

National Fuel Gas Distribution Corporation
Pennsylvania Division
Natural Gas Choice and Competition Filing Requirement
Docket R-00994785

General Instructions

The natural gas distribution company's proposed restructuring plan must be accompanied by direct testimony, proposed sample tariffs, and adequate supporting documentation, calculations, cost studies and other information necessary to support the proposed new services and changes to existing tariffs and rates, including provisions for supplier of last resort, universal service and energy conservation. Information should also be provided in Microsoft Excel version 5.0 format on a 3.5 inch diskette, Windows version. Each natural gas distribution company should also post a copy of its restructuring filing on its website.

Response:

National Fuel Gas Distribution Corporation's (referred to throughout as "Distribution" or the "Company") Pennsylvania Division hereby submits its restructuring pursuant to the Natural Gas Choice and Competition Act, 66 Pa. C.S. §§ 2201-12 (the "Act"). A copy of this filing is available at Distribution's website, www.natfuel.com.

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A. Restructuring of Services

1. Address how existing tariffs and rates are to be unbundled with respect to the following services. For those services the company does not propose to unbundle at this time, please explain.
 - a. commodity Section 2203(3);
 - b. capacity Section 2203(3);
 - c. storage Section 2203(3);
 - d. balancing Section 2203(3); and
 - e. aggregator Section 2203(3).

Response:

Distribution has been providing all customers with the opportunity to choose a Natural Gas Supplier (referred to throughout as “NGS” or “Supplier”) other than Distribution since April 1, 1999. Under Distribution’s system wide choice program qualified Suppliers other than Distribution are able to serve the aggregated gas supply requirements of their customers. Customers receive transportation service under Distribution’s Small Aggregation Transportation Customer Service (referred to throughout as “Rate Schedule SATC”). Each NGS is required to qualify for service under Distribution’s Small Aggregation Transportation Supplier Service (referred to throughout as “Rate Schedule SATS”).

Rate Schedule SATC unbundles the commodity cost of gas, and significant upstream pipeline storage and transmission costs from the current Distribution sales service rates. See Exhibit 2, Schedule A.2. A portion of upstream transmission and storage capacity is retained in the SATC rate to meet the system reliability and system flexibility requirements as was explained in the Company’s initial SATC/SATS rate filing. Other capacity will be assigned to the NGS directly. Over time, Suppliers will have the opportunity to replace this assigned capacity with capacity of their own.

Balancing costs are identified in the SATS tariff. City gate balancing requirements are provided in Exhibit 4, SATS Tariff, Section D at 83 AN and 83 AO. Burner tip imbalances are discussed in Section E of the SATS tariff at 83

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AO and 83 AP. Supplier aggregation charges are identified in Section A of the SATS tariff at 83AG and 83 AH.

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- A. Restructuring of Services
- 2. Demonstrate the proposed methodology to identify and separate costs by the following categories:
 - a. Base Rates (non-gas costs);
 - b. Pipeline Capacity Costs (reservation and commodity costs);
 - c. Storage/peaking costs; and
 - d. Commodity Costs.

Response:

The attached Workpaper, Exhibit 2, Schedule A.2., provides for the separation of existing rates by identified cost categories.

Base rates (non-gas costs) are provided on Page 1 of Workpaper, Exhibit 2, Schedule A.2, in column J of the Sales Rate Components Summary and Page 2 column K of the SATC Transportation Rate Components Summary. The base rates (non-gas costs) were calculated by subtracting gas costs (column H) and gross receipts taxes (column I) from current sales rates (column A). Total gas costs included in sales rates (column H) are equal to the sum of total storage and capacity gas costs (column G) and total commodity gas costs (column D).

Page 2 of Workpaper, Exhibit 2, Schedule A. 2, provides for the development of SATC base transportation rates.

In developing the SATC base transportation rates, demand gas costs (column N) associated with capacity needed to maintain system reliability and flexibility (including capacity needed for temperature swing/peaking) is added to the base rates (non-gas cost). See also Exhibit 2, Schedule C 1.

Page 3 of Workpaper, Exhibit 2, Schedule A. 2, provides for the development of retained capacity costs (Workpaper, Exhibit 2, Page 2, Column L). Page 4 of Workpaper, Exhibit 2, Schedule A. 2 provides for the calculation of temperature swing/peaking capacity costs (Workpaper, Exhibit 2, Page 2, Column M).

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- A. Restructuring of Services
- 3. Demonstrate that the proposed sample tariffs are in compliance with the rate cap provisions of the Natural Gas Choice and Competition Act (Act), Section 2211(a). For calendar year 1998, or the company's most recently concluded fiscal year, provide workpapers and supporting documentation, at present tariff rates, for all actual sales and revenues for the selected year.

Response:

See attached Workpapers, Exhibit 2, Schedule A. 3. The only rate change proposed by Distribution at this time as a result of the Act is the change in SATC rates associated with capacity costs related to peaking requirements and temperature swings. The change in SATC rates associated with peaking requirements and temperature swings is a gas cost related rate change, and Distribution has made a corresponding reduction in the amount of storage capacity required to be released to NGSs under Distribution's SATS tariff.

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- A. Restructuring of Services
- 4. Demonstrate that the proposed sample tariffs are in compliance with the provisions of Section 2211(e) prohibiting intra-class or inter-class cost shifts.

Response:

As demonstrated in Workpaper, Exhibit 2, Schedule A. 2., pages 1 and 2, base rates (non-gas costs) for the SATC rates are the same as the base rates (non-gas costs) included in existing sales rates. Since base rates (non-gas costs) are the same for sales customers as for SATC transportation customers there is no inter-class or intra-class cost shifting associated with these rates. Inter-class and intra-class cost shifts are eliminated for the gas cost portion of rates by requiring Suppliers to accept the mandatory release of upstream capacity not included in SATC tariff rates. Customers are protected from further cost shifts by the requirement in the SATC tariff that for a period of 12 months starting when SATC service is rendered to the customer by the SATS Supplier, the rates for transportation service include the commodity "CE" factor included in the currently applicable sales rates.

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A. Restructuring of Services

5. Provide a month by month breakdown of actual Mcf throughput volumes by rate schedule, broken down by sales and transportation volumes for the selected year and the 12-month period immediately preceding the selected year. Additionally, provide annual summaries for the selected year and the 12-month period immediately preceding the selected year.

Response:

See attached Workpapers, Exhibit 2, Schedule A.5.