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National Fuel

Ronald J. Tanski
President

January 29, 2007

Hon. Jaclyn Brilling, Secretary
Public Service Commission of the
State of New York
Three Empire State Plaza
Albany, NY 12223

Re: National Fuel Gas Distribution Corporation
Proposed Tariff Amendments and Base Rate Increase

Dear Secretary Brilling:

National Fuel Gas Distribution Corporation ("Distribution" or "the Company") submits amendments to its tariff, P.S.C. No. 8 – Gas, listed on Attachment A to this letter.

The revisions are issued as of January 29, 2007[1] and, although they are proposed to be effective February 28, 2007, the Company understands that, after customary suspension periods, they may not become effective until January 2008. Among other things, the revised tariff leaves are designed to increase annual revenue recovered in base rates by approximately $52 million.

The total revenue requirement is based upon operations during the projected rate year ending December 31, 2008.

The Annual Bill Frequency Report is attached as Attachment B. Details regarding specific items that contribute to the requested increase are shown in Attachment C. Attachment D shows the bills that will be increased or decreased and the overall percentage increase by Service Class.

Also included with this filing are fifteen (15) hard copies of testimony of witnesses (Volume 1), their exhibits (Volumes II-III), and two (2) copies of their workpapers (Volume IV-V) that support the revisions in the enclosed tariff leaves.

Two sets of testimony and exhibits and a copy of the workpapers will be delivered to the Consumer Protection Board.

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[1] The revised tariff sheets are being transmitted electronically to the Commission in accordance with applicable procedures. Copies are included with this transmittal letter.

NATIONAL FUEL GAS DISTRIBUTION CORPORATION / 6363 MAIN STREET / WILLIAMSVILLE NY 14221-5887 / 716-857-6981 / FAX 716-857-7710

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Newspaper publication will be made in accordance with the Commission's Rules and Regulations. Copies of the filing will also be placed in a number of public libraries within the Company's service territory and those copies will be available for inspection by the general public.

The witnesses that will testify on behalf of the Company are:

Garth D. Anderson	Frank J. Hanley
David P. Bauer	Paul L. Malachowski
Thomas J. Clark	Eric H. Meinl
Julie C. Cox	John J. Polka
Robert D. Eck	Amy L. Shiley
Ruth M. Friedrich-Alf	John J. Spanos
Kathleen A. Frank	Regina L. Truitt
Kenneth M. Gossel	Joanne E. Zablonski

A. Description of Rate Request

In this rate filing, Distribution proposes to increase its delivery charges, resulting in a net aggregate bill increase of approximately 6.4%. It has been approximately 2 ½ years since Distribution last made a filing to increase its rates. The Company is well aware of the cost pressures placed on its customers by the increase in other energy costs over the same time period. We are also mindful of the condition of the economy in Western New York. It is important to recognize, however, that the bulk of the overall increases in customers' bills experienced over the past several years were *not* caused by increases in the delivery component of Distribution's rates.

During the twelve months ended September 30, 2005, the Company spent approximately \$492 million, or approximately \$8.34 per thousand cubic foot ("Mcf") for the 59 billion cubic feet ("Bcf") of natural gas that the Company purchased for its customers. During the twelve months ended September 30, 2006, the Company spent \$579 million, or approximately \$11.13 per Mcf, for 52 Bcf of supplies. These higher costs for purchased natural gas are required to be passed along to customers at cost, with no mark-up by Distribution.

Indeed, if one were to assume normal weather for the twelve months ended September 2006, gas costs would have represented 70% of a typical customer bill. For the twelve months ended September 2005, the proportion would have been 65%.

Natural gas costs, like other energy commodities, are affected by the laws of supply and demand at a national, and increasingly international level. This was starkly demonstrated by the spike in gas costs following hurricanes Katrina and Rita in 2005. Supply fell due to production outages or pipeline curtailments, but demand remained the same or increased. The result was higher prices in the wholesale markets, which led to higher prices in utility customer bills.

Yet while natural gas costs have fluctuated and risen to unprecedented levels, the portion of customer bills attributed to Distribution's charge – the regulated "delivery charge" – has remained

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steady. Distribution believes that it has been very successful in its efforts to hold the line on its regulated delivery charge.

The success of these efforts can be seen by comparing the change of expense levels since September 1996. There, total O&M expenses for the twelve months ended September 1996 were $149,324,000. Ten years later, total O&M expenses for the twelve months ending September 2006 were $140,253,000. If the Company had merely allowed the general inflation experienced in the U.S. to likewise increase its O&M expenses, the $149,324,000 of O&M expense in September 1996 would have grown to $184,855,600 by 2006, an outcome avoided by the Company's cost-containment efforts.

Unfortunately, however, we have reached the point where falling revenue and increasing capital requirements require us to seek rate relief.

The Company is aware of the added burden this rate increase request will place on its customers. Distribution is equally aware, however, of its responsibility as the sole provider of the service that delivers gas to the homes and businesses in this area. In order to keep that gas flowing in a safe and reliable manner, the Company must continue to invest and expend money on its operating system. During the recent, catastrophic October snowstorm, it was apparent what the loss of utility service meant to the residents in our service area. When other vital utility services were disrupted, Distribution continued to deliver energy supplies to its customers, notwithstanding that supplies were affected by some customers' loss of electric service. The loss of any one utility service can be equally burdensome on customers, and the need to invest in plant to serve those customers simply cannot be avoided. One need only compare the net plant in September 1996 of $619,122,000 with the $731,857,000 of net plant for the 12 months ended September 2006. This represents an 18% increase in investment in the Company's service territory over the last decade. The revenue requirement increase associated with this growth in net plant, alone is approximately $17,885,000.

Yet even with the continued need for capital investment, if the Company had merely seen a modest growth in non-gas revenues equal to annual inflation, there would have been no need to file this case. That, however, is not the situation. Distribution's sales have fallen dramatically. While the Opinion in the Company's 1994 rate case assumed that the average residential customer would use 124.29 Mcf in the rate year, it is now expected that average use per residential customer will be only 105.3 Mcf for the 12 months ended December 31, 2008. Because the Company's revenues depend, in large part, on the amount of gas it delivers, falling sales - and the attendant revenue loss - impose significant upward pressures on the rates needed to pay for the capital investment and operating expenses incurred to provide consistent service at the level of quality expected by our customers, and the Commission.

B. Conservation Incentive Program

Notwithstanding the decrease in average usage per customer described above, the Company agrees with the numerous policy makers, regulators, utilities and industry commentators who

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recognize that more active measures must be undertaken to promote increased conservation and efficient use of natural gas. Accordingly, this rate case proposes, for the first time, a comprehensive program designed to promote customer conservation measures that will help to reduce customer bills while simultaneously addressing the Company's attendant revenue needs. Distribution's proposed Conservation Incentive Program ("CIP") will recognize that the best means of reducing customer bills at an individual and aggregate level is to reduce consumption of natural gas beyond levels previously achieved by customers. As an incentive to customers, the Company's CIP will include a residential and commercial appliance rebate program that will promote the installation of higher-efficiency appliances proven to reduce gas usage. Rebates will also be available for less costly, but still effective conservation measures such as setback thermostats. Further, with usage highest among our most economically disadvantaged customers, the Company is also proposing a far-reaching residential conservation program targeted at low-income homeowners and renters alike. The CIP will be promoted to all customers in an extensive, broad based multi-media communication initiative designed specifically to raise customer awareness and produce real change in customer attitudes about natural gas usage.

Especially today, the need for real, substantive change to promote energy conservation cannot be overstated. Governor Spitzer has repeatedly identified increased energy conservation and efficiency as a primary policy initiative for the state. At the federal level, President Bush delivered in his State of the Union address a call for sweeping measures to conserve domestic resources and reduce our dependence on imported energy. We believe that the CIP responds to these calls to action.

Integral to the CIP is a rate mechanism designed to eliminate the Company's natural incentive to raise and preserve revenues by promoting increased customer usage. This mechanism, which is in use in other jurisdictions, would enable the Company to aggressively promote customer conservation measures – producing real customer savings – without creating a need to file additional and repetitive rate cases. The result would be an alignment of shareholder interests with customers' and society's interest in reducing consumption of a depleting natural resource.

Fully one-fourth of the Company's requested increase relates to customer-directed expenses arising from the CIP. While funding such programs creates a modest need for rate relief today, the Company believes that the investment in reducing usage in the future is well worth the moderate price to be paid today. The testimony of Company witness Eric H. Meinl provides a detailed exposition of both the unique cost pressures facing Distribution and the way in which the Company proposes to change the way business is done to meet these cost pressures, on both the Company and its customers. While we summarize that information here, we urge interested readers carefully to review Mr. Meinl's testimony.

C. Other Changes Proposed in this Rate Request

This filing also includes other changes to the Company's rates and services, including the following:

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- The Company is proposing the continued phase out of the ineffective Low Income Residential Assistance rate classification. In its place, the Company plans to continue and expand its existing (but less subscribed) flexible low income service that offers larger discounts where there is a demonstrated need;

- Transportation and aggregation services (for end-use customers and Energy Service Companies ("ESCOs")) will continue to be simplified and many programs to promote competition, without compromising reliability, will be continued;

- The Company's procedures governing supply delivery requirements for migrating sales customers will be modified to preserve, at levels necessary to meet essential service requirements prospectively, upstream pipeline assets dedicated to New York state; and

- Company incentives to promote increased utilization of the Company's storage and pipeline assets in order to defray gas costs otherwise passed along to consumers.

With a clear revenue requirement and no other plausible means of raising revenues, the Company has no reasonable choice but to commence a rate case. Rate cases are admittedly a blunt and inelegant means of producing modern utility rates and services. Yet in this case the Company, the Commission and the various constituencies have a unique opportunity to work a fundamental change on the way rates are established in this State. If we succeed in this effort, it will produce lasting benefits for consumers, investors and the State, as a whole.

We look forward to working with Commission Staff and our other constituencies over the next eleven months while this rate increase request is examined in detail. Thank you for your attention to this matter.

Very truly yours,

Ronald J. Tanski

Attachments

cc: Patricia L Acampora, Chairwoman
Maureen F. Harris, Commissioner
Robert E. Curry, Jr., Commissioner
Cheryl A. Buley, Commissioner
Mindy Bockstein, Chair, Consumer Protection Board

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Proposed Tariff Amendments effective February 28, 2006

Leaf 3	Revision 18
Leaf 3.1	Revision 5
Leaf 10	Revision 2
Leaf 37	Revision 4
Leaf 37.1	Revision 0
Leaf 63	Revision 3
Leaf 74	Revision 8
Leaf 74.1	Revision 3
Leaf 74.2	Revision 4
Leaf 74.3	Revision 2
Leaf 81	Revision 5
Leaf 82	Revision 7
Leaf 83	Revision 6
Leaf 84	Revision 7
Leaf 86	Revision 4
Leaf 87	Revision 4
Leaf 94	Revision 4
Leaf 141	Revision 6
Leaf 143	Revision 6
Leaf 144	Revision 4
Leaf 148.2	Revision 6
Leaf 148.3	Revision 5
Leaf 148.4	Revision 4
Leaf 148.6	Revision 6
Leaf 148.7	Revision 2
Leaf 148.8	Revision 2
Leaf 148.9	Revision 2
Leaf 148.10	Revision 0
Leaf 149	Revision 8
Leaf 150	Revision 10
Leaf 150.1	Revision 0
Leaf 151	Revision 4
Leaf 152	Revision 10
Leaf 153	Revision 9
Leaf 153.1	Revision 0
Leaf 156.1	Revision 8
Leaf 156.2	Revision 5
Leaf 156.3	Revision 5
Leaf 156.5	Revision 4
Leaf 157	Revision 7
Leaf 158	Revision 10

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Leaf 158.1	Revision 0
Leaf 159	Revision 4
Leaf 161	Revision 4
Leaf 163	Revision 4
Leaf 164	Revision 5
Leaf 165	Revision 10
Leaf 166	Revision 3
Leaf 173	Revision 5
Leaf 174	Revision 5
Leaf 175	Revision 8
Leaf 176	Revision 3
Leaf 179	Revision 4
Leaf 184	Revision 8
Leaf 185	Revision 2
Leaf 186	Revision 7
Leaf 187	Revision 9
Leaf 188	Revision 3
Leaf 189	Revision 9
Leaf 190	Revision 7
Leaf 191	Revision 2
Leaf 206	Revision 8
Leaf 207	Revision 8
Leaf 208	Revision 8
Leaf 209	Revision 5
Leaf 209.1	Revision 1
Leaf 211	Revision 10
Leaf 212	Revision 10
Leaf 213	Revision 7
Leaf 218	Revision 6
Leaf 219	Revision 7
Leaf 222	Revision 14
Leaf 222.1	Revision 2
Leaf 224	Revision 8
Leaf 232	Revision 3
Leaf 237	Revision 5
Leaf 249	Revision 5
Leaf 255	Revision 5
Leaf 261	Revision 4
Leaf 262	Revision 7
Leaf 263	Revision 6
Leaf 264	Revision 4
Leaf 265	Revision 5
Leaf 266	Revision 7

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Leaf 266.1	Revision 5
Leaf 266.1.1	Revision 2
Leaf 266.3	Revision 4
Leaf 267.1	Revision 1
Leaf 271	Revision 13
Leaf 296	Revision 4
Leaf 297	Revision 2
Leaf 298	Revision 3
Leaf 298.1	Revision 2
Leaf 298.2	Revision 1
Leaf 299	Revision 3
Leaf 300	Revision 2
Leaf 301	Revision 2
Leaf 302	Revision 2
Leaf 303	Revision 2
Leaf 304	Revision 2
Leaf 305	Revision 1
Leaf 306	Revision 2

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National Fuel Gas Distribution Corporation
New York Division
Annual Bill Frequency Report
Accounts with 12 Months Data
Service Class 1

Mcf Block Ending at	Number of Customers	Consumption Mcf	Cumulative Customers	Cumulative Consumption	Cumulative Average
0	41,442	-	41,442	-	0
0.1	24,016	2,402	65,458	2,402	0.037
0.2	22,559	4,513	88,017	6,915	0.079
0.3	26,534	7,961	114,551	14,876	0.130
0.4	29,654	11,862	144,205	26,738	0.185
0.5	33,538	16,774	177,743	43,511	0.245
0.6	39,943	23,970	217,686	67,481	0.310
0.7	44,440	31,113	262,126	98,594	0.376
0.8	49,620	39,699	311,746	138,293	0.444
0.9	54,958	49,468	366,704	187,761	0.512
1	59,898	59,901	426,602	247,662	0.581
2	671,270	1,045,037	1,097,872	1,292,699	1.177
3	569,237	1,436,304	1,667,109	2,729,003	1.637
4	389,336	1,370,611	2,056,445	4,099,614	1.994
5	280,886	1,271,880	2,337,331	5,371,494	2.298
6	225,785	1,250,077	2,563,116	6,621,571	2.583
7	196,576	1,285,905	2,759,692	7,907,476	2.865
8	180,121	1,359,054	2,939,813	9,266,531	3.152
9	170,129	1,454,046	3,109,942	10,720,576	3.447
10	162,668	1,552,870	3,272,610	12,273,446	3.750
15	697,717	8,660,821	3,970,327	20,934,267	5.273
20	422,612	7,300,133	4,392,939	28,234,400	6.427
25	198,070	4,400,020	4,591,009	32,634,419	7.108
30	85,595	2,328,624	4,676,604	34,963,044	7.476
35	37,814	1,219,372	4,714,418	36,182,416	7.675
40	18,032	672,387	4,732,450	36,854,803	7.788
45	9,375	396,361	4,741,825	37,251,164	7.856
50	5,417	256,702	4,747,242	37,507,866	7.901
100	9,478	591,223	4,756,720	38,099,089	8.010
150	551	65,046	4,757,271	38,164,135	8.022
200	121	20,644	4,757,392	38,184,779	8.026
300	63	15,111	4,757,455	38,199,890	8.029
400	34	11,791	4,757,489	38,211,681	8.032
500	26	11,424	4,757,515	38,223,105	8.034
1000	5	2,715	4,757,520	38,225,820	8.035

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National Fuel Gas Distribution Corporation
New York Division
Annual Bill Frequency Report
Accounts with 12 Months Data
Service Class 3

Mcf Block Ending at	Number of Customers	Consumption Mcf	Cumulative Customers	Cumulative Consumption	Cumulative Average
0.0	20,542	0	20,542	0.0	0
0.1	6,495	650	27,037	649.5	0.024
0.2	3,896	779	30,933	1,428.7	0.046
0.3	4,060	1,218	34,993	2,646.7	0.076
0.4	3,865	1,546	38,858	4,192.7	0.108
0.5	3,951	1,976	42,809	6,168.2	0.144
0.6	3,957	2,374	46,766	8,542.4	0.183
0.7	3,757	2,630	50,523	11,172.3	0.221
0.8	3,673	2,938	54,196	14,110.7	0.260
0.9	3,399	3,059	57,595	17,169.8	0.298
1.0	3,386	3,387	60,981	20,556.8	0.337
2.0	24,315	36,787	85,296	57,344.2	0.672
3.0	17,047	43,258	102,343	100,601.8	0.983
4.0	13,568	47,886	115,911	148,488.1	1.281
5.0	10,613	48,121	126,524	196,609.1	1.554
6.0	9,077	50,263	135,601	246,872.5	1.821
7.0	7,984	52,201	143,585	299,073.0	2.083
8.0	7,053	53,154	150,638	352,227.1	2.338
9.0	6,241	53,299	156,879	405,525.6	2.585
10.0	5,744	54,810	162,623	460,335.1	2.831
15.0	23,039	285,423	185,662	745,758.5	4.017
20.0	16,246	282,932	201,908	1,028,690.0	5.095
25.0	11,761	263,626	213,669	1,292,316.4	6.048
30.0	8,988	246,803	222,657	1,539,119.1	6.913
35.0	7,092	230,248	229,749	1,769,366.8	7.701
40.0	5,861	219,737	235,610	1,989,103.9	8.442
45.0	5,028	213,597	240,638	2,202,700.9	9.154
50.0	4,251	202,040	244,889	2,404,741.1	9.820
100.0	20,540	1,433,493	265,429	3,838,234.0	14.460
150.0	6,695	812,726	272,124	4,650,960.3	17.091
200.0	2,853	491,195	274,977	5,142,155.2	18.700
300.0	2,432	587,009	277,409	5,729,164.1	20.652
400.0	907	312,244	278,316	6,041,408.0	21.707
500.0	533	236,991	278,849	6,278,398.7	22.515
1,000.0	752	495,921	279,601	6,774,319.8	24.229
2,000.0	132	173,261	279,733	6,947,581.1	24.836
3,000.0	25	57,608	279,758	7,005,189.2	25.040
4,000.0	4	13,398	279,762	7,018,587.4	25.088
5,000.0	7	30,550	279,769	7,049,137.0	25.196
7,500.0	5	31,178	279,774	7,080,314.9	25.307
10,000.0	1	9,639	279,775	7,089,953.9	25.342

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Attachment C

NATIONAL FUEL GAS DISTRIBUTION CORPORATION
NEW YORK DIVISION
ITEMS CONTRIBUTING TO REQUIRED REVENUE INCREASE
FOR THE RATE YEAR ENDING DECEMBER 31, 2008 COMPARED TO THE
FISCAL YEAR ENDING SEPTEMBER 30, 2006
(CASE 04-G-1047)

		($000,000) Increase
Rate Base		
Construction Program	$2.6	
DFIT-Lib. Depreciation	(0.8)	
Storage Gas Inventory	(2.6)	
Internal Pension Reserve	4.8	
Other	0.3	
		$4.3
Depreciation		8.9
Taxes		
Property Taxes	2.7	
Other	0.6	
		3.3
Revenues		
Decline in Net Revenues	9.1	
Other Revenues	4.6	
		13.7
Rate of Return		
Cost of Equity	1.8	
Capital Structure & Cost Rates	2.5	
		4.3
Operating Expenses		
Labor	2.3	
Pension	2.4	
OPEBs	(8.0)	
Hospitalization	2.5	
Other Benefits	1.9	
Clearing Accounts	(2.5)	
Inflation Items	2.7	
Uncollectibles	3.3	
Conservation Incentive Program	12.7	
Site Remediation Costs	1.2	
Other	(1.0)	
		17.5
Total Base Rate Revenue Requirement		$52.0

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Attachment D

NATIONAL FUEL GAS DISTRIBUTION CORPORATION
NEW YORK DIVISION
ESTIMATED REVENUE EFFECTS OF PROPOSED GAS RATES
TWELVE MONTHS ENDED DECEMBER 31, 2008
CASE 07-G

SERVICE CLASSIFICATION		Number of Bills Increased	Number of Bills Decreased	Rate Year Sales Volumes Mcf	Present Rate Year Revenues $	Proposed Rate Year Revenues $	Amount $	Percent %
NO.	***SALES SERVICE***							
1	Residential	4,228,500	552,650	41,400,156	583,289,429	622,247,544	38,958,116	6.68%
2	LIRA	206,984	44,562	2,683,325	32,104,394	33,592,733	1,488,339	4.64%
2A	EBD - LIRA	2,170	3,802	91,737	1,058,357	1,057,602	(755)	-0.07%
2B	LICAAP	0	0	0	0	0	0	0
3	General	238,057	72,335	8,489,515	114,333,907	112,733,550	(1,600,357)	-1.40%
3	Street Lighting			2,208	35,268	34,402	(866)	-2.46%
5	Load Balancing Technol.			0	0	0	0	0.00%
6	Interruptible Sup. Ser.			0	0	0	0	0.00%
7	Natural Gas Vehicles			0	0	0	0	0.00%
8	Seasonal Gas Air Cond.			0	0	0	0	0.00%
9	Small Cogeneration			0	0	0	0	0.00%
10	Sales Cogen	12	0	708,238	6,030,946	6,030,946	0	0.00%
Total Bundled Services		4,675,723	673,349	53,375,179	736,852,301	775,696,778	38,844,477	5.27%
NO.	***TRANSPORTATION SERVICES***							
1	Residential	575,535	6,553	5,899,895	22,933,326	27,105,889	4,172,563	18.19%
3	General	126,190	12	6,584,174	17,373,287	20,900,127	3,526,840	20.30%
13	TC-1.1 MMT	10,088		7,200,305	13,574,003	16,119,472	2,545,469	18.75%
13	TC-2 MMT	1,454		3,795,693	5,065,698	5,999,467	933,769	18.43%
13	TC-3 MMT	636		3,347,992	3,557,338	4,145,392	588,054	16.53%
13	TC-3 DMT	72		421,457	392,318	466,548	74,230	18.92%
13	TC-4 MMT	336		10,118,527	4,532,628	4,980,377	447,749	9.88%
13	TC-4 DMT	12		180,001	99,942	122,044	22,102	22.11%
13	TC-4.1 MMT	52	80	2,736,137	1,924,642	2,298,855	374,213	19.44%
13	Streetlighting	0	0	41,114	134,698	150,016	15,318	11.37%
15	Large Industrial Incentive Rate	0	0	0	0	0	0	0.00%
16	Bypass Rate	12	0	800,000	185,333	185,333	0	0.00%
17	Cogeneration	24	0	44,873	42,516	42,516	0	0.00%
21	Electric Generation			0	0	0	0	0.00%
22	Propane Service			0	0	0	0	0.00%
23	Distributive Generation			0	0	0	0	0.00%
	EDZ/BDR				(299,321)	(299,321)		
Total Transportation Services		714,411	6,645	41,170,168	69,516,407	82,216,715	12,700,307	18.27%
	Late Payment Charge				6,810,698	7,245,891	435,193	6.39%
	Other				686,011	686,011	0	0.00%
Grand Total		5,390,134	679,994	94,545,347	813,865,417	865,845,394	51,979,977	6.39%