

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on June 11, 2026

COMMISSIONERS PRESENT:

Rory M. Christian, Chair
James S. Alesi
David J. Valesky
John B. Maggiore
Uchenna S. Bright
Denise M. Sheehan
Radina R. Valova

CASE 23-G-0627 - Proceeding on Motion of the Commission as to
the Rates, Charges, Rules and Regulations of
National Fuel Gas Distribution Corporation for
Gas Service.

ORDER APPROVING REALLOCATION OF FUNDS

(Issued and Effective June 12, 2026)

BY THE COMMISSION:

INTRODUCTION

In the rate order adopting the current rate plan for National Fuel Gas Distribution Corporation (National Fuel or the Company), the Public Service Commission (Commission) authorized National Fuel to implement its Enhanced Residential Methane Detector (RMD) Program.¹ The Rate Order also allocated funds to enable National Fuel to address then-anticipated revised Leak Survey Program requirements being considered by the federal Pipeline and Hazardous Materials Safety Administration (PHMSA); however, PHMSA has not adopted the revised requirements. On

¹ Case 23-G-0627, Order Adopting Terms of Joint Proposal and Establishing Gas Rate Plan with Minor Modifications (issued December 19, 2024) (Rate Order), pp. 70-71.

December 9, 2025, National Fuel filed a petition proposing to repurpose the funds reserved for implementing modifications in the PHMSA Leak Survey Program requirements to support the Commission-authorized Enhanced RMD Program. By this Order, the Commission authorizes the Company to repurpose unused funds related to the PHMSA Leak Survey Program to fully fund the Enhanced RMD Program.²

BACKGROUND

PHMSA Leak Survey Program

The Commission's Rate Order provided funding in base rates for the PHMSA Leak Survey Program with a downward-only reconciliation. Over the course of National Fuel's three-year rate plan,³ the Commission authorized the Company to increase base rates by \$7.426 million to fund the PHMSA Leak Survey Program in response to proposed regulations per Docket No. PHMSA-2021-0039. If it had been adopted, the proposed rule would have required National Fuel to conduct incremental leak surveys. Due to the uncertainty in when PHMSA's proposed rule would be implemented, the Rate Order provides that National Fuel must defer, for the benefit of customers, any unspent funds. This downward-only reconciliation is effective in Rate Year One

² In a distinct and unrelated matter in Case 25-G-0202, the Commission directed the Company to utilize settlement funds to procure RMDs, amongst other items, in its August 14, 2025 Order Instituting Proceeding and Adopting Terms of Settlement (Settlement Order). The Commission's authorization in this Order is limited to the utilization of PHMSA Leak Survey Program funding for the incremental RMD Program as specified herein, and does not impact in any way the separate requirements of the Settlement Order.

³ The three-year rate plan is the 12-months ending September 30, 2025, as Rate Year One; the 12-months ending September 30, 2026, as Rate Year Two; and the 12-months ending September 30, 2027, as Rate Year Three.

and any subsequent rate year in which the issuance and implementation of the final PHMSA rule remains outstanding. Ultimately, PHMSA has not adopted the proposed rule and the Company states it has not incurred costs associated with enhanced leak surveys. Further, National Fuel does not expect to incur any such costs unless and until PHMSA's proposed rule is adopted.⁴ As such, the petition states that the Company would be required to defer outside contractor costs of \$7.426 million by the end of Rate Year Three.

Enhanced Residential Methane Detector Program

As part of its rate filing in this proceeding, the Company's Operations and Safety Panel proposed an Enhanced RMD Program utilizing a three-year phased approach, with a goal to distribute approximately 17,059 units in Rate Year One, 34,118 units in Rate Year Two, and 51,176 units in Rate Year Three for a total of 102,353 detectors by the end of Rate Year Three. The Company's proposed Enhanced RMD Program included costs of \$0.956 million in Rate Year One, \$1.966 million in Rate Year Two, and \$3.034 million in Rate Year Three for a total program cost of \$5.956 million. In its direct testimony, the Department of Public Service Staff Gas Safety Panel supported the Company's Enhanced RMD Program proposal, including the goal to distribute more than 102,000 RMDs over the proposed three-year period.

In the Rate Order, the Commission adopted the terms of a Joint Proposal and approved the proposed enhancements to the Company's existing RMD program; however, the revenue requirements in each year of the rate plan only included funding of \$0.956 million in Rate Year One, \$0.977 million in Rate Year Two, and \$0.999 million in Rate Year Three, or total rate plan

⁴ National Fuel states it does not expect PHMSA to adopt the proposed rule during the three-year rate plan. Petition, p. 3.

funding of \$2.932 million. The Enhanced RMD Program, as adopted by the Commission, allows the Company to distribute more than 102,000 RMDs to low-income customers and customers whose accounts are classified as elderly, blind or disabled over the course of the rate plan. The Rate Order also authorized National Fuel to distribute RMDs during the normal course of business for customers who have inside gas meters.

Despite the testimony and exhibits of both the Company and Staff supporting \$5.956 million for a three-year Enhanced RMD Program, the Joint Proposal only reflected, and thus the Rate Order only authorized, the recovery of \$2.932 million over the course of National Fuel's rate plan, resulting in a funding deficiency of \$3.024 million. Inadvertently, the Joint Proposal only increased the costs of the Enhanced RMD Program by inflation year-over-year and did not account for the program's annual ramp-up.

PETITION

National Fuel proposes to repurpose \$3.024 million of deferred PHMSA Leak Survey Program funds to fully fund its authorized Enhanced RMD Program. This proposal will allow National Fuel to cover the cost of purchasing and distributing 102,353 total RMDs. Additionally, National Fuel proposes to track and reconcile the actual costs incurred for the Enhanced RMD Program through the end of Rate Year Three, whereby the Company would implement a downward-only reconciliation mechanism and would defer any underspent amounts at the end of Rate Year Three for the benefit of its customers. Under the proposed tracking mechanism, the Company will not be able to defer any amounts spent above the \$5.956 million to implement the Enhanced RMD Program.

Without repurposing funds from the deferred PHSMA leak survey costs to the Enhanced RMD Program, the Company contends that it will be unable to fully fund the program. More specifically, National Fuel asserts that the present funding levels will not support the purchase and distribution of approximately 52,000 RMDs authorized in the Rate Order.

NOTICE OF PROPOSED RULE MAKING

Pursuant to the State Administrative Procedure Act (SAPA) §202(1), a Notice of Proposed Rulemaking was published in the State Register on April 1, 2026 [SAPA No. 23-G-0627SP2]. The time for submission of comments pursuant to the Notice expired on June 1, 2026. No comments were received.

DISCUSSION AND CONCLUSION

By this Order, the Commission authorizes National Fuel to repurpose PHSMA Leak Survey Program funding recovered from its customers in the amount of \$3.024 million to fully fund its Enhanced RMD Program and defer any underspent amounts at the end of Rate Year Three for the benefit of its customers. To date, PHMSA has not adopted its proposed rule in light of President Trump's January 20, 2025 Regulatory Freeze Pending Review.⁵ Since PHMSA has not adopted the rule, the Company has not incurred any associated implementation costs and it does not expect to do so during the three-year rate plan. As described above, the Rate Order provides that the costs for incremental leak surveys pursuant to this PHMSA rule are subject to downward-only reconciliation. As such, the Company is booking these costs to a deferral account for future return to customers. As of December 31, 2025, National Fuel has a

⁵ 90 Fed. Reg. 8249, Regulatory Freeze Pending Review (January 28, 2025).

deferral balance of \$3.077 million for its PHMSA Leak Survey Program, which exceeds the funding for the remaining Enhanced RMD Program costs.

The Company has adequately demonstrated that the revenue requirements, as contained in the Joint Proposal adopted by the Commission, inadvertently excluded the necessary funding for its Enhanced RMD Program. Executing the Enhanced RMD Program as intended will provide enhanced safety for the Company's customers. Moreover, customer bills will not be impacted by this proposal. Further, National Fuel's customers are protected because the Company shall defer any unspent funds in the event the Company spends less than the full Enhanced RMD Program costs. Given the unique circumstances identified by National Fuel in its petition, National Fuel's ability to clearly identify the inadequate funding levels of its Enhanced RMD Program in base rates, and, most importantly, the safety benefits associated with the Enhanced RMD Program, the Commission finds National Fuel's request reasonable.

Accordingly, the Commission authorizes National Fuel to repurpose the deferred funds associated with the PHMSA Leak Survey Program to fund the Company's Enhanced RMD Program. Further, the Company is directed to file journal entries supporting the use of funds to fulfill its Enhanced RMD Program obligations within 30 days of the accounting transaction.

The Commission orders:

1. National Fuel Gas Distribution Corporation is authorized, consistent with the discussion in the body of this Order, to repurpose up to \$3.024 million of funds presently deferred on its books to fund the Enhanced Residential Methane Detector Program approved as part of its currently effective rate plan.

2. National Fuel Gas Distribution Corporation shall defer for the benefit of its customers any unspent portion of the amount identified in Ordering Clause 1 of this Order, consistent with the discussion in the body of this Order.

3. National Fuel Gas Distribution Corporation is directed to file with the Secretary, within 30 days of the accounting transaction, a copy of the actual journal entries, including all related workpapers, as discussed in the body of this Order.

4. In the Secretary's sole discretion, the deadlines set forth in this Order may be extended. Any request for an extension must be in writing, must include a justification for the extension, and must be filed at least three days prior to the affected deadline.

5. This proceeding is continued.

By the Commission,

(SIGNED)

MICHELLE L. PHILLIPS
Secretary