

PSC NO: 9 GAS SECTION: 0 LEAF: 120.1
 NATIONAL FUEL GAS DISTRIBUTION CORPORATION REVISION: 2
 INITIAL EFFECTIVE DATE: 06/01/2020 SUPERSEDING REVISION: 1
 ISSUED IN COMPLIANCE WITH ORDER IN CASE NOS. 18-G-0553, 16-G-0257 AND 13-G-0136 DATED
 04/24/2019

GENERAL INFORMATION (Cont'd)

II.34. – Cont'd

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. While qualified costs are determined on a rate year by rate year basis, the applicable surcharge rate shall be in effect for the following July 1 through June 30 period. Interest shall be applied to surcharge account balances at the Company's pre-tax rate of return, and any surcharge account balances shall be fully reconcilable, including any over/under collections.

D. System Modernization Tracker Mechanics:

In accordance with the Order issued April 24, 2019 in Case 18-G-0553 and consistent with PSL §66.12(c), the Company cannot collect more than 2.5% of aggregate revenue, or \$13,795,375 million per year, from the System Modernization Tracker. \$13,795,375 is derived by multiplying 2.5% by Total Operating Revenues, as established in Case 16-G-0257 (Appendix 2, Schedule 1 of the Order issued April 20, 2017 in Case 16-G-0257). Any cost recovery due to the Company in excess of \$13,795,375 shall be held in a deferral account as a regulatory asset for future Commission disposition. While property taxes are permitted for recovery on a lagged basis under the System Modernization Tracker, property tax impacts will only be included in the deferral account, and not the surcharge mechanism (property taxes are only applicable for mile 106 and beyond). Interest shall be applied to deferral account balances at the Company's pre-tax rate of return, and any deferral balance shall be fully reconcilable. Qualified LPP costs incurred through March 31, 2021 shall be recovered through the System Modernization Tracker.

Issued by D. L. DeCarolus, President, 6363 Main Street, Williamsville, NY 14221

Cancelled by 3 Rev. Leaf No. 120.1 (Name of Officer, Title, Address)