

STATE OF NEW YORK

Public Service Commission

Patricia L. Acampora, Chairwoman

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FOR RELEASE: IMMEDIATELY

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New Rates for Natural Gas Service for NFG Customers

New York, NY—12/12/07—The New York State Public Service Commission (Commission) today authorized National Fuel Gas Distribution Corporation (NFG) to increase its delivery rates by \$1.8 million to take effect December 28, 2007. Customer bills will also be affected by a \$10.8 million surcharge to fund the Conservation Incentive Program; and by a \$4.1 million credit due to an over-collection of state income taxes.

“Today’s decision by the Commission is based on the record developed by numerous parties in a traditional, fully-litigated rate case,” said Commission Chairwoman Patricia L. Acampora. “Through the hearing process there was a full airing of the significant matters that affect rate levels. Our determinations in this case appropriately balance the needs of ratepayers and investors.”

On January 29, 2007, NFG filed revised tariffs to change its rates, charges, rules and regulations for natural gas service. By its filing, the company sought to increase base rates by approximately \$52 million (6.4 percent of the annual gas revenues expected in 2008). Public statement hearings were held on July 11, 2007, in Buffalo and Niagara Falls. Evidentiary hearings for interested parties were held in Albany on July 24 and 25, 2007.

The impact of the delivery rate increase on a typical residential heating customer using 1,022 Ccf (1 Ccf equals 100 cubic feet) per year is approximately \$24.00 or 1.6 percent increase for the year 2008. The monthly minimum bill for residential and general service customers was increased by approximately \$2.00.

Under the CIP, residential and other small-volume gas customers will be able to obtain rebates for installing energy efficient furnaces, hot water heaters and set back thermostats. Low-income customers will receive energy audits and assistance to reduce their use of natural gas. The CIP program costs would add about \$0.017/Ccf to customers' bills. A typical residential heating customer would pay about \$17 a year more to cover this energy efficiency program.

The Commission also approved a revenue decoupling mechanism (RDM) in order to eliminate any disincentives that may exist regarding energy efficiency initiatives.

NFG over-collected \$4.1 million in state income taxes that belongs to ratepayers. The Commission today directed NFG to apply the \$4.1 million to customer bills as a credit to provide them the benefit of the state income tax over-collection over the course of one year. A typical residential heating customer would pay about \$7 a year less as a result of this credit.

To better assist economically disadvantaged customers, the Commission increased the amount for the Low Income Customer Affordability Assistance Program (LICAAP) from \$5 million to \$6 million. Also, the Commission reiterated its prohibition of utilities collecting late payment charges on deferred payment agreement unpaid balances.

The company will be allowed a return on equity (ROE) of 9.1 percent. This return is based upon application of the Commission's long standing methodology for calculating ROE for utilities in New York State.

To promote system safety and customer service during the 2008 rate year, the Commission will continue to apply performance standards and revenue adjustments as appropriate to NFG. The safety and service standards and revenue adjustments are consistent with the standards adopted and endorsed in NFG's last rate case and they are needed to serve the public interest in safe, adequate and reliable service.

The Commission will issue a written order reflecting today's vote. That order, when ready, can be obtained from the Commission's Web site at www.dps.state.ny.us by accessing the File Room section of the homepage and referencing Case Number 07-G-0141. Many libraries offer free Internet access. Commission orders can also be obtained from the Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).