

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

- J. Recovery of Deferred Costs
1. Identify all categories of costs resulting from the implementation of Chapter 22. Section 2211(b)(1).
 2. For each such cost, the natural gas distribution company intends to defer state:
 - a. The basis of the claim that the cost is incurred as a result of restructuring;
 - b. The provision of the Act under which the claim for recovery is made;
 - c. Date or time period at which the cost has been or is expected to be incurred;
 - d. The accounting protocols to be employed in recognizing and accruing these deferred charges; and
 - e. Whether the natural gas distribution company intends to capitalize and amortize the deferred costs pursuant to Section 2211(b)(2), and, if so, the appropriate time period(s) for recovery.

Response:

Universal Service Plan and Energy Conservation Programs

As described in Exhibit 2, Schedule F 1f, the costs associated with the Universal Services Plan and energy conservation programs will be funded through the use of base rates, federal grants, voluntary third party contributions and recoveries presently available for such programs through January 1, 2001. As more fully described in response to Exhibit 2, Schedule F 6, incremental costs will be deferred and subsequently recovered in a non-bypassable charge.

Consumer Education

As described in Exhibit 2 Schedule I and below, Distribution will incur various customer education costs associated with the implementation of the Act and seeks to defer them for future recovery. At January 1, 2001 a proposed Customer Education Charge will take effect. The costs to be included within this charge include but are not limited to:

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

General public notice: print and radio advertisements as well as employee presentations to service groups to ensure customer understanding of the choices available.

Individual customer notice: bill insert explaining natural gas restructuring and choosing an alternate supplier will be sent to each customer.

Supporting Information: the company will continue to provide a toll free 1-800 number for supplier list and customer information. This phone number is currently and will continue to be separate from the emergency number and customer service number currently available to Distribution's customers.

Training: employees will be trained on the details of customer choice of natural gas supplier.

Customer surveys: Distribution will complete surveys to mark the progress of the customer outreach education program. Follow up surveys may also be scheduled at the anniversary.

Other Deferred Costs

Distribution estimates that the implementation of the Act may result in changes to several key systems within the company and seeks permission to capitalize and amortize deferred costs pursuant to Section 2211(b)(2). These projects include but are not limited to:

Customer Billing system: the current system may need to be modified and/or replaced to accommodate Supplier information and bill comparison information in a customer friendly fashion.

Customer remittance system: the current system may need to be modified and/or replaced to accommodate the separation of funds remitted between taxes, transportation, and Suppliers. Additional enhancements may be needed to accommodate partial payments.

Customer Information System (CIS): the current system may need to be enhanced and/or replaced to ensure data integrity and privacy as well as accessible updated information.

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

Electronic Data Interchange (EDI): the company is reviewing several systems which are capable of providing an electronic exchange of information.

Transportation Scheduling System (TSS): the company is currently developing an internet based transportation nominations system.

Gas Management System (GMS): the company is reviewing a system that manages key business functions such as; pre-production month supply planning, evaluation of spot and term deals, allocations and imbalances. Additional functionality may include a Transportation Billing Option (TBO). This program can process bills to Suppliers enrolled in Aggregation programs and calculate bills for special rate customers.

The company is currently incurring or will be incurring incremental expenses to comply with the Act and seeks to defer and amortize these costs. Distribution will monitor expenses with regards to legal service, retention of technical staff in the gas management and regulatory compliance areas, travel expenses to attend working groups, collaborative meetings, and costs of the restructuring proceedings associated with the Act.

The company is currently incurring or will be incurring these costs in the near future. Several projects may need to be complete prior to the implementation of Distribution's restructuring whereas others may be implemented as interim or final orders or as technology permits.

The company seeks permission to capitalize and amortize deferred costs pursuant to Section 2211(b)(2). The company will capitalize the projects in individual 186000 (miscellaneous deferred) accounts and amortize them over a 10 year period and will seek recovery of and a return on the unamortized portion in a future rate proceeding.

Other Costs

Distribution proposes that it be allowed to recover any future costs associated with the difference between the amount Distribution is required to pay under the applicable contract terms for capacity which has been released, assigned or transferred and the amount Distribution receives from the entity that acquired such capacity.

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

2. As stated above, Distribution expects to change, modify, enhance and purchase systems that will be necessary to implement the Act. It will also be establishing customer education programs and incurring other expenses that are specific to the implementation of the Act as well as maintaining the Universal Services Plan. Several sections of the Act requires Distribution to incur these costs.

Section 2203 allows for the Commission to establish an appropriate nonbypassable , competitively neutral cost-recovery mechanism which is designed to recover fully the Company's Universal Service and Energy Conservation costs over the life of the programs.

Section 2204 requires a restructuring filing and working groups and the costs associated with them. Also delineated in this section is the release, assignment or transfer of capacity and its associated costs.

Section 2205 permits Distribution to bill for the Supplier as well as the transportation rate but with this function comes modifications and enhancements to the billing systems.

Section 2206 quantifies the implementation of a consumer education program to help customers make appropriate choices. This section also allows for a consumer cost recovery mechanism.

Section 2211 provides Distribution the ability to identify costs and seek permission to capitalize and amortize such costs.