

**National Fuel
Gas**

2013

An independent analysis of Universal Service
Programs

Prepared for
National Fuel Gas

**UNIVERSAL
SERVICE
IMPACT
EVALUATION**

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March 1, 2013

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FOREWORD

The 2013 National Fuel Gas Universal Service evaluation provides the perspective of the independent evaluator, Melanie K. Popovich of the design, management and improvements viewed as most relevant for program implementation.

The evaluator notes the considerable effort the Company takes to continually improve upon existing program processes as proven by their cost driven program results.

Data sources for this evaluation included:

- Department ad hoc reports from Universal Service, Rates, Call Center, Collections, and Compliance.
- 2011 Bureau of Consumer Services (BCS) Annual Universal Service and Conservation Report.
- Company responses from Evaluator Data Requests.
- Interviews of National Fuel Gas Management and Supervisory staff within Universal Service.

A review for Company compliance was also performed from the following documents:

- 2006 National Fuel Gas Universal Service Impact Evaluation.
- 2006 BCS Key Recommendations.
- 2009-2011 BCS Universal Service and Conservation data reports as submitted by National Fuel.
- 2011-2013 National Fuel Gas Universal Service and Energy Conservation Plan.

Upon comprehensive review, the evaluator finds National Fuel Gas in compliance with its most recently approved Universal Service and Energy Conservation Plan 2011-2013.

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EVALUATION SCOPE

As required by the PA Public Utility Commission's Bureau of Consumer Services(BCS) this evaluation addresses the following questions as relates to effectiveness and efficiency of National Fuel Gas Distribution Corporation's Universal Service Programs:

1. Is the appropriate population being served?
2. What is the customer distribution by CAP payment plan? Payment plans are defined at 52 Pa Code §69.265(2) of the CAP Policy Statement.
3. Generally do participants' energy burdens comply with the CAP Policy Statement? Energy burden is defined as the percentage of household income spent on energy services.
4. What are CAP retention rates? Why do customers leave CAP?
5. Is there an effective link between participation in CAP and participation in energy assistance programs (LIHEAP, Hardship Funds, and other grants)?
6. How effective are CAP control features as defined in 52 Pa Code §69.265(3) of the CAP Policy Statement at limiting program costs?
7. How effective is the CAP and LIURP link? Is the Company's procedure for dealing with excessively high usage effective? If not, how can it be improved?
8. Has collection on missed CAP payments been timely? Has the Company followed its own default procedures in its Commission approved Universal Service Plan for CAP customers?

For the most recent 12-month period provide findings for the following:

Number of CAP accounts that have missed 3 or fewer payments
Number of CAP accounts that have missed 4-6 payments
Number of CAP accounts that have missed 7-12 payments
Number of CAP accounts that have missed more than 12 payments.

9. Does participation in Universal Service Programs decrease service terminations?
10. Does participation in Universal Service programs decrease collection costs?
11. Is the CAP program cost effective?
12. How can Universal Service programs be more cost effective and efficient?
13. Has the Company adhered to its Universal Service and Conservation Plan for 2011-2013?

SUMMARY INDEX

| NUMBER | FINDING | RECOMENDATION |
|-------------------------|---|--|
| LIRA-1 Pg. 15 | As of year-end 2011, the average number of LIRA participants was 12,116 or 68% of the identified low income population expected to participate in LIRA. While this participant rate tracks closely with the average participation rate of other government programs, it tracks 5,700 customers less that the Company anticipated. | Continue to update needs assessment on an annual basis to capture changes in both the estimated and confirmed number of low income and payment troubled customers. Adjust LIRA outreach as needed. |
| LIRA-2 Pg. 16 | The majority of LIRA participants are within 51%-100% of FPL. This is consistent with other peer PA natural gas utilities. The breakdown by FPL is follows: 45% of LIRA Participants (5,106) at 51%-100% 30% of LIRA Participants (3,457) at 0%-50% 25% of LIRA Participants (2,835) at 101%-150% | none |
| LIRA-3 Pg. 17 | LIRA participation rates have declined by 3% over the three year period 2009-2011. More aggressive and efficient recertification efforts are cited as the reason. A new base line of LIRA eligible participants resulted, | Continue to track LIRA participation trends and accelerate LIRA outreach as needed. |
| LIRA-4 Pg. 19 | The Company's average monthly CAP bill of \$79 is within the average of PA peer natural gas utilities. | none |
| LIRA-5 Pg. 21 | Of the 12,518 customers participating in LIRA in 2011, the monthly bill discounts for customers were as follows: 83% (10,431) received a 10% discount. 6% (762) received a 20% discount. 7% (803) received a 30% discount. 3% (522) received a 40% discount. | none |
| LIRA-6 Pg. 24 | There are 293 customers who have been active in LIRA for eight months or more with reported zero income. | Recertify customers with both zero income for continued LIRA eligibility within three months of enrollment. Limit zero income customers to a maximum of six months post-enrollment. |
| LIRA-7 Pg. 26 | Of the 11,275 customers active in LIRA year-end December 2011, the following are the delinquency results: 63% (7,073) paid in full 11.4% (1,281) missed two or more payments 4.3% (461) missed three or more payments. 2.4% (271) missed four or more payments | Track payment history 12 months pre-LIRA and 12 months post-LIRA to develop more accurate comparisons of number of missed payments prior to LIRAS enrollment. This should serve to evaluate if LIRA participation improves payment behavior. |

| NUMBER | FINDING | RECOMMENDATION |
|--------------------------|--|--|
| LIRA-8 Pg.28 | <p>LIRA participant energy percentages comply with those as defined in the BCS provided §69.265.</p> <p>Less than 2% of LIRA participants are out of tolerance, reduced considerably from an average out of tolerance rate of 23.7% reported in 2006.</p> | <p>Continue to monitor LIRA participants' energy burdens especially with the inclusion of new state DPW guidelines for the application of LIHEAP grants to CAP customers.</p> |
| LIRA-9 Pg. 29 | <p>At the end of 2012, there were 10,698 customers with continuous participation as follows:</p> <p>30% (3,194) with five or more years. 30% (3,177) with three to five years. 22% (2,408) with one to two years. 11% (1,131) with six to twelve months. 7% (768) with less than six months.</p> | <p>none</p> |
| LIRA-10 Pg. 30 | <p>In 2011, the two primary reasons for removal from LIRA were "non-Pay" and "Customer Moved".</p> <p>Of the 4,518 customers removed from LIRA, 51% (2,307) were removed for default non-pay/ no recertification 25% (1,139) were removed due to the customer moving.</p> | <p>none</p> |
| LIRA-11 Pg. 35 | <p>In 2011, approximately 9% (990) of the total LIRA participants (11,398) were required to pay "part of" or "all of" their remaining Pre-Program Arrears, due to expired LIRA holds on their accounts.</p> <p>The average Pre-Program Arrears per customer was \$440. The Company's LIRA plan deems a LIRA customer ineligible for arrearage forgiveness past the initial 36 month enrollment period.</p> | <p>The Company should enhance its customer education efforts to fully disclose the consequences of accounts in default once the 36 month hold expires. Add bill messages on LIRA customer bill to remind customers of missed payments and threat of termination.</p> |
| LIRA-12 Pg. 35 | <p>The Company requires LIRA customers to pay their monthly Budget Plan amounts in full and on time as a condition of applying arrearage forgiveness. All catch-up payments must be paid prior to arrearage forgiveness.</p> | <p>Company to consider applying 1/24th of the monthly arrearage forgiveness each time the customer makes a monthly payment in full. Should the customer default at the end of 36 months, this method serves to lower arrearage amount due for re-payment.</p> |
| LIRA-13 Pg. 36 | <p>The Company has implemented many strategic LIRA program controls and operates one of the most cost effective CAP programs in the PA natural gas industry.</p> <p>NFG has the lowest 2011 CAP and Universal Service program spending costs as compared with their peer PA natural gas utility companies. Average spending per residential customer is \$19.50, the second lowest.</p> | <p>none</p> |

SUMMARY INDEX

| NUMBER | FINDING | RECOMMENDATION |
|--------------------------|---|---|
| LIRA-14 Pg. 37 | In analyzing pre-LIRA enrollment and post-LIRA enrollment payment history on a sample of 360 customers, the Company reported a 44% decrease in terminations (23 vs. 52) and 44% reduction in associated costs (\$687 vs. \$1,554). | none |
| LIRA-15 Pg. 38 | NFG experienced lower overall program costs as well as lower costs per customer over a three year period due to previously reported reduction in LIRA enrollments. In 2011, the CAP Credits and average CAP Credit per customer was reduced by 60% as compared to program year 2009. | none |
| CARES-1 Pg. 44 | The Heat Fund continues to be underfunded by NFG shareholders for the most recent three years 2009-2011 by a combined total of \$28,296. At \$300 per grant, this equates to approximately 100 additional customers who could benefit from fully funded shareholder program that matched customer contributions.. | Increase shareholder funds to match the annual customer contributions amount during those years where contributions exceed shareholder dollars. |
| CARES-2 Pg. 45 | The Company does an impressive job at LIHEAP outreach resulting in cash benefits of \$11,653,596 for 22,069 low income customers. | none |
| LIURP-1 Pg. 48 | With the most recent 2010-2011 LIURP Needs Assessment, the Company projects an additional 15,057 customer homes eligible for future weatherization services based on the 130 Mcf minimum usage requirement. | none |
| LIURP-2 Pg. 50 | An average of 60% of all LIURP homes weatherized were high usage LIRA customers over the three year period of 2009-2011. | none |
| LIURP-3 Pg. 52 | On average, NFG customers realize approximately a 24% reduction in savings twelve months post-LIURP over the most recent program years 2009-2011. This is significantly above the PA natural gas utility average of 15.6% as reported in the 2011 BCS Universal Service And Energy Conservation Report. | none |

COMPANY DESCRIPTION

National Fuel Gas Distribution Corporation (National Fuel or NFG or the Company) headquartered in Williamsville, New York, is a subsidiary of National Fuel Gas Company. The Pennsylvania Division of National Fuel, headquartered in Erie, Pennsylvania serves approximately 216,000 customers in fourteen counties.

Of the 198,419 residential customers National Fuel serves, 15.9% or 31,586 residential customers were identified on their customer billing system as confirmed low income customers.¹ By definition all customers who met the 150% or less of the Federal Poverty Level (FPL) guidelines were included in the low income group.

Additional criteria for the identification of confirmed low income customers included the following:

- All customers at or below 150% of FPL when these demographics exist on the customer account.
- All customers who have received the Low Income Usage Reduction Program (LIURP); the Low Income Residential Assistance Program (LIRA); benefits from the Low Income Home Energy Assistance Program (LIHEAP) within the last two years; Crisis; or other energy assistance programs with eligibility guidelines requiring the same income guidelines as the FPL.

National Fuel has a long history of providing services for special needs customers including the low income and the elderly commencing with its first program, The Neighbor for Neighbor Heat Fund in November 1983.

The LIRA program began as a pilot program for reduced rates for 1000 customers in 1991 and has evolved into a fully comprehensive program offering affordable discount rates, arrearage forgiveness, and CAP credit benefits to approximately 12,000 customers.

¹ Bureau of Consumer Services (BCS) 2011 Report on Universal Service Programs & Collections Performance

COMPANY DESCRIPTION

The evaluator recognizes that the Company proactively has made significant changes to the program within the last 20 years including the following:

2002

- Modification of the calculation of the percentage of discount to include household size. The intent was to make the payments more affordable for customers and to meet the guidelines for affordability detailed in Title 52§56.261 of the Pennsylvania Code.
- Extending arrearage forgiveness component from 12-24 months.

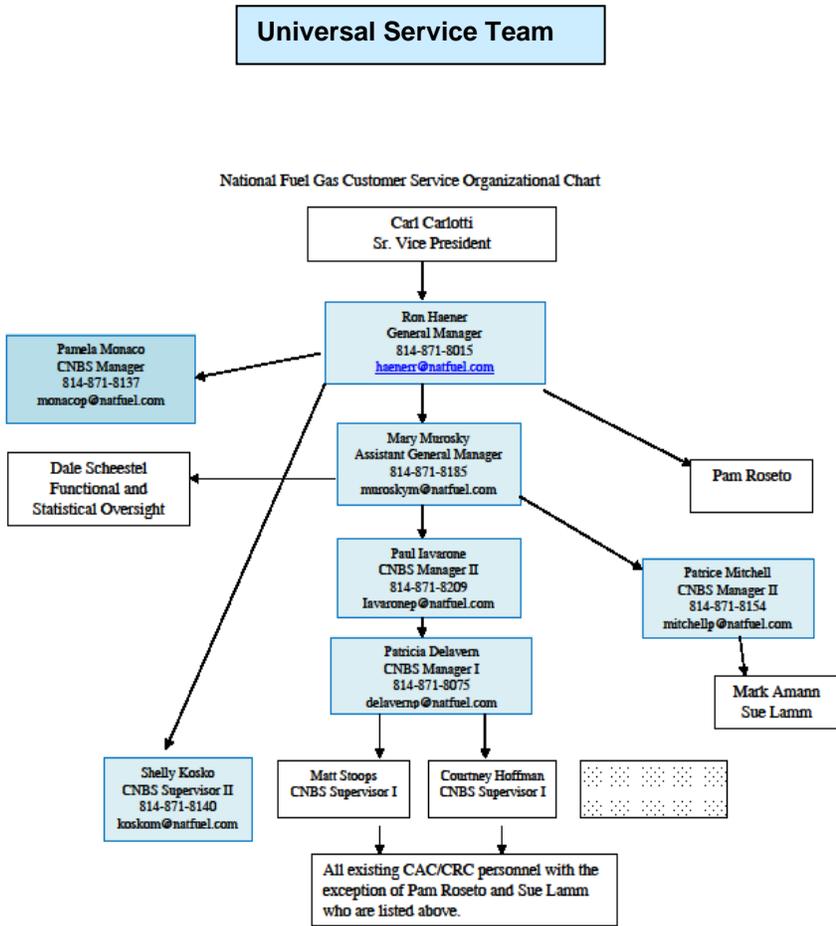
2007

- Utilization of the Department of Public Welfare provided LIHEAP payment schedule in determining participant discounts.
- Increasing the minimum monthly payment to \$12

Organization

The National Fuel Consumer Business Division administers LIRA. The Universal Service Team includes an internal staff of five managers reporting to the General Manager.

Figure 1



LIRA PROGRAM SUMMARY

Description

The Low Income Residential Assistance Program (LIRA) is a discounted rate program for payment troubled, low-income customers at or below 150% of FPL.

Eligible customers are offered separate discounted rates dependent on customer's income, household size, available energy assistance and purchased gas costs. For each customer the discount is determined to meet the affordability annual bill target and the average usage by LIRA customers. Each LIRA customer receives a minimum 10% discount.

See *Appendix A: LIRA Discount Rates* and *Appendix B: Rider F LIRA Discount Charge*

Table 1
Discount Service Classes

| Discount | Service Class | 2011 Average Consumption MCF |
|-----------------|----------------------|-------------------------------------|
| 10% | Service Class 91 | 108.1 |
| 20% | Service Class 92 | 103.8 |
| 30% | Service Class 93 | 113.7 |
| 40% | Service Class 94 | 112.3 |
| 50% | Service Class 95 | n/a |
| 60% | Service Class 98 | n/a |
| 70% | Service Class 99 | n/a |
| 80% | Service Class 90 | n/a |

LIRA PROGRAM SUMMARY

Program Goal

The goal of LIRA is to establish an affordable monthly payment that will:

- Encourage regular bill payment behavior.
- Remove customers from the traditional collection cycle.
- Promote energy conservation.
- Increase eligible customer participation in seeking available energy assistance funds

Program Benefits

LIRA provides an affordable payment plan designed to limit the risk of constant collection activity and the disruption of utility service for eligible low-income customers. Program costs are partially recovered from the Company's residential non-LIRA customers.

When customers make regular payments, they receive CAP credits to offset the difference between their usage and their LIRA payment amount; and also receive arrearage forgiveness to eliminate pre-LIRA balances over a twenty four month period. Energy education/audits/weatherization is also provided as described in the section below.

Energy Education/Audits/Weatherization

Depending on annual usage, LIRA customers are offered one of three options to assist in reducing their energy costs.²

1. LIRA participants with annual usage less than 105 Mcf
General written energy education materials including conservation tips are provided
2. LIRA participants with annual usage 105Mcf-130 Mcf
An energy management auditor personally visits the customer's residence to provide individual, specific recommendations to lower gas usage.
3. LIRA participants with annual usage >130Mcf
Referred to the Low Income Usage Reduction Program (LIURP).

² NFG Universal Service and Energy Education Plan 201102013

LIRA PROGRAM SUMMARY

Eligibility

Customers qualify for LIRA under the following guidelines:

- Total gross household income is equal to or less than the 150% of FPL.
- The customer must be payment troubled. Payment troubled is defined as having an arrearage on the account at the time of application or a least one current, canceled, or defaulted arrangement on the account at the time of application.
- The customer is designated as a heating customer and resides at the address.

Referrals

Customers are referred to LIRA by the National Fuel Consumer Business Department, other Company departments, and community agencies. Intake information is gathered via the Customer Information System (CIS). In 2010, a unified agent desktop program, Customer InSight³ was incorporated to the system that served to provide a single view of consistent and consolidated information about the customer accounts. The Customer Service representatives use Customer InSight to respond to all customer inquiries. It provides a call flow process where emphasis is placed on guiding the call to provide compliance and consistency. Within Customer InSight, LIRA demographics, enrollment, recertification, communications, and program status are captured. All Customer Service Representatives have access to this data and can open orders, check on recertification, and view LIRA payment options.

At the time of LIRA referral, the Company also checks for customer eligibility into additional energy assistance programs. Each Customer Service Representative is provided with a reference guide for all outreach programs available to NFG customers and corresponding criteria for participation.

See Appendix C: PA NFG Outreach Programs

³ NFG Interview and demonstration of Customer InSight

LIRA PROGRAM SUMMARY

Intake

Applications are automatically generated and mailed to the customers upon referral. Customer files are generated and provided to a third party, Dival, for follow up. The expectation is that all applications are completed and the customers are enrolled or declined within 30 days. Dival notifies the customer, preferable by phone, then with a follow up letter informing the customer of their status. Intake activities are captured daily and provided to the Company upon request.

Table 2
Sample Intake Report 2011

| Pennsylvania National Fuel LIRA Intake Report | | | | | | Daily Report | | |
|---|--|-----------------|-------------------|-----------------------------|---|----------------------|----------------------------|------------------|
| National Fuel LIRA Intake Report Outbound Daily Report Project # 79026418 Callable Leads 0 | Number of new applications received | Intake Hours | Outbound Hours | Total Apps Comp/Enrolled | Total number of all Letters and Packets | Applications Sent | Acceptance Letters Sent | Pages Scanned |
| Cumulative Totals: | 7696 | 3187.33 | 102.73 | 4438 | 24505 | 176 | 6203 | 56331 |

NFG Ad Hoc Report 2011

Program Requirements and Benefits Education

The Company generates an electronic list of accepted customers into the LIRA program and sends the list to Dival for follow-up phone calls. This personal contact is important to make certain that the customer understands all the requirements as well as benefits of the program.⁴ At the time of acceptance, a report is issued to Energy Management to commence the energy audit and weatherization process.

⁴ NFG Data Request CAP 41

What are the Customers responsibilities after LIRA enrollment?

The customer must agree to certain provisions once enrolled in LIRA in order to continue to receive LIRA benefits including:⁵

- All adult members of the household must become ratepayers, excluding dependent children of the ratepayers and dependents over 65 under federal tax rules.
- Verification of household income.
- Pay the agreed upon monthly LIRA payment amount by the due date to avoid termination.
- Apply for all available LIHEAP assistance if qualified.
- Receive weatherization services, if qualified.
- Understand that no extensions or arrangements to avoid termination of service will be offered to LIRA customers.

Arrearage Forgiveness

Each month the Budget Plan amount is paid in full and on time, one twenty-fourth of the amount eligible for forgiveness is eliminated. If a Budget Plan payment is missed, the customer forfeits the opportunity to have that month's amount forgiven, until such time all missed LIRA payments are made. LIRA customers may receive up to an additional 12 months to achieve full arrearage forgiveness.

Recertification

Through a mechanism similar to the Intake function, a file of customer accounts is generated by the Company and provided to Dival for follow-up. All correspondence and documents for reapplication and verification is generated by National Fuel. A similar notification procedure to the Intake process takes place. Dival initiates a phone call to the customer regarding eligibility. If the customer continues to be eligible for LIRA, Dival will inform the customer of the discount amount, review the program benefits and requirements and send a follow-up letter with the details.

⁵ NFG Universal Service and Energy Conservation Plan 2011-2013

LIRA PROGRAM SUMMARY

The LIRA recertification process requires participants to recertify their status every two years. If the following conditions occur, the customer must recertify upon the Company's request:

- Change in household
- Report of zero income
- Increased consumption
- Non receipt of LIHEAP

Customer Default

LIRA customers who fail to make their monthly Budget Plan payments will be subject to the Company's collection process. Any customer who has missed any payments over the winter months will be sent a notice for termination for the missed payments. The number of missed payments should not exceed five (5) months except in extenuating circumstances. (i.e. medical certification; BCS complaint). In order to remain active in LIRA, the customer must pay all missed payments. The amount is listed on the termination notice.

Conditions for Customer Reinstatement into LIRA⁶

In order for a LIRA customer to be reinstated into the program after termination, all arrearage accrued while a LIRA participant must be paid (including the current bill if after the due date). A reconnection fee will be charged.

The customer will have continued eligibility for arrearage forgiveness once the accrued arrearage is paid. If ineligible for arrearage forgiveness, the customer may be required to pay all or part of the arrearage prior to reconnection . The Company may negotiate a payment arrangement depending on the size of the unpaid LIRA pre-program arrearage balance, ability to pay, payment history, and the length of time the balance accumulated.

⁶ NFG Universal Service and Energy Conservation Plan 2011-2013

LIRA NEEDS ASSESSMENT

Is the Appropriate Population Being Served?

The most recent LIRA needs assessment provided by the Company was performed in April 2011. Of the 196,048 residential customers reported, NFG estimates 58,773 or approximately 30% of its customer base are considered low income (At or below 150% of FPGL). The greatest percentage of these low income customers reside in Erie, Mercer, Crawford and Venango counties.⁷

NFG confirms that 26,603 customers are low income. Most household incomes are determined during the course of making payment arrangements and through the receipt of LIHEAP or Crisis grants. Confirmed low income customer numbers are updated annually by utilities for inclusion in the BCS Universal Service and Collections Report. However, as noted in the note (d) below, the Public Utility Commission found that not all low income households are payment troubled.

Table 3
LIRA Needs Assessment
April 2011

| | |
|---|------------------------|
| 1. Total - Identified Income Level 1 Ratepayers on CIS | 21,966 (a) |
| 2. Total - Low Income Ratepayers Identified on CIS | 33,558 (b) |
| 3. Total of Low Income Ratepayers Minus Level 1 Ratepayers | 11,592 (c) (Lines 2-1) |
| 4. Payment Troubled LIHEAP recipients (40% of Line 3) | 4,637 (d) |
| 5. Total Identified Payment Troubled Ratepayers in NFG service area | 26,603 (e) (Lines 1+4) |
| 6. 50% of Line 5 Participation rate of other PA government programs | 13,301 (f) |
| 7. 67% of Line 5 NFG's estimated participation rate | 17,824 (g) |

Notes:

- (a) Identified Income Level 1 ratepayers are those who have entered into payment arrangements and who are therefore considered payment-troubled. Income Level 1 ratepayers are those between 0 and 150% of the Federal Poverty Level.
- (b) "Total of Low Income Ratepayers" includes identified Level 1 ratepayers plus all those who received LIHEAP.

⁷ NFG Customer Count as of January 2012-Estimate of the Number of Low Income Households

LIRA NEEDS ASSESSMENT

- (c) 11,592 represents those ratepayers who are not identified as Level 1 by National Fuel, but who received LIHEAP.
- (d) The Commission's Investigation of Uncollectible Balances (Docket No. I-900002) found that 40% of the Commonwealth's low-income households are payment troubled. (Pennsylvania Bulletin, Vol. 29, No. 19, May 8, 1999)
- (e) This is a total of all Level 1 ratepayers plus those who received LIHEAP who may be payment troubled (21,966 plus 4,637).
- (f) The Pennsylvania Bulletin, Volume 29, Number 19, states ". . . current participation rates for government programs such as food stamps and LIHEAP are around 50%. We would not expect every payment troubled household who is eligible for CAP to apply for enrollment."
- (g) National Fuel believes that a participation rate of 2/3 may be more appropriate in its service territory based on its recent experience in reaching the original enrollment cap nearly a year ahead of schedule. Participation rates may be higher since Pennsylvania Bulletin, Volume 29, Number 19 was published in 1999 due to increasing natural gas commodity costs.

Finding LIRA-1

As of year-end 2011, the average number of LIRA participants was 12,116 or 68% of its identified low income population expected to participate in LIRA. While this participant rate tracks closely with the average participation rate of other government programs, it tracks 5,700 customers less than the Company anticipated.

Recommendation

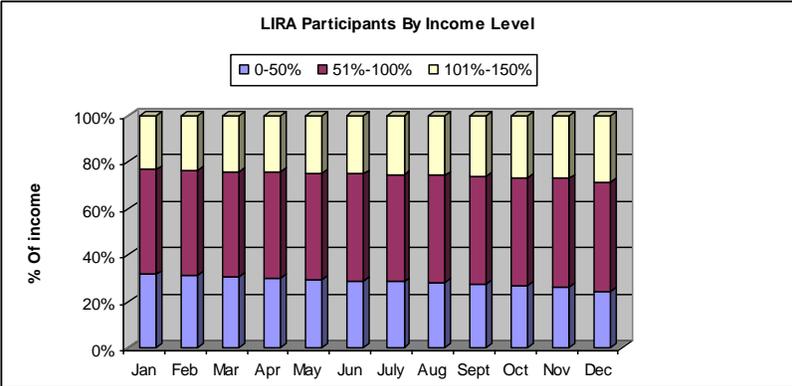
Continue to update needs assessment on an annual basis to capture changes in both the estimated and confirmed number of low income and payment troubled customers. Adjust LIRA outreach as needed.

What is the customer distribution of LIRA by poverty Level?

LIRA Enrollment Trends

Average enrollments from the 2009-10-11 program years indicate that the majority of LIRA participants fall into the 51%-100% of FPL. This data is consistent with other Pennsylvania gas and electric utilities. Across all three levels of FPL, LIRA 2011 participation levels are slightly higher in the months of April and May when termination notices are sent out and collection activities ramp- up at the conclusion of the heating season.

**Table 4
LIRA Participants
2011**



BCS Universal Service and Conservation Report 2011–NFG

Finding LIRA- 2

The majority of LIRA participants are within 51%-100% of FPL. This is consistent with other peer PA natural gas utilities.

The breakdown by FPL is as follows:

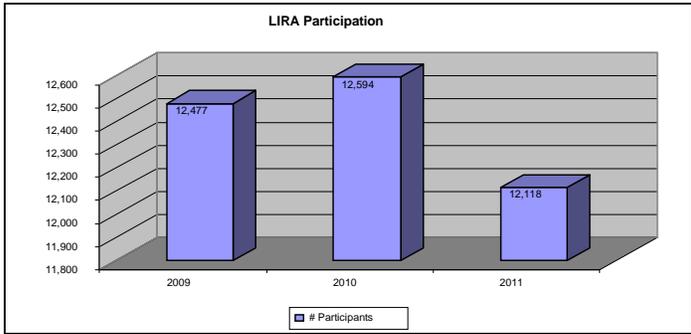
45% of LIRA Participants (5,106) at 51%-100% of FPL.

30% of LIRA Participants (3,457) at 0%-50% of FPL.

25% of LIRA Participants (2,835) at 101%-150% of FPL.

Enrollment trends from program years 2009-2011 indicate a slight decrease of 3% fewer customers enrolled in LIRA over the three year average participation rate and a drop of 4% fewer customers comparing 2010 to 2011. The Company attributes the enrollment decrease to more aggressive recertification effort in 2010. The results of these efforts along with implementing a more streamlined approach of telephonic recertification revealed fewer customers continued to be eligible for the discount plan. A new base line was established for active LIRA participants. The Company expects to maintain this level of enrollment on an ongoing basis.⁸

Figure 2
LIRA Participation



BCS Universal Service and Conservation Report 2009-2011

Finding LIRA-3

LIRA participation rates have declined by 3% over the three year period 2009-2011. More aggressive and efficient recertification efforts are cited as the reason. A new base line of LIRA eligible participants resulted.

Recommendation

Continue to track LIRA participation trends and accelerate LIRA outreach as needed.

⁸ Interview NFG Management February 2012

The BCS explains in their annual Universal Service and Energy Conservation Report that average CAP bills will fluctuate due to several factors.⁹ In the case of NFG, consumption and weather will affect LIRA bills and credits because LIRA payment plans are based on rate discounts tied to usage.

Average Monthly Bill Payment

The LIRA Budget Plan amount is reviewed four times per year and may increase or decrease dependent on customer usage and NFG rates. Customers are advised to apply for LIHEAP grants which is applied to their Budget Plan balance. At the time the LIHEAP grant is applied to the customer account, the system reviews the status of the plan, lowers the payment amount by the amount credited to the Budget Plan balance, and restarts the plan for a full year.

The BCS defines the average monthly CAP bill as the total CAP amount billed (\$11,871,172) divided by the total number of CAP bills rendered (149,579). In the case of NFG, the average LIRA bill combined for the three percentage of poverty levels is \$79. The table below shows that the Company is well within the average monthly natural gas bill as compared with their Pennsylvania peer natural gas companies.

Table 5
LIRA Participation by Poverty Level

| FPL% | LIRA Avg. Participation Count* | Avg. LIRA Bill |
|-----------|--------------------------------|----------------|
| 0%-50% | 3,457 | \$76 |
| 51%-100% | 5,106 | \$78 |
| 101%-150% | 2,835 | \$82 |

*Avg. Participation count calculated from BCS 2011 Report

⁹ BCS Universal Service and Energy Conservation Report 2011

Average Monthly PA Natural Gas CAP Bill

The BCS considers the average CAP bill to be the total CAP amount billed (total of the expected monthly CAP payments) divided by the total number of CAP bills rendered.

For year- end 2011, the annual CAP billed amount (\$11,871172) divided by the average number of CAP bills rendered by month 12,465) results in a \$79 average CAP bill for NFG.¹⁰

Table 6
Avg. Monthly PA Natural Gas CAP Bill¹¹

| PA Natural Gas Company | 2011 |
|-------------------------------|-------------|
| Columbia | \$58 |
| Peoples | \$65 |
| Equitable | \$75 |
| NFG | \$79 |
| PECO-Gas | \$62 |
| PGW | \$86 |
| UGI-Gas | \$93 |
| UGI Penn Natural | \$105 |
| PA Industry Average | \$78 |

Finding LIRA-4

The Company's average monthly CAP bill of \$79 is within the average of PA peer natural gas utilities.

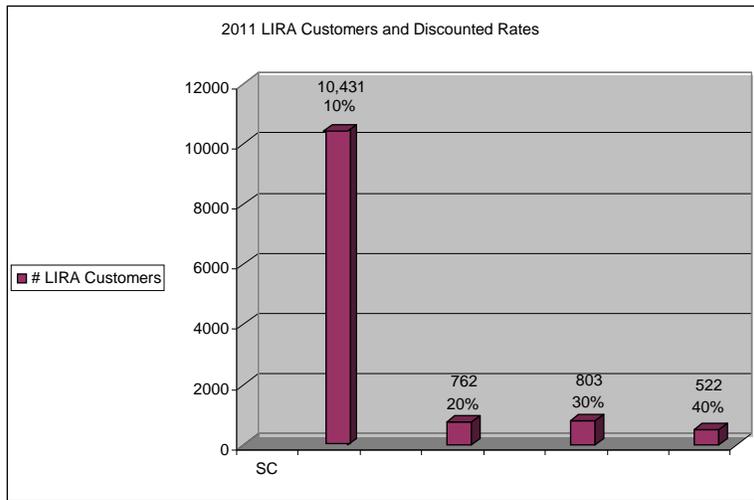
¹⁰ BCS Universal Service and Energy Conservation Report 2011

¹¹ Ibid.

Discounted Rates

Customers enrolled in LIRA are offered one of eight separate discounted rates ranging from 10%-80%. In 2011, 12,518 customers were enrolled in four of the seven Service Classes, ranging from a rate discount of 10% to 40%. There were no customers enrolled in SC 95, 98, or 99.

Figure 3
Discounted Rates by Tier



NFG Ad Hoc report 2011

LIRA PAYMENT PLANS

In comparing the average LIRA bill by discount rate from 2010 to 2011, the results revealed that there were 6,098 fewer bills issued overall in all rate discount tiers except for SC 94,

Table 7
Average Bill by Discount Tier

| SC | Avg. Bill 2011 | # Bills 2011 | Avg. Bill 2010 | # Bills 2010 |
|-------|-------------------|-----------------|-------------------|-----------------|
| SC 91 | \$83 | 120,244 | \$79 | 122,830 |
| SC 92 | \$70 | 11,603 | \$60 | 14,194 |
| SC 93 | \$64 | 10,997 | \$61 | 15,009 |
| SC 94 | \$55 | 6,493 | \$62 | 3,624 |
| SC 95 | \$38 | 242 | \$96 | 8 |
| SC 96 | n/a | n/a | \$28 | 12 |

NFG LIRA Shortfall Worksheet 2010-2011

Finding LIRA-5

Of the 12, 518 customers participating in LIRA in 2011, the monthly bill discounts for customers were as follows:

83% (10,431) received a 10% discount.

Six percent (762) received a 20% discount.

Seven percent (803) received a 30% discount.

Three percent (522) received a 40% discount.

Minimum Payment

Most CAP plans for PA natural gas and electric utilities require a minimum payment of \$25 or more as a cost control feature. Within the NFG LIRA plan it is quite possible that a customer may pay as little as \$6 a month since the discount rate is based on household size, NFG rates, customer usage and the LIHEAP grant amount.¹²

Example of Minimum Payment at NFG

| | |
|---------------------------|-------------|
| Old Budget Payment Amount | \$35 |
| LIHEAP Grant Applied | <u>\$29</u> |
| New Budget Payment Amount | \$ 6 |

Should the amount of the applied LIHEAP grant reduce the monthly LIRA Budget Plan to \$6, then that becomes the customer's new monthly pay plan. In other words, NFG cannot arbitrarily invoke a minimum payment of \$25 on the customer in this example since it would require paying more than their newly reduced budget and/or pay for usage they never incurred.

In cases where there is no reported gas usage, the Company's minimum payment is \$12.¹³

¹² 2006 National Fuel Gas Universal Service Evaluation Melanie K. Popovich pg. 19

¹³ Interview NFG Management
NFG Universal Service and Conservation Plan 2011-2013 Pg.3

Zero Income Customers

Customers who report an income of zero are deemed eligible for LIRA on a short term basis unless verified as justified. The BCS suggests that the customer who reports no income repeatedly month to month should not be permitted to participate in LIRA on a long term basis. Although the Company reports 293 customers at zero income with the average number of months at 8.2, management ascertains that all customers who fall into this category are recertified every three months and remain eligible for LIRA.¹⁴ In the table below, 100 of the customers at zero income are also on a minimum Budget Payment Plan of \$6.

Table 8
Zero Income Customers Identified by Months¹⁵

| # Months | # Customers |
|--------------|-------------|
| <12 | 242 |
| 25-36 | 38 |
| 37-48 | 3 |
| >50 | 2 |
| Total | 293 |

Table 9
LIRA Zero Income & Minimum Payment¹⁶

| Number of LIRA Zero Income Customers | Average Number of Months |
|--------------------------------------|--------------------------|
| 293 | 8.2 |
| Number of LIRA \$6 Min Pay Customers | |
| 100 | 2.3 |

t

¹⁴ NFG Management Interview

¹⁵ NFG Ad Hoc Report as of December 2012

¹⁶ Ibid

Finding LIRA-6

There are 293 customers who have been active in LIRA for eight months or more with reported zero income.

Recommendation

Recertify customers with both zero income for continued LIRA eligibility within three months of enrollment. Limit zero income customers to a maximum of six months post- enrollment.

LIRA PAYMENT FREQUENCY

LIRA Customers with Missed Payments

Providing low-income payment troubled customers with affordable Budget Plans should ensure optimal customer success with consistent payment of their LIRA monthly payments. More than half or 63% of customers in this evaluation sample were considered good paying customers. An additional 26% missed only one payment with a combined total of 89% of LIRA customers who participated as consistent payers.

In order to analyze the payment behavior of LIRA customers, this evaluation looked at a sample of 11,275 billed participants as of year- end 2011.

| | |
|--------------------------------|--------|
| Number Customer Paid- in- Full | 7,073 |
| Number Delinquent | 4,202 |
| Percent Delinquent | 37.27% |

Table 10
Missed LIRA Payments

| Number of Months in Arrears | Number of Customers | | | | |
|--------------------------------|---------------------|-------|-------|-------|-------|
| | SC 91 | SC 92 | SC 93 | SC 94 | SC 95 |
| 1 | 2,215 | 255 | 261 | 173 | 17 |
| 2 | 611 | 75 | 63 | 46 | 5 |
| 3 | 148 | 24 | 21 | 15 | 2 |
| 4-11 | 145 | 17 | 25 | 10 | 3 |
| 12 or more | 52 | 5 | 8 | 6 | |
| Totals | 3,171 | 376 | 378 | 250 | 27 |

NFG Ad Hoc report 2011

LIRA PAYMENT FREQUENCY

Finding LIRA-7

Of the 11,275 customers active in LIRA year- end December 2011, the following are the delinquency results:

63% (7,073) paid in full.

11.4% (1,281) missed two or more payments.

4.3 % (481) missed three or more payments.

2.4% (271) missed four or more payments.

Recommendation

Consider tracking payment history 12 months pre-LIRA and 12 months post-LIRA to develop more accurate comparisons of the number of missed payments prior to LIRA enrollment. This should serve to evaluate if LIRA participation improves payment behavior.

LIRA PAYMENT FREQUENCY

Generally do participants energy burdens comply with the CAP Policy Statement at § (i)-(B)?

Energy Burden

The BCS brought LIRA bill affordability issues to the attention of NFG in March 2004. It appeared that many LIRA Budget Plans were outside of the energy burdens for Income Level 1, Level 2 and Level 3 customers as defined in §69.265. In April 2005, the Company responded by recalculating the LIRA discount incorporating household size. It seemed that larger households received an insufficient discount to adequately reduce their bills because typically their usage was greater than smaller households.¹⁷

In May 2007, the Company once again modified the discount calculation, this time addressing the Low Income Home Energy Program's (LIHEAP) impact on the LIRA Budget Plan. Up to this point, the discount calculation utilized an average LIHEAP payment based on the actual average LIHEAP payment received by all LIRA participants. Continuing to use this methodology created wide variances to the discounts applied.

For example, a LIRA participant at 0%-50% of FPL might receive such a large LIHEAP grant (significantly larger than the assumed average grant) resulting in a much larger discount creating a credit on the customer's account. Conversely, a LIRA participant at 101%-150% of FPL might receive a much smaller LIHEAP grant (significantly smaller than the assumed average grant) resulting in a much smaller discount creating an insufficiency.¹⁸ In 2007, as a result of this analysis, the Company began to utilize the Department of Welfare provided LIHEAP payment schedule in determining LIRA participant discount rates.

In June, 2006, the Company began generating a daily ad hoc report to identify all households who might continue to be outside of the affordability guidelines despite the application of the new discount adjustment.

¹⁷ NFG Universal Service Evaluation 2006 Melanie. K. Popovich pg. 20

¹⁸ NFG Universal Service and Energy Conservation Plan 2011-2013 pg. 3

LIRA PAYMENT FREQUENCY

Table 11
Payment as a Percentage of Income
Year End December 2011

| | |
|--|-----------|
| 0%-50% of FPL | |
| Monthly LIRA Budget | \$2,095 |
| # LIRA Customers | 556 |
| # / % LIRA Customers Out of Tolerance/% | 24/ 4.32% |
| 50%-100% of FPL | |
| Monthly LIRA Budget | \$2,281 |
| # LIRA Customers | 434 |
| # / % LIRA Customers Out of Tolerance/% | 2/0.46% |
| 101%-150% of FPL | |
| Monthly LIRA Budget | \$ 462 |
| #LIRA Customers | 69 |
| # / % LIRA Customers Out of Tolerance | 0 |

NFG Daily Ad hoc report 2011

Finding LIRA-8

LIRA participant energy percentages comply with those as defined in the BCS provided §69.265. Less than 2% of LIRA participants are out of tolerance, reduced considerably from an average out of tolerance rate of 23.7% reported in 2006.

Recommendation

Continue to monitor LIRA participants' energy burdens especially with the inclusion of new state DPW guidelines for the application of LIHEAP grants to CAP customers.

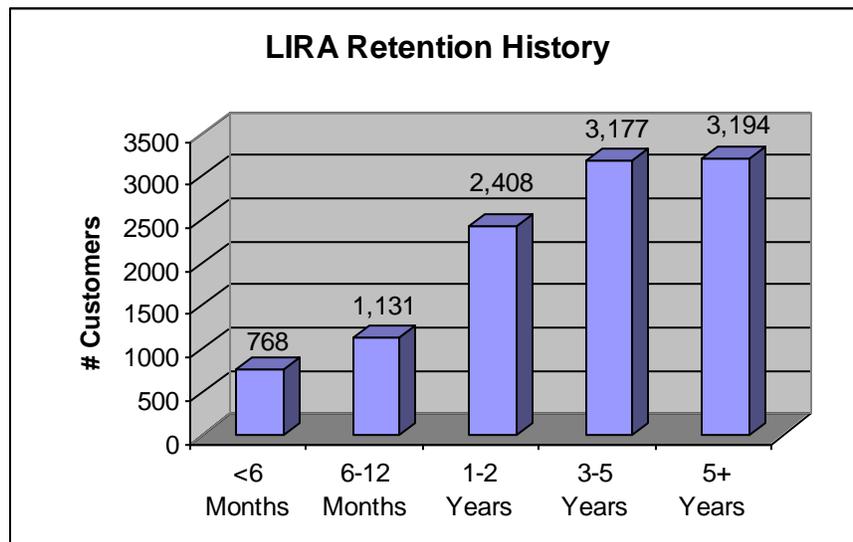
LIRA RETENTION

What are CAP retention Rates?

One indicator as to the success of LIRA is the length of continuous participation of the program enrollees. It is to NFG's advantage for LIRA customers to remain in the program long term in order to:

1. Reinforce good payment behavior.
2. Reduce arrearages.
3. Minimize and reduce administrative costs associated with enrollment.
4. Reduce collection costs when/if customers default.

Figure 4
LIRA Retention



NFG Ad hoc report as of Dec 2012

Finding LIRA-9

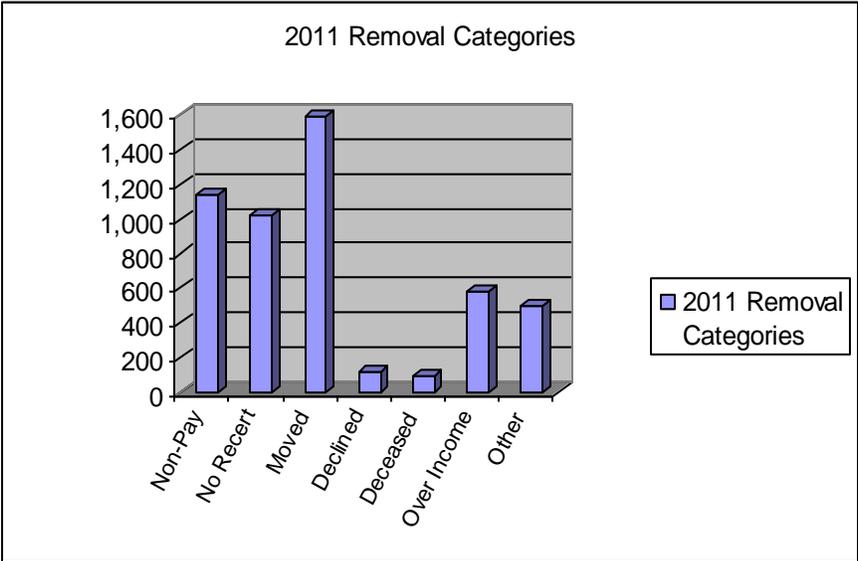
At the end of 2012 there were 10,698 customers with continuous LIRA participation as follows:

- 30% (3,194) with five or more years
- 30% (3,177) with three to five years
- 22% (2,408) with one to two years
- 11% (1,131) with six to twelve months
- 07% (768) with less than six months

Why do customers leave CAP?

The greatest percentage of customers removed from LIRA, default for non-pay. Of the 2,879 customers in default, 1,015 customers were removed for failure to recertify.

**Figure 5
LIRA Removal Reasons 2011**



NFG Quarterly Management Report YTD 2011

Finding LIRA-10

In 2011, the two primary reasons for removal from LIRA were “Non-Pay” and “Customer Moved”.

Of the 4,518 customers removed from LIRA, 51% (2,307) were removed for default non-pay/ no recertification and 25% (1,139) were removed due to the customer moving.

LIRA CONTROLS

How effective are CAP Control features as defined in 52 PA Code §69.265(3) of the CAP Policy Statement at limiting program costs? Is the program cost effective?

The Company does an impressive job at implementing LIRA program control features in order to improve effectiveness and efficiencies. This section will summarize five major areas of control as follows:

1. Customer Communication.
2. Daily LIRA Status Reports.
3. Application of LIHEAP Grants on LIRA Accounts.
4. Recertification Methodology Improvements.
5. LIRA Program Portability.
6. LIRA Collections.

Customer Communication

The first three months after LIRA enrollment, each newly enrolled customer receives a payment reminder call made by Smart Phone (phone messaging system). If the customer becomes delinquent, an attempt is made to telephone each LIRA customer approximately seven days before the bill becomes due. This is to encourage timely payments, avoid termination of service, and to help ensure the opportunity to obtain forgiveness.¹⁹ However, the Company reports that there are no LIRA specific bill messages to highlight the account when it is overdue.

Daily LIRA Status Reports.

One full time NFG employee handles back office work for LIRA. In addition to processing incoming mail and fielding questions from the Customer Service Representatives, the employee works the following daily reports to track the status of LIRA customers.²⁰

1. LIRA Accounts in Pending Status.
2. PA LIRA Pending Re-verifications.
3. Active LIRS accounts final billed last control.
4. Accounts whose 68,75 and 77 holds are inactive.

¹⁹ NFG Universal Service and Energy Conservation Plan 2011-2013 Pg. 14

²⁰ NFG Ad Hoc report-CAP 31 Data Request

5. LIRA cancel list.
6. Active LIRA customers with budget plan payment less than \$6.
7. LIRA customers with budget plan and direct pay.
8. LIRA accounts program inactivated 75 and 77 holds.
9. Pending customers that have gone inactive.
10. LIRN190-3 LIRA Moves.
11. Error and Action.

See Appendix D: LIRA Daily Reports

Application of LIHEAP Grants on LIRA Accounts

As described under the LIHEAP section of the LIRA Program Summary of this evaluation, See the Company altered the way it changed the LIRA Budget Plan upon receipt of a LIHEAP grant. NFG restarts the Budget Plan to twelve months to minimize the number of changes to the monthly payments. The customer will see that their monthly Budget Plan amount is consistent over this twelve month period unless of course there is a significant change to their usage. Offering a consistent payment plan helps in influencing consistent customer payment behavior.

Recertification Methodology Improvements

Inadequate recertification efforts were identified as a gap in the 2006 NFG Universal Service Program evaluation.²¹ Since then, the Company has made impressive strides in improving on its efforts to recertify customers for LIRA. The recertification process requires the participants to recertify their status every two years unless their household size changes, they report zero income, or their usage increases inexplicably. In these cases, the customer is obligated to immediately contact the Company.

A phone based recertification procedure was launched whereby NFG provides a third party, Dival, with a file of customer accounts due for recertification follow-up. Dival representatives phone LIRA participants requesting verbal confirmation of household

²¹ NFG Universal Service Program Evaluation 2006 Melanie K. Popovich Pg. 15-16.

and income information. In the event where personal contact is not made, a letter is sent requesting the customer call into the office to provide the necessary income information. Failing that, Dival sends a printed recertification packet for the customer to complete and return within a ten day time frame. If the customer fails to comply, they are removed from LIRA except for extenuating circumstances.

NFG employs another approach to LIRA income recertification within their call center. Each time a LIRA customer calls into the office, the Customer Service representative automatically re-verifies customer income to ensure continued eligibility.²²

Additionally, in 2010, NFG initiated a very aggressive recertification campaign on existing LIRA participants. Baseline LIRA participation levels were reduced by 3% comparing program years 2010 to 2011, mostly as a result of that effort.

LIRA Program Portability

When a LIRA customer(s) moves to a new address, the customer must identify each adult member of the new household responsible for paying the bill and recertify income,

If an adult member or former NFG ratepayer has a balance due from a previous account, that balance will be added to the first LIRA bill at the new address. If the previous account was terminated for non-payment, the ratepayer must pay a reconnection charge and negotiated amount towards pre-LIRA program unforgiven balances. Unused arrearage forgiveness can continue at the new address for the remaining months not used by the customer.²³

²² NFG Universal Service and Energy Conservation Plan 2011-2013 Pg. 4, 14

²³ Ibid Pg. 13

LIRA CONTROLS

Has Collection on missed CAP payments been timely? Has the Company followed its own default procedures in its Commission approved Universal Service Plan for CAP customers?

LIRA Collections

The Company constructed a fairly aggressive methodology of processing delinquent LIRA accounts. Most PA Natural Gas Utility CAP programs are very similar to NFG's approach at implementing the CAP termination and reconnection processes. (See *Section: Customer Default under LIRA Program Summary Pg. 16-17*).

However, one major difference is the continuance rules for arrearage forgiveness. If the LIRA customer has expended the allotted time frame of 36 months for participation in the arrearage forgiveness component and is deemed ineligible for continuance, the following conditions occur:

1. The customer may be required to pay part or all of the arrearage prior to reconnection in accordance with 66 PA. CSA§ 1407(c)(2)(i).
2. The Company may negotiate a payment arrangement towards the preprogram arrearage. The time line of the arrangement depends on the LIRA balance size, ability of the ratepayer to pay, payment history, and length of time the balance accumulated.
3. If a LIRA customer is terminated after negotiating the above mentioned payment arrangement, the entire arrearage owed becomes due for service restoration. No arrangement is offered on either the missed LIRA payments or pre-program arrears.

Table 12
Expired LIRA Holds for 2011

| | |
|---------------------------------------|-----------|
| Number of Customers | 990 |
| Total Balance for Pre-Program Arrears | \$435.987 |
| Average Balance per Customer | \$440 |

NFG Ad Hoc Report 2011

In negotiating a payment arrangement for the outstanding pre-program arrearage, the Budget Plan amount is not affected. The customer must either pay the full payment amount or the negotiated payment agreement.

Finding LIRA-11

In 2011, approximately 9% (990) of the total LIRA participants (11,398) were required to pay “part of” or “all of” their remaining pre-program arrears, due to expired LIRA holds on their accounts. The average pre-program arrears per customer was \$440. The Company’s LIRA plan deems a LIRA customer ineligible for pre-program arrearage forgiveness past the initial 36 month enrollment period.

Recommendation

The Company should enhance its customer education efforts to fully disclose the consequences of accounts in default once the 36 month hold expires. Add bill messages on LIRA bills to remind customers of missed payments and threat of termination.

Finding LIRA-12

The Company requires LIRA customers to pay their monthly Budget Plan amounts in full and on time as a condition of applying arrearage forgiveness. All catch-up payments must be paid prior to arrearage forgiveness.

Recommendation

Company to consider applying 1/24th of the monthly arrearage forgiveness each time the customer makes a monthly payment in full and on time. Should the customer default at the end of 36 months, this method serves to lower the arrearage amount due for customer re-payment.

Summary of LIRA Program Controls

The Company not only closely adheres to their collections policy as detailed in their most recently approved 2011-2013 Universal Service and Energy Conservation Plan, but has implemented many more initiatives strategic to maintaining and controlling program costs.

**Table 13
Universal Service Programs 2011 Spending Levels²⁴**

| Company | Annual CAP Spending | Annual total Universal Service Spending* | Average Annual Universal Service Spending per Residential Customer |
|------------------------------|----------------------------|---|---|
| Columbia | \$18,141,003 | \$21,567,265 | \$57.62 |
| Peoples | \$7,664,959 | \$8,718,959 | \$26.43 |
| Equitable | \$12,162,295 | \$13,072,242 | \$54.44 |
| National Fuel | \$2,778,028 | \$3,870,753 | \$19.50 |
| PECO-Gas | \$7,475,179 | \$9,968,552 | \$22.14 |
| PGW | \$96,254,993 | \$102,964,829 | \$214.83 |
| UGI | \$3,996,287 | \$5,100,032 | \$16.43 |
| UGI Penn Natural | \$3,243,172 | \$4,197,023 | \$28.87 |
| NGDC Weighted Average | | | \$67.03 |

*Universal Service costs include CAP, LIURP, and CARES costs.

Finding LIRA-13

The Company has implemented many strategic LIRA program controls and operates one of the most cost effective CAP programs in the PA natural gas industry.

NFG has the *lowest* 2011 CAP and Universal Service Program spending costs as compared with their peer PA natural gas utility companies.

NFG's average annual Universal Service spending per residential customer is \$19.50, *second lowest* as compared to their peer PA natural gas utility companies.

²⁴ BCS 2011 Report on Universal Service Programs & Collections Performance Appendix -8 Universal Service Programs 2011 Spending Levels & Cost Recovery

LIRA PROGRAM COSTS

Does participation in Universal Service Programs decrease service terminations and collection costs?

Collection Activity Comparison

A sample size of 360 LIRA customers with available 12 month pre-LIRA and 12 month post-LIRA payment history were analyzed for collection activity. The table below shows a comparison for program years 2008-09.

Table 14
Collection Activity Comparison Pre-Post LIRA Enrollment²⁵

Sample: 360 accounts

| | 2008 Pre LIRA | 2009 Post LIRA |
|---------------------------------------|--------------------------|---------------------------|
| Number of Termination Notices | 524 | 465 |
| Cost of Termination Notice | \$235.80 | \$209.25 |
| Number of successful phone attempts | 238 | 157 |
| Cost of successful phone attempts | \$133.28 | \$87.92 |
| Number of left message phone attempts | 1,446 | 1,181 |
| Cost of left message phone attempt | \$665.16 | \$543.26 |
| Number of Terminations | 52 | 23 |
| Cost of Terminations | \$1,554.28 | \$687.47 |

Cost per term notice \$0.45

Cost per successful phone attempt \$0.56

Cost per left message phone attempt \$0.46

Cost per shut off \$29.89

Finding LIRA-14

In analyzing pre-LIRA enrollment and post-LIRA enrollment payment history on a sample of 360 customers, the Company reported a 44% decrease in terminations (23 vs. 52) and 44% reduction in associated costs (\$687 vs. \$1,554).

²⁵ NFG Ad Hoc Report Data Request CAP-24

LIRA PROGRAM COSTS

LIRA program costs are inclusive of Administrative, CAP Credits, and Arrearage Forgiveness costs. With the decline in LIRA enrollments, the Company experienced lower overall program costs as well as lower costs per customer over a three year period. It is important for NFG to control their CAP Credits since approximately 74% of their overall program costs are attributed to CAP Credits. The overall weighted average of CAP spending for CAP Credits when comparing peer PA natural gas companies was reported as 78%.²⁶

In 2011, the CAP Credits and average CAP Credit per customer was reduced by 60% as compared to program year 2009.²⁷

Table 15
LIRA Program Costs

| Program Year | Admin Costs | CAP Credits | Arrearage Forgiveness |
|---------------------|--------------------|--------------------|------------------------------|
| 2011 | \$177,579 | \$2,048,838 | \$551,611 |
| 2010 | \$201,167 | \$2,027,271 | \$764,439 |
| 2009 | \$331,805 | \$5,538,040 | \$873,322 |

BCS Universal Service Reporting 2009-2010-2011- NFG

Finding LIRA-15

NFG experienced lower overall program costs as well as lower costs per customer over a three year period due to previously reported reduction in LIRA enrollments.

In 2011, the CAP Credits and average CAP Credit per customer was reduced by 60% as compared to program year 2009.

²⁶ 2011 Report on Universal Service Programs & Collections Performance BCS Pg. 66

²⁷ NFG AD Hoc Report CAP Data Request 21

LIRA PROGRAM LINKAGES

Is there an effective link between participation in CAP and participation in energy assistance programs? (LIHEAP; Hardship Funds; and other grant programs). How effective is the CAP and LIRUP link?

The Company's Consumer Business staff work collaboratively to ensure eligible LIRA customers fully participate with all available weatherization and energy assistance programs. An effective program referral process encompasses customer service representatives, field operations, and community agencies.

Table 16
LIRA Linkages to Assistance Programs 2011

| Program Year | LIURP Completions | LIRA+ LIURP | LIRA+ CARES | LIRA+ Neighbor Fund | LIRA + All Energy Assistance * \$/Recipients | Total LIRA Average Participants |
|---------------------|--------------------------|--------------------|--------------------|----------------------------|---|--|
| 2011 | | 109 | 3 | 102 | \$4,417,287 25,475 | 11,398 |

BCS Universal Service Reporting 2011-NFG

*Reported by LIHEAP 2010-2011 program year and not year-end 2011 calendar year.

CARES PROGRAM SUMMARY

The Customer Assistance and Referral Evaluation Services (CARES) program was developed by NFG to assist customers who are experiencing short-term financial hardships. Eligible customers included those who are low or fixed income, who have a special need and who are financially payment troubled, “Special Needs” customers include those who may have experienced a family crisis such as loss of income, divorce or major illness. They may also include those who have physical or mental disabilities, low incomes or who are older adults. Typically referrals are made by the Consumer Business Department, however, any internal department at NFG or community service agency within the Company’s service territory may refer potential customers to CARES. One representative staffs the CARES function with two part-time staff providing back-up.

What are the benefits of the CARES program?

The CARES program offers important health and safety benefits to customers upon enrollment. Once deemed eligible, the customer account is placed on a temporary hold from termination until attempts can be made to locate financial assistance and/or arrange for a suitable payment plan. The Company takes a personalized, case management approach to CARES by seeking appropriate financial assistance and referring customers to specific services which also may result in cash assistance for the household. (i.e. LIHEAP; Crisis, Neighbor to Neighbor Fund). The program provides ready access to over fifty energy and non-energy related community social services agencies located within NFG service territory.²⁸

Enrollment

Enrollment into CARES is limited to customers with special circumstances that are considered temporary. Once the referral is received, the Company attempts to contact the customer either by phone or letter, requesting the customer call the office. Once contact is made, the CARES representative places an automatic 30-day hold on the customer’s account to allow adequate time to further process the account. Next, they

²⁸ NFG Universal Service and Energy Conservation Plan 2011-2013

CARES PROGRAM SUMMARY

document the customer's household income and expenses. First, a Budget –Plus payment arrangement is offered. If the customer is unable to pay this, a CARES flat payment arrangement less than budget is created. The CARES flat payment arrangement must not exceed four months. Only under unusual circumstances will a CARES customer remain in the program for more than four months. During calendar years 2009-2011, out of 144 customers referred to CARES only four customers were deemed eligible.²⁹ The remainder 140 customers were assisted by referrals to energy assistance programs and did not require special payment arrangements.

CARES Removal

When a customer is removed from CARES, the expectation is that the temporary financial problem has been resolved. Any unpaid balances are negotiated into a Budget Plus arrangement. If the customer is low income (i.e. at or below 150% of FPL) and their financial situation is deemed long term, then the customer is referred to the LIRA program.

Senior Program

The Company also administers a 62+ identification program. This merely codes customers' accounts as being 62 or older and identifies a third party in the event of an issued termination notice.

²⁹ BCS Universal Service Reporting- NFG 2009-2010-2011

CARES ENERGY ASSISTANCE

Neighbor for Neighbor Heat Fund

The Neighbor for Neighbor Heat Fund (Heat Fund) is a Company designed voluntary program designed to provide additional assistance to qualifying individuals who require assistance to meet their energy needs. The Heat Fund provides help to prevent disconnection of utility service, to pay overdue bills, to purchase any type of heating fuel or to repair/replace heating equipment. An advisory board representing eleven human service agencies coordinates the fund. The Greater Erie Community Action Committee (GECAC) acts as the financial agency. The Heat Fund is operational year round and available to applicants who verify need and meet the eligibility requirements.³⁰

Eligibility

This is a fund of last resort, requiring individuals to apply for all applicable energy assistance grants prior to applying for the Heat Fund. Conditions for applicant eligibility are as follows:

- 55 years or older/or on a disabled or handicapped income/or able to demonstrate a certified medical emergency/ or receiving unemployment benefits and
- A resident in NFG's service territory but not necessarily a NFG customer.
- Must have made three good payments within the last 12 months and a fourth one within the last 90 days.

In addition

- Verification of insufficient individual or family resources to meet energy needs.
- Exhaustion of all other energy assistance programs prior to application.
- Assistance limited to once per calendar year: \$400 maximum: \$200 maximum for non-natural gas applicants.³¹
- Grants issued to energy vendor, not the applicant.

³⁰ NFG Universal Service and Energy Conservation Plan 2011-2013

³¹ NFG Ad Hoc Report CAP-33 (A) Data Request

CARES ENERGY ASSISTANCE

Funding

NFG's stockholders contribute \$100,000 annually to the Heat Fund which includes both service territories in New York and Pennsylvania. Fund distribution is based on customer count resulting in one-third or \$33,333 to Pennsylvania customers and two-thirds or approximately \$66,000 to New York customers.

Fund Distribution

GECAC is issued NFG shareholder dollars once annually. They, in turn, allocate a percentage of the money to participating human service screening agencies that services the applicants. Should there be any unspent money, this amount becomes part of a flexible spending account and rolled into the next program year.

Shareholder funds are used as a dollar-for-dollar (1:1) match to incoming customer contributions, up to a maximum match of \$33,333. In reviewing a previous four year history (2002-2005), NFG Shareholders underfunded the program by a total of \$45,622.³² In reviewing the most recent three year history (2009-2011), NFG shareholders continue to underfund the program by a total of \$28,296. There continues to be a need for additional dollars for customer within NFG's Pennsylvania service territory.

Table 17
Neighbor for Neighbor Heat Fund Contributions

| | 2011 | 2010 | 2009 |
|------------------------|----------|----------|----------|
| NFG Shareholders | \$33,333 | \$33,333 | \$33,333 |
| Customer Contributions | \$44,071 | \$43,462 | \$40,762 |
| Over (under) Funded | \$10,738 | \$10,129 | \$7,429 |

2009-2011 BCS Universal Service Reporting -NFG

³² NFG Universal Service Program Evaluation 2006 Melanie K. Popovich Pg. 40

CARES ENERGY ASSISTANCE

Finding CARES-1

The Heat Fund continues to be underfunded by NFG shareholders for the most recent three years 2009-2011 by a combined total of \$28,296. At \$300 per grant, this equates to approximately 100 additional customers who could benefit from a fully matched shareholder program.

Recommendation

Increase shareholder funds to match the annual customer contributions amount during those years where contributions exceed shareholder dollars.

LIHEAP and Crisis

NFG specifically targets their LIHEAP outreach efforts to LIRA customers, however, all low income customers benefit from the impressive efforts the Company takes to communicate the annual opening and closing of the LIHEAP program, eligibility guidelines, and directives for application assistance. Educational letter campaigns, news media, print, and advertising events occur beginning every October and continue throughout the five month heating season. For the 2009-2010 LIHEAP program year, the Company spent \$110,468 for radio, newspaper, and bill insert advertising, a 10% increase from 2008-2009 spending.³³

See Appendix E: PA Outreach Efforts

LIHEAP Benefits

A total of 22,069 NFG low income customers (includes LIRA, CARES, and other customers at or below 150% FPL) realized \$11,653,596 in LIHEAP and Crisis benefits combined during the 2011-2012 LIHEAP program year.³⁴

³³ NFG Ad Hoc Report LIHEAP-02 Data Request

³⁴ BCS 2011 Report on Universal Service Programs & Collections Performance Pg. 47

CARES ENERGY ASSISTANCE

Finding CARES-2

The Company does an impressive job at LIHEAP outreach resulting in cash benefits of \$11,653,596 for 22,069 low income customers.

LIURP PROGRAM SUMMARY

Eligibility Criteria

NFG's LIURP is a weatherization and conservation program targeted to low income, high usage customers. To become eligible for this program, customers must meet the following eligibility criteria:

- Usage of 130 Mcf or higher. (where customer usage is less than 130 Mcf a Pilot Program will replace and repair furnaces and water heaters)³⁵
- Substantial arrearage.
- Income at or below 150% of FPL (an exception allows for 20% of the annual LIURP budget to be spent on income levels between 150%-200% FPL).
- Customer residency at the premise for a minimum of one year.

Program Benefits

- Eligible customers may receive some or all of the following:
- Heating system safety check.
- Energy audit, energy education sessions.
- Wall and/or attic insulation as appropriate.
- Other energy conservation measures.
- Post weatherization inspection by a NFG representative.

Consumption and payment behavior is tracked for twelve month pre and post weatherization as required by BCS.

³⁵ NFG Universal Service and Energy Conservation Plan 2011-2013 Pg. 28

LIURP NEEDS ASSESSMENT

Table 18
LIURP Needs Assessment 2010-2011³⁶

| CENSUS DATA BY COUNTY - 2010-2011 | | | | | | | | | | |
|-----------------------------------|----------------|----------------|----------------|-----------------|------------------|----------------|----------------|----------------|-------------------|-------------------|
| COUNTY | Total Pop. | Number <=150% | Percent <=150% | Number 150-200% | Percent 150-200% | Number <=200% | Percent <=200% | NFG Pop. | NFG Number <=200% | NFG Number <=200% |
| Armstrong | 28,713 | 9,676 | 33.70% | 3417 | 11.90% | 13,093 | 45.60% | 554 | 28,159 | 253 |
| Butler | 72,835 | 17,335 | 23.80% | 7429 | 10.20% | 24,764 | 34.00% | 2,078 | 70,757 | 707 |
| Cameron | 2273 | 766 | 34.80% | 334 | 14.70% | 1,100 | 49.50% | 1,311 | 962 | 649 |
| Clarion | 16,128 | 5,951 | 36.90% | 1871 | 11.60% | 7,822 | 48.50% | 3,866 | 12,262 | 1,875 |
| Clearfield | 32,288 | 11,688 | 36.20% | 3326 | 10.30% | 15,014 | 46.50% | 6,526 | 25,762 | 3,035 |
| Crawford | 35,028 | 12,890 | 36.80% | 4063 | 11.60% | 16,954 | 48.40% | 17,226 | 17,802 | 8,337 |
| Elk | 13,693 | 4,313 | 31.50% | 2136 | 15.60% | 6,449 | 47.10% | 10,746 | 2,947 | 5,061 |
| Erie | 110,413 | 39,307 | 35.60% | 12918 | 11.70% | 52,225 | 47.30% | 88,627 | 21,786 | 41,921 |
| Forest | 2,511 | 1,085 | 43.20% | 359 | 14.30% | 1,444 | 57.50% | 893 | 1,618 | 513 |
| Jefferson | 18,561 | 6,886 | 37.10% | 2339 | 12.60% | 9,225 | 49.70% | 6,503 | 12,058 | 3,232 |
| McKean | 17,183 | 6,375 | 37.10% | 2079 | 12.10% | 8,454 | 49.20% | 5,800 | 11,383 | 2,854 |
| Mercer | 46,442 | 15,837 | 34.10% | 5852 | 12.60% | 21,688 | 46.70% | 26,011 | 20,431 | 12,147 |
| Venango | 22,621 | 8,189 | 36.20% | 2963 | 13.10% | 11,152 | 49.30% | 14,557 | 8,064 | 7,177 |
| Warren | 17,767 | 5,970 | 33.60% | 2416 | 13.60% | 8,386 | 47.20% | 9,747 | 8,020 | 4,601 |
| Total/Avg. | 436,456 | 146,268 | 33.51% | 51,503 | 11.80% | 197,771 | 45.31% | 194,445 | 242,011 | 92,360 |

Sources: Pennsylvania Decennial Housing Unit Count, 2000 & 2010, US Census Bureau, Census 2010 Redistricting Data 3-9-11
NFG Population, PDF 394-85 Ad Hoc Report - Residential by County
Household Income in the Past 12 Months (by PA Counties): American Fact Finder US Census Bureau, 2011 American Community Survey

There are approximately 92,360 individuals in NFG’s service territory who are under 200% of FPL. A review of confirmed low income customers from the last Universal Service Plan filed in 2011 indicated that 27% of the confirmed low income accounts had natural gas usage in excess of 130 MCF/year.³⁷ Utilizing these same percentages, this equates to 24,937 customers below 200% FPL who meet the usage level requirement of 130 MCF.

Since the program’s inception over 4,380 homes have been weatherized with approximately an additional 5,500 homes that were inspected and deemed ineligible for the program due to substantial issues with the structure of the home as well as health and safety concerns. The Company projects approximately 15,057 homes remain for future weatherization.

³⁶ NFG Ad Hoc Report LIURP-02 Data Request

³⁷ NFG Universal Service and Energy Conservation Plan 2011-2013 Pg. 29

LIURP NEEDS ASSESSMENT

Finding LIURP-1

With the most recent 2010-2011 LIURP Needs Assessment, the Company projects an additional 15,057 customer homes eligible for future weatherization service based on the 130 Mcf minimum usage requirement.

Referrals and Enrollment

Eligible customers are referred to the Company for potential LIURP services through several sources. The Consumer Business representatives identify high usage LIRA customers, Customer Service representatives and community agencies may refer non-LIRA high usage customers and the Department of Community and Education Development (DCED) agencies identify customers who have received or about to receive state weatherization services.

The Company provides customer lists pre-screened for eligibility and distributes these lists among the six participating subcontracted DCED agencies, and two private companies serving 14 counties within NFG service territory. Typically, LIRA customers with high usage receive priority over Non-LIRA high usage customers.

The following is a list of energy services offered the LIRA customer:

- LIRA customers with < 105 Mcf annual consumption receive an energy conservation flyer and letter offering an on-site energy audit.
- LIRA customers between 105-120 Mcf automatically receive an on-site energy audit unless the customer lives in an apartment house owned by the Housing Authority or lives in a mobile home. These customers are sent an energy conservation flyer.
- LIRA customers > 120 Mcf are referred for prescreening for potential full weatherization services. At this time the customer name is cross checked with the Company back log and contractor and weatherization complete lists to confirm that the referred customer is a new referral and deemed eligible for LIURP.

LIURP PERFORMANCE

Table 19
Full Weatherization Completions

| | 2011 | 2010 | 2009 |
|------------------------|------------|------------|------------|
| LIRA Completions | 109 | 85 | 188 |
| Total LIURP | 190 | 196 | 241 |
| LIRA % of Total | 57% | 43% | 78% |

BCS Universal Reporting-NFG 2009-2010-2011

Finding LIURP-2

An average of 60% of all LIURP homes weatherized were high usage LIRA customers over the three year period of 2009-2011.

Weatherization Services

Once a customer qualifies for LIURP, NFG mails a confirmation letter to the customer explaining the weatherization process and naming the agency who will be performing the work. Within one week of receiving the Company's list, the agency will follow-up with a customer phone call to schedule an audit. All eligible weatherization jobs are completed within three to four months on average from time of the audit to weatherization complete.³⁸

³⁸ NFG Ad Hoc Report LIURP-10 Data Request

The full weatherization agencies provide the following:³⁹

- Initial intake audit. This includes the customer education of the weatherization process and testing for air infiltration using the blower door.
- Installation of attic, side wall insulation and other weatherization measures if applicable.
- Emergency repair/replacement gas heating equipment.

NFG also contracts with two private heating and plumbing contractors who provide the following services:⁴⁰

- Safety gas furnace and water heater checks
- Gas furnace clean and tunes

Pilot Program Emergency Fund

After the initial energy audit, one of the private heating and plumbing contractors schedules a visit to perform a safety check on the gas appliances and a clean and tune of the gas furnace and water heater. If the heating equipment is found to be unsafe, and the customer owns their home, NFG will replace the equipment from the Furnace and Hot Water Tank Repair/Replacement program (Pilot Program or Emergency Fund).

The Emergency Fund is opened throughout the year and does not require Crisis funds as a pre-requisite. Customers who meet the income guidelines (at or below 200% of FPL) but not the required usage for LIURP may also benefit from equipment replacement. However, the premise must be owner occupied for at least one year prior to equipment replacement. No mobile homes qualify. Approximately, 25% of the Emergency Fund may be used for non-LIURP customers.⁴¹

³⁹ NFG Ad Hoc Report LIURP-05 Data Request

⁴⁰ Ibid.

⁴¹ NFG Universal Service Program Evaluation 2006 Melanie K, Popovich Pg. 45

LIURP PERFORMANCE

NFG reports that households receiving full LIURP weatherization services benefit post-LIURP from reduced consumption.

Table 20
Twelve Months Post-LIURP

| | 2011 | 2010 | 2009 |
|--------------------------|------|------|------|
| Number of LIURP Complete | 190 | 196 | 241 |
| Average Mcf Reduction | 45.5 | 41 | 48 |
| Average % Reduction | 24% | 22% | 24% |

BCS Universal Service Reporting-NFG 2009-2011

Finding LIURP-3

On average, NFG customers realize approximately a 24% reduction in savings twelve months post- LIURP over the most recent program years 2009-2011. This is significantly above the reported PA Natural Gas Utility average of 15.6% in the BCS Universal Service and Energy Conservation Report for 2011.

LIURP SPENDING

LIURP Budget

The annual program budget was increased to \$1,300,000 in 2007 due to a rate case settlement. See *Appendix F: LIURP Funding and Distribution*

Approximately \$300,000 annually is allocated to the Emergency Fund Pilot Program that repairs or replaces furnaces and water heaters for customers who may use less than the 130 Mcf in a year. Additionally, \$125,000 is utilized for administrative costs. This leaves \$875,000 available for weatherization projecting to serve 270 households each year.⁴²

Table 21
LIURP Spending 2009-2011

| | 2011 | 2010 | 2009 |
|--|----------------------|----------------------|----------------------|
| Number LIURP Complete | 190 | 196 | 241 |
| All Program Costs (Weatherization/Administration) | \$1,087,765 | \$1,293,934 | \$1,364,323 |
| Weatherization Only/ Cost per Job | \$616,360 \$3,244 | \$789,880 \$4,030 | \$789,275 \$3,275 |
| Pilot Program Emergency Fund | \$244,280 | \$296,485 | \$395,326 |

BCS Universal Service Reporting-NFG 2009-2011

⁴² NFG Universal Service and Conservation Plan 2011-2013 Pg. 28

APPENDICES

LIRA DISCOUNT RATES

| ANNUAL INCOME | HOUSEHOLD SIZE | | | | | | |
|---------------|----------------|-------|-------|-------|-------|-------|-------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 0 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 1,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 2,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 3,000 | 10.0% | 10.0% | 10.0% | 10.0% | 20.0% | 20.0% | 20.0% |
| 4,000 | 20.0% | 20.0% | 20.0% | 30.0% | 30.0% | 30.0% | 30.0% |
| 5,000 | 20.0% | 20.0% | 20.0% | 30.0% | 30.0% | 30.0% | 30.0% |
| 6,000 | 10.0% | 20.0% | 20.0% | 30.0% | 30.0% | 30.0% | 30.0% |
| 7,000 | 10.0% | 20.0% | 20.0% | 20.0% | 30.0% | 30.0% | 30.0% |
| 8,000 | 10.0% | 10.0% | 20.0% | 20.0% | 30.0% | 20.0% | 30.0% |
| 9,000 | 10.0% | 10.0% | 20.0% | 20.0% | 20.0% | 20.0% | 30.0% |
| 10,000 | 10.0% | 10.0% | 10.0% | 20.0% | 20.0% | 20.0% | 20.0% |
| 11,000 | 10.0% | 10.0% | 10.0% | 10.0% | 20.0% | 20.0% | 20.0% |
| 12,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 20.0% |
| 13,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 14,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 15,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 16,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 17,000 | 0.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 18,000 | 0.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 19,000 | 0.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 20,000 | 0.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 21,000 | 0.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 22,000 | 0.0% | 0.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 23,000 | 0.0% | 0.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 24,000 | 0.0% | 0.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 25,000 | 0.0% | 0.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 26,000 | 0.0% | 0.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 27,000 | 0.0% | 0.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 28,000 | 0.0% | 0.0% | 0.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 29,000 | 0.0% | 0.0% | 0.0% | 10.0% | 10.0% | 10.0% | 10.0% |

LIRA DISCOUNT RATES

| ANNUAL INCOME | HOUSEHOLD SIZE | | | | | | |
|---------------|----------------|-------|-------|-------|-------|-------|-------|
| | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 0 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 1,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 2,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 3,000 | 10.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% |
| 4,000 | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% |
| 5,000 | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% |
| 6,000 | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% |
| 7,000 | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% |
| 8,000 | 20.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% |
| 9,000 | 20.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% |
| 10,000 | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% |
| 11,000 | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% |
| 12,000 | 10.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% |
| 13,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 14,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 15,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 16,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 17,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 18,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 19,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 20,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 21,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 22,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 23,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 24,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 25,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 26,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 27,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 28,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 29,000 | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |

APPENDIX B

NATIONAL FUEL GAS
DISTRIBUTION CORPORATION

Supplement No. 134 to
Gas - Pa. P.U.C. No. 9
Sixty-Third Revised Page No. 164
Canceling Sixty-Second Revised Page No. 164

RIDER F
LIRA DISCOUNT CHARGE

CURRENT LIRA RATE DISCOUNT

Effective April 1, 2002, a charge will be included in the rates subject to this Rider to provide for recovery of costs of the projected LIRA rate discounts for the upcoming 12 months.

Such charge shall be updated quarterly and effective each February 1, May 1, August 1, and November 1 of the year. The charge will also be updated whenever there is a change to the Residential Sales Service Rate Customer Charge, Distribution Charge, Natural Gas Supply Charge, or Gas Adjustment Charge.

APPLICABILITY

In addition to the charges provided in this tariff, a charge calculated in the manner explained below shall be added to the otherwise applicable charge for each Mcf of sales and transportation volumes delivered by the Company to customers receiving service under the Residential Sales Service Rate Schedule and the Residential rates of the SATC, MMT, and DMT transportation rate schedules.

CALCULATION OF RATE

The charge will be recalculated as specified above.

The charge shall be equal to the total annual projected discounts for LIRA customers for the upcoming 12 month period divided by the annual normalized throughput volumes of the qualified rate classes. The total annual projected discounts for the LIRA customers for the upcoming 12 month period shall equal the sum of the individual monthly total projected discounts for LIRA customers for the upcoming 12 months. The total monthly projected discounts for LIRA customers shall equal the residential bill for the average LIRA customer consumption for the month multiplied by the average discount percentage for LIRA service multiplied by the projected number of LIRA customers for the month.

The currently effective charge for the current LIRA Rate Discount to be included in rates is \$0.0102/Mcf.

(I)

(I) Indicates Increase

Issued: October 31, 2012

Effective: November 1, 2012

NATIONAL FUEL GAS
DISTRIBUTION CORPORATION

Supplement No. 80 to
Gas - Pa. P.U.C. No. 9
Fifth Revised Page No. 165
Canceling Third and Fourth Revised Page No. 165

RIDER F
LIRA DISCOUNT CHARGE

(C)

CAP FUNDING RECONCILIATION CHARGE

A charge will be included in the rates subject to this Rider to provide for the full recovery of costs in conjunction with the Company's LIRA rate discounts, program costs, forgiven pre-program arrearages as provided for in Docket No. M-00051923 and an incremental customer credit per Settlement of Docket Nos. R-00072420 and M-00072019. The first 12 month reconciliation period will commence October 1, 2007 through September 30, 2008 with the reconciliation charge or credit to be effective for the one year period commencing February 1, 2009.

Such charge shall be updated annually and effective each February 1 of the year. A review of the CAP Funding Reconciliation mechanism will be conducted in conjunction with the Triennial Filing to be made in 2010.

CALCULATION OF RECONCILIATION COMPONENT OF RATE

The charge will have five components; the first associated with the LIRA rate discount, the second with the LIRA program costs, the third with the LIRA forgiven pre-program arrearages, the fourth with the incremental customer credit and a fifth with the adjustment for over/under recovery of the prior period charge. The charge will be recalculated as specified above.

The charge associated with the LIRA rate discount will contain the following calculation;

Effective February 1, 2009 and thereafter, the annual reconciliation charge associated with the LIRA rate discounts will be based on the previous fiscal year (October through September) actual over/(under) collection determined by comparing discounts provided in bills to LIRA customers as compared to discounts billed to Residential customers under this Rider.

(C) Indicates Change

Issued: December 18, 2007

Effective: January 1, 2008

NATIOANL FUEL GAS
DISTRIBUTION CORPORATION

Supplement No. 80 to
Gas - Pa. P.U.C. No. 9
Fifth Revised Page No. 166
Canceling Third and Fourth Revised Page No. 166

RIDER F
LIRA DISCOUNT CHARGE

(C)

CAP FUNDING RECONCILIATION CHARGE (con't.)

CALCULATION OF RECONCILIATION COMPONENT OF RATE (con't)

The charge associated with the LIRA program costs will contain the following calculation;

Effective February 1, 2009 and thereafter, the annual reconciliation charge associated with the LIRA program costs will be calculated based on the previous annual fiscal year costs (October through September) to administer the LIRA program excluding company labor and benefits less \$82,924 of net LIRA program costs embedded in base rates that became effective January 1, 2007 (Docket No. R-00061493). The calculation will recognize these LIRA administrative costs until new base rates become effective.

The charge associated with the LIRA forgiven pre-program arrearages will contain the following calculation;

Effective February 1, 2009 and thereafter, the annual reconciliation charge associated with the LIRA forgiven pre-program arrearages will be based on the previous annual fiscal year pre-program forgiven arrearages (October through September) associated with the LIRA program less \$755,591 of LIRA forgiven pre-program arrearages embedded in base rates that became effective on January 1, 2007 (Docket No. R-00061493). The calculation will recognize these LIRA pre-program forgiven arrearages until new base rates become effective.

(C) Indicates Change

Issued: December 18, 2007

Effective: January 1, 2008

NATIONAL FUEL GAS
DISTRIBUTION CORPORATION

Supplement No. 134 to
Gas - Pa. P.U.C. No. 9
Twenty-Seventh Revised Page No. 167
Canceling Twenty-Sixth Revised Page No. 167

RIDER F
LIRA DISCOUNT CHARGE

CAP FUNDING RECONCILIATION CHARGE (con't)
CALCULATION OF RECONCILIATION COMPONENT OF RATE (con't)

The charge associated with the incremental customer credit will contain the following calculation:

Effective February 1, 2009 and thereafter, an annual credit of \$35 per customer will be provided associated with the LIRA incremental customers. The credit will be based on the average number of LIRA customers billed during the previous fiscal period (October - September) less 11,411. The annual credit will continue until new base rates become effective as a result of a general rate proceeding. If the average number of LIRA customers billed during the previous fiscal period is 11,411 or less, the credit will be \$0.

The CAP Funding Reconciliation Charge will be the summation of the charges calculated above divided by the projected February 1 through January 31 volumes.

| CAP Funding Reconciliation Charge Calculation | | |
|---|---|-------------------|
| | LIRA Rate Discount | \$ (1,137,307) |
| + | LIRA Program Costs | \$56,850 |
| + | LIRA Forgiven Pre-Program Arrearages | \$ (132,804) |
| + | LIRA Incremental Customer Credit | \$ (33,985) |
| Equals | Total | \$ (1,247,246) |
| Divided by | Projected Feb - Jan Volumes | 16,855,720 Mcf |
| | Cap Funding Reconciliation Charge / Mcf | \$ (0.0740) / Mcf |

ADJUSTMENT FOR OVER / UNDER RECOVERY OF PRIOR PERIOD CHARGE

The filing to be effective February 1, 2010 and every February 1 thereafter shall include a levelized rate for over/under collections for the prior (12) month period by comparing projected revenues under this Rider to actual revenue amounts experienced. The annual reconciliation shall be based upon actual revenues through December 31 and estimated revenues for January. Estimates for January shall be included in the following reconciliation period. The rate will be designed to recover or refund the applicable under or over recovery over the twelve (12) month period beginning February.

| RIDER F LIRA Discount Charge Component | | \$/Mcf | |
|--|---|-------------|-----|
| | Current LIRA Rate Discount | \$0.0866 | (I) |
| | Cap Funding Reconciliation Charge | \$ (0.0740) | |
| | Adjustment for Over/Under Recovery of Prior Period Charge | \$ (0.0024) | |
| | Total RIDER F | \$0.0102 | (I) |

The currently effective charge to be included in rates is \$0.0102/Mcf. (I)

(I) Indicates Increase

Issued: October 31, 2012

Effective: November 1, 2012

APPENDIX C



PA NATIONAL FUEL GAS
Outreach Programs

| PROGRAM | INCOME CRITERIA | PAYMENT CRITERIA | GAS USAGE CRITERIA | HOME OWNER CRITERIA | OTHER CRITERIA |
|--------------------------|---|---|------------------------------------|---|---|
| LIRA (CAP) | 150% Of Poverty | Broken Payment Arrangement Previous Balance | Residential Heat | None | Offers an affordable payment plan, energy education and average forgiveness. PA Residential customers call 1-800-365-3234. *** For customers with low incomes and long-term payment problems. **** |
| C.A.R.E.S | Inability to pay and situational crisis | None | None | None | For customers with a short-term crisis and/or special needs: medical, unemployed, elderly, disabled, or divorce. Contact our Consumer Assistance Center at 1-800-365-3234 for more information. |
| HARDSHIP FUNDS (MAN) | None | Total of 3 good payments within the last 12 months; 1 within the last 90 days | None | None | Must be disabled, receiving unemployment benefits or senior over 65 to be eligible. One time yearly grant. *Must be without service due to non-payment or have a termination notice. *A fund of last resort. Special consideration may be given for extreme crisis or critical situations. |
| LURP | 200% of Poverty | None | Minimum annual consumption 130 MCF | No but landlord must approve. All tenants must qualify. | For NFG residential heat customers residing in: Armstrong, Butler, Cameron, Clarion, Clearfield, Crawford, Erie, Elk, Forest, Jefferson, McKean, Mercer, Venango and Warren. Must have 12 months of uninterrupted service. To apply call 1-800-365-1020. No mobile homes. [Do not give number to customers] |
| EMERGENCY REPAIR FUND | 200% of Poverty | None | None | Must be the home owner and living in the dwelling. | For emergency repair/replacement of the furnace and/or water heater. Does not upgrade old appliances. Contact our Weatherization Department at: 1-800-352-1020 for more information. No mobile homes. Must have 12 months of uninterrupted service. [Do not give number to customers] |
| LHEAP | 150% Of Poverty | None | None | None | Must identify all household members and their incomes. Call the LHEAP Hotline: 1-866-657-7095 or www.compass.state.pa.us . Program opens November 1, 2012 and closes March 29, 2013. |
| CRISIS | 150% Of Poverty | Term Notice or Denial | None | None | Must be without service or have a termination notice and meet eligibility guidelines. These guidelines may change, please call 1-866-657-7095 or www.compass.state.pa.us . Program opens January 2, 2013 and closes March 29, 2013. (Crisis Exception Program November 1, 2012 - January 1, 2013) |
| TDD/TTY | None | None | None | None | Pennsylvania Relay Service. Communication service for the hearing impaired. Dial 711. You may also call 1-800-665-2880 if you live in Pennsylvania. |
| Third Party Notification | None | None | None | None | To request shut off notices be sent to another party. This program does not make the 3rd party responsible for the bill. Customer of record must agree to request. Call 1-800-365-3234 for more information. |
| Language Line | None | None | None | None | Interpreter service to accommodate non-English speaking customers. National Fuel representative can conference the customer with an interpreter. Call 1-800-365-3234 to be conference with a language specialist. |

*Gas leak emergencies 1-800-444-3130

Revision: September 2012

CAP-31

Number of Representatives that handle NFG back office work 1 Full Time Employee/Day

Functions of the back office clerks:

Process incoming mail

Field questions from representatives

| | | |
|--|---|--|
| Work the following daily reports: | LIRA accounts in Pending Status | Review the accounts to see if a 68 hold needs to be placed on the account and if the due date of the application needs extended. Process as necessary. |
| | PA LIRA Pending Re-verifications | Review the accounts to see if the 75 hold needs to be placed back on the account and if the due date of the re-verification application needs extended. |
| | Active LIRA accounts final billed last control | Review the final billed accounts to see if a new account exists and move LIRA record to the new account if one has been created. Review pending orders to see if one exists for the customer that was final billed and create a printout of the order so the LIRA record can be moved once a new account is generated for the customer. If the customer does not continue service with NFG and does not have a pending order to continue service, code the existing LIRA record 'M' for moved. |
| | Accounts whose 68, 75 and 77 holds are inactive | If any portion of the hold is not forgiven, pay off all/part of the balance with any credit in the budget plan. Note on RILI the agreement that is available to the customer as a result of the LIRA hold expiring. |
| | LIRA cancel list | Review the accounts to make sure the reason the customer was canceled from LIRA is valid. If the reason is suitable, update the budget plan amount to reflect the loss of the discount. If LIRA |

| | | |
|--|--|---|
| | | should not have been canceled, take the appropriate steps to put the customer back on the program. |
| | Active LIRA customers with budget plan payment less than \$6 | Change the customer's budget plan payment amount to \$6 |
| | LIRA customers with budget plan and direct pay | Make sure the customers do not have an active 75 hold. If they do, cancel direct pay. |
| | LIRA accounts program inactivated 75 and 77 holds | If the 75 hold is paid off or the customer pays and has received all pilots, leave the account as is. If the credit on the account is a result of the budget plan balancing out, roll the credit back into the budget plan and re-enter the hold. |
| | Pending customers that have gone inactive | Check the reasoning that the customers have gone inactive. If the customer moved, check to see if they started new service with NFG and transfer the LIRA record if they have. If the customer moved and did not continue service with NFG, leave the account inactive. |
| | LIRN190-3 LIRA moves | Move LIRA records and holds to customer's newly created accounts. Send out re-verifications as necessary and bill customers accordingly. |
| | Error and Action | Perform budget plan roll ins or LIRA hold adjustments so customers do not receive a \$0 bill. |
| Representatives who handle CAP adjustments: | Julie Bozich Lisa Berkheimer Lilli Matlock Karen Maycock Sharon Graycochea | |

PA LIHEAP Outreach

October

Universal Services Meeting
 Contact PA agencies, Statewide AARP Filers
 Set up LIHEAP hotline (1-877-443-2743)
 Blaster call to Level 1 LIHEAP recipients

January

Blaster Call - All Level 1 customers without the LIHEAP designation.
 Letter to all LIRA customers that have not rec'd LIHEAP the previous year.
 Service Center News Center boards about LIHEAP
 Filers to food banks and Community Action Centers
 Letter to Charitable Giving organizations and NAN agencies
 Letter to Inter-Church Ministries & United Way agencies
 Outdoor, radio, internet, and newspaper ads - (dailies, Senior News, Faithlife)

November

LIHEAP news release
 Newspaper ad to all daily's
 CAC/CRC LIHEAP training
 TV recording Amazing Grays
 Letter to Medical Personnel
 Radio show "Best of Times"
 Blaster call to all Level 1 customers

February

Blaster Call - All PA LIRA customers with out the LIHEAP designation
 LIHEAP bill insert
 Letters, filers, apps to Career Link offices
 Internet, radio, social media and ValPak advertising
 Newspaper Crisis ad

March

Final LIHEAP letter to LIRA customers
 NAN bill insert
 LIHEAP bill insert
 Filers and apps to VITA Free Tax sites
 Internet, ValPak and FaithLife ads continue
 Crisis newspaper ad
 Letters to inner city schools and daycare centers
 Crisis blaster calls for level 1 and 2A

December

Outdoor and internet ads begin
 CRC LIHEAP phone wait message added
 LIHEAP wording included in high bill letter
 Letter to legislative leaders

APPENDIX F

DATE: February 7, 2012
 RE: LIURP Funding and Distribution

The following chart indicates the funding available for LIURP since the program's inception and the funding distributed. Changes made in 2005 and 2006 coincide with NFG accounting and the PAPUC.

| Year | Available | Cumulative Available | Distributed | Other Adjustments | Cumulative Distributed | Balance |
|------|--------------|----------------------|-----------------|-------------------|------------------------|---------------|
| 1988 | \$ 401,000 | \$ 401,000 | \$ 156,000 | | \$ 156,000 | \$ 245,000 |
| 1989 | \$ 387,008 | \$ 788,008 | \$ 621,935 | | \$ 777,935 | \$ 10,073 |
| 1990 | \$ 390,067 | \$ 1,178,075 | \$ 393,976 | | \$ 1,171,911 | \$ 6,164 |
| 1991 | \$ 379,273 | \$ 1,557,348 | \$ 416,425 | | \$ 1,588,336 | \$ (30,988) |
| 1992 | \$ 365,085 | \$ 1,922,433 | \$ 341,718 | | \$ 1,930,054 | \$ (7,621) |
| 1993 | \$ 378,580 | \$ 2,301,013 | \$ 481,158 | | \$ 2,411,212 | \$ (110,199) |
| 1994 | \$ 838,876 | \$ 3,139,889 | \$ 802,552 | | \$ 3,213,764 | \$ (73,875) |
| 1995 | \$ 1,031,833 | \$ 4,171,722 | \$ 969,983 | | \$ 4,183,747 | \$ (12,025) |
| 1996 | \$ 920,903 | \$ 5,092,625 | \$ 898,751 | | \$ 5,082,498 | \$ 10,127 |
| 1997 | \$ 1,011,192 | \$ 6,103,817 | \$ 996,744 | | \$ 6,079,242 | \$ 24,575 |
| 1998 | \$ 1,048,793 | \$ 7,152,610 | \$ 867,008 | | \$ 6,946,250 | \$ 206,360 |
| 1999 | \$ 823,086 | \$ 7,975,696 | \$ 932,966 | | \$ 7,879,216 | \$ 96,480 |
| 2000 | \$ 916,477 | \$ 8,892,173 | \$ 1,041,168 | | \$ 8,920,384 | \$ (28,211) |
| 2001 | \$ 971,167 | \$ 9,863,340 | \$ 947,184 | | \$ 9,867,568 | \$ (4,228) |
| 2002 | \$ 1,227,394 | \$ 11,090,734 | \$ 943,743 | | \$ 10,811,311 | \$ 279,423 |
| 2003 | \$ 992,280 | \$ 12,083,014 | \$ 1,289,497 | | \$ 12,100,808 | \$ (17,794) |
| 2004 | \$ 1,183,566 | \$ 13,266,580 | \$ 1,199,392 | | \$ 13,300,200 | \$ (33,620) |
| 2005 | \$ 1,183,566 | \$ 14,450,146 | \$ 1,191,073 | \$ 148,990 | \$ 14,640,263 | \$ (190,117) |
| 2006 | \$ 1,183,566 | \$ 15,633,712 | \$ 883,084 | \$ 41,127 | \$ 15,564,474 | \$ 69,238 |
| 2007 | \$ 1,300,000 | \$ 16,933,712 | \$ 1,272,306 | | \$ 16,836,780 | \$ 96,932 |
| 2008 | \$ 1,300,000 | \$ 18,233,712 | \$ 1,285,326 | | \$ 18,122,106 | \$ 83,912 |
| 2009 | \$ 1,300,000 | \$ 19,533,712 | \$ 1,364,323 | | \$ 19,486,429 | \$ 47,280.71 |
| 2010 | \$ 1,300,000 | \$ 20,833,712 | \$ 1,293,934.01 | | \$ 20,786,363.01 | \$ 53,346.70 |
| 2011 | \$ 1,300,000 | \$ 22,133,712 | \$ 1,087,764.86 | | \$ 21,869,127.87 | \$ 265,581.84 |
| 2012 | \$ 1,300,000 | \$ 23,433,712 | | | | |

Note: Funding increased on January 1, 2007 per rate case R-00061483.

*Accounting reconciliation of \$190,117 per SOX since the program's inception. (SOX = Sarbanes-Oxley Act - financial disclosure) Represented as \$148,990 in 2005 and \$41,127 in 2006 to reconcile with PAPUC to show addition of \$41,127 in 2006 distribution.

**Balance per PUC

*** 2/25/10 - Corrected balance approved by Dave Mick of the PAPUC. The carryover balance of 2008, reported from the PUC, was incorrect. The carryover should have been \$111,606 not \$83,912. The carryover from 2009 coincides with NFG's Accounting Department.

*** 2/8/2012 - Revised the carryover balance to show the actual dollars without rounding. This figure matches the Accounting Department - Jan 2010.