Albany, NY—06/13/13—The New York State Public Service Commission (Commission) today decided to make the Buffalo-based National Fuel Gas Distribution Corporation’s (National Fuel) current rates temporary and subject to refund after an analysis determined that the company might be earning more money than was needed for it to provide safe and adequate service to customers. The Commission’s decision also allows for a more detailed and extensive investigation of future permanent rates.

“The full examination of National Fuel’s rates would take months to complete, during which time customers would be without protection from rates that might be determined to be excessive,” said Commission Chairman Garry Brown. “Under these circumstances, it is appropriate for the Commission to act now to protect ratepayer interests until a final determination can be made based on a full examination of National Fuel’s rates.”

On April 19, 2013, the Commission instituted a proceeding to examine National Fuel’s forecasted gas rates and deferral accounts after a review of the company’s more recent financial statements by Department of Public Service staff. The review by staff indicated National Fuel may now be earning in excess of the return on equity, or profit, envisioned by the current rate order, and in excess of a reasonable return. Further, staff’s projection forward suggests that this condition may continue in the future, unless the Commission took action.
To protect ratepayers’ interests, the Commission directed that the evaluation of the need for temporary rates be conducted on an expedited basis to avoid any harm to its more than 516,000 Western New York ratepayers, and directed National Fuel to show why its current rates should not be made temporary, subject to refund.

On May 8, 2013, National Fuel responded, and objected to temporary rates; and, on May 20, 2013, Department staff submitted testimony and exhibits addressing the National Fuel’s response. An evidentiary hearing was held on May 23, 2013, and parties submitted post-hearing briefs on June 6, 2013.

In the Commission’s 2007 rate order, National Fuel’s rates were developed using a return on equity (ROE) of 9.1 percent for the rate year ending December 31, 2008. For the company’s fiscal year ending 2012, staff claims the adjusted ROE is 12.40 percent. Under the 2007 rate order, there is no earnings sharing mechanism and, therefore, National Fuel retains all excess earnings above 9.10 percent when they occur. The rates and other terms in the 2007 order remain in effect today.

The Commission’s decision today, when issued, may be obtained by going to the Commission Documents section of the Commission’s Web site at www.dps.ny.gov and entering Case Number 13-G-0136 in the input box labeled "Search for Case/Matter Number." Many libraries offer free Internet access. Commission orders may also be obtained from the Commission’s Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.

-30-