Requesting Party: National Fuel Gas Distribution Corporation
Set No.: 8
Request No.: NFG-DPS-255
Responding Witness: Staff Gas Rates Panel
Date of Response: September 19, 2016

Question:

1. Please confirm that Staff calculated the cost per mile for the Rate Year to be $398,351.

2. Please confirm that Staff's methodology would employ the Commission approved pre-tax ROR, depreciation rates, property taxes and uncollectible rates.

3. If this proceeding results in a fully litigated one year case without any additional rate years, under Staff's proposal what would happen to the proposed LPP tracking mechanism after the end of the rate year?

4. Since property taxes are on a two year lag, are any property taxes reflected in Staff's proposed mechanism if this case results in a fully litigated one year case, without any additional rate years?

5. Please confirm that under Staff's proposal the Company would be able to achieve an additional two basis point per mile (capped at a total of 10 basis points or 5 miles) of leak prone pipe removed above the target in the rate year only, over and above the costs calculated based on Exhibit__(COSSRD-12) as modified above.

Response:

1. Staff has corrected the cost per mile to $398,477 in the Rate Year to reflect the Company's monthly allocation factors in its net plant model. The sum of the monthly allocation factor for the part of the Rate Year in FY 2017 is 56% and 44% for FY 2018. See tables below for calculation and formulas.

Leak Prone Pipe Reduction Cost per Mile					
		A	B	C	D
		Start Point	Forecast		
		FY 2016	FY 2017	FY 2018	Rate Year
1	Company	$387,256	$403,753	$420,953	$411,321
2	Adjustment	$0	-$8,752	-$18,052	-$12,844
3	Staff	$387,256	$395,001	$402,901	$398,477

Formulas					
		A	B	C	D
		Start Point	Forecast		
		FY 2016	FY 2017	FY 2018	Rate Year
1	Company	From DPS-144	A1*1.02*1.05*0.6+A1*0.4	B1*1.02*1.05*0.6+B1*0.4	0.56*B1+0.44*C1
2	Adjustment	A3-A1	B3-B1	C3-C1	D3-D1
3	Staff	From DPS-144	A3*1.02	B3*1.02	0.56*B3+0.44*C3

2. Yes.

3. The LPP tracking mechanism should be continued for a period of three rate years (inclusive of the Rate Year TME March 31, 2018), contingent upon the Commission also adopting an earning sharing mechanism that continues after the Rate Year.

4. No.

5. The Company would be able to achieve an additional two basis point per mile (capped at a total of 10 basis points or 5 miles per rate year) of leak prone pipe removed, with a one mile buffer, above the target in the rate year, over and above the costs allowed in delivery rates. The incentive should match the term of the surcharge mechanism.