National Fuel Pipeline Unit Files Settlement of Complaint at FERC

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WILLIAMSVILLE, N.Y.--(BUSINESS WIRE)--Nov. 17, 2006--National Fuel Gas Supply Corporation ("Supply Corporation"), the wholly-owned interstate pipeline subsidiary of National Fuel Gas Company (NYSE: NFG) ("the Company"), today announced that it has filed at the Federal Energy Regulatory Commission ("FERC") a stipulation and agreement as an offer of settlement of a complaint filed in April 2006 under Sections 5(a) and 13 of the Natural Gas Act. The filed stipulation states that the settlement is supported by all the parties who brought the complaint (the Public Service Commission of the State of New York, the Pennsylvania Public Utility Commission and the Pennsylvania Office of Consumer Advocate) and several other active parties.

The filing states that Supply Corporation believes the proposed settlement will be uncontested, and asks FERC to approve it without modification after a comment period that will run through December 18, 2006. The terms of the proposed settlement would be effective following approval by FERC. The settlement makes no change to Supply Corporation's rates except for an agreed-upon change in its gas retention allowances. Other features of the settlement include:

- All participants have reached a negotiated resolution of all the issues raised or which could have been raised in the proceeding.

- Supply Corporation's gas retention allowances on transportation services will decrease from 2% to 1.4%, amounting to a reduction in excess "efficiency gas" quantities of approximately 1,500,000 dekatherms ("dth") per year.* With respect to the period of time between December 1, 2006 and the effective date of the settlement, Supply Corporation will refund the value of the additional gas retained under its current transportation retention allowances (i.e., the difference between 2% and 1.4%). Supply Corporation is authorized to continue to sell efficiency gas and retain the proceeds.

- After a five-year general rate case moratorium, Supply Corporation will make a rate case filing to be effective December 1, 2011.

- Supply Corporation's annual depreciation rate for transmission plant will decrease to 2.9%, and its annual depreciation rate for storage plant will decrease to 2.23%, which will decrease annual depreciation expense by about $5.63 million.*

- Supply Corporation's rate allowance for post-retirement medical expenses will increase from about $4.7 million per year to $11 million per year, including the five-year amortization of a related regulatory asset that had built up to approximately $12.43 million since a previous rate settlement. This increase in rate allowance will be an increase in annual expense. The entire rate allowance will continue to be set aside in designated funds for the sole purpose of paying Supply Corporation's post-retirement medical expenses. Depending on actual post-retirement medical expense going forward, a new regulatory asset or liability will be created over the next five years to be recovered or credited in the next rate case.

- Supply Corporation's tariff provisions on discounting gas retention allowances will be amended so as to be consistent with FERC's current policy limiting "fuel discounts."

The earnings guidance for the 2007 Fiscal Year included in the Company's November 9, 2006 earnings report took into account the expected impact of this settlement and, therefore, no changes to that earnings guidance are necessary as a result of this filing.

Supply Corporation comprises the largest portion of the Pipeline and Storage segment of National Fuel Gas Company. The operations of Empire State Pipeline are also part of National Fuel Gas Company's Pipeline and Storage segment, but Empire State Pipeline was not cited in these pleadings. Supply Corporation owns and operates 2,972 miles of natural gas pipelines and 32 natural gas storage fields, including four that are co-owned with non-affiliated companies.

National Fuel Gas Company is an integrated energy company with $3.7 billion in assets comprised of the following five operating segments: Utility, Pipeline and Storage, Exploration and Production, Energy Marketing, and Timber. Additional information about National Fuel Gas Company is available on its Internet Web site: http://www.nationalfuelgas.com or through its investor information service at 1-800-334-2188.

* - Certain statements contained herein, including those which are designated with an asterisk ("*") and those which use words such as "anticipates," "estimates," "expects," "intends," "plans," "predicts," "projects," and similar expressions, are "forward-looking statements" as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. The Company's expectations, beliefs and projections contained herein are expressed in good faith and are believed to have a reasonable basis, but there can be no assurance that such expectations, beliefs or projections will result or be achieved or accomplished. In addition to other factors, the following are important factors that could cause actual results to differ materially from those discussed in the forward-looking statements: changes in laws and regulations to which the Company is subject, including changes in tax, environmental, safety and employment laws and regulations; changes in economic conditions, including economic disruptions caused by terrorist activities, acts of war or major accidents; changes in the availability and/or price of natural gas or oil; inability to obtain new customers or retain existing ones; governmental/regulatory actions, initiatives and proceedings, including those involving acquisitions, financings, rate cases (which address, among other things, allowed rates of return, rate design and retained gas), affiliate relationships, industry structure, franchise renewal, and environmental/safety requirements; significant changes in tax rates or policies or in rates of inflation or interest; or changes in accounting principles or the application of such principles to the Company. The Company disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

CONTACT:
National Fuel Gas Company
Analyst:
Margaret M. Suto
716-857-6987

Media:
Julie C. Cox
716-857-7079