

PSC NO: 9 GAS SECTION: 0 LEAF: 120
NATIONAL FUEL GAS DISTRIBUTION CORPORATION REVISION: 2
INITIAL EFFECTIVE DATE: 01/25/2018 SUPERSEDING REVISION: 1
ISSUED IN COMPLIANCE WITH ORDER IN CASE NO. 16-G-0257 DATED 04/20/17

GENERAL INFORMATION (Cont'd)

II.34. SYSTEM MODERNIZATION TRACKER

A. System Modernization Cost Calculation:

The Company shall be permitted to recover the identified costs listed below through this System Modernization Tracker. The determination period for identifying qualified costs for recovery shall be the 12 months ended March 31.

B. Qualified Costs:

The following costs shall qualify for recovery through the System Modernization Tracker.

(1) Leak Prone Pipe Replacement:

The Company shall be permitted to recover the incremental carrying costs of leak prone pipe ("LPP") replacement, limited to the approved pre-tax rate of return, depreciation expense, property taxes, uncollectibles, and forecast unit cost per mile, as defined in Case 16-G-0257.

For the period April 1, 2017 through March 31, 2018, the System Modernization Tracker will only be permitted if (1) the total miles of LPP replaced exceeds 105 miles, AND (2) the Company exceeds the carrying costs provided in delivery rates for all capital investments of \$902,462,000 imputed in Case 16-G-0257.

For subsequent annual periods ending March 31, the Company will be permitted to recover the incremental carrying costs of LPP replacements beyond the 105 miles targeted in the period April 1, 2017 through March 31, 2018, for costs associated with all LPP replaced after March 31, 2018 that exceed carrying costs provided in delivery rates for all capital investments.

The annual qualified LPP mileage replaced shall be accumulated each year to determine the amount of total LPP carrying costs that the Company will be permitted to recover. For example, the amount of LPP replacement for the 12 months ending March 2020 will be the sum of the annual qualified LPP replaced for the 12 months ending March 31, 2018, 2019, and 2020. The sum of the annual LPP amount replaced shall be multiplied by the carrying costs established in the Order issued April 20, 2017 in Case 16-G-0257 to determine the amount of annual LPP costs authorized to be recovered under this mechanism.

C. Recovery of Qualified Costs:

Qualified costs shall be recovered via a volumetric surcharge by firm service class determined by allocating the total annual qualified costs by each firm service class's delivery revenues.

D. Sunset Provision

The System Modernization Tracker will be available for recovery of qualified LPP costs through March 31, 2020 or until modified by the Commission.

Issued by C. M. Carlotti, President, 6363 Main Street, Williamsville, NY 14221
(Name of Officer, Title, Address)