NEWS

National Fuel

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STATEMENT FROM CARL. M. CARLOTTI, PRESIDENT OF NATIONAL FUEL GAS DISTRIBUTION CORPORATION ON THE NEW YORK STATE PUBLIC SERVICE COMMISSION DELIVERY RATE INCREASE DECISION

(April 20, 2017) WILLIAMSVILLE, N.Y. -- "This is the first delivery rate increase sought by our Utility segment in almost a decade. While prices for goods and services have risen generally over this period, the Utility has held delivery rates steady, without increase, since 2008. Coupled with the drop in natural gas prices, this has significantly benefitted our Utility customers without compromising our high standards for safety and customer service. In 2008, the average annual residential bill for our residential customers, including gas costs, was $1,685. By way of comparison, the average annual residential bill last year, 8 years later, was only $703, declining 58 percent over that period. National Fuel has the lowest residential gas delivery rates in New York state.

It is rare for a major utility to be able to operate with no rate increase for such an unusually long time. Yet during the same time frame, the Company has provided levels of safety and customer service that are exemplary, while affording robust low-income programs that benefitted a significant number of our customers.

The New York State Public Service Commission's decision today approves a total delivery rate increase of $5.9 million. As a result, the average National Fuel residential customer increase (for those on budget billing and assuming normal weather) will be approximately $1.10 per month, totaling $13.21 for the entire year. The Commission's decision directs the increase to go into effect on May 1, 2017.

According to two recent New York State Public Service Commission audits of the Company's operations, it was demonstrated that National Fuel is a well-managed, cost-conscious, goal-driven and safety-oriented utility that consistently provides superior service and reliability for its customers. Additional audit findings determined that the Company's productivity and efficiency far exceeded that of its utility peers.

National Fuel's efficiency achievements are evidenced by its ability to effectively manage Operating & Maintenance (O & M) costs. When compared to O & M costs of two decades ago, we have shown a reduction of more than $9.8 million. If inflation is considered, the relevant O & M expense level would have been more than $74 million greater than the level projected for the coming rate year. Cost control efforts were accomplished while continuing to ensure high levels of service and safety, as National Fuel leads the state in many service and safety metrics.

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National Fuel has invested more than $100 million in its New York utility system over the past year for system enhancements and modernization, to provide homes and businesses in WNY with reliable delivery of low cost, clean burning natural gas. National Fuel's total investments in its New York utility system is more than $400 million since 2008. The NYS PSC is required by regulation, to ensure that all publicly-owned utilities are entitled to receive 'just and reasonable' compensation in the form of a fair return on equity (ROE) to compensate for the substantial investments needed to provide such service to customers.

While the Company appreciates the Commission's thoughtful approach to a variety of complex issues presented in this case, certain aspects of today's decision are problematic. By using an unprecedented low Return on Equity (ROE) in determining our rates in this case, the NYS PSC is effectively stating that utility infrastructure investments in this region of the state should not be considered as valuable as similar investments by other utilities across the rest of the state and country. The imposed 8.7 percent ROE is the lowest in the state while all the Company's utility peers across NYS have been awarded at least 9.0 percent, and ROEs nationally are 60 to 100 basis points higher. As a leader in utility safety and customer service, with gas costs and rates among the lowest across New York, and with robust low-income programs to help its payment-challenged customers, we believe the NYS PSC should fairly recognize the truly efficient utilities that provide exemplary safety and customer service performance with market-based ROEs. The Commission's decision to establish a 42.9 percent equity ratio that is inconsistent with the NYS PSC's standard 48 percent equity ratio uniformly adopted for other gas and electric utilities in the state is also problematic.

We will comply with the Commission's Order and the new rates will be effective on May 1, 2017. We remain committed to strong customer service, and the safe, reliable delivery of natural gas to our valued 528,000 Western New York utility customers."