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|  | **PENNSYLVANIA**  **PUBLIC UTILITY COMMISSION**  **HARRISBURG, PA 17120** |  |
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|  | Public Meeting held September 15, 2021 |
| Commissioners Present: |  |

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| |  | | --- | | Gladys Brown Dutrieuille, Chairman | | David W. Sweet, Vice Chairman  John F. Coleman, Jr.  Ralph V. Yanora | |  | |
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| National Fuel Gas Distribution Corporation Supplement No. 228 to Tariff Gas - Pa. P.U.C. No. 9 | Docket Number:  R-2021-3027406 |

# ORDER

**BY THE COMMISSION:**

On July 22, 2021, National Fuel Gas Distribution Corporation (Distribution), Utility Code 121850, filed Supplement No. 228 to Tariff Gas - Pa. P.U.C. No. 9 (Supplement No. 228) with the Pennsylvania Public Utility Commission (Commission), to become effective October 1, 2021. On July 28, 2021, Distribution submitted a revision to Supplement No. 228, replacing pages 6, 100 and 101.

Distribution is proposing to reduce base rates by $7,704,085 in order to stop collecting Other Post Employment Benefits (OPEB) expenses from customers. Distribution also proposes to refund $50,000,000 in OPEB expenses paid for by customers that are not needed for future OPEB costs. Distribution proposes to refund $25,000,000 of this amount through a one-time bill credit to all customers and the remaining $25,000,000 through a non-reconcilable surcredit over a 5-year period ($5,000,000 per year). For the reasons expressed in this Order, the Commission approves Supplement No. 228 to Tariff Gas - Pa. P.U.C. No. 9.

Distribution states that in its last base rate proceeding at Docket No. R-00061493, the parties agreed that Distribution would collect $7,704,085 per year in OPEB expenses from customers. Distribution also states that it was required to deposit funds into irrevocable external trusts - primarily Voluntary Employee Beneficiary Association (VEBA) trusts - where the funds are invested and used to pay future OPEB expenses. Distribution further states that its projected future OPEB obligation has not increased significantly since the last rate proceeding in 2006 due to the prudent management of retiree medical costs and favorable revisions to actuarial estimates of future OPEB expenses, and the market performance on the assets held in the VEBA trusts has been strong. Distribution avers that its future OPEB costs can be met with existing funds held in the VEBA trusts, that it does not need to continue collecting OPEB expenses from customers at this time and that it does not anticipate needing to collect OPEB expenses from customers in the foreseeable future. Supplement No. 228, Appendix A.

Distribution is proposing to begin returning certain funds previously collected from customers for OPEB expenses that are no longer needed to pay for future OPEB expenses. Distribution states that it began funding OPEB amounts into the grantor trust in 2014 as OPEB expenses calculated by third-party actuaries under generally accepted accounting principles declined and the funded status of the future OPEB obligation improved. Distribution also states that funds set aside in the grantor trust can be used to either fund the VEBA trusts to pay for future OPEB costs, if necessary, or be used for other purposes approved by the Pennsylvania Public Utility Commission. Distribution is proposing to use $25,000,000 of grantor trust funds to provide a one-time bill credit for customers and use another $25,000,000 to provide recurring savings through a non-reconcilable surcredit over a 5-year period at $5,000,000 per year. Distribution also states that the total $50,000,000 benefit to ratepayers represents substantially all of the funds available in the grantor trust, including amounts not funded by ratepayers, and more than half of the OPEB regulatory liability balance that has been deferred for the benefit of ratepayers. Distribution further states that it is not proposing to refund any amounts contained in the VEBA trusts at this time, because those amounts will be addressed in a future base rate proceeding. Supplement No. 228, Appendix A.

Distribution states that a residential customer using 100.3 Mcf per year will realize an annual distribution rate reduction of $52.56 or approximately a 17% distribution rate reduction, which translates to an approximate 6.31% total bill rate reduction based upon gas costs as of May 1, 2021. Supplement No. 228, Exhibit DNK-4 and DNK-5.

Distribution serves approximately 213,997 customers and avers that the proposed changes will reduce the rates of its customers as a result of the elimination of OPEB expenses from its base rates and an additional reduction to customer bills by way of a one-time bill credit and a temporary non-reconcilable surcredit over a five-year period.

Distribution served Supplement No. 228 on the Commission’s Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate and parties of record to Distribution’s last base rate proceeding at Docket No. R-00061493. No complaints have been filed and no hearings held.

We agreethat Supplement No. 228 is in the public interest to stop National Fuel Gas Distribution from collecting OPEB costs in rates and to refund OPEB funds paid for by customers that are not needed for future OPEB costs. Accordingly, we grant Supplement No. 228 to become effective on October 1, 2021. However, approval of this filing does not constitute a determination that this filing is lawful, just, or reasonable, but only that further investigation or suspension does not appear to be warranted at this time; **THEREFORE,**

**IT IS ORDERED:**

1. That National Fuel Gas Distribution Corporation Supplement No. 228 to

Tariff Gas - Pa. P.U.C. No. 9 is hereby permitted to become effective on October 1, 2021.

2. That this Order is without prejudice to any issues that may be raised by any party with respect to the tariff changes implemented by Supplement No. 228 to Tariff Gas - Pa. P.U.C. No. 9 in any current or future proceedings.

3. That a copy of this Order be served on the Office of Consumer Advocate, the Office of Small Business Advocate, the Bureau of Investigation and Enforcement and parties of record at Docket No. R-2021-3027406.

4. That this proceeding at Docket No. R-2021-3027406 be closed.

**** **BY THE COMMISSION,**

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: September 15, 2021

ORDER ENTERED: September 15, 2021