National Fuel's Rate Filing Includes Incentives to Help Customers Conserve

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Utility Requests New Rates, Conservation Program to be Effective in 2008

WILLIAMSVILLE, N.Y.--(BUSINESS WIRE)--Jan. 29, 2007--National Fuel Gas Distribution Corporation's New York division (the "Utility"), the natural gas utility serving more than 514,000 customers in Western New York, today submitted to the New York State Public Service Commission ("PSC") a request to re-design and raise its Delivery Service Charges beginning in 2008. National Fuel Gas Distribution Corporation is a subsidiary of National Fuel Gas Company (NYSE: NFG). If approved in full, the proposed $52 million, or 6.4 percent, increase to total revenues would raise the average customer's monthly budget plan bill by $7.96 in 2008.

The Utility's request includes a significant commitment to several conservation-based initiatives that are captured in its proposed Conservation Incentive Program. If approved, the Conservation Incentive Program will result in the Utility making a substantial commitment to running extensive programs promoting the benefits of conservation through education, rebate offers and targeted low-income initiatives.

This is only the third rate request the Utility has filed with the PSC since 1995, an accomplishment due largely to its successful cost-containment strategies, including workforce reductions of more than 34 percent since 1996. The Utility's last request to raise its Delivery Service Charges was submitted in August 2004. Typically, a request like this involves an 11-month review process that includes a series of hearings. Public statement hearings, where customers will have an opportunity to comment on the proposal, will be scheduled by the PSC and held in the Utility's Western New York service area.

Ronald J. Tanski, President of the Utility, said that cost containment over the last decade has been successful, keeping its delivery charges to consumers stable.

"This rate request reflects increases in necessary business expenses associated with operating and maintaining a safe and reliable pipeline system. Each year, approximately $40 million is invested in system upgrades and replacements on the more than 14,000 miles of pipeline the Utility owns and operates in western New York," Tanski said. "Our commitment to cost containment in all sectors has allowed us to control the Delivery Service component of a customer's bill to the consumer's benefit. Now, with our proposed Conservation Incentive Program, we will work with customers to help them find ways to save on the Gas Cost component of their bills as well. Our plan, if approved, will provide customers with incentives to save energy and money while, at the same time, participating in an effort that can help stem the growing demand for energy, reduce market prices and mitigate the decline of an important natural resource."

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Major Elements of the Company's Filing:

Operating Expenses and Revenue:          $ 18.5 million
Rate of Return:                          $  4.3 million
Construction program, Depreciation,
    Gas Inventory:                       $ 13.2 million
Conservation Incentive Program           $ 12.7 million
Taxes:                                   $  3.3 million
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Total Base Rate Revenue Requirement:     $ 52.0 million
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Proposal Includes a New Conservation Incentive Program

Plans like the Utility's proposed Conservation Incentive Program, that fundamentally change traditional utility rate design and offer broad conservation programs, have received support from numerous organizations representing the interests of utilities, elected officials, consumer, conservation, and environmental groups, government agencies and others.

The Utility's Conservation Incentive Program, as proposed, includes:

- A year-long initiative to promote the benefits of conserving energy. Conservation will help customers save money on their individual energy costs and, in the context of the energy marketplace, will contribute to efforts to reduce demand for natural

gas, further helping to bring down market prices.

- Rebates of as much as $400 for the purchase of new, energy efficient natural gas equipment and less costly, but effective measures like programmable thermostats. Another component of the rebate program will include customized rebates for small, non-residential customers who install high-efficiency natural gas equipment. A residential customer who upgrades their furnace from a low-efficiency model to a high-efficiency model can save more than $300 per year by using less energy.

- Special programs for low-income customers to reduce their consumption of energy and save on their energy bills. The proposed Low Income Usage Reduction and Helping Hands Programs will provide, at no cost, Conservation Starter Kits, heating system safety checks, energy audits, wall and attic insulation, the replacement of heating equipment and other energy conservation services to qualifying low-income customers. These programs will complement the array of other low-income programs the Utility already has in place.

Utility Bills Include Two Main Components

Customers are reminded that their monthly bill includes the cost of the natural gas itself (Gas Supply Charges) and the cost of having it delivered to their home or business (Delivery Service Charges). The proposed rate increase pertains to the Delivery Service Charge component of the Utility's bill, an element that has remained relatively stable since 1996. Gas Supply Charges are, by law, passed on to customers dollar for dollar, without any mark-up or discount and, in the winter months, can amount to as much 80 percent of a customer's total bill. No utility can influence the cost of natural gas, which is determined in a national, and increasingly international, marketplace where the forces of supply and demand principally determine price. Prices are impacted by events like weather, both during the winter and summer months, availability of supply, the consequences of natural catastrophes like hurricanes, and other things. In recent years, energy costs have been both volatile and at record-high levels. For example, in January 1996, National Fuel's average residential utility customer paid $108.11 for natural gas alone, in January 2001, gas costs rose to a peak of $266.46.

Meanwhile, the Delivery Service Charge, which is what will be examined in this rate case, remained stable since 1996, averaging $61.46 for a customer's January bill between 1996 and 2007.

Average Costs for Residential Customers in western New York
(Costs are based on consumption during normal weather conditions and do not reflect budget plan billing):

Service Period	Gas Supply Charges	Delivery Service Charges	Total
January 1996	$108.11	$65.16	$173.27
January 1997	$137.11	$67.20	$204.31
January 1998	$91.76	$67.84	$159.60
January 1999	$86.50	$62.87	$149.37
January 2000	$93.89	$62.61	$156.50
January 2001	$266.46	$55.27	$321.73
January 2002	$95.61	$58.50	$154.11
January 2003	$135.62	$59.79	$195.41
January 2004	$169.20	$59.10	$228.30
January 2005	$172.23	$57.48	$229.71
January 2006	$241.78	$61.50	$303.28
January 2007	$186.39	$60.18	$246.57

About National Fuel

National Fuel Gas Distribution Corporation is a regulated utility and is one of the subsidiaries in the National Fuel Gas Company system. The Utility provides natural gas service to more than 514,000 customers in western New York. Additional information about National Fuel (NYSE: NFG) is available at www.nationalfuelgas.com or by calling 1-800-365-3234.

CONTACT:
National Fuel Gas Distribution Corporation
Media:
Julie Coppola Cox, 716-857-7079

Analyst:
Margaret M. Suto, 716-857-6987