

STATE OF NEW YORK

Public Service Commission

William M. Flynn, Chairman

Three Empire State Plaza, Albany, NY 12223

Further Details: (518) 474-7080

<http://www.dps.state.ny.us>

FOR RELEASE: IMMEDIATELY

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PSC Seeks Public Comment on New Rate Proposal for National Fuel Gas Distribution Corporation

Albany, NY – 5/10/05 – The New York State Public Service Commission is seeking public comment on a Joint Proposal regarding National Fuel Gas Distribution Corporation's (NFG) pending rate case. Under the terms of the Joint Proposal, if approved by the Commission, the net amount paid by ratepayers for gas delivery service would decrease and then remain fixed over the next two years.

NFG initially filed a request to increase annual revenue and base delivery rates for natural gas service by \$60.9 million on August 27, 2004. The company's proposed delivery rate increase, when combined with the supply cost, would have resulted in a bill impact of approximately 5.6 percent for the average residential customer.

On April 15, 2005, following a period of negotiations, the New York State Consumer Protection Board, a group of large industrial customers, several energy marketers, and a Staff team from the Department of Public Service joined with National Fuel Gas Distribution Corporation in filing a revised rate plan. While the Joint Proposal provides for a base rate increase of approximately \$15 million, as well as the elimination of \$6 million in bill credits currently flowing to ratepayers, there are other provisions that would result in a net decrease in ratepayer costs. Specifically, the Joint Proposal reflects the change in taxes that occurred when the gross receipts tax was reduced and a state income tax was imposed. More of these taxes are now included in base rates instead of being collected through a separate charge on the bill. The net effect of this change is to reduce amounts that would otherwise be paid by ratepayers. The Joint Proposal also provides for two years of credits to ratepayers to return prior over-collections of state income taxes. Over the two years covered by the Joint Proposal, the net effect is an overall annual decrease in amounts paid by ratepayers of approximately \$15 million.

The bill impacts of the Joint Proposal vary according to customer service classifications. While all residential and general service customers will experience decreases, large transportation customers will experience increases in gas transportation costs ranging from 1.5 percent to 10 percent depending on service classification and usage. Because these customers are large users, the total bill impacts, when commodity costs are included, are smaller -- generally less than 1%. The Joint Proposal creates an opportunity for these customers to mitigate the impact of this increase by switching to daily metered service. Due to rate design changes contained in the Joint Proposal, the overall bill impacts for individual customers within a given service classification vary according to level of usage.

The delivery service portion of a customer's bill appears separately from the cost of gas itself, often referred to as the "commodity price." The Joint Proposal does not affect the commodity price of the natural gas, which is determined by market forces, not the Commission or the utility.

Under New York State Public Service Law, the Commission may adopt, amend, the terms of the Joint Proposal. To help guide the decision-making process, the Commission encourages public comment on the Joint Proposal. All comments should be received by **Wednesday, May 25, 2005**. All statements and comments received by the Administrative Law Judge or the Commission will be placed in the public case file and made available for inspection in the Commission's file room.

Options for Submitting Comments

Members of the public may submit comments to the Commission by mailing their written statements to the Honorable Jaclyn A. Brillling, Secretary, New York State Public Service Commission, Three Empire State Plaza, Albany, New York 12223-1350. These letters should reference "Case 04-G-1047 – National Fuel Gas Distribution Corporation Rates."

Other alternatives available for submitting comments for consideration by the Commission include:

Toll-free Opinion Line: Interested persons may call a special toll-free Opinion Line at 1-800-335-2120 to voice their opinion. This phone line is set up to receive comments about the proceeding from in-state callers, 24 hours a day. Callers should press "1" to leave comments on the National Fuel Gas Distribution Corporation's rate proposal.

The Internet: Comments may also be submitted via the “PSC Comment Form” in the “Consumer Assistance” file accessed through the homepage of the Commission’s Web site. Many libraries offer free Internet access. The Web site address is <http://www.dps.state.ny.us> and comments are downloaded regularly.

Copies of the Joint Proposal may be viewed at the New York State Department of Public Service, Central Files –14th Floor, Three Empire State Plaza, Albany, NY, or at the following libraries:

James Prendergast Free Library
Reference Section
509 Cherry Street
Jamestown, NY

Buffalo & Erie County Public Library
Business and Labor Department
One Lafayette Square
Buffalo, NY

Earl W. Brydges Public Library
Reference Section
1425 Main Street
Niagara Falls, NY

Amherst Main Library at Audubon
350 John James Audubon Parkway
Amherst, NY