

**STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION**

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Proceeding on Motion of the Commission to	:	
Examine Programs to Address Energy	:	Case 14-M-0565
Affordability for Low Income Utility Customers	:	
	:	

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Proceeding on Motion of the Commission	:	
Regarding the Effects of COVID-19 on Utility	:	Case 20-M-0266
Service	:	
	:	

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**VERIFIED PETITION OF NATIONAL FUEL GAS DISTRIBUTION CORPORATION  
FOR AUTHORIZATION TO IMPLEMENT AN UNCOLLECTIBLE EXPENSE  
RECONCILIATION MECHANISM**

February 17, 2023

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**VERIFIED PETITION OF NATIONAL FUEL GAS DISTRIBUTION CORPORATION  
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RECONCILIATION MECHANISM**

**INTRODUCTION**

On January 19, 2023, the New York Public Service Commission (“Commission” or “PSC”) issued its *Order Authorizing Phase 2 Arrears Reduction Program* in Cases 14-M-0565 and 20-M-0266 (“Phase 2 Order”). The Phase 2 Order implemented a Phase 2 Utility Arrears Relief Program and authorized recommendations developed by the Energy Affordability Policy Working Group (“EAP Working Group”) as outlined in the Phase 2 Arrears Report filed with the Commission on December 23, 2022. To reduce the bill impacts of the Phase 2 program on customers, National Fuel Gas Distribution Corporation (“National Fuel” or the “Company”) proposed several offsets including certain items that would become available upon approval of an uncollectible expense reconciliation mechanism for the period of March 2020 through September 2024.

Ordering Clause No. 9 of the Phase 2 Order requires National Fuel to submit a filing

describing its proposed uncollectible expense reconciliation mechanism no later than 30 days from the effective date of the Phase 2 Order. The Phase 2 Order directs such filing to include:

- (a) the period covered by the uncollectible reconciliation mechanism;
- (b) a recovery mechanism (e.g., surcharge or deferral) and if a surcharge mechanism is being proposed whether it would be a separate surcharge or be included in an existing surcharge (e.g., Monthly Adjustment Clause) as well as whether the surcharge should be subject to a cap;
- (c) the proposed carrying cost rate on any deferred balances;
- (d) the impact on prior period earnings resulting from an uncollectible reconciliation had such a reconciliation been in effect during the proposed reconciliation period;  
and
- (e) the actual amount of any over/under recoveries (i.e., net write-offs versus base rate allowance) for the period of March 2020 through October 2022 and a forecast of the over/under recoveries for the period of November 2022 to the proposed reconciliation end date.

This petition addresses each of the items identified above and explains why approval of the proposed uncollectible expense reconciliation mechanism is in the public interest. The appendices to this filing include supporting workpapers that are referenced herein.

### **BACKGROUND**

The economic downturn resulting from the COVID-19 pandemic negatively impacted utility customers' ability to pay their utility bills. These financial hardships, as well as moratoria that suspended utilities' ability to terminate customers for non-payment and pursue collections activity, have resulted in a significant and unprecedented buildup of arrears. The Commission

established the EAP Working Group in August 2021 to address the need for enhancements to the utilities' energy affordability programs and develop solutions to the COVID-19 arrears crisis. On June 16, 2022, the Commission issued an *Order Authorizing Phase 1 Arrears Reduction Program* ("Phase 1 Order") in Cases 14-M-0565 and 20-M-0266, directing the regulated gas and electric utilities to apply a credit to the accounts of residential low-income utility customers enrolled in utility bill discount programs ("Energy Affordability Program" or "EAP"). The Commission issued the Phase 1 Order to address arrears held specifically by low-income customers, with the understanding that the outstanding arrears held by the utilities' other customers would be addressed through a separate order.

Pursuant to the Phase 1 Order, the Company issued one-time bill credits to low-income customers to eliminate accrued arrears billed through May 1, 2022 (the "Bill Relief Program" or "BRP"). Customers enrolled in the Company's EAP by December 31, 2022 were automatically eligible to receive the BRP credit. Pursuant to the Phase 1 Order, the Company funded the Bill Relief Program first by utilizing funds available for utility customer arrears relief through the State's Emergency Rental Assistance Program, the Regular Arrears Supplement, and the Utility Arrears Relief Program. National Fuel then implemented a Phase 1 BRP surcharge effective September 1, 2022 to collect the remaining Phase 1 Bill Relief Program costs over a three-year period. To date, National Fuel has applied \$13.8 million of credits on customer accounts under the Phase 1 Bill Relief Program.

After the implementation of Phase 1, overall statewide arrears (including National Fuel's customer arrears) remained far above pre-pandemic levels. While Phase 1 addressed low-income customer arrears, most COVID-related arrears were held by non-EAP residential and small-commercial customers. At September 30, 2022, the Company's non-EAP residential

arrears greater than 60 days were \$33.1 million,<sup>1</sup> compared to \$11.1 million pre-pandemic.<sup>2</sup>

On December 23, 2022, the EAP Working Group filed its Phase 2 Arrears Report, presenting recommendations for Commission consideration, including a request to apply one-time bill credits up to \$1,250 per account at a total estimated program cost of \$17.7 million to provide relief for National Fuel non-EAP residential and small commercial customers in arrears.<sup>3</sup> In the development of the Phase 2 Arrears Report, and in light of the historic nature of the pandemic and the resulting unprecedented levels of utility bill arrears in New York, the state's major utilities including National Fuel proposed several offsets to reduce the Phase 2 program costs that would need to be recovered from customers through BRP surcharges. Items 3 and 4 of the offsets proposed by National Fuel, noted below, were contingent upon approval and conditions of the uncollectible expense reconciliation mechanism that the Company is requesting in this petition.

- 1) Legacy low-income program deferral - \$5.8 million.
- 2) Area Development Program deferral - \$2.5 million.
- 3) Restatement of past Earnings Sharing Mechanism ("ESM") filings for the rate years ended March 31, 2020, 2021, and 2022 if the Company were to reverse incremental uncollectible expense recorded over-and-above what the Company recovered from customers for uncollectible expense in rates during the Company's fiscal years ended September 30, 2020, 2021 and 2022.

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<sup>1</sup> Phase 2 Arrears Report, Attachment A, Page 3 - Table A2. Residential Non-EAP and Non-Residential Small Business Arrears.

<sup>2</sup> Phase 2 Arrears Report, Attachment A, Page 4 - Table A3. Arrears: Prior to 3/7/2020, 3/1/2020 to 5/1/2022, and Customers in DPAs.

<sup>3</sup> Phase 2 Arrears Report, Attachment F.

- a. Earnings sharing impact (if assuming an uncollectible reconciliation had been in effect at the time) - \$2.5 million.
  - b. Shareholder contribution (sharing at 100% instead of 50% or 75%) - \$2.4 million.
- 4) The net amounts that have been recovered from ratepayers and reserved as credits in National Fuel's allowance for uncollectible accounts over the course of the COVID-19 pandemic to cover the anticipated increase in future write-offs – which was estimated to be \$2 million. Due to the mechanics of the proposed bad debt reconciliation, the Company is no longer proposing that this amount be reflected as an offset to the Phase 2 BRP surcharge. Rather, amounts funded by ratepayers to the Company's reserve for uncollectible accounts will be accounted for in the tracking of ratepayer recoveries versus net write-offs over the reconciliation period. Furthermore, the Company is currently projecting a total Phase 2 program size of approximately \$13.0 million, which is \$4.7 million lower than what had been estimated in the Phase 2 Arrears Report. As a result, the bill impacts of the Phase 2 surcharge without the aforementioned \$2 million offset are expected to be lower than what had been reported in Attachment F of the Phase 2 Arrears Report.

The Phase 2 Arrears Report stated that the Company's surcharge reduction proposal was contingent upon the Commission approving the uncollectible cost reconciliation mechanism and that if the mechanism was not approved, the bill impacts and/or collection periods associated with National Fuel's program would change. The report recommended that the Commission require the utilities proposing an uncollectible reconciliation to make a filing with the Commission to address the potential for over- or under-collection of such expenses.<sup>4</sup> On January

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<sup>4</sup> National Grid also proposed an uncollectible expense reconciliation within the context of this proceeding

19, 2023, the Commission issued the Phase 2 Order, adopting the Phase 2 Arrears Report's recommendations.

Pursuant to the Phase 2 Order, the Company is in the process of issuing one-time bill credits to residential and small-commercial customers who have eligible arrears and did not receive relief under the Phase 1 Bill Relief Program. The credits will reduce or eliminate accrued arrears billed through May 1, 2022. Eligible customers who had their service disconnected for non-payment in 2022 will be allowed the opportunity to have their service reinstated through June 30, 2023 in order to receive a Phase 2 credit.

### **RECONCILIATION PROPOSAL**

Through this filing, the Company requests Commission approval to implement a mechanism through which the Company would reconcile ratepayer revenues against net write-offs. Ratepayer revenues include recovery for uncollectible expense through the Company's base delivery rates and its Merchant Function Charge ("MFC"). In the Company's most recent base rate case proceeding (Case 16-G-0257), the Commission established an uncollectible expense allowance based on a three-year average of net write-offs as a percentage of prior years' retail and transportation revenues. That write-off factor, which is applicable to both residential and non-residential customer arrearages, was applied to projected revenues to determine the rate year uncollectible expense allowance. Ongoing recovery for uncollectible expense associated with delivery charges is embedded in base delivery rates. The recovery for uncollectible expense associated with commodity charges is included in the MFC, a component of the Company's Natural Gas Supply Charge. The MFC uncollectible rate (per hundred cubic feet of usage) is

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and is also required to make a filing with the Commission describing its proposed reconciliation mechanism. Phase 2 Order, pp. 21 -22, 62.

determined by multiplying the residential and non-residential uncollectible factor established in Case 16-G-0257 by the total gas cost rate each month. This means that uncollectible revenues will fluctuate proportionally with changes in gas cost.

The Phase 2 Order requires the Company to address several specific items in its proposal. These requirements are detailed in the following section as (a) through (d).

**(a) The period covered by the uncollectible reconciliation mechanism**

The Company is proposing to track, reconcile and defer for future recovery or refund the difference between bad debt recovered from ratepayers (“Ratepayer Revenue”) and net write-offs over the following three-year periods:

Ratepayer Revenues	April 1, 2020 through March 31, 2023
Net Write-offs	October 1, 2021 through September 30, 2024

The Company is proposing a three-year reconciliation period to fully account for the incremental impact of the COVID-19 pandemic on customer arrearages. Extending the reconciliation period for this time is appropriate for two reasons. First, it helps to mitigate elevated near-term customer credit risk that will persist past the Phase 2 implementation of the Company’s Bill Relief Program. The Phase 2 program does not address all non-EAP arrears that have accrued during the pandemic. The Phase 2 program provides full relief for 75% of non-EAP and small commercial customers. The remaining arrears for 25% of the non-EAP customer balances are at a much higher risk of future write-off because these accounts have been carrying high balances (above the up-to-cap of \$1,250) for multiple years. Additionally, due to moratoria and related/regulatory restrictions on customer terminations imposed since March 2020, the Company has not been able to resume normal collections activity for nearly four years.

These residual impacts are likely to negatively impact customer credit risk and the collectability of arrears for several years, particularly coming out of the current winter as customer arrearages are being compounded by higher commodity costs. Due to the Company's inability to use terminations as a way to encourage payment on these accounts, remaining pandemic-related past due balances will be "final billed" for the first time this spring/summer of 2023 and, under National Fuel's normal write-off process, will likely be written off in the spring/summer of 2024.

The reconciliation periods are intentionally staggered, with the three-year tracking period for Ratepayer Revenues starting 18 months prior to the period suggested for net write-offs. The staggered periods are necessary to link the timing of rate recovery with the timing of the associated write-offs. Generally, rate recovery for uncollectible expense occurs well in advance of when a customer balance is terminated and written off. Under the Company's normal write-off process, balances on customer accounts in arrears that have been terminated for non-payment are usually written off 18 months or more after the original balance was incurred and billed.

For example, consider a customer that accumulated a past-due balance during the winter of 2018-2019 and was terminated for non-payment in July of 2019. This account would not have been written off, at the earliest, until July of 2020. Predominantly all of the write-offs that the Company recorded in the first 18 months of the pandemic were of this nature and related to accounts that were terminated for non-payment, and did not resume active service, prior to the start of the pandemic.

Similarly, consider a current customer with active service that has carried a past due balance through the pandemic, exhausted all available and qualifying payment relief,

and has been able to accrue further arrears through the current winter because the Company has not been able to encourage payment through terminations since the spring of 2019. Under this scenario, the Company will issue a final bill and terminate service and issue a final bill in the spring/summer of 2023 and, if collections are not successful, record the write-off of the balance in the spring/summer of 2024.

As such, the Company proposes to begin tracking Ratepayer Revenues as of April 1, 2020, the first full month after the start of the COVID-19 state of emergency, for a three-year period through March 31, 2023. The Company will begin tracking write-offs on October 1, 2021, 18 months after the start of the pandemic to capture when pandemic related write-offs would have started to occur, for a three-year period through September 30, 2024, when the write-off of remaining arrearages accrued during the pandemic would largely be complete. Based on actual results through December 31, 2022, and a projection of future revenues through March 31, 2023, and write-offs through September 30, 2024, the Company anticipates that net write-offs will exceed Ratepayer Revenue by \$8.7 million over the reconciliation period. Monthly data supporting this amount is provided in Appendix A.

**(b) Recovery mechanism**

Due to the mismatch in timing and the uncertainty around write-off levels going forward, the Company does not believe implementing a surcharge / surcredit in current rates is appropriate at this time. The Company proposes to track the difference between Ratepayer Revenues and net write-offs over the reconciliation period and establish a regulatory deferral as of September 30, 2024 for any under- or over-collection. Recovery or refund of the deferral will be addressed in a future rate case proceeding or as

determined by the Commission.

**(c) Carrying charges**

The deferred balance established as of September 30, 2024, shall begin to accrue carrying charges at the Company's pre-tax weighted average cost of capital authorized by the Commission in Case 16-G-0257 or as determined in a future rate case proceeding.

**(d) Other Requirements**

**1) The impact on prior period earnings resulting from an uncollectible reconciliation had such a reconciliation been in effect during the proposed reconciliation period.**

If the Commission approves the uncollectible reconciliation mechanism, the Company is proposing to reverse the incremental amount of uncollectible expense that was recorded during the COVID-19 period of October 1, 2019, through September 30, 2022 (Fiscal Years 2020 through 2022). During that period, the Company recorded \$29.5 million in uncollectible expense while only recovering \$18.6 million from ratepayers. The Company has recalculated ESM filings for the rate years ended March 31, 2020, 2021 and 2022 to reflect the reversal of uncollectible expense in the period that the incremental expense was originally accrued. The incremental expense originally reduced operating income and the Company's return on equity below the first sharing threshold of 9.2% in each of the rate years. To the extent that the ESM results in sharing with the customer, the Company has proposed to use 100% of earnings above 9.2%, instead of the lower sharing percentages established by the Commission in Case

16-G-0257, as an offset to the BRP Phase 2 surcharge. The impact of the bad debt reversal on the ESM is shown in Appendix D.

**2) The actual amount of any over/under recoveries (i.e., net write-offs versus base rate allowance) for the period of March 2020 through October 2022.**

During the period of March 2020 through October 2022, the Company's net write-offs totaled \$19.0 million. Uncollectible revenues for the same period were \$16.0 million, implying an under-recovery of \$3.0 million. Monthly data supporting these amounts can be found in Appendix B.

**3) Forecast of the over/under recoveries for the period of November 2022 to the proposed reconciliation end date.**

See Appendix C. During the period of November 2022 through September 2024, the Company projects that it would under-recover by \$11.2 million. This figure relies on a comparison of revenues and write-offs for the same time period, instead of staggering the periods for revenues and write-offs, on a lag as proposed by the Company. The information is presented solely to satisfy the requirements of the Order and does not represent National Fuel's position regarding how the proposed reconciliation should function.

**(e) The Uncollectible Expense Reconciliation Mechanism Is in the Public Interest**

The Company's proposed uncollectible expense reconciliation mechanism is in the public interest because it helps to limit any further near-term customer bill impacts by providing additional offsets that reduce the Phase 2 customer surcharge to \$0. The Company's proposal also gives proper credit to ratepayers for revenues collected during the pandemic for the recovery of uncollectible expense. In addition, the Company's

proposal ensures that the Company does not benefit if future write-offs of pandemic balances are significantly less than amounts recovered in rates, while also ensuring that significant, incremental costs incurred by the Company due to the pandemic are eligible for recovery. Accordingly, the Company's proposal represents a reasonable and appropriate balance between both the Company's and customers' interests.

### **CONCLUSION**

For the reasons stated above, National Fuel's proposed uncollectible expense reconciliation mechanism satisfies the requirements of the Phase 2 Order, conforms to the goals and objectives of the EAP Working Group's Phase 2 Arrears Report, and overall is in the public interest. Accordingly, National Fuel respectfully requests the Commission approve, on an expedited basis, the uncollectible expense reconciliation mechanism as proposed, without modification or condition and grant National Fuel any other such relief as may be required.

Dated: February 17, 2023

Respectfully submitted,

*/s/ Randy C. Rucinski, Esq.*

*/s/ Gregory G. Nickson, Esq.*

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National Fuel Gas Distribution Corporation  
New York Division  
Monthly Uncollectible Revenues and Net Write-offs  
Proposed Reconciliation Period  
(\$000's)

Month	Status	Bad Debt Recovery			Gross d	Write-offs Recoveries e	Net f = d + e	Monthly Over/(Under) g = c - f	Cumulative Over/(Under) Sum (g)
		Delivery a	MFC b	Total c = a + b					
Apr-20	Actual	355	203	558			558	558	
May-20	Actual	251	155	406			406	964	
Jun-20	Actual	168	64	233			233	1,196	
Jul-20	Actual	118	35	153			153	1,349	
Aug-20	Actual	107	30	137			137	1,487	
Sep-20	Actual	125	38	164			164	1,651	
Oct-20	Actual	199	65	264			264	1,915	
Nov-20	Actual	306	124	430			430	2,345	
Dec-20	Actual	440	240	680			680	3,025	
Jan-21	Actual	520	321	841			841	3,866	
Feb-21	Actual	494	369	863			863	4,729	
Mar-21	Actual	455	302	757			757	5,486	
Apr-21	Actual	355	206	560			560	6,046	
May-21	Actual	251	152	403			403	6,449	
Jun-21	Actual	168	69	237			237	6,686	
Jul-21	Actual	118	49	167			167	6,854	
Aug-21	Actual	107	51	158			158	7,012	
Sep-21	Actual	125	57	183			183	7,195	
Oct-21	Actual	199	91	290	873	(543)	330	(40)	7,154
Nov-21	Actual	306	267	573	579	(1,284)	(705)	1,278	8,433
Dec-21	Actual	440	461	901	477	(566)	(89)	990	9,422
Jan-22	Actual	520	596	1,115	534	(392)	141	974	10,396
Feb-22	Actual	494	652	1,146	623	(533)	90	1,056	11,452
Mar-22	Actual	455	540	995	503	(467)	37	958	12,410
Apr-22	Actual	355	471	826	539	(353)	186	640	13,051
May-22	Actual	251	345	596	677	(244)	433	163	13,214
Jun-22	Actual	168	182	351	609	(236)	373	(23)	13,191
Jul-22	Actual	118	140	258	1,676	(191)	1,484	(1,227)	11,964
Aug-22	Actual	107	117	224	920	(1,422)	(502)	726	12,690
Sep-22	Actual	125	151	276	1,371	(351)	1,020	(744)	11,947
Oct-22	Actual	199	259	458	634	(237)	397	61	12,008
Nov-22	Actual	306	296	603	740	(305)	435	168	12,176
Dec-22	Actual	440	694	1,134	629	(202)	427	707	12,883
Jan-23	Forecast	520	997	1,516			776	740	13,623
Feb-23	Forecast	494	936	1,431			861	570	14,193
Mar-23	Forecast	455	893	1,348			1,092	256	14,449
Apr-23	Forecast						1,175	(1,175)	13,274
May-23	Forecast						1,339	(1,339)	11,935
Jun-23	Forecast						1,185	(1,185)	10,750
Jul-23	Forecast						1,139	(1,139)	9,611
Aug-23	Forecast						1,089	(1,089)	8,522
Sep-23	Forecast						1,168	(1,168)	7,353
Oct-23	Forecast						1,727	(1,727)	5,626
Nov-23	Forecast						1,163	(1,163)	4,463
Dec-23	Forecast						1,094	(1,094)	3,369
Jan-24	Forecast						953	(953)	2,416
Feb-24	Forecast						1,057	(1,057)	1,359
Mar-24	Forecast						1,341	(1,341)	18
Apr-24	Forecast						1,443	(1,443)	(1,426)
May-24	Forecast						1,645	(1,645)	(3,071)
Jun-24	Forecast						1,455	(1,455)	(4,526)
Jul-24	Forecast						1,399	(1,399)	(5,925)
Aug-24	Forecast						1,338	(1,338)	(7,263)
Sep-24	Forecast						1,435	(1,435)	<b>(8,698)</b>

National Fuel Gas Distribution Corporation  
New York Division  
Monthly Uncollectible Revenues and Net Write-offs  
Information Required by Phase 2 Order  
(\$000's)

Month	Status	Bad Debt Recovery			Gross d	Write-offs Recoveries e	Net f = d + e	Over/(Under) g = c - f
		Delivery a	MFC b	Total c = a + b				
Mar-20	Actual	455	291	746	1,124	(292)	831	(85)
Apr-20	Actual	355	203	558	904	(310)	594	(36)
May-20	Actual	251	155	406	2,003	(254)	1,748	(1,342)
Jun-20	Actual	168	64	233	2,981	(343)	2,637	(2,405)
Jul-20	Actual	118	35	153	1,512	(229)	1,283	(1,130)
Aug-20	Actual	107	30	137	1,487	(181)	1,306	(1,168)
Sep-20	Actual	125	38	164	2,113	(279)	1,833	(1,669)
Oct-20	Actual	199	65	264	767	(206)	561	(297)
Nov-20	Actual	306	124	430	702	(336)	366	64
Dec-20	Actual	440	240	680	518	(543)	(25)	705
Jan-21	Actual	520	321	841	426	(143)	283	558
Feb-21	Actual	494	369	863	431	(169)	263	600
Mar-21	Actual	455	302	757	2,396	(238)	2,159	(1,401)
Apr-21	Actual	355	206	560	460	(275)	185	375
May-21	Actual	251	152	403	392	(408)	(15)	418
Jun-21	Actual	168	69	237	461	(448)	13	224
Jul-21	Actual	118	49	167	426	(222)	204	(37)
Aug-21	Actual	107	51	158	756	(246)	510	(352)
Sep-21	Actual	125	57	183	1,195	(178)	1,017	(834)
Oct-21	Actual	199	91	290	873	(543)	330	(40)
Nov-21	Actual	306	267	573	579	(1,284)	(705)	1,278
Dec-21	Actual	440	461	901	477	(566)	(89)	990
Jan-22	Actual	520	596	1,115	534	(392)	141	974
Feb-22	Actual	494	652	1,146	623	(533)	90	1,056
Mar-22	Actual	455	540	995	503	(467)	37	958
Apr-22	Actual	355	471	826	539	(353)	186	640
May-22	Actual	251	345	596	677	(244)	433	163
Jun-22	Actual	168	182	351	609	(236)	373	(23)
Jul-22	Actual	118	140	258	1,676	(191)	1,484	(1,227)
Aug-22	Actual	107	117	224	920	(1,422)	(502)	726
Sep-22	Actual	125	151	276	1,371	(351)	1,020	(744)
Oct-22	Actual	199	259	458	634	(237)	397	61
		8,858	7,092	15,950	31,068	(12,119)	18,949	(2,999)

National Fuel Gas Distribution Corporation  
New York Division  
Monthly Uncollectible Revenues and Net Write-offs  
Information Required by Phase 2 Order  
(\$000's)

Month	Status	Bad Debt Recovery			Gross d	Write-offs Recoveries e	Net f = d + e	Over/(Under) g = c - f
		Delivery a	MFC b	Total c = a + b				
Nov-22	Actual	306	296	603	740	(305)	435	168
Dec-22	Actual	440	694	1,134	629	(202)	427	707
Jan-23	Forecast	520	997	1,516			776	740
Feb-23	Forecast	494	936	1,431			861	570
Mar-23	Forecast	455	893	1,348			1,092	256
Apr-23	Forecast	355	420	774			1,175	(401)
May-23	Forecast	251	239	491			1,339	(849)
Jun-23	Forecast	168	119	287			1,185	(898)
Jul-23	Forecast	118	75	193			1,139	(946)
Aug-23	Forecast	107	64	171			1,089	(918)
Sep-23	Forecast	125	77	203			1,168	(966)
Oct-23	Forecast	199	159	358			1,727	(1,369)
Nov-23	Forecast	306	300	607			1,163	(556)
Dec-23	Forecast	440	517	957			1,094	(137)
Jan-24	Forecast	520	628	1,147			953	194
Feb-24	Forecast	494	636	1,130			1,057	73
Mar-24	Forecast	455	539	994			1,341	(347)
Apr-24	Forecast	355	439	794			1,443	(650)
May-24	Forecast	251	251	503			1,645	(1,142)
Jun-24	Forecast	168	125	293			1,455	(1,162)
Jul-24	Forecast	118	79	197			1,399	(1,202)
Aug-24	Forecast	107	67	174			1,338	(1,163)
Sep-24	Forecast	125	81	206			1,435	(1,229)
		6,879	8,631	15,511			26,738	<b>(11,227)</b>

National Fuel Gas Distribution Corporation  
New York Division  
Recalculation of Earnings Sharing Mechanism  
(\$000's)

Rate Year Ended March 31 2020      2021      2022

**ESM As Filed**

Operating Income		\$ 51,334	\$ 50,910	\$ 54,231
Rate Base		\$ 723,937	\$ 748,791	\$ 782,039
ROR		7.09%	6.80%	6.93%
ROE		9.09%	8.41%	8.73%

## Target ROR

Third Tier > 10.20%	7.57%	0.00%	0.00%	0.00%
Second Tier > 9.70% up to 10.20%	7.35%	0.00%	0.00%	0.00%
First Tier > 9.20% up to 9.70%	7.14%	0.00%	0.00%	0.00%

Third Tier > 10.20%		0	0	0
Second Tier > 9.70% up to 10.20%		0	0	0
First Tier > 9.20% up to 9.70%		0	0	0

## Sharing

Third Tier > 10.20%	90%	0	0	0
Second Tier > 9.70% up to 10.20%	75%	0	0	0
First Tier > 9.20% up to 9.70%	50%	0	0	0
		0	0	0

Bad Debt Reversal	\$ (1,477)	\$ (5,773)	\$ (3,405)
Tax Rate	26.135%	26.135%	26.431%
Impact on Operating Income	\$ 1,091	\$ 4,264	\$ 2,505
Impact on Rate Base (Working Capital)	\$ (185)	\$ (722)	\$ (426)

**ESM Adjusted for Bad Debt Reversal**

Operating Income		\$ 52,425	\$ 55,175	\$ 56,736
Rate Base		\$ 723,752	\$ 748,069	\$ 781,613
ROR		7.24%	7.38%	7.26%
ROE		9.45%	9.76%	9.48%

## Target ROR

Third Tier > 10.20%	7.57%	0.00%	0.00%	0.00%
Second Tier > 9.70% up to 10.20%	7.35%	0.00%	0.02%	0.00%
First Tier > 9.20% up to 9.70%	7.14%	0.11%	0.21%	0.12%

Third Tier > 10.20%		0	0	0
Second Tier > 9.70% up to 10.20%		0	182	0
First Tier > 9.20% up to 9.70%		773	1,605	954

Retention Factor		71.1815%	71.1815%	70.8960%
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## Sharing

Third Tier > 10.20%	100%	0	0	0
Second Tier > 9.70% up to 10.20%	100%	0	256	0
First Tier > 9.20% up to 9.70%	100%	1,086	2,254	1,346
		\$ 1,086	\$ 2,510	\$ 1,346
				\$ 4,942