

PSC NO: 9 GAS SECTION: 0 LEAF: 120  
NATIONAL FUEL GAS DISTRIBUTION CORPORATION REVISION: 1  
INITIAL EFFECTIVE DATE: 05/01/2017 SUPERSEDING REVISION: 0  
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 Incentive:

The Company shall be permitted to recover the incremental carrying costs of leak prone pipe ("LPP") replacement above the annual leak prone pipe replacement amount of 105 miles. Qualified LPP carrying charges shall be LPP carrying charges 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) total LPP removed exceeds budget AND (2) the Company exceeds the carrying costs provided in delivery rates for all capital investment. Thereafter: the Company shall calculate the difference between total annual LPP removed in miles less the annual amount of 105 miles. The annual differences shall be accumulated each year to determine the amount of total LPP incentive that the Company will be permitted to recover. For example, the amount of LPP removal for the 12 months ending March 2020 will be the sum of the annual differences in LPP removed for the 12 months ending March 31, 2018, 2019, and 2020. The sum of the annual differences above the LPP amount of 105 miles per year 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 surcharge based on each service classes' delivery revenues.

## D. Sunset Provision

The System Modernization Tracker will be available for a period of three years or until modified by the Commission.

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