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National Fuel Files First Rate Increase Proposal since 2007 for Western New York

Filing Proposes to Continue System Modernization for Pipeline Infrastructure and Customer Service Technologies, Provide Enhanced Low-Income Customer Programs, and Continue Gas Expansion Initiatives

(April 28, 2016) WILLIAMSVILLE, N.Y. – National Fuel Gas Distribution Corporation (“National Fuel” or the Company”) announced today that it filed a request with the New York State Public Service Commission (“Commission”) to increase utility base rates for the first time in more than 9 years. If approved, the request would, for the average residential customer, increase the monthly bill by approximately \$5.75 per month assuming normal weather. The requested increase would begin in April 2017, assuming the typical Commission review period. Until then, National Fuel’s rates will continue, as approved in 2007, with its customers not experiencing any delivery rate increase for nearly 10 years.

National Fuel, one of the few remaining state local utilities with corporate headquarters in New York state, continues to invest heavily in upgrades to its Western New York pipeline system. Since the 2007 delivery services rate increase, the Company has invested more than \$310 million in new and replacement infrastructure, reflecting its long-term commitment to the area and to safe and reliable natural gas service. With continued Commission interest in utility system modernization, National Fuel proposes to not only achieve but surpass the Commission’s statewide infrastructure goal to accelerate the removal of remaining bare-steel, wrought-iron and cast-iron pipe from the ground.

“Since our 2007 increase, with diligent cost management and careful planning, we have held base delivery rates stable while providing safe, reliable service to customers and consistently investing in pipeline safety and system modernization,” said Carl M. Carlotti, President, National Fuel Gas Distribution Corporation. “The proposed rate increase is needed in order to make critical infrastructure and technology enhancements to meet the requirements of a 21st century economy. It is designed to bring our revenues in line with our costs while minimizing the impact to our customers. National Fuel is proud of our long-standing record of keeping our prices down, resulting in some of the lowest delivery rates of gas utilities in the state.”

Key components of the rate proposal are the continued system modernization of National Fuel’s pipeline infrastructure as well as its customer information technology systems. The Company proposes to continue safety enhancements by accelerating its system modernization program from its current 2016 target of 95 miles of replaced mainline pipe to a target of 110 miles replaced in 2018, which includes 5 miles of high pressure and large diameter utility main lines. The Company’s modernization efforts also include the replacement of its aging mainframe-based customer information system with current technology to ensure the future reliability of its information technology infrastructure and its ability to provide customers with the most current and accurate information possible.

“The revenue support provided through this rate proposal will allow the Company to continue to provide Western New York residents with the benefits of access to low-priced, clean-burning natural gas supplies,” Carlotti said. “This access delivers economic benefits to the homes and businesses of Western New York as customer bills have decreased significantly. Since the last time National Fuel’s delivery rates changed, the

average residential, weather-adjusted customer bill, including Company gas costs, decreased approximately 51 percent when comparing residential bills from 2008 to 2015.”

The rate proposal submitted to the Commission will allow National Fuel to:

- **Modernize its infrastructure both in pipelines and customer assistance technologies**

- Across the nation there is a critical need to modernize and replace aging pipeline infrastructure and National Fuel’s situation is no different. The Company plans significant acceleration of its gas main replacement program to replace aging pipe throughout its system. The Company is also proposing a system modernization tracker that would effectively and efficiently permit National Fuel to accelerate its upgrade and replacement of certain vintage utility pipeline assets to meet or exceed Commission stated replacement goals as well as other safety initiatives.
- National Fuel would implement current technology to ensure the future reliability of its customer information infrastructure to ensure its ability to provide customers with the most current and accurate information possible.

- **Continue its gas expansion and growth**

- There is increasing customer demand for natural gas service in remote parts of National Fuel’s service territory that are distant from the Company’s existing facilities. The Company’s proposal will extend pilot expansion programs to support the growth of natural gas by installing new distribution pipes in demand areas of the service territory as well as converting customers to natural gas from more expensive and less environmentally clean fuels. The benefits of this proposal are 2-fold: It would enable applicants to experience significantly lower energy bills (and resulting higher property values) and it would advance the state’s interest in promoting natural gas over other, more carbon-heavy heating fuels, such as oil.

- **Enhance its customer assistance low-income programs**

- In the current rate plan, the Home Energy Assistance Program’s Residential Assistance Service (HRAS) is a broad-based program that the Company designed to assist a large number of its payment-challenged residential customers. Qualifying customers receive a discount of \$12.50 to their minimum bill charge during the months of January through May. The Company proposes to expand the program by extending the monthly discount from the current 5 months to a proposed 8 months, applying the discount to participating customers’ accounts in the months of October through May, resulting in greater customer benefit.
- The Low Income Customer Affordability Assistance Program (LICAAP) provides a high level benefit to a subset of low-income, payment-troubled residential customers. Under LICAAP, the Company provides to qualifying customers a more affordable gas utility bill based on household income and the number of residents living in the home. The program promotes good bill payment practices by providing participants with the opportunity to achieve complete arrearage forgiveness. The proposal includes a plan to transfer LICAAP customers no longer eligible for arrearage forgiveness to the HRAS discount program to provide continued assistance in paying their bills.
- The Company is proposing a once per year waiver of reconnection charges to its low-income customers that were shut off for non-payment. These customers already are having difficulty in paying their utility bill and the additional reconnection fee may put them further behind in their payment obligations.
- The proposal adds funding to the Company’s heating equipment repair and replacement program that provides emergency assistance to its vulnerable elderly, blind and disabled

low- income homeowners whose primary heat source fails. The Company utilizes a contractor to promptly assist with no heat situations for these customers to avoid potential emergency situations. The contractor responds and evaluates the condition of the primary heat source, and will either make repairs or replace units where repairs are not cost effective.

To fund these investments, National Fuel's proposal seeks to increase annual revenue recovered in the Company's base delivery rates by approximately \$41.7 million or 7.89 percent for the nearly 527,000 customers across 14 Western New York counties. The proposed bill impacts are well below inflation rates over the past decade and the effect on individual monthly bills will vary depending on natural gas usage. Historically low natural gas commodity prices are helping to mitigate bill impacts at this time.

The proposal will undergo a thorough review process by the Commission that typically lasts 11 months. If approved, the new delivery rates will take effect on or about April 1, 2017.

National Fuel Gas Distribution Corporation is the Utility segment of National Fuel Gas Company, a diversified energy company that is engaged in a number of natural gas-related activities. The Utility provides natural gas service to nearly 740,000 customers in Western New York and northwestern Pennsylvania. For more information, visit www.nationalfuelgas.com.