STATE OF NEW YORK

Public Service Commission

William M. Flynn, Chairman

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Commission Approves Two-Year Rate Plan for National Fuel Gas Distribution Corporation

-Tax Changes and Credits Provide Bill Decreases-

Buffalo, NY – 7/20/05 – The New York State Public Service Commission today voted to adopt a two-year rate plan that establishes new delivery rates for natural gas customers of National Fuel Gas Distribution Corporation (NFG). As a result of the gross revenue tax reduction and the use of state income tax credits for ratepayers, most customers, including all residential and small commercial customers, will see their bills decrease over the next two years.

"The new rate plan approved today is good news for both NFG customers and Western New York's economy," Commission Chairman William M. Flynn said. "At least two years of stable delivery rates, increased opportunities for customers to choose a competitive supplier, expanded low-income assistance programs, and the economic development programs included in this plan are beneficial to all customer classes. I commend all parties who worked together to produce a plan that fairly balances the interests of customers and the company."

In its initial August 2004 filing, NFG proposed to increase delivery rates for natural gas service by $40 million. The company's original delivery rate increase proposal would have resulted in an overall bill impact of approximately 5.6%.

On April 15, 2005, following a period of negotiations, a Joint Proposal, supported by 10 parties, was submitted for consideration by the Commission. Under the terms of the Joint Proposal, NFG's base delivery rates will increase by approximately $15 million over the next two years. However, the Joint Proposal reflects the changes in state tax law that reduced the gross revenue tax imposed on utilities and imposed a tax on utility income. The effect of these tax changes will largely offset the rate increase and, when combined with other credits to ratepayers, will result in a bill reduction of $14.7 million (approximately 2 %) over the two years of the rate plan for many customers, including all residential and small general service users. After the credits expire at the end of the two-year rate plan, if there is no further Commission action at that time, bills may increase to a level that would be $1.5 million (approximately 0.2 %) above current levels. The rate plan approved today represents the first rate increase for NFG since 1996.

Large transportation customers could experience an increase in gas transportation costs ranging from 1.5% to 10% depending on service classification and usage. Because these customers use large volumes of gas, the total bill impacts, when commodity costs are included, are smaller -- generally less than 1%. However, the rate plan provides an opportunity for these customers to mitigate or eliminate the impact of increased transportation costs by switching from monthly to daily-metered service. Increased use of daily meters will improve the overall reliability of the system by allowing for a more accurate measure of user demand levels at any given time.

The rate plan approved by the Commission establishes rates for regulated delivery service. 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 plan adopted today does not affect the commodity price of the natural gas, which was deregulated by Congress beginning in 1978 and is determined by market forces, not the Commission or the utility.

-Customer Benefits & Performance Programs-

Under the new rate plan, NFG's existing Low Income Residential Assistance (LIRA) program is modified to increase the rate discount per eligible customer from the current annual level of $100 to $170 for the 2005-2006 heating season. The Company will also work with other parties to improve the program by providing a broader range of services to these customers. Funding for the discount and administration of the program has also been increased from $3 million to $5 million annually.

The rate plan also contains funding for the creation of an Area Development Program to provide development grants to community-based organizations or local development authorities for specific economic development projects designed to expand economic opportunities in NFG's service area. The grants will be funded up to $750,000 annually for five years. The rate plan restores NFG's expired Business Development Rate, a program offered to qualified business customers designed to promote the development of new and expanding businesses. It also preserves the Empire Development Zone discount with certain modifications to update its structure.

In addition to the expansion of local economic development programs, NFG will introduce several new retail access programs designed to facilitate competition in the natural gas market. The Company has committed to develop a "Market Match" program targeted to at least 1,000 of its largest sales customers. The program will provide these customers the opportunity to exchange information electronically and allow energy service companies (ESCOs) to offer interested, eligible customers competitive supply offers.

NFG also commits to sponsoring and conducting a minimum of two "Market Expos" together with a number of ESCOs over the two-year term of the rate plan for non-residential business customers. The Market Expo is designed to provide a forum to exchange information regarding retail choice and a platform for customers to receive offers from ESCOs. NFG will also work with other interested parties to further develop other retail access programs.

In order to ensure the continued safety and reliability of the Company's infrastructure, the rate plan provides for a Safety Performance Incentive Mechanism under which NFG will be subject to revenue adjustments if the Company fails to achieve performance targets for infrastructure enhancement, leak management, prevention of excavation damages and emergency response times.

The rate plan also strengthens customer service by re-establishing a Service Quality Performance Mechanism. Under this incentive program, NFG would be subject to revenue adjustments in the event that it fails to achieve defined performance targets among a range of service measures including: percentage of field-work appointments met; residential and non-residential customer satisfaction levels; and annual average of monthly customer complaint rate.

Parties supporting the Joint Proposal include the New York State Department of Public Service Staff and New York State Consumer Protection Board, National Fuel Gas Distribution Corporation, Public Utility Law Project (PULP), Multiple Intervenors (MI), Crown Energy Services, Inc., National Fuel Resources, Inc., North American Energy, Inc., the Small Customer Marketer Coalition, and NOCO Energy Marketing LLC.

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 http://www.dps.state.ny.us by accessing the Commission Documents section of the homepage and referencing Case Number 04-G-1047. Many libraries offer free Internet access. Commission orders can also be obtained from its Central Files Office, 14th floor, 3 Empire State Plaza, Albany, NY 12223 (518-474-2500).

NFG serves approximately 465,000 natural gas customers in Erie, Niagara, Chautauqua, Cattaraugus, Allegany, Genesee and Wyoming Counties in Western New York.

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