate Year Ending September 30, 2025
Case Nos.: 23-G-0627
Utility: **National Fuel Gas Distribution Corp.**
Date Filed: October 31, 2023 Final Suspension Date: September 30, 2024

National Fuel Gas Distribution Corp. (NFG or the Company) is requesting an increase in annual gas delivery revenues of approximately \$88.8 million (30.8 percent increase in base delivery revenues or 11.1 percent increase in total revenues) for the rate year ending September 30, 2025.¹ NFG projects that the requested increase in revenues will result in a total average residential heating customer monthly delivery bill increase of about \$11.69 or 29.3 percent and a total monthly bill increase of \$11.31 or 13.7 percent.

The Company states that the four primary drivers of the rate increase include: (1) an increase to rate base, which is driven by the 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) increased 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

¹ Net delivery revenues in the Rate Year are proposed to be increased by \$81.8 million, or 27.6 percent after existing surcharges and refunds are discontinued.

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.

The rate filing focuses on three priorities which include delivering safe and reliable service, meeting the needs of customers, and advancing Climate Leadership and Community Protection Act (CLCPA) goals. To address these priorities the Company proposes to: (1) enable the Company to continue investments in system safety, reliability, and greenhouse gas emissions reductions; (2) address the impacts of inflation and the rising costs of service; and (3) implement elements of NFG's Long-Term Plan and pursue decarbonization actions that can advance CLCPA goals.

Rate cases are a primary instrument of government regulation of these industries. Interested persons may intervene and become parties in a utility company's rate case. Typical intervenors include: industrial, commercial and other large-scale users of electricity; public interest groups; representatives of residential, low-income and elderly customers; local municipal officials; and, dedicated advocacy groups. The applicable legal requirements require the Public Service Commission (PSC) to render a decision within 11 months after a major rate case is filed. Rate cases proceed in an entirely public and open process.