



National Fuel

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April 2, 2018

VIA ELECTRONIC FILING

Ms. Rosemary Chiavetta
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

RE: National Fuel Gas Distribution Corporation's Universal Service and
Energy Conservation Plan for 2017-2020 Submitted in Compliance with
52 Pa. Code § 62.4; Docket No. M-2016-2573847

Dear Secretary Chiavetta:

Enclosed please find a clean and a red-lined copy of National Fuel Gas Distribution Corporation's Plan which has been updated pursuant to the Commission's order on March 1, 2018.

If you should have any questions or concerns, please contact me at (814) 871-8177.

Very truly yours,

Nathaniel J. Ehrman

Enclosure

National Fuel Gas Distribution Corporation

Universal Service and Energy Conservation Plan

2017 – 2020

October, 2016- Revised March 29, 2018

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Overview

National Fuel Gas Distribution Corporation (National Fuel), headquartered in Williamsville, New York, is a subsidiary of National Fuel Gas Company. National Fuel serves approximately 726,000 customers in western New York and northwestern Pennsylvania. The Pennsylvania Division of National Fuel, headquartered in Erie, Pennsylvania, serves approximately 214,000 customers in fourteen counties.

National Fuel has a long history of providing services for special needs customers including the low income and the elderly starting with the first program, The Neighbor for Neighbor Heat Fund, in November 1983. These programs now include the Low Income Usage Reduction Program (LIURP), the Low Income Residential Assistance Program (LIRA), the Customer Assistance and Referral Evaluation Services Program (CARES) and the Neighbor for Neighbor Heat Fund.

Plan Submission

This is National Fuel's revised submission per M-2016-2573847 Order adopted and entered on March 1, 2018 of the Universal Service and Conservation Plan, covering the period 2017 through 2020.

Pennsylvania natural gas utilities provide gas service to thousands of low-income customers who are having difficulty paying their bill. Low-income customers who are payment-troubled are in danger of having their utility services terminated. Customer arrearages and the process of termination of service impair cash flow and increase expenses for the utility.

A solution to the low-income customer inability-to-pay problem is to implement an affordable payment program for these customers. Many low-income customer assistance programs have been developed in response to this persistent problem. These programs may require the customer to pay a percentage of their income, a percentage of their bill, or a reduced rate. The programs may include such features as: arrearage forgiveness, energy audits, weatherization, energy management education, conservation credits, assistance with obtaining Low Income Home Energy Assistance (LIHEAP) and referrals to community resources and agencies. National Fuel's LIRA program is an approved alternative plan.

On December 20, 1991, the Public Utility Commission approved a proposal for National Fuel to institute a pilot program for reduced rates to 1,000 low-income customers. That program was called Low Income Residential Assistance (LIRA) and was designed to provide a mechanism for low-income payment troubled customers to pay an affordable monthly payment. This discounted rate program was developed to encourage on-time payments and to reduce uncollectible account expense. The LIRA rate pilot was originally established for a 36-month period. This consisted of an initial six-month start-up, a 24-month pilot program and a six-month data collection period. On July 21, 1994, the Commission allowed National Fuel to continue the LIRA rate past the three-year expiration date in order to further evaluate the program and to determine whether low-income customers actually paid a greater amount toward their bills.

Temple University independently appraised the original pilot. Temple University concluded in the final report that "the LIRA Program is a cost-effective, reasonable, and successful intervention in

addressing the revenue shortfall and energy provision dilemmas presented by low-income payment-troubled households. It is clear that National Fuel has designed a program that was relatively easy to administer, maintained customer participation, changed gas consumption behavior, and altered payment patterns as well.”

On May 1, 1996, National Fuel filed a petition, to expand the Low Income Residential Assistance program from 1,000 to 5,000 participants. The expanded LIRA Program was approved on February 13, 1997. As a result of restructuring proceedings with regard to customer choice, on February 15, 2002, National Fuel filed for further expansion of the LIRA Program from 5,000 to 8,500 participants. Included in that filing were modifications to certain provisions of the program including extending the arrearage forgiveness component from 12 months to 24 months, eliminating the conservation credit, instituting a minimum payment amount and changing the methodology for determining the level of discount. The new set of discounts varies based on the customer's income, household size, available energy assistance and purchased gas cost rates. For each customer the discount is determined to meet the affordability annual bill target and the average usage by LIRA customers and is then rounded to the nearest 10 percent. Each LIRA customer receives a minimum 10 percent discount. These changes were intended 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. This petition was approved on March 28, 2002. Effective January 15, 2004, the LIRA Program was further modified to allow participants an additional 12 months to receive full arrearage forgiveness by making their monthly payments to bring the account current. On August 27, 2004 National Fuel again filed to modify the Company's LIRA Program. The filing was addressed in conjunction with the Company's request for a base rate increase filed on September 15, 2004. Both issues were resolved by a settlement approved by the PUC on March 23, 2005. At that time, the Company eliminated the cap on enrollment and modified the percentage of discount calculation by household size to reflect the fact that household size has direct and significant impact on the total customer consumption and the corresponding bill.

In August 2006, National Fuel filed with the Commission the Universal Service evaluation conducted by Melanie Popovich, Utility Business Consultant.

In May 2007, the Company submitted the Triennial filing, making the following changes. The discount calculation was modified as it became increasingly clear that the Low Income Home Energy Assistance Program (LIHEAP) assumption, currently in the discount calculation, significantly affected the resulting customer discount. Up to this point, the discount calculation had assumed an average LIHEAP payment based on the actual average LIHEAP payment received by all LIRA participants. Due to the nature of the LIHEAP payment schedule, this methodology could create anomalies among the LIRA participants in the discounts they received. For example, a very low income customer might receive a LIHEAP grant so much larger than the average that when combined with the resulting discount caused a credit situation on the customer account. Conversely, higher income customers might be receiving inadequate discounts because their LIHEAP payments were much smaller than the average LIHEAP payment assumed in the calculation. By this filing, the Company began to utilize the provided LIHEAP payment schedule in determining the participants' discounts. Pursuant to the Commission's March 1, 2018 Order in Docket No. M-2016-2573847, LIHEAP will be removed from the discount calculation as of June 1, 2018.

The Company further modified the program to bring the minimum monthly payment to \$12 and continues to provide a minimum 10% discount to all participants.

In the 2007 filing the Company also modified the LIRA program reverification process. Participants must now reverify their status upon any household changes and periodically as required by the LIRA program staff. Previously, the process required complete written reapplication plus documentation proving income and household make up.

Subsequent to the Universal Service program evaluation in 2006, the company began to explore a more customer-friendly reverification process designed to assure the LIRA program participants are correctly receiving program services.

The company reconfigured the reverification process to a phone-based procedure whereby Company representatives telephone those customers due for reverification and request verbal confirmation of household make up and income. The Company tested this process and found it to be a more customer friendly and easier method for determining continued eligibility for program services. Customers are pleased to avoid the paperwork burden and the Company representatives feel the information they've obtained is complete and accurate. When the representatives are unable to reach the participants by phone, a letter is sent requesting that the customer call into the office to complete the process. In the event where personal contact is not successful, or in cases of questionable data, a printed reverification packet will be mailed to the customer to be completed and returned.

This methodology preserves the level of customer participation over time. The LIRA reverification process requires participants to reverify their status every two years unless their household situation changes or they report zero income, inexplicable increased consumption or have not received LIHEAP. As recommended by the Universal Service evaluation, those customers are required to reverify their status upon request.

Beginning 2018, as recommended by the Public Utility Commission, National Fuel will now be requesting written documentation to complete all LIRA reverifications. LIRA participants must comply with reverification every two years, to maintain the integrity of the program. Additionally, National Fuel will now eliminate the reverification process when a customer moves and there are no changes in household members.

In her 2006 Universal Service evaluation, Melanie Popovich recommended that the Company "revisit the budget review process and manually adjust those accounts to limit the instances whereby the timing of the review caused the monthly payments to artificially increase." The instances to which she refers are generally caused by the timing of the customers' LIHEAP payments.

In administering the LIRA program, the Company did have a long-held policy of applying the customers' LIHEAP payments to their Budget Plan accounts to further reduce their monthly payment. Because the customers' acceptance into the LIRA program and the receipt of the LIHEAP payments only occasionally coincide, customers' Budget Plan payments could change dramatically. To minimize the number of changes in participants' monthly payments, the Company restarts the Budget Plan to twelve months upon receipt of the LIHEAP payment. However, currently the LIHEAP

grant is applied to the to-date account balance per the LIHEAP Vender Agreement. Only if there is a credit, is grant money rolled into the budget plan and this would be used for future bills. Of course, any change in customer usage may result in a change to the monthly payment amount.

Finally, the Company changed the arrearage forgiveness policy with the 2007 filing. Any customer who is shut off for non-payment previously lost their right to arrearage forgiveness, even if the participant repays their entire outstanding LIRA balance. As recommended by the 2006 evaluation, the Company now restores the opportunity for arrearage forgiveness to all participants who bring themselves current in the program. To achieve forgiveness of that arrearage, they must make their billed monthly payments.

As a result of the 2006 Universal Service evaluation the Company also made two changes to the Neighbor for Neighbor Heat fund program and one change to the Low Income Usage Reduction Program (LIURP).

The Neighbor for Neighbor Heat Fund board of directors approved and implemented changes to the eligibility requirements of the Neighbor for Neighbor grants, requiring the applicant to “have made three good payments within the last year and a fourth one within the last ninety days.” They also decided to reduce the maximum grant amount to \$150 for the non-natural gas applicants.

In 2012, the Neighbor for Neighbor Heat Fund board of directors enhanced the guidelines to include persons currently receiving unemployment benefits. The maximum grant was increased to \$400 for natural gas applicants. The grant for non-natural gas applicants was increased to \$200.

In response to a recommendation in the 2006 evaluation, the Company now only inspects approximately 25% of all jobs completed through LIURP.

In March 2013, National Fuel filed with the Commission the Universal Service evaluation conducted by Melanie Popovich, Utility Business Consultant.

Following submission of the 2012 Impact Evaluations results, BCS and National Fuel discussed potential modifications to National Fuel’s USECP. The Plan was filed shortly after the Evaluation submission.

In March 2015, National Fuel revised this Plan in accordance with the Commission’s May 22, 2014 Final Order and February 12, 2015 Order on Reconsideration.

The Company clarified in this Revised Plan that all LIRA customers were eligible for 36 months to achieve full arrearage forgiveness for each timely in-full payment as long as there are current arrears. Arrearage forgiveness can also be realized each time a payment is received that is equal to or greater than the billed amount. This was a change that was implemented based on the 2013 evaluation recommendation. Additionally, a change in the LIHEAP vendor agreement necessitated a system change, accommodating the LIHEAP grant posting to the current to date balance.

The Company expects 2017-2020 LIRA enrollment to continue at an average rate of 300 customers each month through reporting period. As enrollment continues, there is an average corresponding cancel rate of 189, (net 111). Based on this information, the Company anticipates the overall

number of LIRA participants to remain stable. Arrearage forgiveness accounts for a portion of the LIRA budget. Participants may continue on the LIRA program even after the pre-LIRA arrearage is fully forgiven. As more LIRA participants achieve forgiveness, the impact on the customer base rates will be reduced. Furthermore, as more current customers enroll, they have accumulated less debt and carry less CAP credit disparity.

The Company asserts that program costs have continued to decrease. Enrollments within the last three years have decreased by an average of 2% and costs have reflected this trend. As of October 2016, the LIRA enrollment is 8,575. This lower participation can be attributed to historically low gas rates and warmer winters. However, in August 2016 National Fuel had a 40% increase in rates due to the increased purchase price of gas. This increase should result in more referrals and more subsequent enrollments in LIRA. Additional targeted efforts for outreach have been completed at all the United Way offices in Northwest Pennsylvania this year. This is in addition to the bi-annual outreach meetings. An annual initiative identifying low income customers will be used to achieve a minimum LIRA participation rate of 9,000. This targeted rate will provide continued stability to the LIRA program. National Fuel believes the stable enrollment levels will continue through the 2017 – 2020 plan years; however, with the required change to the discount calculation to remove LIHEAP from the calculation, non-participants costs associated with the discounts provided to participants will increase. The company estimates that the amount of discounts provided will increase by approximately \$666,000 (based on February 1, 2018 rates) which calculates an increase to non-participants of \$0.0339/Mcf or a 65% increase.

National Fuel Low Income Residential Assistance Services (LIRA)

Program Description

The Low Income Residential Assistance Program (LIRA) is a discounted rate program for payment-troubled, low-income customers. The program was created to assist low-income customers who have been unable to pay their regular monthly bills and, as a result, have entered into one or more payment arrangements. The National Fuel Consumer Business Division administers LIRA. The program is intended to increase the number of payments from low-income customers, while decreasing the company's collection costs. Low-income customers are better able to manage their gas utility costs through: (1) lower rates; (2) intensive monitoring by company representatives; (3) conservation education; and (4) assistance to maximize household resources by linking customers to all available income support programs.

This program features separate discounted rates for customers with incomes equal to or less than 150% of the Federal Poverty Level. In addition to having a lower rate, the LIRA customer can obtain arrearage forgiveness of their past due balance over the first 24 months of acceptance or with an additional 12 months, if necessary, totaling 36 months. At the time of acceptance into the program, the first phase gives the customer an opportunity to have their balance forgiven over the first twenty-four months of their eligibility. If the customer fails to receive all debt forgiveness during the first 24 months, the second phase will give the customer an additional 12 months extension for potential forgiveness of any remaining balance. Arrearage forgiveness can also be realized each time a payment is received that is equal to or greater than the billed amount, provided that the customer remains within the first 36 month of participation.

An Energy Management representative offers energy education for each LIRA residence; audits are provided for those customers whose usage exceeds that of the typical residential customer. A weatherization program is also provided for customers who meet the requirements for the Low Income Usage Reduction Program (LIURP). LIRA participants with usage \leq 105 thousand cubic feet (MCF) per year are provided with general written energy education materials including simple tips on controlling gas usage in the home. Customers exceeding 105 MCF, but less than 130 MCF, are scheduled to have an auditor come to the residence to give specific recommendations to lower gas usage. Participants using more than 130 MCF are referred to the Low Income Usage Reduction Program where they are evaluated for inclusion in the Program. If eligible, work will be performed. If ineligible, the participant will be scheduled for an individual energy audit where residence-specific recommendations for usage reduction will be made.

Low-income customers, who continue to make their monthly reduced rate payments, can avoid the threat of termination and still meet their energy needs.

Identification Process and Eligibility Requirements

Identification Process

National Fuel provides natural gas service to approximately 214,000 customers in a 14-county service area in northwestern Pennsylvania. The company has identified approximately 29,000 customers as having incomes equal to or less than 150% of the federal poverty level. The source of this identification for system coding has been the customers' receipt of Low Income Home Energy Assistance (LIHEAP) grants and individual income and household expense analyses performed during the payment arrangement negotiation process.

The LIRA Program targets those payment-troubled, low-income customers who have difficulty keeping their payment arrangements and who may be in danger of having their services terminated. The program has an average yearly participation of approximately 9,777 for the past three years.

Eligibility Requirements

In order to participate in the LIRA Program, the following requirements must be met:

1. The customer's gross household income must be equal to or less than 150% of the federal poverty level;
2. The customer must be payment troubled (i.e.: have an arrearage on the account at the time of application or at least one current, canceled, or defaulted arrangement on the account at the time of application);
3. The customer must be a heating customer.

To the extent possible, eligibility for LIRA will be determined solely by the preceding requirements. National Fuel, however, reserves the right to consider other circumstances in assessing the appropriateness of including any customer in the LIRA Program.

Referral Process

A customer meeting the eligibility requirements of LIRA may be referred by the National Fuel Consumer Business Department. The company representative explains the main features of the LIRA program and the benefits.

The representative will also explain the customer's responsibilities as a LIRA customer, including:

All adult members of the household must become ratepayers, excluding children of the ratepayers who are dependents and dependents over 65 under federal tax rules;

All household income must be verified;

Monthly payments (discounted budget) are required to avoid termination of service;

No extensions or arrangements (to avoid termination of service) will be offered to LIRA customers;

The ratepayers must agree to receive weatherization services, if qualified;

The ratepayer must agree to apply annually for LIHEAP, if applicable.

Once the referral is made, a 30-day hold on the account is automatically established to allow the necessary time to process the referral. Referred customers are then contacted by telephone calls and /or letters to determine LIRA Program eligibility.

Although the majority of referrals are expected to be made by the Consumer Business Department, any department may encounter customers who could benefit from the LIRA Program and who appear to be eligible. Referrals may also be made by community agencies that have been involved in the customer's situation.

Application Process

After the LIRA referral, an individual record for the prospective LIRA customer will be created. For each referral, a packet with an application and an invitation letter will be automatically generated and mailed. An informational page as well as a postage-paid return envelope is also included.

Prospective LIRA customers must complete the application form and agree:

1. To be enrolled in the Budget Plan.
2. To provide satisfactory verification to prove income eligibility. In addition, an applicant must provide the name and social security numbers or other verifiable form of identification of all persons residing with the applicant. NFG accepts multiple forms of identification including state issued driver's licenses, state issued identification cards, and a valid Passport. Additionally, National Fuel will take the following secondary forms of identification such as: green cards, DHS verification of benefits, and a copy of mortgage, deed or lease. Adult residents in the household (18 years and over), excluding children of the ratepayers who are dependents and dependents over 65 under federal tax rules, will be required to become ratepayers as a condition of participation in LIRA. Additionally, applicants must have their income verified periodically and must advise the company if their income or household size changes.
3. To receive the services of the Low Income Usage Reduction Program if they meet the eligibility requirements.
4. To apply annually for LIHEAP, if applicable.

The applicant is given ten days in which to complete the application and return it to the Company. In the absence of a response, a follow-up letter is mailed. If contact is still not successful, the LIRA offer is withdrawn unless subsequent special needs or circumstances are identified.

Having received a completed application, all information on the application is checked. Further contacts may be necessary in order to obtain additional information. This is done via telephone and if unsuccessful, a letter is mailed giving the applicant ten days to respond. Finally, with no response,

the LIRA offer is withdrawn. If special needs have been identified, additional outreach may be necessary.

After income information is received and verified, original documents are returned to the customer. After reviewing the ratepayer's total income and the number of people in the household, the applicants are either accepted into LIRA or rejected. If rejected, they are notified as to the reason for the rejection.

Once approved for the LIRA Program, a representative will attempt to call the customer to review all of the LIRA Program features. This personal contact is to make certain that the customer understands the requirements of the program.

Customers are advised when they are enrolled in the LIRA Program and when their first LIRA bill is due. Upon LIRA enrollment, National Fuel explains the budget billing plan and the billing amount which will be due. The monthly payment amounts may go up or down depending upon usage and rates and this amount will be reviewed periodically. National Fuel requests the customer apply for a LIHEAP grant. The importance of paying their bills by the indicated due date is stressed to the customers as well as the way to achieve arrearage forgiveness. If the bills are not paid on time, there will be no arrangements or extensions offered. The account will immediately become eligible for collection action.

Along with an acceptance letter, there is a copy of the LIRA Program Features. A report is issued to Energy Management for energy audit and weatherization purposes. The account is now ready to be billed at the LIRA rate.

The LIRA Program includes separate discounted rates. Eligibility for each rate is based upon the aggregate income level of the household and the number of people in the household. The following table is an example of how the discounts were applied prior to the March 1, 2018 Commission Order in Docket No. M-2016-2573847 with rates effective February 1, 2018:

Income	Household Size													
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
0	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	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%	20.0%	20.0%	20.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
2,000	10.0%	10.0%	20.0%	20.0%	20.0%	20.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
3,000	20.0%	20.0%	20.0%	20.0%	30.0%	30.0%	30.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
4,000	30.0%	30.0%	30.0%	30.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
5,000	30.0%	30.0%	30.0%	30.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
6,000	30.0%	30.0%	30.0%	30.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
7,000	10.0%	20.0%	30.0%	30.0%	30.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
8,000	10.0%	20.0%	30.0%	30.0%	30.0%	30.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
9,000	10.0%	10.0%	20.0%	20.0%	30.0%	30.0%	30.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
10,000	10.0%	10.0%	20.0%	20.0%	20.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
11,000	10.0%	10.0%	10.0%	10.0%	20.0%	20.0%	20.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
12,000	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	20.0%	20.0%	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%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
14,000	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	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%	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%	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%	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%	10.0%	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%	10.0%	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%	10.0%	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%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
22,000	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
23,000	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
24,000	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	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%	10.0%	10.0%	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%	10.0%	10.0%	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%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
28,000	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
29,000	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

In compliance with the Commission’s March 1, 2018 Order, the Company will be removing LIHEAP from the LIRA discount calculation effective June 1, 2018. The following table shows the impact on how discounts would be applied with rates effective February 1, 2018:

Income	Household Size													
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
0	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
1,000	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
2,000	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
3,000	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
4,000	70.0%	70.0%	70.0%	70.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
5,000	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%
6,000	60.0%	60.0%	60.0%	60.0%	60.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%
7,000	40.0%	50.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
8,000	30.0%	40.0%	50.0%	50.0%	50.0%	50.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
9,000	20.0%	20.0%	40.0%	40.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
10,000	10.0%	10.0%	40.0%	40.0%	40.0%	40.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
11,000	10.0%	10.0%	10.0%	30.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
12,000	10.0%	10.0%	10.0%	20.0%	30.0%	30.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
13,000	10.0%	10.0%	10.0%	10.0%	20.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
14,000	10.0%	10.0%	10.0%	10.0%	20.0%	20.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
15,000	10.0%	10.0%	10.0%	10.0%	10.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
16,000	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
17,000	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	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%	10.0%	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%	10.0%	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%	10.0%	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%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
22,000	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
23,000	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
24,000	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	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%	10.0%	10.0%	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%	10.0%	10.0%	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%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
28,000	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
29,000	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

Note: The above discount matrix is subject to change with the Company's May 1, 2018 quarterly gas cost filing.

The billing system will use the following service class for the LIRA rates:

10% Discount	Service Class 91
20% Discount	Service Class 92
30% Discount	Service Class 93
40% Discount	Service Class 94
50% Discount	Service Class 95
60% Discount	Service Class 98
70% Discount	Service Class 99
80% Discount	Service Class 90

Reapplication for LIRA at a New Address

If entire LIRA household moves, the LIRA rate will be transferred and continued. When only part of the household moves to a new address, the previously responsible LIRA participant and any new adults must be identified on a new signed LIRA application. Reapplication is necessary in order to verify the household income and to confirm responsible LIRA ratepayers. If a ratepayer, or any of the adult members of the household, has an overdue balance from a previous account, that balance will be reflected on the first LIRA bill at the new address. If the previous account was terminated for nonpayment, the ratepayer(s) must pay a down payment toward an arrangement covering pre-LIRA Program unforgiven balances. A customer who moves to a new premise will continue with the arrearage forgiveness component of the program for the remaining months not used.

Account Maintenance

Once the LIRA account is established, maintenance is critical to the success of the program. A number of LIRA reports monitor participants, payments, account status and eligibility.

Arrearage Forgiveness

This program features separate discounted rates for customers with incomes equal to or less than 150% of the Federal Poverty Level. In addition to having a lower rate, the LIRA customer can obtain arrearage forgiveness of their past due balance over the first 24 months of acceptance or with an additional 12 months, if necessary, totaling 36 months. At the time of acceptance into the program, the first phase gives the customer an opportunity to have their balance forgiven over the first twenty-four months of their eligibility. If the customer fails to receive all debt forgiveness during the first 24 months, the second phase will give the customer an additional 12 months extension for potential forgiveness of any remaining balance. If a LIRA customer pays the to-date balance down to zero, the corresponding forgiveness will be removed as long as it was paid within the first 36 months of enrollment. Arrearage forgiveness can also be realized each time a payment is received that is equal to or greater than the billed amount, provided that the customer remains within the 36 month of participation.

Holds are established for the preprogram arrearages. These arrearages will be shown on LIRA customers' bills. Each month the Budget Plan amount is paid on time, one twenty-fourth of the amount eligible for forgiveness is eliminated. Currently, the Company manually tracks arrearage forgiveness for each on-time and in-full monthly payment, regardless of existing arrears. However, the Company has started implementation of a new Customer Information System. As indicated in our previous Plan, National Fuel will begin tracking pre and post LIRA payments when the new system is fully implemented and functional.

When a LIRA customer moves to a new address, the remaining months for arrearage forgiveness can be utilized at the new address. The hold would be placed on the new account indicating the original amount of the arrearage forgiveness and the current amount to be held or considered for forgiveness.

Customer Contact

To encourage timely payments, avoid termination of service, and help ensure the opportunity to obtain forgiveness, an attempt will be made to telephone each LIRA customer approximately seven days before the bill becomes due.

Low Income Home Energy Assistance Program (LIHEAP)

If LIHEAP funds are available, customers will be informed that the program is open, and reminded to name National Fuel as primary fuel provider. At that time, the representative can assess whether additional assistance is necessary to help the customer with the LIHEAP application. If the calls are unsuccessful, a notification is sent by mail. Additionally, there is an annual mail campaign for all identified LIRA participants who have not received LIHEAP benefits from the previous season.

Application of LIHEAP funds

All LIHEAP grants will be applied to the customers' LIRA program responsibility in accordance with applicable Department of Human Services' vendor requirements. The LIHEAP grant will be applied to the customer's "ask to pay" amount and will remain as a credit on the bill until the entire credit

balance is depleted. LIRA participants are expected to apply for LIHEAP. If a LIRA household is primarily heated by natural gas, the Company expects to be listed as the primary fuel source for the LIHEAP grant. As a condition of the program, a letter is sent annually encouraging the LIRA participants to apply. Currently, if a LIRA participant fails to apply for or receive a LIHEAP grant, the Company allows the LIRA participant to continue to receive the benefits of the LIRA program, provided they meet all other LIRA eligibility criteria.

LIRA participants are responsible for best utilizing LIHEAP grants in accordance with their home energy requirements and Customer Assistance Programs. Again, if a participant does not direct a LIHEAP grant to the Company, the Company will allow the participant to continue to receive the same LIRA benefits and pay the same rates as those participants who have directed their payments to the Company.

Delinquency Processing

To avoid abuses and promote payment responsibility, the LIRA Program includes the following procedures to manage delinquent accounts.

Termination Process

During the period April 1 through November 30:

1. If a LIRA customer fails to pay a monthly LIRA budget billing, the Company's collection process will begin. This process includes all required regulatory notification and procedural steps. The actual termination notices mailed to LIRA customers will reflect the means for avoiding termination of service.
2. To avoid termination of service, the LIRA customer must pay the amount set forth in the termination notice prior to the scheduled termination date.
3. The delinquent LIRA participant will **not** be offered a payment arrangement or an extension to avoid termination of service.
4. Medical Certificates will be honored for LIRA customers.
5. When a customer contacts the Company and states that he or she is unable to pay the notice amount prior to the termination date, an extension beyond the termination date will not be granted.
6. Service will be terminated if the customer fails to pay the notice amount (and no certified medical condition exists or PUC complaint hold exists).

Termination notices will not be sent from December 1 until the first cycle billing portion that produces a proposed termination date of April 1 or later. Any customer who has missed any payments over the winter months will be sent a notice for termination for all missed payments. The number of missed payments should not exceed 5 months except in extenuating circumstances such as a medical certification or a complaint to the Bureau of Consumer Services.

Reconnection Process

If a LIRA customer fails to pay a monthly LIRA bill, the Company's collection process will begin. This process includes all required regulatory notification and procedural steps. The actual termination notices mailed to LIRA customers will reflect the specifics for avoiding termination of service. To avoid termination of service, the LIRA customer must pay the amount set forth in the termination notice prior to the scheduled termination date. This amount will be all missed LIRA payments (discounted amounts) that have not been paid while on the program, and this amount must be paid in full. If the service has been terminated the customer must pay the termination notice amount and a reconnection fee per the Company's tariff.

A ratepayer whose service is reconnected due to the submission of a medical certificate will not be reinstated in the LIRA Program until all financial requirements are met. This would be the same condition that would apply for that same customer seeking reconnection without a medical certificate. A more detailed explanation of the reconnection process follows below:

1. **Pay a reconnection charge per the Company's tariff**
2. **Pay the entire arrearage** which accrued while a LIRA Program participant (including the current bill if after the due date).
3. If the account had a preprogram arrearage, they will be eligible for continued arrearage forgiveness opportunities if they completely catch up their LIRA program arrears and if they have forgiveness months remaining, including the forgiveness amounts for the months that payment was missed. If they are not eligible for arrearage forgiveness:
 - a. the customer may be required to pay part or all of the arrearage prior to reconnection in accordance with 66 Pa. C.S.A. § 1407(c)(2)(i);
 - b. the Company may **negotiate a payment arrangement** specific to the preprogram arrearage; and
 - c. The duration of any negotiated payment arrangement will depend upon factors such as the size of the unpaid LIRA balance, the ability of the ratepayer to pay, the payment history of the ratepayer, and the length of time over which the balance accumulated.

All customers listed on the account are responsible for the balance accrued while a LIRA participant. The terms for reconnection will apply to each adult resident as a ratepayer, unless the resident can demonstrate to the Company's satisfaction extenuating circumstances including, but not limited to, divorce, abandonment, or spousal abuse, where the spouse has established a separate residence.

Should a LIRA customer be shut off after negotiating a payment arrangement as described in 3(b) and (c) above, he or she would be required to pay the entire arrearage owing to have service restored. No arrangement will be offered on either the missed LIRA payments or the pre-program arrearage.

Reconnection of Service Outside of the LIRA Program

Any of the listed LIRA customers may apply for service outside the LIRA Program at another address. Each of the LIRA customers is responsible for the balances that accrued while a LIRA customer.

Responsibility for the preprogram arrearages remains with those listed on the mortgage, deed or lease.

Reverification of LIRA Accounts

Active LIRA accounts are reverified every two years, upon household compliment, or changes in income. All active LIRA accounts are mailed a reverification letter and an application to recertify. The customer is given ten days to respond. If no response to the initial request, an additional letter is sent to remind them to return their information within 10 days. If the customer fails to respond, they will be cancelled, unless special circumstances are identified, then follow up may be required.

If the customer responds, all information is verified and checked for completeness. Additional information may be requested from the customer, in which case phone contact is attempted first, followed by a letter. The customer is given an additional ten days to respond, after which he or she is subject to cancellation from the program. Once again, special circumstances may be taken into consideration.

Depending upon the information provided, the customer may at this point be ineligible for LIRA. The customer would be notified of the reason for his or her ineligibility.

All customer information is updated. If a customer's total household income or the number of household members has changed, the service class may be adjusted.

The LIRA reverification process requires participants to reverify their status every two years unless their household situation changes or they report zero income, inexplicable increased consumption or have not received LIHEAP. As recommended by the Universal Service evaluation, those customers would be required to reverify their status upon request. Additionally, any zero income customer participants would be reverified every three months. The three month reverification requires a statement of benefits or zero income verification form. Currently, there are only 128 LIRA customers with zero income.

Cancellation of a LIRA Account

If a LIRA account is canceled for any reason, a letter is generated. The letter informs the customer of the cancellation and the reason.

A report will be generated to inform the Energy Management Department of the cancellation. Energy Management will eliminate the account from the audit list but the account may still be considered for weatherization.

LIRA Funding Mechanism

The LIRA Program will continue to be funded by the LIRA Discount Charge (Rider F) provided for in National Fuel's tariff. The LIRA Rate Discount will be calculated for the quarters corresponding with the updates of gas costs (February 1, May 1, August 1, and November 1) and any other time that Residential Sales Service Rate Customer Charge, Distribution Charge, Natural Gas Supply Charge, or Gas Adjustment Charge or Gas Procurement Charge changes. In addition, a charge will be included in rates to provide for the full recovery of costs in conjunction with the Company's LIRA rate discounts, program costs, forgiven pre-program arrearages and an incremental customer credit as provided for in Settlement of Docket Nos. R-00072420 and M-00072019. The first 12-month

reconciliation period commenced October 1, 2007 through September 30, 2008 with the reconciliation charge effective for the one year period commencing February 1, 2009. Such reconciliation charge will be updated annually and effective each February 1.

The calculation of the LIRA Rate Discounts as of June 1, 2018 is as follows.¹

Step 1 Determine Percentage of Income Target

Determine the percentage of income target payment percentage matrix for income and household size based on the BCS-related guidelines.

BCS Tier	Maximum % of Poverty	Bill Target as % of Income
I	50%	6.5%
II	100%	8.0%
III	150%	9.0%

Step 2 Determine Annual Bill Target

Step 2 is the determination of the annual bill target by income and household size based on: 1) the percentage of income target developed in Step 1, and 2) a minimum monthly payment towards natural gas bills of \$12 per month

Step 3 Determine Annual Required Discount Amount

Step 3 determines the annual required discount amount needed in order to achieve the annual bill target included in Step 2. The required discount amount is calculated by subtracting the annual bill target in Step 2 from the annual residential bill for the average LIRA customers’ annual consumption by household size category.

Step 4 Determine Percentage Discount

In Step 4, the percentage discount for income and household size is determined. The percentage discount is determined by dividing the required discount in Step 3 by the residential bill for average LIRA customer consumption by household size then rounding the result to the nearest 10%. The minimum discount to be provided to qualified LIRA customers is 10%.

Step 5 Determine the LIRA Discount Amount

Step 5 calculates the LIRA discount amount by multiplying the LIRA Percentage Discount by the annual residential bill for average LIRA customer consumption by household size

Step 6 Determination of LIRA Customer Distribution

Calculate the number of current LIRA rate participants by income category and household size.

Step 7 Calculate Projected Discounts

¹ The calculation of the LIRA Rate Discount that will remain in effect until June 1, 2018 is attached as Addendum A.

In Step 7, the projected level of discounts for current LIRA rate participants is calculated by multiplying the discount amount by income category and household size by the number of current participants by income and household size

Step 8 Determination of Total Discounts for the Upcoming 12 Months

Step 8 provides the determination of the total discounts associated with the LIRA program for the upcoming 12 months. The total discounts are equal to the sum of the monthly total projected discounts for the upcoming 12 months. The total monthly projected discount is equal to the residential bill for the average LIRA customer consumption for the month multiplied by the average discount amount multiplied by the projected number of LIRA customers for the month.

The LIRA rider will be recalculated whenever there is a change to the Residential Sales Service Rate Customer Charge, Distribution Charge, Natural Gas Supply Charge, or Gas Adjustment Charge or Gas Procurement Charge.

A summary of the variables that may change with each update of the LIRA rider include:

1. Change in residential sales rates
2. Change in the current number of LIRA participants by household size and income category
3. Percentage discounts by household size and income
4. Average LIRA customer annual and monthly volumes by household size
5. Average LIRA discount percentage
6. Total number of LIRA customers current and projected by month
7. Non-LIRA residential customer volumes

The calculation of the Reconciliation component will include the following:

1. LIRA Rate Discount: the LIRA rate discount reconciliation will be based on the previous fiscal year actual over / (under) collections determined by comparing discounts provided to in bills to LIRA customers as compared to discounts billed to Residential customers under the Rider.
2. LIRA Program Costs: the LIRA program cost reconciliation will be calculated based on the previous annual fiscal year costs 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).
3. LIRA Forgiven Pre-Program Arrearages: the LIRA Forgiven Pre-Program Arrearage reconciliation will be based on the previous annual fiscal year pre-program forgiven arrearages associated with the LIRA program less \$755,591 of LIRA pre-program arrearages embedded in base rates that became effective on January 1, 2007 (Docket No. R-00061493).
4. Incremental Customer Credit: an annual credit of \$35 per LIRA customer will be provided associated with the LIRA incremental customers. The LIRA incremental customer credit will be based on the average number of LIRA customers billed during the previous fiscal

year less 11,411. If the average number of LIRA customers billed during the previous fiscal period is 11,411 or less, the credit will be \$0.

The filing to be effective February 1, 2010 and every February 1 thereafter will include a levelized rate for over/under collections for the prior twelve (12) month period by comparing projected revenues under the Rider to actual revenue amounts experienced. The annual reconciliation will 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.

LIRA Needs Assessment

Census Data by County - 2011-2015

	Total Households	Number <=150%	Percent <=150%	NFG Households	NFG Estimated Number of Households <=150%	Identified Low Income and Payment Troubled Customers	Percentage of NFG Identified Low Income and Payment Troubled Customers
Armstrong County	28,534	8,054	28.23%	596	168		
Butler County	74,476	14,648	19.67%	2,099	413		
Cameron County	2,170	645	29.72%	1,315	391		
Clarion County	15,830	5,513	34.83%	3,846	1,339		
Clearfield County	31,817	10,902	34.26%	6,806	2,332		
Crawford County	34,575	11,206	32.41%	17,427	5,648		
Elk County	13,244	2,871	21.68%	10,915	2,366		
Erie County	109,934	36,456	33.16%	90,331	29,955		
Forest County	1,974	678	34.35%	901	309		
Jefferson County	18,479	6,103	33.03%	6,528	2,156		
McKean County	17,400	6,036	34.69%	5,753	1,996		
Mercer County	45,546	13,768	30.23%	26,208	7,922		
Venango County	22,129	7,246	32.74%	14,543	4,762		
Warren County	17,113	4,902	28.64%	9,770	2,799		
Total/Avg.	433,221	129,028	29.78%	197,038	62,557	27,151	13.78%

Census Data Compiled by Mollie Van Loon
CSIS Project
Penn State University
1/26/2017

Sources:
2015 American Community Survey 1-Year and 5-Year Estimates - United States Census Bureau
NFG Households, PDF 394-85 Ad Hoc Report - Residential by County

The LIRA needs assessment is based on the 2015 American Community Survey 1-Year and 5 Year Estimates identifies a potential of low income households at 62,557 which is 31.75% of our customers. The number of confirmed low-income customers who are payment troubled is 27,151 or 13.78 % of our 197,038 household base.

LIRA Budget

LIRA is an alternative CAP with a discounted rate. The LIRA budget is dependent upon a number of factors, including enrollment levels and current gas cost rates. In fiscal 2015, the company spent \$187,576 in program administration, \$925,726 million in discounts and \$376,175 in arrearage forgiveness for a total of \$1.5 million. This amount will vary in future years based upon LIRA participation rates and gas cost of rates. The Company expects LIRA enrollment to continue at an average rate of 300 customers and a corresponding average cancel rate of 189, for a net total of 111 participants monthly. This is a change from the original 125 net enrollment as stated in

previous plans. Based on this information, the Company anticipates the administration costs to remain flat. When reviewing the 2013 Impact Evaluation, results for 2009 CAP credits of \$5,538,040 to 2015 CAP credits of \$925,726 has shown an 83% decrease in CAP credit costs. This significant CAP credit decrease seems to track similarly for other gas companies.

Arrearage forgiveness accounts for a portion of the LIRA budget. Under the program, participants may stay on the LIRA program even after the pre-LIRA arrearage is fully forgiven. As more LIRA participants achieve forgiveness, the impact on the LIRA program’s budget is reduced. Additionally, as “newly identified LIRA customers” are added, the CAP credit and arrearage forgiveness will have less of an impact since 90% of the current participants only receive a 10% discount and debt balances are generally lower.

The Company anticipates the program costs and arrearage forgiveness to remain stable at the current rates for the near future years however, with the required change to the discount calculation to remove LIHEAP from the calculation, non-participants costs associated with the discounts provided to participants will increase. The company estimates that the amount of discounts provided will increase by approximately \$666,000 (based on February 1, 2018 rates) which calculates an increase to non-participants of \$0.0339/Mcf or a 65% increase. Maintaining a continued rate of 9,000 participants annually and changing the calculation of the discounts will increase the need for additional funding for the LIRA program. The decreased administrative costs are offset by the increase of arrearage forgiveness and CAP credit costs. The forecast takes into account the cost of natural gas and the consistent level of participants.

The chart below reflects all the LIRA program costs. Clearly, the associated costs of LIRA were historically decreasing. Conversely, the arrearage forgiveness component is increasing as more customers pay their LIRA bill. This outcome is attributed to better payment behavior and corresponding forgiveness of original debt.

Program Year	Administrative Costs	CAP Credits	Arrearage Forgiveness	Totals
2013	\$239,763*	\$1,326,119	\$272,590	\$1,838,472
2014	\$188,117	\$1,446,978	\$299,014	\$1,934,109
2015	\$187,576	\$925,726	\$376,175	\$1,489,477

*Impact Evaluation cost included - \$36,670.

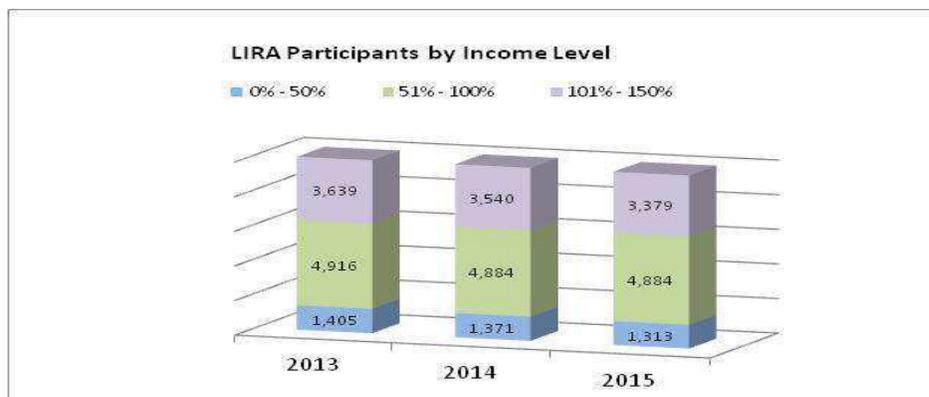
Universal Service Projected Program Budgets

Universal Service Component	2017	2018	2019	2020
CAP	\$1,555,212	\$2,323,457	\$2,434,767	\$2,535,559
LIURP* (funds allocated per year)	\$1,300,000	\$1,300,000	\$1,300,000	\$1,300,000
CARES	\$4,125	\$4,125	\$4,125	\$4,125
Hardship Fund	\$0	\$0	\$0	\$0
Total	\$2,859,337	\$3,627,582	\$3,738,892	\$3,839,684
Number of Residential Customer	198,834	198,834	198,834	198,834
Average Spending per Customer per Month	\$1.20	\$1.52	\$1.57	\$1.61

LIRA Enrollment Trends

Participation has been consistent over the past three years with an average of 9,777 customers annually. The previous evaluation reported a 3% decrease over the 2010 – 2012 Plan years. The percent of change in participation for 2013, 2014 and 2015 was minimal; with decreases of 1.7%, 2.3% and 2%, respectively and this trend continues. The enrollment is consistent and there will be minimal impact and/or change in the US 2017-2020 Plan. The approximate 2% decrease in enrollment could be attributed to warmer weather, less usage and reduced bills.

The majority of LIRA participants continue to be represented in the 51% - 100% FPL income level as National Fuel’s 2013 Impact Evaluation indicated. See the chart below for data specific details which continues to support this trend.



Energy Burden

The BCS brought LIRA bill affordability issues to the attention of National Fuel in March 2004. It appeared that many LIRA Budget Plans were outside of the energy burdens as defined in §69.265. As a result, in April 2005, the Company responded by modifying the LIRA discount to incorporate the household size. Additionally, 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.

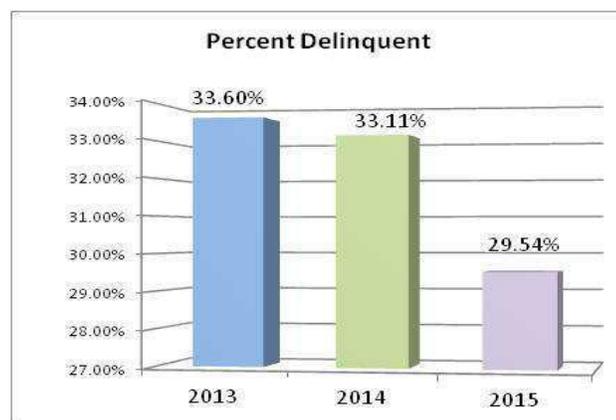
This tolerance report is reviewed daily, identifying LIRA customer accounts which are outside the acceptable energy burden tolerance. After the account is identified as out of range, it is reviewed for LIHEAP participation and possible weatherization. Other factors which can contribute to out of tolerance energy burden include:

- Reverification for LIRA
- LIHEAP benefit designated to another vendor
- Does not wish to participate in LIURP
- Dwelling is beyond the scope of the weatherization program
- Landlord may not wish to participate in LIURP
- Tenant does not qualify due to other units in building not meeting the LIURP guidelines

Unfortunately, many LIRA customers often reside in poorly built, high consumption housing and their bill exceeds the established energy burden to income guideline. National Fuel will continue to monitor the energy burden of current LIRA customers addressing any issues and making appropriate referrals as needed. However, due to poor housing stock, there may be limited actions available to correct the situation.

LIRA accounts are categorized into three income tiers. These are identified and grouped as; 0% – 50%, 51% - 100% and 101% - 150% of poverty. Analyzing the two higher income tiers of LIRA participants the associated energy burden is appropriate. However, the 0% - 50% tier shows an average out of tolerance of 9.62% over a three year average (NFG Ad hoc 2013 – 2015 report). National Fuel has cited the above reasons for the out of tolerance.

National Fuel 2013 Impact Evaluation finding was 89% of LIRA customers (NFG Ad Hoc Report 2011) were consistent ratepayers. A review of the last three years of delinquency data also supports previous findings (12% decrease from 2013 – 2015). As indicated on the graph below, the delinquency has changed most substantially in 2015. The 2015 data demonstrates decreases in LIRA delinquency. Better paying behavior will result in corresponding increases in arrearage forgiveness. LIRA customers increased payments by 7.27% from 2013-2015. Currently, seventy percent of LIRA customers billed have paid in full. Approximately 20% of the total LIRA group billed, in December 2015, was only one month behind. Twenty percent combined with 70% paid in full accounts yields a total of 90% who are consistent payers.

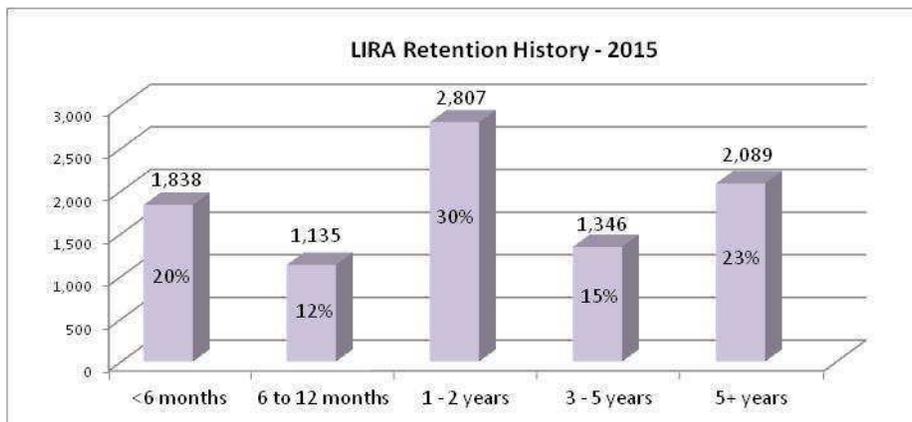


National Fuel Monthly Delinquency Report as of December 2015

CAP RETENTION

Comparing LIRA retention data from the 2013 Impact Evaluation and more recent information, it is clear that there have been shifts in the identified time retention categories. LIRA still retains 38% of the participants over 5 years but this is a significant change from 60% in 2012. There has also been a shift in the 6 month to 2 year category for participation. The percentage changed from 40% prior to 2012 and now is 62% of participants enrolled in LIRA for the same period of time. LIRA's participation is 8,575 customers as of October 2016. In addition to this, there are 504 potentially eligible LIRA applicants being processed. The goal is to maintain a minimum of 9,000 participants annually.

It would seem that there are some seasoned LIRA customers who are cancelling their participation due to lower rates after receiving all LIRA forgiveness. Currently, most of the LIRA participants are only receiving a 10% discount. (NFG Ad hoc LIRA Report 10/2016) The LIRA participant who applies for LIHEAP may now be better able to manage the bill without LIRA and will not have to complete necessary eligibility processes. The current application of LIHEAP benefits (prior to June 2018) may also change the dynamic of LIRA participation. Other LIRA customers may choose to cancel continued participation if they are threatened by termination. Customer Service Representatives do reinforce the benefit of remaining in LIRA but ultimately participation remains the customer's choice.



(NFG Ad hoc LIRA Retention as of December 2015)

LIRA EXITS

LIRA exits reasons have remained consistent in 2013, 2014 and 2015. These reasons include: non-payment, moved and no response to re-verification. Recent data indicates a change in the order. The order has changed from the 2013 Impact Evaluation results which revealed the most prevalent reason for exiting was moving, and then LIRA non-payment, and last, failed to reverify. Now, most LIRA participants are cancelled because they do not respond to re-verification. LIRA customers who move are the next group to cancel and then last are exits for non-pay. LIRA customers still maintain 38 % program retention post 3 years. The 2013 evaluator cited increased longevity in the program results in positive payment behavior, and decreases in arrearage, administrative and collection costs.

The goal of LIRA is to establish affordable monthly payments that will encourage regular payments, remove customers from traditional collection cycle, increase participation in energy assistance funds, access hardship funds if needed and to promote energy conservation. The 2013 Impact Evaluation completed a review of 360 LIRA customer's payments and collection actions. This sampling analyzed pre and post LIRA participation as well as the collection costs associated with this group. These results supported the premise that participation in LIRA did decrease terminations and related costs. More payments were also received post LIRA. A more recent review of a similar 360 LIRA sample group checked 2014 pre and post LIRA payments and associated collection costs and revealed similar outcome data. More payments were made and costs associated with collection were clearly less. The recent results indicate a 33% increase in payments post LIRA. Associated collection costs also diminished by 5% for termination notices and actual terminations completed decreased by 38%. Additionally, the required procedure driven collection calls diminished by 17%.

National Fuel Customer Assistance and Referral Evaluations Services (CARES)

Program Description

National Fuel developed the Customer Assistance and Referral Evaluation Services (CARES) program to assist low income, fixed income, special needs, and payment troubled customers who are experiencing **short-term financial hardships**.

The purpose of the CARES program is twofold. First, The CARES program helps address health and safety concerns relating to utility service by providing important benefits. When appropriate, the customer is temporarily protected from termination of service until attempts can be made to find financial assistance or payment arrangements. Company representatives work with selected, payment troubled customers on a personal basis in order to maximize the customer's ability to pay their utility bills. Second, the CARES program uses a case management approach to help customers with special needs. Special needs customers include those who 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 are older adults. The CARES representatives can make payment arrangements and make referrals to specific services for each customer enrolled in the program. These referrals often result in cash assistance for the household. Referrals are also made for other services such as food, shelter, employment and medical assistance. The program provides improved access to the various forms of energy and non-energy related community-based social service agencies/programs. In recognizing and addressing the needs of these payment troubled customers, the CARES program enhances the utility's image as a partner in the community.

Enrollment in the CARES program is limited to customers with special circumstances that are **temporary**. CARES representatives fully recognize that the temporary nature of these needs in no way diminishes the severity of the problems these households face. Low income payment troubled customers that have long term financial needs are considered for the company's Low Income Residential Assistance (LIRA) program.

Identification Process & Eligibility Requirements

Identification Process

National Fuel provides gas service to approximately 214,000 customers in a 14 county service area in Northwestern Pennsylvania. The company has identified approximately 27,000 of their customers as having incomes less than 150% of the Federal Poverty Level. The source of this identification for system coding has been the customers' receipt of Low Income Home Energy Assistance (LIHEAP) grants, and individual income and household analysis performed during the payment arrangement negotiation process. The Company is also able to identify and code payment troubled customers by income level.

Payment troubled is defined here as customers who have difficulty paying bills and contact the Company to obtain a payment arrangement.

National Fuel's senior gas customers can be referred to the 62+ program, which is set up to notify a third party of collection action. This third party is often a relative or a representative of the Area Agency on Aging.

The CARES program targets those payment troubled customers that have a temporary inability to pay and are in danger of having service terminated.

Eligibility Requirements

In order to participate in the CARES program, the customer must have a temporary inability to pay their bill. Except under unusual circumstances, the CARES customer is a low income, senior, or special needs customer. Low income customers that have long-term financial problems will be considered for the LIRA program.

Referral Process

A ratepayer meeting the qualifications of the CARES program may be referred from Consumer Business. Consumer Business representatives will inform the ratepayer of the main characteristics of the CARES program by saying (for example):

CARES provides individual assistance for customers that are experiencing a temporary inability to pay the gas bill. It is designed to provide referral assistance to outside agencies for low income, senior, and special needs customers.

A 30-day CARES hold is automatically placed on the account to allow the Company the necessary time to process the referral.

Referred ratepayers are then contacted by Company personnel in order to further determine the best method of helping the customer. Contacts may include telephone calls, letters, and additional follow up.

Although the majority of referrals are expected to be from Consumer Business, any department may encounter ratepayers who could benefit from the CARES program and who appear to be eligible. Human Service agencies within National Fuel's service territory may also contact the Company with a customer referral.

Account Processing

After the CARES referral is received, an attempt is made to contact the customer. If the CARES representative is unable to contact the customer by phone, a letter is sent to the customer requesting that they call the Company.

The CARES representative does an in-depth confidential analysis of the customer's payment situation. This includes documentation of the customer's household income and expenses. Information is collected from the customer pertaining to his or her account. If the customer is able to pay the Budget plus an amount toward the arrears, a Budget plus arrangement is negotiated. If the customer is unable to pay a Budget plus arrangement, a CARES flat payment arrangement can be negotiated. This arrangement can be less than budget plan and cannot exceed four months. Only under unusual circumstances will an account remain in the CARES program for more than four months.

When an account is removed from the CARES program, hopefully the customer's temporary financial problem has been solved. If the customer has an unpaid balance, a budget plus arrangement will be negotiated. Low Income (Less than 150% of the federal poverty level) payment troubled customers with long term payment problems will be referred to the company's LIRA program.

The CARES representative gathers pertinent information about the account to form a case history of the customer's short term problem. This case history includes CARES demographics and other account data.

After the initial case information is gathered, the CARES representative will review the case to determine the best methods to follow in providing assistance to the customer. An assessment of the basic causes of the customer's bill paying problems is made and a personalized, needs-based referral and action plan is formulated and initialized to obtain assistance for the customer. Assistance includes helping the customer receive financial assistance, medical and mental health services, food, clothing, shelter, etc. Once a customer's needs have been determined, the CARES representative makes the appropriate connection or referral to agencies and programs that can provide assistance.

Program Requirements

- 1) The maximum number of months that a customer should be a participant in the CARES program is four months.
- 2) If possible, the CARES customer should attempt to pay toward the account arrearage or monthly bills. The customer must cooperate with the CARES representative to obtain assistance from referral agencies.

Projected Enrollment

The enrollment for the reporting period is not expected to exceed 50 customers per year.

Projected Budget

The expenditure for the reporting period will be approximately \$15,160 for 2017-2020 Plan.

LIHEAP Outreach Efforts

As part of the Customer Assistance Referral Evaluation Service Program, National Fuel devotes comprehensive time and effort to complete extensive yearly LIHEAP Outreach campaigns. These campaigns includes: educational letters, various mailings, news media releases, and advertising throughout our 14 counties. As a result of these efforts in FY 2014-2015: low income customers realized 19,204 basic grants and 5,646 received crisis grants totaling \$5.7M.

National Fuel Low Income Usage Reduction Program (LIURP)

Identified customers who have annual consumption in excess of 130 MCF will be referred to the Energy Management Department for possible participation in LIURP. Identified eligible customers using less than 130 MCF in need of furnace or water heater repair or replacement will also be referred to the Energy Management Department for possible LIURP participation under the Emergency Repair Replacement Program.

The Low Income Usage Reduction Program is a PUC-mandated weatherization program for low-income customers. It is designed to assist low income customers in reducing their energy usage, thus reducing their bills.

Eligibility criteria include:

- high annual usage;
- arrearage;
- income below 150% of federal poverty guidelines, an exception allows for 20% of the annual budget to be spent on the income level from 151-200% which can include special needs customers: senior citizens, customers with medical needs or disabilities, and/or customers with young children in the home.
- and residency at the premises for at least one year with 12 months continuous service.

Eligible customers receive:

- a heating system safety check;
- energy audit, energy education sessions;
- wall and/or attic insulation when appropriate;
- blower door-guided air sealing;
- other energy conservation measures;
- And a post inspection by a National Fuel representative.

Measures installed must be cost-effective (pay for themselves through energy savings in a specified time frame according to LIURP regulations). Consumption and payment behavior are monitored for the twelve months before and after weatherization for program evaluation by the PUC.

Program Budget and Projected Enrollment

The annual program budget has been set by a rate case at \$1,300,000. National Fuel expects to continue at this funding level through this plan period. Approximately \$300,000 per year is allocated to the Program that repairs or replaces furnaces and water heaters (ERRP) for owner occupied customers that use less than the threshold amount of 130 MCF of gas in a year. Additionally, an estimated \$187,000 is utilized for administrative costs.

Approximately \$813,000 will be available for weatherization jobs. At the current average of \$4,300 per job, the program will accommodate around 189 jobs each year of this Plan. To control the average costs, the Company bids the work among community agencies and private contractors to maintain the maximum number of jobs at the lowest prices.

LIURP job counts and corresponding allocations will vary due to carryover funds and annual costs. These figures will also be adjusted for yearly cost of living. The average number of jobs completed annually during the last ten years is 201. The company expects to continue this average. The most recent LIURP reporting for 2014 customers shows a 19 % reduction of gas consumption in homes which received full weatherization measures. Since the program's inception, 5,963 customers have received services from LIURP and \$27,007,219 has been expended. Approximately 8,100 homes have been previously reviewed and cancelled or rejected for various reasons including building design, health and safety and no response to program services. However, these accounts have the opportunity to be considered again for weatherization as long as all conditions have been met.

National Fuel continues to coordinate with agencies and other weatherization programs available to the customer. List of names are provided to screen customers for other additional services within the scope of the weatherization program.

LIURP NEEDS ASSESSMENT

The following chart depicts the number of customers in National Fuel’s service area that are likely to fall below 200% of the FPL.

Census Data by County - 2011-2015 Estimates

	Total Households	Number <=150%	Percent <=150%	Number 150-200%	Percent 150-200%	Number <=200%	Percent 200%	NFG Households	NFG Number <=200%
Armstrong County	28,534	8,054	28.23%	3320	11.64%	11,374	39.86%	596	238
Butler County	74,476	14,648	19.67%	5836	7.84%	20,484	27.50%	2,099	577
Cameron County	2,170	645	29.72%	294	13.55%	939	43.27%	1,315	569
Clarion County	15,830	5,513	34.83%	1856	11.72%	7,369	46.55%	3,846	1,790
Clearfield County	31,817	10,902	34.26%	3895	12.24%	14,797	46.51%	6,806	3,165
Crawford County	34,575	11,206	32.41%	4479	12.95%	15,685	45.37%	17,427	7,906
Elk County	13,244	2,871	21.68%	1792	13.53%	4,663	35.21%	10,915	3,843
Erie County	109,934	36,456	33.16%	11016	10.02%	47,472	43.18%	90,331	39,007
Forest County	1,974	678	34.35%	231	11.70%	909	46.05%	901	415
Jefferson County	18,479	6,103	33.03%	2511	13.59%	8,614	46.62%	6,528	3,043
McKean County	17,400	6,036	34.69%	1918	11.02%	7,954	45.71%	5,753	2,630
Mercer County	45,546	13,768	30.23%	5145	11.30%	18,913	41.53%	26,208	10,883
Venango County	22,129	7,246	32.74%	2510	11.34%	9,756	44.09%	14,543	6,412
Warren County	17,113	4,902	28.64%	2272	13.28%	7,174	41.92%	9,770	4,096
Total/Avg.	433,221	129,028	29.78%	47,075	10.87%	176,103	40.65%	197,038	84,573

Census Data Compiled by Mollie Van Loon
 CSIS Project
 Penn State University
 1/26/2017

Sources:
 2015 American Community Survey 1-Year and 5-Year Estimates - United States Census Bureau
 NFG Households, PDF PA Low Income Customers 2016-12 Summary - Residential by County

As of 2017, there are approximately 84,573 households, in National Fuel’s service territory, who are under 200% of the federal poverty guidelines.

A review of confirmed low income accounts indicate that approximately 13% or 10,995 customers meet the yearly consumption level of equal to or greater than 130 MCF and income threshold of 200% FPL for National Fuel's weatherization program.

National Fuel Conservation Measures

Energy Audits

Energy audits are available to all National Fuel customers including participants in the LIRA or CARES Programs. Priority will be given to conducting energy audits for those LIRA customers who have annual consumption in excess of 130 MCF. These high usage customers will also be referred to Energy Management for consideration in the Low Income Usage Reduction Program (LIURP).

The Energy Conservation Audit is designed to provide customers with energy conservation tips, with an emphasis on things that they can do themselves. Since many of these customers are senior citizens, they are screened for eligibility to other programs. After accompanying the representative through the house, the customer receives a written summary of suggestions and a flier with energy conservation tips.

In the absence of an audit, customers will be provided with energy education materials.

National Fuel NEIGHBOR FOR NEIGHBOR HEAT FUND

The Neighbor for Neighbor Heat Fund is a voluntary program designed to provide assistance to qualifying individuals who require aid to meet basic energy needs. This Hardship program will provide help to prevent disconnection of utility service, to pay overdue bills, to purchase any type of heating fuel or to repair or replace heating equipment.

A Neighbor for Neighbor Advisory Board made up of individuals representing human service organizations coordinates the Neighbor for Neighbor Heat Fund. The Greater Erie Community Action Committee is the financial agency. Applications and screening are handled by designated service organizations in each county.

Neighbor for Neighbor is funded by public donations. National Fuel stockholders match every dollar up to \$100,000 for use within National Fuel's service territory.

To receive Neighbor for Neighbor funds an applicant must be:

- 55 years or older, or
- on a disabled, handicapped income or unemployment income, or
- able to demonstrate a certified medical emergency, and
- a resident in National Fuel's service territory, but not necessarily a National Fuel customer and
- have made 3 good payments within the last 12 months and a fourth one within the last 90 days.

In all cases:

- Need must be evident;
- Individual or family resources are not sufficient to meet energy needs;
- Other energy assistance programs must have been exhausted prior to applying for Neighbor for Neighbor;
- Assistance is limited to one time per calendar year; \$400 maximum, \$200 maximum for non-natural gas applicants;
- Grants are issued to the energy vendor for payments and contractor for repairs.

Referrals may be made by: National Fuel personnel, community agencies, or by the customer. Since our last plan, to better identify individuals who meet the unemployment income eligibility requirement, we conducted outreach presentations at all county Career Link and Community Resources for Independence offices. Most recently in 2016, targeted outreach was completed for all United Way organizations in all National Fuel communities. This is in addition to the bi-annual outreach meetings which are held. These efforts have increased awareness and have been well received.

Projected Budget

Historically the Neighbor for Neighbor Heat Fund has received donations totaling over \$100,000 per year. The company anticipates the donations will remain at that level through the next plan period.

Needs Assessment

The Company has developed an appropriate Needs Assessment of eligibility for the Neighbor for Neighbor Heat Fund. The Company notes, however, that it works with community-based organizations like the Greater Erie Community Action Committee (“GECAC”) to identify eligible households on a case-by-case basis. The Company further notes that eligible households do not have to be a National Fuel customer or even natural gas customer.

National Fuel Households with Members over the Age of 55

	Total Population	Total Population Over 55 Years of Age	% of Population Over 55 Years of Age	Total Households	NFG Households	Number of NFG Household Members Over 55 Years of Age
Armstrong County	68,373	23,260	34.02%	28,557	594	202
Butler County	185,098	54,069	29.21%	73,503	2,095	612
Cameron County	5,000	1,945	38.90%	2,144	1,313	511
Clarion County	39,498	11,916	30.17%	15,872	3,849	1,161
Clearfield County	81,392	25,765	31.66%	31,994	6,777	2,145
Crawford County	87,719	27,686	31.56%	34,482	17,397	5,491
Elk County	31,645	10,843	34.26%	13,212	10,853	3,719
Erie County	280,679	78,265	27.88%	109,733	90,026	25,103
Forest County	7,696	2,578	33.50%	2,001	890	298
Jefferson County	44,924	14,495	32.27%	18,661	6,549	2,113
McKean County	43,140	13,291	30.81%	17,465	5,794	1,785
Mercer County	115,650	37,835	32.72%	45,924	26,303	8,605
Venango County	54,304	18,506	34.08%	22,429	14,613	4,980
Warren County	41,187	14,417	35.00%	17,053	9,761	3,417
Total/Avg.	1,086,305	334,871	32.57%	433,030	196,814	60,142

Sources:

U.S. Census Bureau, B01003: 3 and 5 Year American Community Survey

NFG - ADHOC - PDF 394-85 Total active residential accounts by county including sales and transportation customers

U.S. Census Bureau, C18120: 2011-2013 3-Year (all counties except Cameron and Forest), 5-Year (Cameron and Forest Counties)

U.S. Census Bureau, S0101: 2009-2013 5-Year American Community Survey

Estimated Number of National Fuel Households with Disabilities

	Total Population	Total Population with Disabilities	% of Population with Disabilities	Total Households	NFG Households	Number of NFG Households with Disabilities
Armstrong County	68,373	6,624	9.69%	28,557	594	58
Butler County	185,098	10,207	5.51%	73,503	2,095	116
Cameron County	5,000	467	9.34%	2,144	1,313	123
Clarion County	39,498	3,269	8.28%	15,872	3,849	319
Clearfield County	81,392	5,932	7.29%	31,994	6,777	494
Crawford County	87,719	7,881	8.98%	34,482	17,397	1,563
Elk County	31,645	2,143	6.77%	13,212	10,853	735
Erie County	280,679	21,891	7.80%	109,733	90,026	7,021
Forest County	7,696	679	8.82%	2,001	890	79
Jefferson County	44,924	3,384	7.53%	18,661	6,549	493
McKean County	43,140	3,894	9.03%	17,465	5,794	523
Mercer County	115,650	9,295	8.04%	45,924	26,303	2,114
Venango County	54,304	5,309	9.78%	22,429	14,613	1,429
Warren County	41,187	3,641	8.84%	17,053	9,761	863
Total/Avg.	1,086,305	84,616	8.26%	433,030	196,814	15,928

Sources:

U.S. Census Bureau, B01003: 3 and 5 Year American Community Survey

NFG - ADHOC - PDF 394-85 Total active residential accounts by county including sales and transportation customers

U.S. Census Bureau, C18120: 2011-2013 3-Year (all counties except Cameron and Forest) American Community Survey

U.S. Census Bureau, C18120: 2009-2013 5-Year (Cameron and Forest Counties) American Community Survey

Estimated Number of National Fuel Households Receiving Unemployment Benefits

	Total Population	Total Workforce Population	Unemployed	% of Population Reported as Unemployed	Total Households	NFG Households	Est. NFG Households Receiving Unemployment Benefits
Armstrong County	68,373	56,511	2,927	5.18%	28,557	594	31
Butler County	185,098	150,383	6,473	4.30%	73,503	2,095	90
Cameron County	5,000	4,247	170	4.00%	2,144	1,313	53
Clarion County	39,498	32,949	1,576	4.78%	15,872	3,849	184
Clearfield County	81,392	67,744	3,041	4.49%	31,994	6,777	304
Crawford County	87,719	70,878	3,082	4.35%	34,482	17,397	756
Elk County	31,645	26,297	984	3.74%	13,212	10,853	406
Erie County	280,679	226,186	12,794	5.66%	109,733	90,026	5,092
Forest County	7,696	7,071	141	1.99%	2,001	890	18
Jefferson County	44,924	36,524	1,691	4.63%	18,661	6,549	303
McKean County	43,140	35,368	2,051	5.80%	17,465	5,794	336
Mercer County	115,650	95,130	4,183	4.40%	45,924	26,303	1,157
Venango County	54,304	44,484	2,156	4.85%	22,429	14,613	708
Warren County	41,187	33,931	1,447	4.26%	17,053	9,761	416
Total/Avg.	1,086,305	887,703	42,716	4.46%	433,030	196,814	9,855

Sources:

U.S. Census Bureau, B23025: 2011-2013 3-Year American Community Survey (All counties excluding Cameron and Forest)

U.S. Census Bureau, B23025: 2009-2013 5-Year American Community Survey (Cameron and Forest County)

U.S. Census Bureau, B01003: 3 and 5 Year American Community Survey

NFG - ADHOC - PDF 394-85 Total active residential accounts by county including sales and transportation customers

Projected Enrollment

The above US Census tables show the potential households for Neighbor for Neighbor eligibility.

There is a potential of 60,142 households in all the National Fuel service territory, which meets the age requirement of 55 and over.

Estimates of 15,928 households, with members receiving disabilities benefits, are within National Fuel's service territory.

There is an estimate of 9,855 National Fuel household members receiving unemployment benefits who may be eligible for Neighbor for Neighbor assistance.

The Neighbor for Neighbor eligible recipients could include all households within National Fuel's service territory (433,030 households, refer to above census data) who are not necessarily a National Fuel customer as explained in National Fuel's Neighbor for Neighbor literature. Based on the above census, there is a potential to include all three categories (85,925 households). However, the eligible households could be reduced due to customers being included in more than one category. Therefore, it is difficult to determine the correct number of possible recipients. Using historical data, we can anticipate an average of 417 yearly referrals for the 2017-2020 Plan.

Outreach and Intake Efforts

National Fuel provides the following outreach and intake efforts for all Universal Service Programs:

Mail and telephone solicitation

Targeted mailings for potential LIRA and LIURP participants

Reports generated for Confirmed low income and/or LIHEAP recipients

Participation in community events such as senior fairs, task forces, community and agency boards

Biannual Universal Service meetings with local agencies within the National Fuel service area

Training for Consumer Business staff for enrollment campaigns and compliance

Training for operational employees

Bill inserts and press releases provided to the public

Universal Service Program Outreach with United Ways in all NW Counties 2016

LIHEAP specific outreach through bill inserts, media, community outreach locations, letters, training, meetings, and information provided to community agencies, social service agencies, and mass transit sites

Energy assistance information provided on the Company's website at www.nationalfuelgas.com

Identification of Eligible Customers

National Fuel trains Call Center and operational staff to identify potentially eligible customers and to refer customers for all available Universal Service programs.

Integration of Programs

National Fuel incorporates referrals into existing processes (Cold Weather Survey, collection, compliance, and contact management) and coordinates services with contracted agencies and other community agencies. Company staff coordinates and makes referrals to all Universal Service program components, as well as LIHEAP referrals. An effective program referral process encompasses customer service representatives, field operations, and community agencies.

National Fuel has an integrated approach in maintaining and managing the Universal Service Programs. As a result, National Fuel has one of the lowest costs for program operation than most other utilities. There is a manager, two supervisors, an administrative assistant, and a senior

customer service representative who are involved in the day to day operations of all the Universal Service Programs. In addition to these dedicated positions there are several customer service representatives (supplemental employees) who are all involved in ongoing contact and interactions with our customers. The referrals, questions and possible concerns of the customer are initiated from the Pennsylvania Consumer Business Center. A chart showing our structure is located below.

Community Based Organizations

National Fuel works with numerous community based organizations on various projects. The Company holds two yearly meetings, within the fourteen county service territories, with local organizations, state agencies, and consumer groups. The locations are rotated throughout the territory so that agencies can attend a meeting in their area periodically. These meetings allow the opportunity for National Fuel to review the Universal Services Programs and to collect input and suggestions from the involved agencies about the Programs. The participant reviews have all been favorable and they will continue to be held twice each year on a rotating basis.

Following are the agencies used by each Universal Service Program.

LIRA Program

The LIRA Program communicates most often with the Department of Human Services, through the local County Board of Assistance offices, and the Social Security Administration. Interaction with other social service agencies is determined by each individual customer's needs. Dival Safety, Incorporated is currently National Fuel's third party contractor for processing LIRA applications. Matrix Imaging is also a third party contactor that is responsible for LIRA invitations and reverification mailings.

Neighbor for Neighbor

Participating Agency List:

Clarion County

United Way of Clarion County

P. O. Box 207
Clarion, PA 16421

Butler/Armstrong Counties

Butler Salvation Army
313 West Cunningham Street
Butler, PA 16001

Clearfield/Jefferson Counties

CPCA-Clearfield
207 East Cherry Street
Clearfield, PA 16830

Crawford County

Associated Charities
409 East Central Avenue
Titusville, PA 16354

Center for Family Services

213 Center Street
Meadville, PA 16335

Elk/Cameron County

Northern Tier Community Action
Post Office Box 389
Emporium, PA 15834

Erie County

GECAC
Greater Erie Community Action Committee
18 West Ninth Street
Erie, PA 16501

McKean County

Salvation Army
111 Jackson Avenue
Post Office Box 314
Bradford, PA 16701

Mercer County

Community Action Partnership of Mercer County
75 South Dock Street
Sharon, PA 16146

Venango County

United Way of Venango County
1999 Alleghany Blvd.
Reno, PA 16343

Warren/Forest Counties

Warren/Forest Counties Economic Opportunity Council
(E.O.C)
1209 Pennsylvania Avenue West

Post Office Box 547
Warren, PA 16365

Low Income Usage Reduction Program (LIURP)

Community Based Contractors:

Central PA Community Action Inc.
207 E. Cherry Street
Clearfield, PA 16830

Community Action, Incorporated
105 Grace Way
Punxsutawney, PA 15767

Community Action Partnership of Mercer County
75 S. Dock Street
Sharon, PA 16146

Greater Erie Community Action Committee (GECAC)
18 West 9th Street
Erie, PA 16501

The Housing Authority of the County of Erie
P. O. Box 38
120 South Center Street
Corry, PA 16407

Northwest PA Weatherization, Inc
7940 Franklin Pike
Meadville, PA 16335

Warren/Forest Counties Economic Opportunity Council
1209 Pennsylvania Ave
P. O. Box 547
Warren, PA 16365

The highlighted agencies have been added since the last Plan.

CARES PROGRAM

Community Based Organizations

The following is a list of the public and private programs and referral agencies with which the **CARES** staff works:

1	Agency on Aging (14 Counties), including Senior Centers	28	LECOM Health Center
2	Alzheimer's Association of NW PA	29	Legislators – State Representatives, Senators
3	American Red Cross	30	Lifeworks – LECOM Health
4	Associated Charities (FEMA)	31	LINK
5	Association for Retarded Citizens	32	Love, Inc.
6	Barber National Institute	33	Martin Luther King Center
7	Blindness and Visual Services – Dept. of Labor & Industry	34	Mental Health Base Service Unit
8	Booker T. Washington Center	35	Mental Retardation Base Service Unit
9	Catholic Social Services	36	Mercy Center for Women
10	Center for Family Services	37	Multicultural Center YMCA
11	Central PA Community Action, Inc.	38	Neighbor for Neighbor Affiliates
12	Community Home Health Agencies	39	North Central PA Office of Human Services
13	Community HealthNet	40	Northwestern Legal Service
14	Corry Memorial Hospital - LECOM	41	Office of Children & Youth Service
15	County Office of Children and Youth Agencies	42	Office of Vocational Rehabilitation
16	Department of Human Services	43	Pharmaceutical Assistance Contract for the Elderly (PACE)
17	Economic Opportunity Association, Inc.	44	Property Tax/Rent Rebate Program - PA
18	Emergency Management Agency	45	Safe Harbor Community Health
19	Family Services	46	Salvation Army
20	Good Shepherd Center, Inc.	47	Social Security Administration
21	Greater Erie Community Action Committee (GECAC)	48	St. Martin Center
22	Hamot UPMC Medical Center	49	St. Vincent Health Center, Allegheny Health Network – St. Vincent
23	Home Health Care Agencies	50	Stairways Behavioral Health
24	Homeless Case Management Program	51	The Sight Center of NW PA
25	Independent Council on Aging	52	Twilight Wishes
26	Inter-Church Ministries	53	Veteran's Administration
27	International Institute	54	Womens Care Center

Summary

Bi-annual targeted outreach meetings will continue to provide an opportunity for agencies and organizations to learn about all National Fuel Universal Service Programs. As a result of this exchange, more customers will be referred, enrolled, and assisted. Additional LIRA targeted outreach efforts will continue. Customers who received LIHEAP benefits will also be screened for LIRA participation and appropriate actions for enrollment will be completed.

National Fuel will be establishing a Universal Service Advisory Committee. It will meet twice a year to address specific PUC identified concerns. The current Universal Service concerns to be addressed include LIRA bill modifications, LIRA enrollment, and coordination of LIURP programs between gas, electric and State weatherization agencies.

LIURP spending will continue to be \$1.3M annually. CARES has averaged out at \$3,790 annually based on the past three years, so there is no reason to increase the established budget. CARES will continue to assist the “transitional needy” customer with an aggregate of no more than 50 customers annually. Through the CARES program, maximum customer benefits have been realized. A casework approach is used for referring “vulnerable” and “special need” customers to agencies and programs for assistance.

The annual CAP spending cited in the BCS 2011 USP and Collection Report listed a total of \$2.8M spent for the LIRA Program and a corresponding \$3.9M total Universal Service Program (US) spending. The Universal Service spending per resident customer at that time was \$19.50, “one of the lowest in the state” per the BCS. Expenditure levels and other aspects in this Plan reflect historical enrollment, gas costs and demand. Recent Universal Service program data is reflected below. When comparing the individual residential cost associated with Universal spending, there has been a 36% decrease now reflecting spending of \$12.54. The decrease in CAP program costs directly impacts the average annual spending per residential customer as well as the total spending on Universal Service Programs. Minimizing the financial impact to National Fuel rates is a desired result of utilizing Universal Service Programs. In addition to restricting the financial impact, other desired outcomes are: establishing affordable payment plans, modifying payment behavior, and reducing energy consumption.

Program Year	Annual Cap Spending	LIURP Spending	CARES Spending	Total Annual Universal Service Spending	Average Annual Universal Spending per Residential Cust	Total Customers
2013	\$1,838,472	\$1,533,989	\$3,211	\$3,375,672	\$16.98	198,762
2014	\$1,934,110	\$1,203,340	\$4,052	\$3,141,502	\$15.81	198,681
2015	\$1,489,477	\$1,002,398	\$4,107	\$2,495,982	\$12.54	199,060

Universal Service Projected Enrollment Levels

	2017	2018	2019	2020
LIRA	9,196	9,013	9,000	9,000
LIURP	189	189	189	189
CARES	50	50	50	50
Hardship Fund	417	417	417	417

Program	Income Criteria	Other Criteria
CAP (LIRA)	<ul style="list-style-type: none"> 150% FPIG or less 	<ul style="list-style-type: none"> Must be a residential heating customer Must be payment troubled
LIURP	<ul style="list-style-type: none"> 150% FPIG or less (Note: 20% of the budget may be allocated to customers with incomes of 151 - 200% FPIG which can include special needs customers) 	<ul style="list-style-type: none"> Annual usage must exceed 130 MCF Must be a resident at the property for at least one year Must have an arrearage
CARES	<ul style="list-style-type: none"> No specific income criteria other than low income 	<ul style="list-style-type: none"> Must be payment –troubled Special needs, elderly, handicapped Circumstances must be temporary, otherwise the customer is considered for the LIRA Program
Hardship Fund (NFN)	<ul style="list-style-type: none"> No specific income criteria 	<ul style="list-style-type: none"> Must be at least 55 years old Must be on a disabled or handicapped income or have a medical emergency Resident in NFG service territory, but not necessarily a customer Customer must have made 3 good payments within the past 12 months and a fourth one within the last 90 days

Addendum A

LIRA Rate Discount effective until June 1, 2018 is as follows:

Step 1 Determine Percentage of Income Target

Determine the percentage of income target payment percentage matrix for income and household size based on the BCS-related guidelines.

BCS Tier	Maximum % of Poverty	Bill Target as % of Income
I	50%	6.5%
II	100%	8.0%
III	150%	9.0%

Step 2 Determine Annual Bill Target

Step 2 is the determination of the annual bill target by income and household size based on: 1) the percentage of income target developed in Step 1, 2) minimum monthly payment towards natural gas bills of \$12 per month, and 3) the annual LIHEAP payment for LIRA customers through use of the LIHEAP grant schedule.

Step 3 Determine Annual Required Discount Amount

Step 3 determines the annual required discount amount needed in order to achieve the annual bill target included in Step 2. The required discount amount is calculated by subtracting the annual bill target in Step 2 from the annual residential bill for the average LIRA customers' annual consumption by household size category.

Step 4 Determine Percentage Discount

In Step 4, the percentage discount for income and household size is determined. The percentage discount is determined by dividing the required discount in Step 3 by the residential bill for average LIRA customer consumption by household size then rounding the result to the nearest 10%. The minimum discount to be provided to qualified LIRA customers is 10%.

Step 5 Determine the LIRA Discount Amount

Step 5 calculates the LIRA discount amount by multiplying the LIRA Percentage Discount by the annual residential bill for average LIRA customer consumption by household size

Step 6 Determination of LIRA Customer Distribution

Calculate the number of current LIRA rate participants by income category and household size.

Step 7 Calculate Projected Discounts

In Step 7, the projected level of discounts for current LIRA rate participants is calculated by multiplying the discount amount by income category and household size by the number of current participants by income and household size

Step 8 Determination of Total Discounts for the Upcoming 12 Months

Step 8 provides the determination of the total discounts associated with the LIRA program for the upcoming 12 months. The total discounts are equal to the sum of the monthly total projected discounts for the upcoming 12 months. The total monthly projected discount is equal to the residential bill for the average LIRA customer consumption for the month multiplied by the average discount amount multiplied by the projected number of LIRA customers for the month.

The LIRA rider will be recalculated whenever there is a change to the Residential Sales Service Rate Customer Charge, Distribution Charge, Natural Gas Supply Charge, or Gas Adjustment Charge or Gas Procurement Charge.

A summary of the variables that may change with each update of the LIRA rider include:

8. Change in residential sales rates
9. Change in the current number of LIRA participants by household size and income category
10. Percentage discounts by household size and income
11. Average LIRA customer annual and monthly volumes by household size
12. Average LIRA discount percentage
13. Total number of LIRA customers current and projected by month
14. Non-LIRA residential customer volumes
15. The LIHEAP Grant schedule

The calculation of the Reconciliation component will include the following:

5. LIRA Rate Discount: the LIRA rate discount reconciliation will be based on the previous fiscal year actual over / (under) collections determined by comparing discounts provided to in bills to LIRA customers as compared to discounts billed to Residential customers under the Rider.
6. LIRA Program Costs: the LIRA program cost reconciliation will be calculated based on the previous annual fiscal year costs 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).
7. LIRA Forgiven Pre-Program Arrearages: the LIRA Forgiven Pre-Program Arrearage reconciliation will be based on the previous annual fiscal year pre-program forgiven arrearages associated with the LIRA program less \$755,591 of LIRA pre-program arrearages embedded in base rates that became effective on January 1, 2007 (Docket No. R-00061493).
8. Incremental Customer Credit: an annual credit of \$35 per LIRA customer will be provided associated with the LIRA incremental customers. The LIRA incremental customer credit will be based on the average number of LIRA customers billed during the previous fiscal year less 11,411. If the average number of LIRA customers billed during the previous fiscal period is 11,411 or less, the credit will be \$0.

The filing to be effective February 1, 2010 and every February 1 thereafter will include a levelized rate for over/under collections for the prior twelve (12) month period by comparing projected revenues under the Rider to actual revenue amounts experienced. The annual reconciliation will 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.

National Fuel Gas Distribution Corporation

Universal Service and Energy Conservation Plan

2017 – 2020

October, 2016- [Revised March 29, 2018](#)

Patrice Mitchell
Manager
Consumer Business
National Fuel
1100 State Street
Erie, PA 16501
(814) 871-8145

Overview

National Fuel Gas Distribution Corporation (National Fuel), headquartered in Williamsville, New York, is a subsidiary of National Fuel Gas Company. National Fuel serves approximately 726,000 customers in western New York and northwestern Pennsylvania. The Pennsylvania Division of National Fuel, headquartered in Erie, Pennsylvania, serves approximately 214,000 customers in fourteen counties.

National Fuel has a long history of providing services for special needs customers including the low income and the elderly starting with the first program, The Neighbor for Neighbor Heat Fund, in November 1983. These programs now include the Low Income Usage Reduction Program (LIURP), the Low Income Residential Assistance Program (LIRA), the Customer Assistance and Referral Evaluation Services Program (CARES) and the Neighbor for Neighbor Heat Fund.

Plan Submission

This is National Fuel's [revised](#) submission [per M-2016-2573847 Order adopted and entered on March 1, 2018](#) of the Universal Service and Conservation Plan, covering the period 2017 through 2020.

Pennsylvania natural gas utilities provide gas service to thousands of low-income customers who are having difficulty paying their bill. Low-income customers who are payment-troubled are in danger of having their utility services terminated. Customer arrearages and the process of termination of service impair cash flow and increase expenses for the utility.

A solution to the low-income customer inability-to-pay problem is to implement an affordable payment program for these customers. Many low-income customer assistance programs have been developed in response to this persistent problem. These programs may require the customer to pay a percentage of their income, a percentage of their bill, or a reduced rate. The programs may include such features as: arrearage forgiveness, energy audits, weatherization, energy management education, conservation credits, assistance with obtaining Low Income Home Energy Assistance (LIHEAP) and referrals to community resources and agencies. National Fuel's LIRA program is an approved alternative plan.

On December 20, 1991, the Public Utility Commission approved a proposal for National Fuel to institute a pilot program for reduced rates to 1,000 low-income customers. That program was called Low Income Residential Assistance (LIRA) and was designed to provide a mechanism for low-income payment troubled customers to pay an affordable monthly payment. This discounted rate program was developed to encourage on-time payments and to reduce uncollectible account expense. The LIRA rate pilot was originally established for a 36-month period. This consisted of an initial six-month start-up, a 24-month pilot program and a six-month data collection period. On July 21, 1994, the Commission allowed National Fuel to continue the LIRA rate past the three-year expiration date in order to further evaluate the program and to determine whether low-income customers actually paid a greater amount toward their bills.

Temple University independently appraised the original pilot. Temple University concluded in the final report that "the LIRA Program is a cost-effective, reasonable, and successful intervention in

addressing the revenue shortfall and energy provision dilemmas presented by low-income payment-troubled households. It is clear that National Fuel has designed a program that was relatively easy to administer, maintained customer participation, changed gas consumption behavior, and altered payment patterns as well.”

On May 1, 1996, National Fuel filed a petition, to expand the Low Income Residential Assistance program from 1,000 to 5,000 participants. The expanded LIRA Program was approved on February 13, 1997. As a result of restructuring proceedings with regard to customer choice, on February 15, 2002, National Fuel filed for further expansion of the LIRA Program from 5,000 to 8,500 participants. Included in that filing were modifications to certain provisions of the program including extending the arrearage forgiveness component from 12 months to 24 months, eliminating the conservation credit, instituting a minimum payment amount and changing the methodology for determining the level of discount. The new set of discounts varies based on the customer's income, household size, available energy assistance and purchased gas cost rates. For each customer the discount is determined to meet the affordability annual bill target and the average usage by LIRA customers and is then rounded to the nearest 10 percent. Each LIRA customer receives a minimum 10 percent discount. These changes were intended 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. This petition was approved on March 28, 2002. Effective January 15, 2004, the LIRA Program was further modified to allow participants an additional 12 months to receive full arrearage forgiveness by making their monthly payments to bring the account current. On August 27, 2004 National Fuel again filed to modify the Company's LIRA Program. The filing was addressed in conjunction with the Company's request for a base rate increase filed on September 15, 2004. Both issues were resolved by a settlement approved by the PUC on March 23, 2005. At that time, the Company eliminated the cap on enrollment and modified the percentage of discount calculation by household size to reflect the fact that household size has direct and significant impact on the total customer consumption and the corresponding bill.

In August 2006, National Fuel filed with the Commission the Universal Service evaluation conducted by Melanie Popovich, Utility Business Consultant.

In May 2007, the Company submitted the Triennial filing, making the following changes. The discount calculation was modified as it became increasingly clear that the Low Income Home Energy Assistance Program (LIHEAP) assumption, currently in the discount calculation, significantly affected the resulting customer discount. Up to this point, the discount calculation had assumed an average LIHEAP payment based on the actual average LIHEAP payment received by all LIRA participants. Due to the nature of the LIHEAP payment schedule, this methodology could create anomalies among the LIRA participants in the discounts they received. For example, a very low income customer might receive a LIHEAP grant so much larger than the average that when combined with the resulting discount caused a credit situation on the customer account. Conversely, higher income customers might be receiving inadequate discounts because their LIHEAP payments were much smaller than the average LIHEAP payment assumed in the calculation. By this filing, the Company began to utilize the provided LIHEAP payment schedule in determining the participants' discounts. [Pursuant to the Commission's March 1, 2018 Order in Docket No. M-2016-2573847, LIHEAP will be removed from the discount calculation as of June 1, 2018.](#)

The Company further modified the program to bring the minimum monthly payment to \$12 and continues to provide a minimum 10% discount to all participants.

In the 2007 filing the Company also modified the LIRA program reverification process. Participants must now reverify their status upon any household changes and periodically as required by the LIRA program staff. Previously, the process required complete written reapplication plus documentation proving income and household make up.

Subsequent to the Universal Service program evaluation in 2006, the company began to explore a more customer-friendly reverification process designed to assure the LIRA program participants are correctly receiving program services.

The company reconfigured the reverification process to a phone-based procedure whereby Company representatives telephone those customers due for reverification and request verbal confirmation of household make up and income. The Company tested this process and found it to be a more customer friendly and easier method for determining continued eligibility for program services. Customers are pleased to avoid the paperwork burden and the Company representatives feel the information they've obtained is complete and accurate. When the representatives are unable to reach the participants by phone, a letter is sent requesting that the customer call into the office to complete the process. In the event where personal contact is not successful, or in cases of questionable data, a printed reverification packet will be mailed to the customer to be completed and returned.

This methodology preserves the level of customer participation over time. The LIRA reverification process requires participants to reverify their status every two years unless their household situation changes or they report zero income, inexplicable increased consumption or have not received LIHEAP. As recommended by the Universal Service evaluation, those customers are required to reverify their status upon request.

Beginning 2018, as recommended by the Public Utility Commission, National Fuel will now be requesting written documentation to complete all LIRA reverifications. LIRA participants must comply with reverification every two years, to maintain the integrity of the program. Additionally, National Fuel will now eliminate the reverification process when a customer moves and there are no changes in household members.

In her 2006 Universal Service evaluation, Melanie Popovich recommended that the Company "revisit the budget review process and manually adjust those accounts to limit the instances whereby the timing of the review caused the monthly payments to artificially increase." The instances to which she refers are generally caused by the timing of the customers' LIHEAP payments.

In administering the LIRA program, the Company did have a long-held policy of applying the customers' LIHEAP payments to their Budget Plan accounts to further reduce their monthly payment. Because the customers' acceptance into the LIRA program and the receipt of the LIHEAP payments only occasionally coincide, customers' Budget Plan payments could change dramatically. To minimize the number of changes in participants' monthly payments, the Company restarts the Budget Plan to twelve months upon receipt of the LIHEAP payment. However, currently the LIHEAP

grant is applied to the to-date account balance per the LIHEAP Vender Agreement. Only if there is a credit, is grant money rolled into the budget plan and this would be used for future bills. Of course, any change in customer usage may result in a change to the monthly payment amount.

Finally, the Company changed the arrearage forgiveness policy with the 2007 filing. Any customer who is shut off for non-payment previously lost their right to arrearage forgiveness, even if the participant repays their entire outstanding LIRA balance. As recommended by the 2006 evaluation, the Company now restores the opportunity for arrearage forgiveness to all participants who bring themselves current in the program. To achieve forgiveness of that arrearage, they must make their billed monthly payments.

As a result of the 2006 Universal Service evaluation the Company also made two changes to the Neighbor for Neighbor Heat fund program and one change to the Low Income Usage Reduction Program (LIURP).

The Neighbor for Neighbor Heat Fund board of directors approved and implemented changes to the eligibility requirements of the Neighbor for Neighbor grants, requiring the applicant to “have made three good payments within the last year and a fourth one within the last ninety days.” They also decided to reduce the maximum grant amount to \$150 for the non-natural gas applicants.

In 2012, the Neighbor for Neighbor Heat Fund board of directors enhanced the guidelines to include persons currently receiving unemployment benefits. The maximum grant was increased to \$400 for natural gas applicants. The grant for non-natural gas applicants was increased to \$200.

In response to a recommendation in the 2006 evaluation, the Company now only inspects approximately 25% of all jobs completed through LIURP.

In March 2013, National Fuel filed with the Commission the Universal Service evaluation conducted by Melanie Popovich, Utility Business Consultant.

Following submission of the 2012 Impact Evaluations results, BCS and National Fuel discussed potential modifications to National Fuel’s USECP. The Plan was filed shortly after the Evaluation submission.

In March 2015, National Fuel revised this Plan in accordance with the Commission’s May 22, 2014 Final Order and February 12, 2015 Order on Reconsideration.

The Company clarified in this Revised Plan that all LIRA customers were eligible for 36 months to achieve full arrearage forgiveness for each timely in-full payment as long as there are current arrears. Arrearage forgiveness can also be realized each time a payment is received that is equal to or greater than the billed amount. This was a change that was implemented based on the 2013 evaluation recommendation. Additionally, a change in the LIHEAP vendor agreement necessitated a system change, accommodating the LIHEAP grant posting to the current to date balance.

The Company expects 2017-2020 LIRA enrollment to continue at an average rate of 300 customers each month through reporting period. As enrollment continues, there is an average corresponding cancel rate of 189, (net 111). Based on this information, the Company anticipates the overall

number of LIRA participants to remain stable. Arrearage forgiveness accounts for a portion of the LIRA budget. Participants may continue on the LIRA program even after the pre-LIRA arrearage is fully forgiven. As more LIRA participants achieve forgiveness, the impact on the customer base rates will be reduced. Furthermore, as more current customers enroll, they have accumulated less debt and carry less CAP credit disparity.

The Company asserts that program costs have continued to decrease. Enrollments within the last three years have decreased by an average of 2% and costs have reflected this trend. As of October 2016, the LIRA enrollment is 8,575. This lower participation can be attributed to historically low gas rates and warmer winters. However, in August 2016 National Fuel had a 40% increase in rates due to the increased purchase price of gas. This increase should result in more referrals and more subsequent enrollments in LIRA. Additional targeted efforts for outreach have been completed at all the United Way offices in Northwest Pennsylvania this year. This is in addition to the bi-annual outreach meetings. An annual initiative identifying low income customers will be used to achieve a minimum LIRA participation rate of 9,000. This targeted rate will provide continued stability ~~and consistent costs~~ to the LIRA program. National Fuel believes the stable enrollment levels will continue through the 2017 – 2020 plan years; ~~therefore increased funding will not be necessary.~~ however, with the required change to the discount calculation to remove LIHEAP from the calculation, non-participants costs associated with the discounts provided to participants will increase. The company estimates that the amount of discounts provided will increase by approximately \$666,000 (based on February 1, 2018 rates) which calculates an increase to non-participants of \$0.0339/Mcf or a 65% increase.

National Fuel Low Income Residential Assistance Services (LIRA)

Program Description

The Low Income Residential Assistance Program (LIRA) is a discounted rate program for payment-troubled, low-income customers. The program was created to assist low-income customers who have been unable to pay their regular monthly bills and, as a result, have entered into one or more payment arrangements. The National Fuel Consumer Business Division administers LIRA. The program is intended to increase the number of payments from low-income customers, while decreasing the company's collection costs. Low-income customers are better able to manage their gas utility costs through: (1) lower rates; (2) intensive monitoring by company representatives; (3) conservation education; and (4) assistance to maximize household resources by linking customers to all available income support programs.

This program features separate discounted rates for customers with incomes equal to or less than 150% of the Federal Poverty Level. In addition to having a lower rate, the LIRA customer can obtain arrearage forgiveness of their past due balance over the first 24 months of acceptance or with an additional 12 months, if necessary, totaling 36 months. At the time of acceptance into the program, the first phase gives the customer an opportunity to have their balance forgiven over the first twenty-four months of their eligibility. If the customer fails to receive all debt forgiveness during the first 24 months, the second phase will give the customer an additional 12 months extension for potential forgiveness of any remaining balance. Arrearage forgiveness can also be realized each time a payment is received that is equal to or greater than the billed amount, provided that the customer remains within the first 36 month of participation.

An Energy Management representative offers energy education for each LIRA residence; audits are provided for those customers whose usage exceeds that of the typical residential customer. A weatherization program is also provided for customers who meet the requirements for the Low Income Usage Reduction Program (LIURP). LIRA participants with usage \leq 105 thousand cubic feet (MCF) per year are provided with general written energy education materials including simple tips on controlling gas usage in the home. Customers exceeding 105 MCF, but less than 130 MCF, are scheduled to have an auditor come to the residence to give specific recommendations to lower gas usage. Participants using more than 130 MCF are referred to the Low Income Usage Reduction Program where they are evaluated for inclusion in the Program. If eligible, work will be performed. If ineligible, the participant will be scheduled for an individual energy audit where residence-specific recommendations for usage reduction will be made.

Low-income customers, who continue to make their monthly reduced rate payments, can avoid the threat of termination and still meet their energy needs.

Identification Process and Eligibility Requirements

Identification Process

National Fuel provides natural gas service to approximately 214,000 customers in a 14-county service area in northwestern Pennsylvania. The company has identified approximately 29,000 customers as having incomes equal to or less than 150% of the federal poverty level. The source of this identification for system coding has been the customers' receipt of Low Income Home Energy Assistance (LIHEAP) grants and individual income and household expense analyses performed during the payment arrangement negotiation process.

The LIRA Program targets those payment-troubled, low-income customers who have difficulty keeping their payment arrangements and who may be in danger of having their services terminated. The program has an average yearly participation of approximately 9,777 for the past three years.

Eligibility Requirements

In order to participate in the LIRA Program, the following requirements must be met:

1. The customer's gross household income must be equal to or less than 150% of the federal poverty level;
2. The customer must be payment troubled (i.e.: have an arrearage on the account at the time of application or at least one current, canceled, or defaulted arrangement on the account at the time of application);
3. The customer must be a heating customer.

To the extent possible, eligibility for LIRA will be determined solely by the preceding requirements. National Fuel, however, reserves the right to consider other circumstances in assessing the appropriateness of including any customer in the LIRA Program.

Referral Process

A customer meeting the eligibility requirements of LIRA may be referred by the National Fuel Consumer Business Department. The company representative explains the main features of the LIRA program and the benefits.

The representative will also explain the customer's responsibilities as a LIRA customer, including:

All adult members of the household must become ratepayers, excluding children of the ratepayers who are dependents and dependents over 65 under federal tax rules;

All household income must be verified;

Monthly payments (discounted budget) are required to avoid termination of service;

No extensions or arrangements (to avoid termination of service) will be offered to LIRA customers;

The ratepayers must agree to receive weatherization services, if qualified;

The ratepayer must agree to apply annually for LIHEAP, if applicable.

Once the referral is made, a 30-day hold on the account is automatically established to allow the necessary time to process the referral. Referred customers are then contacted by telephone calls and /or letters to determine LIRA Program eligibility.

Although the majority of referrals are expected to be made by the Consumer Business Department, any department may encounter customers who could benefit from the LIRA Program and who appear to be eligible. Referrals may also be made by community agencies that have been involved in the customer's situation.

Application Process

After the LIRA referral, an individual record for the prospective LIRA customer will be created. For each referral, a packet with an application and an invitation letter will be automatically generated and mailed. An informational page as well as a postage-paid return envelope is also included.

Prospective LIRA customers must complete the application form and agree:

1. To be enrolled in the Budget Plan.
2. To provide satisfactory verification to prove income eligibility. In addition, an applicant must provide the name and social security numbers or other verifiable form of identification of all persons residing with the applicant. NFG accepts multiple forms of identification including state issued driver's licenses, state issued identification cards, and a valid Passport. Additionally, National Fuel will take the following secondary forms of identification such as: green cards, DHS verification of benefits, and a copy of mortgage, deed or lease. Adult residents in the household (18 years and over), excluding children of the ratepayers who are dependents and dependents over 65 under federal tax rules, will be required to become ratepayers as a condition of participation in LIRA. Additionally, applicants must have their income verified periodically and must advise the company if their income or household size changes.
3. To receive the services of the Low Income Usage Reduction Program if they meet the eligibility requirements.
4. To apply annually for LIHEAP, if applicable.

The applicant is given ten days in which to complete the application and return it to the Company. In the absence of a response, a follow-up letter is mailed. If contact is still not successful, the LIRA offer is withdrawn unless subsequent special needs or circumstances are identified.

Having received a completed application, all information on the application is checked. Further contacts may be necessary in order to obtain additional information. This is done via telephone and if unsuccessful, a letter is mailed giving the applicant ten days to respond. Finally, with no response,

the LIRA offer is withdrawn. If special needs have been identified, additional outreach may be necessary.

After income information is received and verified, original documents are returned to the customer. After reviewing the ratepayer's total income and the number of people in the household, the applicants are either accepted into LIRA or rejected. If rejected, they are notified as to the reason for the rejection.

Once approved for the LIRA Program, a representative will attempt to call the customer to review all of the LIRA Program features. This personal contact is to make certain that the customer understands the requirements of the program.

Customers are advised when they are enrolled in the LIRA Program and when their first LIRA bill is due. Upon LIRA enrollment, National Fuel explains the budget billing plan and the billing amount which will be due. The monthly payment amounts may go up or down depending upon usage and rates and this amount will be reviewed periodically. National Fuel requests the customer apply for a LIHEAP grant. The importance of paying their bills by the indicated due date is stressed to the customers as well as the way to achieve arrearage forgiveness. If the bills are not paid on time, there will be no arrangements or extensions offered. The account will immediately become eligible for collection action.

Along with an acceptance letter, there is a copy of the LIRA Program Features. A report is issued to Energy Management for energy audit and weatherization purposes. The account is now ready to be billed at the LIRA rate.

The LIRA Program includes separate discounted rates. Eligibility for each rate is based upon the aggregate income level of the household and the number of people in the household. The following table is an example of how the discounts ~~are~~ were applied prior to the March 1, 2018 Commission Order in Docket No. M-2016-2573847 with rates effective August-February 1, 2018:

Income	Household Size													
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
0	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
1,000	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
2,000	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
3,000	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
4,000	70.0%	70.0%	70.0%	70.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
5,000	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%
6,000	60.0%	60.0%	60.0%	60.0%	60.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%
7,000	40.0%	50.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
8,000	30.0%	40.0%	50.0%	50.0%	50.0%	50.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
9,000	20.0%	20.0%	40.0%	40.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
10,000	10.0%	10.0%	40.0%	40.0%	40.0%	40.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
11,000	10.0%	10.0%	10.0%	30.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
12,000	10.0%	10.0%	10.0%	20.0%	30.0%	30.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
13,000	10.0%	10.0%	10.0%	10.0%	20.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
14,000	10.0%	10.0%	10.0%	10.0%	20.0%	20.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
15,000	10.0%	10.0%	10.0%	10.0%	10.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
16,000	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
17,000	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	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%	10.0%	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%	10.0%	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%	10.0%	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%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
22,000	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
23,000	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
24,000	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	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%	10.0%	10.0%	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%	10.0%	10.0%	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%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
28,000	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
29,000	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

Note: The above discount matrix is subject to change with the Company's May 1, 2018 quarterly gas cost filing.

The billing system will use the following service class for the LIRA rates:

10% Discount	Service Class 91
20% Discount	Service Class 92
30% Discount	Service Class 93
40% Discount	Service Class 94
50% Discount	Service Class 95
60% Discount	Service Class 98
70% Discount	Service Class 99
80% Discount	Service Class 90

Reapplication for LIRA at a New Address

If entire LIRA household moves, the LIRA rate will be transferred and continued. When only part of the household moves to a new address, the previously responsible LIRA participant and any new adults must be identified on a new signed LIRA application. Reapplication is necessary in order to verify the household income and to ~~When one or more LIRA customers move to a new address, it will be necessary for each of them to be identified on a new LIRA application. Reapplication is necessary in order to verify the household income and to confirm~~ determine each adult household member who will become responsible LIRA ratepayers for paying the bills at the new address. If a ratepayer, or any of the adult members of the household, has an overdue balance from a previous account, that balance will be reflected on the first LIRA bill at the new address. If the previous account was

terminated for nonpayment, the ratepayer(s) must pay a down payment toward an arrangement covering pre-LIRA Program unforgiven balances. A customer who moves to a new premise will continue with the arrearage forgiveness component of the program for the remaining months not used.

Account Maintenance

Once the LIRA account is established, maintenance is critical to the success of the program. A number of LIRA reports monitor participants, payments, account status and eligibility.

Arrearage Forgiveness

This program features separate discounted rates for customers with incomes equal to or less than 150% of the Federal Poverty Level. In addition to having a lower rate, the LIRA customer can obtain arrearage forgiveness of their past due balance over the first 24 months of acceptance or with an additional 12 months, if necessary, totaling 36 months. At the time of acceptance into the program, the first phase gives the customer an opportunity to have their balance forgiven over the first twenty-four months of their eligibility. If the customer fails to receive all debt forgiveness during the first 24 months, the second phase will give the customer an additional 12 months extension for potential forgiveness of any remaining balance. If a LIRA customer pays the to-date balance down to zero, the corresponding forgiveness will be removed as long as it was paid within the first 36 months of enrollment. Arrearage forgiveness can also be realized each time a payment is received that is equal to or greater than the billed amount, provided that the customer remains within the 36 month of participation.

Holds are established for the preprogram arrearages. These arrearages will be shown on LIRA customers' bills. Each month the Budget Plan amount is paid on time, one twenty-fourth of the amount eligible for forgiveness is eliminated. Currently, the Company manually tracks arrearage forgiveness for each on-time and in-full monthly payment, regardless of existing arrears. However, the Company has started implementation of a new Customer Information System. As indicated in our previous Plan, National Fuel will begin tracking pre and post LIRA payments when the new system is fully implemented and functional.

When a LIRA customer moves to a new address, the remaining months for arrearage forgiveness can be utilized at the new address. The hold would be placed on the new account indicating the original amount of the arrearage forgiveness and the current amount to be held or considered for forgiveness.

Customer Contact

To encourage timely payments, avoid termination of service, and help ensure the opportunity to obtain forgiveness, an attempt will be made to telephone each LIRA customer approximately seven days before the bill becomes due.

Low Income Home Energy Assistance Program (LIHEAP)

If LIHEAP funds are available, customers will be informed that the program is open, and reminded to name National Fuel as primary fuel provider. At that time, the representative can assess whether additional assistance is necessary to help the customer with the LIHEAP application. If the calls are unsuccessful, a notification is sent by mail. Additionally, there is an annual mail campaign for all identified LIRA participants who have not received LIHEAP benefits from the previous season.

Application of LIHEAP funds

All LIHEAP grants will be applied to the customers' LIRA program responsibility in accordance with applicable Department of Human Services' vendor requirements. The LIHEAP grant will be applied to the customer's "ask to pay" amount and will remain as a credit on the bill until the entire credit balance is depleted. Any credit remaining will be applied to reduce future Budget Plan payment amounts and the Budget Plan will be restarted for 12 months. LIRA participants are expected to apply for LIHEAP. If a LIRA household is primarily heated by natural gas, the Company expects to be listed as the primary fuel source for the LIHEAP grant. As a condition of the program, a letter is sent annually encouraging the LIRA participants to apply. Currently, if a LIRA participant fails to apply for or receive a LIHEAP grant, the Company allows the LIRA participant to continue to receive the benefits of the LIRA program, provided they meet all other LIRA eligibility criteria.

LIRA participants are responsible for best utilizing LIHEAP grants in accordance with their home energy requirements and Customer Assistance Programs. Again, if a participant does not direct a LIHEAP grant to the Company, the Company will allow the participant to continue to receive the same LIRA benefits and pay the same rates as those participants who have directed their payments to the Company.

Delinquency Processing

To avoid abuses and promote payment responsibility, the LIRA Program includes the following procedures to manage delinquent accounts.

Termination Process

During the period April 1 through November 30:

1. If a LIRA customer fails to pay a monthly LIRA budget billing, the Company's collection process will begin. This process includes all required regulatory notification and procedural steps. The actual termination notices mailed to LIRA customers will reflect the means for avoiding termination of service.
2. To avoid termination of service, the LIRA customer must pay the amount set forth in the termination notice prior to the scheduled termination date.
3. The delinquent LIRA participant will **not** be offered a payment arrangement or an extension to avoid termination of service.
4. Medical Certificates will be honored for LIRA customers.
5. When a customer contacts the Company and states that he or she is unable to pay the notice amount prior to the termination date, an extension beyond the termination date will not be granted.
6. Service will be terminated if the customer fails to pay the notice amount (and no certified medical condition exists or PUC complaint hold exists).

Termination notices will not be sent from December 1 until the first cycle billing portion that produces a proposed termination date of April 1 or later. Any customer who has missed any payments over the winter months will be sent a notice for termination for all missed payments. The number of missed payments should not exceed 5 months except in extenuating circumstances such as a medical certification or a complaint to the Bureau of Consumer Services.

Reconnection Process

If a LIRA customer fails to pay a monthly LIRA bill, the Company's collection process will begin. This process includes all required regulatory notification and procedural steps. The actual termination notices mailed to LIRA customers will reflect the specifics for avoiding termination of service. To avoid termination of service, the LIRA customer must pay the amount set forth in the termination notice prior to the scheduled termination date. This amount will be all missed LIRA payments (discounted amounts) that have not been paid while on the program, and this amount must be paid in full. If the service has been terminated the customer must pay the termination notice amount and a reconnection fee per the Company's tariff.

A ratepayer whose service is reconnected due to the submission of a medical certificate will not be reinstated in the LIRA Program until all financial requirements are met. This would be the same condition that would apply for that same customer seeking reconnection without a medical certificate. A more detailed explanation of the reconnection process follows below:

1. **Pay a reconnection charge per the Company's tariff**
2. **Pay the entire arrearage** which accrued while a LIRA Program participant (including the current bill if after the due date).
3. If the account had a preprogram arrearage, they will be eligible for continued arrearage forgiveness opportunities if they completely catch up their LIRA program arrears and if they have forgiveness months remaining, including the forgiveness amounts for the months that payment was missed. If they are not eligible for arrearage forgiveness:
 - a. the customer may be required to pay part or all of the arrearage prior to reconnection in accordance with 66 Pa. C.S.A. § 1407(c)(2)(i);
 - b. the Company may **negotiate a payment arrangement** specific to the preprogram arrearage; and
 - c. The duration of any negotiated payment arrangement will depend upon factors such as the size of the unpaid LIRA balance, the ability of the ratepayer to pay, the payment history of the ratepayer, and the length of time over which the balance accumulated.

All customers listed on the account are responsible for the balance accrued while a LIRA participant. The terms for reconnection will apply to each adult resident as a ratepayer, unless the resident can demonstrate to the Company's satisfaction extenuating circumstances including, but not limited to, divorce, abandonment, or spousal abuse, where the spouse has established a separate residence.

Should a LIRA customer be shut off after negotiating a payment arrangement as described in 3(b) and (c) above, he or she would be required to pay the entire arrearage owing to have service

restored. No arrangement will be offered on either the missed LIRA payments or the pre-program arrearage.

Reconnection of Service Outside of the LIRA Program

Any of the listed LIRA customers may apply for service outside the LIRA Program at another address. Each of the LIRA customers is responsible for the balances that accrued while a LIRA customer. Responsibility for the preprogram arrearages remains with those listed on the mortgage, deed or lease.

Reverification of LIRA Accounts

Active LIRA accounts are reverified every two years, upon household compliment, or changes in income. Active LIRA accounts are reverified periodically to determine changes in income or household size that might affect program eligibility.

All active LIRA accounts are mailed a reverification letter and an application to recertify. The customer is given ten days to respond. If no response to the initial request, an additional letter is sent to remind them to return their information within 10 days. If the customer fails to respond, they will be cancelled, unless special circumstances are identified, then follow up may be required.

~~Company representatives will telephone those customers due for reverification and request verbal confirmation of household demographic and income. When the representatives are unable to reach the participants by phone, a letter is sent requesting that the customer call into the office to complete the process. In the event where personal contact is not successful, or in cases of questionable data, a printed reverification packet will be mailed to the customer to be completed and returned.~~

~~A reverification letter and an application are prepared and mailed to the customer. The customer is given ten days to respond, and then a letter is mailed, advising the customer to call the Company. Generally, if contact is still not successful, the customer is canceled from the program, unless special circumstances are identified, then follow up may be required.~~

If the customer responds, all information is verified and checked for completeness. Additional information may be requested from the customer, in which case phone contact is attempted first, followed by a letter. The customer is given an additional ten days to respond, after which he or she is subject to cancellation from the program. Once again, special circumstances may be taken into consideration.

Depending upon the information provided, the customer may at this point be ineligible for LIRA. The customer would be notified of the reason for his or her ineligibility.

All customer information is updated. If a customer's total household income or the number of household members has changed, the service class may be adjusted.

The LIRA reverification process requires participants to reverify their status every two years unless their household situation changes or they report zero income, inexplicable increased consumption or have not received LIHEAP. As recommended by the Universal Service evaluation, those customers would be required to reverify their status upon request. Additionally, any zero income customer participants would be reverified every three months. The three month reverification

requires a statement of benefits or zero income verification form. Currently, there are only 128 LIRA customers with zero income.

Cancellation of a LIRA Account

If a LIRA account is canceled for any reason, a letter is generated. The letter informs the customer of the cancellation and the reason.

A report will be generated to inform the Energy Management Department of the cancellation. Energy Management will eliminate the account from the audit list but the account may still be considered for weatherization.

LIRA Funding Mechanism

The LIRA Program will continue to be funded by the LIRA Discount Charge (Rider F) provided for in National Fuel's tariff. The LIRA Rate Discount will be calculated for the quarters corresponding with the updates of gas costs (February 1, May 1, August 1, and November 1) and any other time that Residential Sales Service Rate Customer Charge, Distribution Charge, Natural Gas Supply Charge, or Gas Adjustment Charge or Gas Procurement Charge changes. In addition, a charge will be included in rates to provide for the full recovery of costs in conjunction with the Company's LIRA rate discounts, program costs, forgiven pre-program arrearages and an incremental customer credit as provided for in Settlement of Docket Nos. R-00072420 and M-00072019. The first 12-month reconciliation period commenced October 1, 2007 through September 30, 2008 with the reconciliation charge effective for the one year period commencing February 1, 2009. Such reconciliation charge will be updated annually and effective each February 1.

The calculation of the LIRA Rate Discounts ~~is~~ as of June 1, 2018 is as follows.¹

Step 1 Determine Percentage of Income Target

Determine the percentage of income target payment percentage matrix for income and household size based on the BCS-related guidelines.

BCS Tier	Maximum % of Poverty	Bill Target as % of Income
I	50%	6.5%
II	100%	8.0%
III	150%	9.0%

Step 2 Determine Annual Bill Target

Step 2 is the determination of the annual bill target by income and household size based on: 1) the percentage of income target developed in Step 1, and 2) a minimum monthly payment towards natural gas bills of \$12 per month, ~~and 3) the annual LIHEAP payment for LIRA customers through use of the LIHEAP grant schedule.~~

Step 3 Determine Annual Required Discount Amount

¹ The calculation of the LIRA Rate Discount that will remain in effect until June 1, 2018 is attached as Addendum A.

Step 3 determines the annual required discount amount needed in order to achieve the annual bill target included in Step 2. The required discount amount is calculated by subtracting the annual bill target in Step 2 from the annual residential bill for the average LIRA customers' annual consumption by household size category.

Step 4 Determine Percentage Discount

In Step 4, the percentage discount for income and household size is determined. The percentage discount is determined by dividing the required discount in Step 3 by the residential bill for average LIRA customer consumption by household size then rounding the result to the nearest 10%. The minimum discount to be provided to qualified LIRA customers is 10%.

Step 5 Determine the LIRA Discount Amount

Step 5 calculates the LIRA discount amount by multiplying the LIRA Percentage Discount by the annual residential bill for average LIRA customer consumption by household size

Step 6 Determination of LIRA Customer Distribution

Calculate the number of current LIRA rate participants by income category and household size.

Step 7 Calculate Projected Discounts

In Step 7, the projected level of discounts for current LIRA rate participants is calculated by multiplying the discount amount by income category and household size by the number of current participants by income and household size

Step 8 Determination of Total Discounts for the Upcoming 12 Months

Step 8 provides the determination of the total discounts associated with the LIRA program for the upcoming 12 months. The total discounts are equal to the sum of the monthly total projected discounts for the upcoming 12 months. The total monthly projected discount is equal to the residential bill for the average LIRA customer consumption for the month multiplied by the average discount amount multiplied by the projected number of LIRA customers for the month.

The LIRA rider will be recalculated whenever there is a change to the Residential Sales Service Rate Customer Charge, Distribution Charge, Natural Gas Supply Charge, or Gas Adjustment Charge or Gas Procurement Charge.

A summary of the variables that may change with each update of the LIRA rider include:

1. Change in residential sales rates
2. Change in the current number of LIRA participants by household size and income category
3. Percentage discounts by household size and income
4. Average LIRA customer annual and monthly volumes by household size
5. Average LIRA discount percentage
6. Total number of LIRA customers current and projected by month
7. Non-LIRA residential customer volumes

~~8. The LIHEAP Grant schedule~~

The calculation of the Reconciliation component will include the following:

1. LIRA Rate Discount: the LIRA rate discount reconciliation will be based on the previous fiscal year actual over / (under) collections determined by comparing discounts provided to in bills to LIRA customers as compared to discounts billed to Residential customers under the Rider.
2. LIRA Program Costs: the LIRA program cost reconciliation will be calculated based on the previous annual fiscal year costs 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).
3. LIRA Forgiven Pre-Program Arrearages: the LIRA Forgiven Pre-Program Arrearage reconciliation will be based on the previous annual fiscal year pre-program forgiven arrearages associated with the LIRA program less \$755,591 of LIRA pre-program arrearages embedded in base rates that became effective on January 1, 2007 (Docket No. R-00061493).
4. Incremental Customer Credit: an annual credit of \$35 per LIRA customer will be provided associated with the LIRA incremental customers. The LIRA incremental customer credit will be based on the average number of LIRA customers billed during the previous fiscal year less 11,411. If the average number of LIRA customers billed during the previous fiscal period is 11,411 or less, the credit will be \$0.

The filing to be effective February 1, 2010 and every February 1 thereafter will include a levelized rate for over/under collections for the prior twelve (12) month period by comparing projected revenues under the Rider to actual revenue amounts experienced. The annual reconciliation will 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.

LIRA Needs Assessment

Census Data by County - 2011-2015

	Total Households	Number <=150%	Percent <=150%	NFG Households	NFG Estimated Number of Households <=150%	Identified Low Income and Payment Troubled Customers	Percentage of NFG Identified Low Income and Payment Troubled Customers
Armstrong County	28,534	8,054	28.23%	596	168		
Butler County	74,476	14,648	19.67%	2,099	413		
Cameron County	2,170	645	29.72%	1,315	391		
Clarion County	15,830	5,513	34.83%	3,846	1,339		
Clearfield County	31,817	10,902	34.26%	6,806	2,332		
Crawford County	34,575	11,206	32.41%	17,427	5,648		
Elk County	13,244	2,871	21.68%	10,915	2,366		
Erie County	109,934	36,456	33.16%	90,331	29,955		
Forest County	1,974	678	34.35%	901	309		
Jefferson County	18,479	6,103	33.03%	6,528	2,156		
McKean County	17,400	6,036	34.69%	5,753	1,996		
Mercer County	45,546	13,768	30.23%	26,208	7,922		
Venango County	22,129	7,246	32.74%	14,543	4,762		
Warren County	17,113	4,902	28.64%	9,770	2,799		
Total/Avg.	433,221	129,028	29.78%	197,038	62,557	27,151	13.78%

Census Data Compiled by Mollie Van Loon
CSIS Project
Penn State University
1/26/2017

Sources:
2015 American Community Survey 1-Year and 5-Year Estimates - United States Census Bureau
NFG Households, PDF 394-85 Ad Hoc Report - Residential by County

The LIRA needs assessment is based on the 2015 American Community Survey 1-Year and 5 Year Estimates identifies a potential of low income households at 62,557 which is 31.75% of our customers. The number of confirmed low-income customers who are payment troubled is 27,151 or 13.78 % of our 197,038 household base.

LIRA Budget

LIRA is an alternative CAP with a discounted rate. The LIRA budget is dependent upon a number of factors, including enrollment levels and current gas cost rates. In fiscal 2015, the company spent \$187,576 in program administration, \$925,726 million in discounts and \$376,175 in arrearage forgiveness for a total of \$1.5 million. This amount will vary in future years based upon LIRA participation rates and gas cost of rates. The Company expects LIRA enrollment to continue at an average rate of 300 customers and a corresponding average cancel rate of 189, for a net total of 111 participants monthly. This is a change from the original 125 net enrollment as stated in previous plans. Based on this information, the Company anticipates the administration costs to remain flat. When reviewing the 2013 Impact Evaluation, results for 2009 CAP credits of \$5,538,040 to 2015 CAP credits of \$925,726 has shown an 83% decrease in CAP credit costs. This significant CAP credit decrease seems to track similarly for other gas companies.

Arrearage forgiveness accounts for a portion of the LIRA budget. Under the program, participants may stay on the LIRA program even after the pre-LIRA arrearage is fully forgiven. As more LIRA participants achieve forgiveness, the impact on the LIRA program's budget is reduced. Additionally, as "newly identified LIRA customers" are added, the CAP credit and arrearage forgiveness will have

less of an impact since 90% of the current participants only receive a 10% discount and debt balances are generally lower.

The Company anticipates the program costs, ~~discounts~~ and arrearage forgiveness to remain stable at the current rates for the near future years however, with the required change to the discount calculation to remove LIHEAP from the calculation, non-participants costs associated with the discounts provided to participants will increase. The company estimates that the amount of discounts provided will increase by approximately \$666,000 (based on February 1, 2018 rates) which calculates an increase to non-participants of \$0.0339/Mcf or a 65% increase. Maintaining a continued rate of 9,000 participants annually, ~~and changing the calculation of the discounts~~ -will ~~not~~ increase the need for additional funding for the LIRA program. The decreased administrative ~~and CAP credit~~ costs are offset by the increase of arrearage forgiveness and CAP credit costs. The forecast takes into account the cost of natural gas and the consistent level of participants.

The chart below reflects all the LIRA program costs. Clearly, the associated costs of LIRA were historically ~~are~~ decreasing. Conversely, the arrearage forgiveness component is increasing as more customers pay their LIRA bill. This outcome is attributed to better payment behavior and corresponding forgiveness of original debt.

Program Year	Administrative Costs	CAP Credits	Arrearage Forgiveness	Totals
2013	\$239,763*	\$1,326,119	\$272,590	\$1,838,472
2014	\$188,117	\$1,446,978	\$299,014	\$1,934,109
2015	\$187,576	\$925,726	\$376,175	\$1,489,477

*Impact Evaluation cost included - \$36,670.

Universal Service Projected Program Budgets

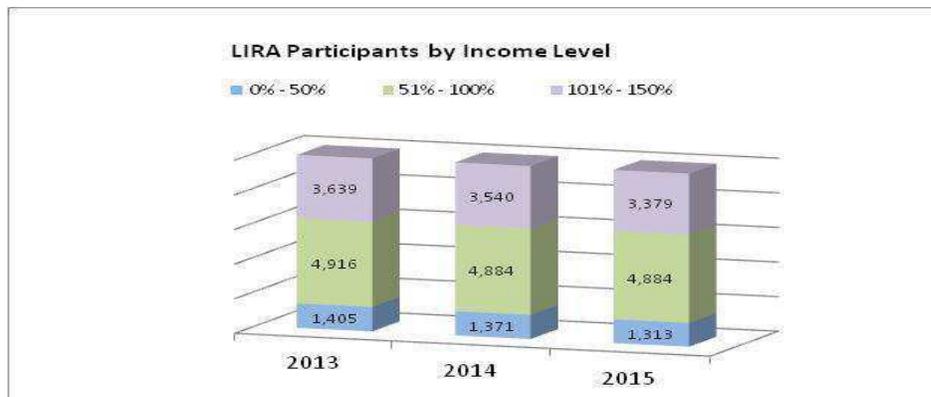
Universal Service Component	2017	2018	2019	2020
CAP	\$1,555,212	\$1,657,457	\$1,768,767	\$1,869,559
LIURP* (funds allocated per year)	\$1,300,000	\$1,300,000	\$1,300,000	\$1,300,000
CARES	\$4,125	\$4,125	\$4,125	\$4,125
Hardship Fund	\$0	\$0	\$0	\$0
Total	\$2,859,337	\$2,961,582	\$3,072,892	\$3,173,684
Number of Residential Customers	198,834	198,834	198,834	198,834
Average Spending per Customer per Month	\$1.20	\$1.24	\$1.29	\$1.33

Universal Service Component	2017	2018	2019	2020
CAP	\$1,555,212	\$2,323,457	\$2,434,767	\$2,535,559
LIURP* (funds allocated per year)	\$1,300,000	\$1,300,000	\$1,300,000	\$1,300,000
CARES	\$4,125	\$4,125	\$4,125	\$4,125
Hardship Fund	\$0	\$0	\$0	\$0
Total	\$2,859,337	\$3,627,582	\$3,738,892	\$3,839,684
Number of Residential Customer	198,834	198,834	198,834	198,834
Average Spending per Customer per Month	\$1.20	\$1.52	\$1.57	\$1.61

LIRA Enrollment Trends

Participation has been consistent over the past three years with an average of 9,777 customers annually. The previous evaluation reported a 3% decrease over the 2010 – 2012 Plan years. The percent of change in participation for 2013, 2014 and 2015 was minimal; with decreases of 1.7%, 2.3% and 2%, respectively and this trend continues. The enrollment is consistent and there will be minimal impact and/or change in the US 2017-2020 Plan. The approximate 2% decrease in enrollment could be attributed to warmer weather, less usage and reduced bills.

The majority of LIRA participants continue to be represented in the 51% - 100% FPL income level as National Fuel’s 2013 Impact Evaluation indicated. See the chart below for data specific details which continues to support this trend.



Energy Burden

The BCS brought LIRA bill affordability issues to the attention of National Fuel in March 2004. It appeared that many LIRA Budget Plans were outside of the energy burdens as defined in §69.265. As a result, in April 2005, the Company responded by modifying the LIRA discount to incorporate the household size. Additionally, 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.

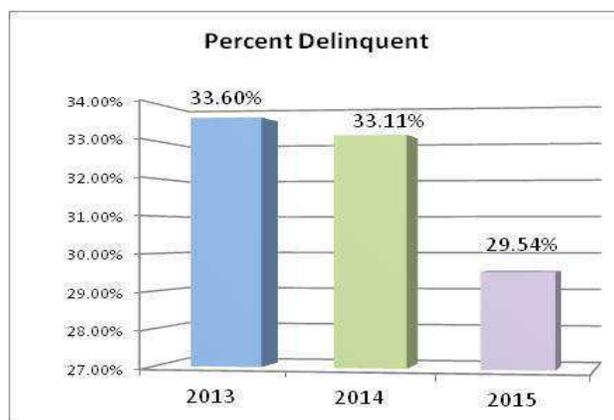
This tolerance report is reviewed daily, identifying LIRA customer accounts which are outside the acceptable energy burden tolerance. After the account is identified as out of range, it is reviewed for LIHEAP participation and possible weatherization. Other factors which can contribute to out of tolerance energy burden include:

- Reverification for LIRA
- LIHEAP benefit designated to another vendor
- Does not wish to participate in LIURP
- Dwelling is beyond the scope of the weatherization program
- Landlord may not wish to participate in LIURP
- Tenant does not qualify due to other units in building not meeting the LIURP guidelines

Unfortunately, many LIRA customers often reside in poorly built, high consumption housing and their bill exceeds the established energy burden to income guideline. National Fuel will continue to monitor the energy burden of current LIRA customers addressing any issues and making appropriate referrals as needed. However, due to poor housing stock, there may be limited actions available to correct the situation.

LIRA accounts are categorized into three income tiers. These are identified and grouped as; 0% – 50%, 51% - 100% and 101% - 150% of poverty. Analyzing the two higher income tiers of LIRA participants the associated energy burden is appropriate. However, the 0% - 50% tier shows an average out of tolerance of 9.62% over a three year average (NFG Ad hoc 2013 – 2015 report). National Fuel has cited the above reasons for the out of tolerance.

-National Fuel 2013 Impact Evaluation finding was 89% of LIRA customers (NFG Ad Hoc Report 2011) were consistent ratepayers. A review of the last three years of delinquency data also supports previous findings (12% decrease from 2013 – 2015). As indicated on the graph below, the delinquency has changed most substantially in 2015. The 2015 data demonstrates decreases in LIRA delinquency. Better paying behavior will result in corresponding increases in arrearage forgiveness. LIRA customers increased payments by 7.27% from 2013-2015. Currently, seventy percent of LIRA customers billed have paid in full. Approximately 20% of the total LIRA group billed, in December 2015, was only one month behind. Twenty percent combined with 70% paid in full accounts yields a total of 90% who are consistent payers.

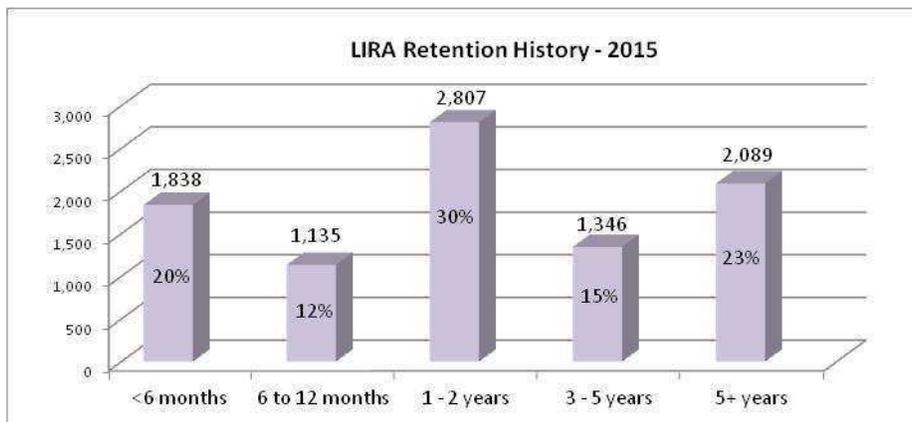


National Fuel Monthly Delinquency Report as of December 2015

CAP RETENTION

Comparing LIRA retention data from the 2013 Impact Evaluation and more recent information, it is clear that there have been shifts in the identified time retention categories. LIRA still retains 38% of the participants over 5 years but this is a significant change from 60% in 2012. There has also been a shift in the 6 month to 2 year category for participation. The percentage changed from 40% prior to 2012 and now is 62% of participants enrolled in LIRA for the same period of time. LIRA's participation is 8,575 customers as of October 2016. In addition to this, there are 504 potentially eligible LIRA applicants being processed. The goal is to maintain a minimum of 9,000 participants annually.

It would seem that there are some seasoned LIRA customers who are cancelling their participation due to lower rates after receiving all LIRA forgiveness. Currently, most of the LIRA participants are only receiving a 10% discount. (NFG Ad hoc LIRA Report 10/2016) The LIRA participant who applies for LIHEAP may now be better able to manage the bill without LIRA and will not have to complete necessary eligibility processes. The current application of LIHEAP benefits ([prior to June 2018](#)) may also change the dynamic of LIRA participation. Other LIRA customers may choose to cancel continued participation if they are threatened by termination. Customer Service Representatives do reinforce the benefit of remaining in LIRA but ultimately participation remains the customer's choice.



(NFG Ad hoc LIRA Retention as of December 2015)

LIRA EXITS

LIRA exits reasons have remained consistent in 2013, 2014 and 2015. These reasons include: non-payment, moved and no response to re-verification. Recent data indicates a change in the order. The order has changed from the 2013 Impact Evaluation results which revealed the most prevalent reason for exiting was moving, and then LIRA non-payment, and last, failed to reverify. Now, most LIRA participants are cancelled because they do not respond to re-verification. LIRA customers who move are the next group to cancel and then last are exits for non-pay. LIRA customers still maintain 38 % program retention post 3 years. The 2013 evaluator cited increased longevity in the program results in positive payment behavior, and decreases in arrearage, administrative and collection costs.

The goal of LIRA is to establish affordable monthly payments that will encourage regular payments, remove customers from traditional collection cycle, increase participation in energy assistance funds, access hardship funds if needed and to promote energy conservation. The 2013 Impact Evaluation completed a review of 360 LIRA customer's payments and collection actions. This sampling analyzed pre and post LIRA participation as well as the collection costs associated with this group. These results supported the premise that participation in LIRA did decrease terminations and related costs. More payments were also received post LIRA. A more recent review of a similar 360 LIRA sample group checked 2014 pre and post LIRA payments and associated collection costs and revealed similar outcome data. More payments were made and costs associated with collection were clearly less. The recent results indicate a 33% increase in payments post LIRA. Associated collection costs also diminished by 5% for termination notices and actual terminations completed decreased by 38%. Additionally, the required procedure driven collection calls diminished by 17%.

National Fuel Customer Assistance and Referral Evaluations Services (CARES)

Program Description

National Fuel developed the Customer Assistance and Referral Evaluation Services (CARES) program to assist low income, fixed income, special needs, and payment troubled customers who are experiencing **short-term financial hardships**.

The purpose of the CARES program is twofold. First, The CARES program helps address health and safety concerns relating to utility service by providing important benefits. When appropriate, the customer is temporarily protected from termination of service until attempts can be made to find financial assistance or payment arrangements. Company representatives work with selected, payment troubled customers on a personal basis in order to maximize the customer's ability to pay their utility bills. Second, the CARES program uses a case management approach to help customers with special needs. Special needs customers include those who 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 are older adults. The CARES representatives can make payment arrangements and make referrals to specific services for each customer enrolled in the program. These referrals often result in cash assistance for the household. Referrals are also made for other services such as food, shelter, employment and medical assistance. The program provides improved access to the various forms of energy and non-energy related community-based social service agencies/programs. In recognizing and addressing the needs of these payment troubled customers, the CARES program enhances the utility's image as a partner in the community.

Enrollment in the CARES program is limited to customers with special circumstances that are temporary. CARES representatives fully recognize that the temporary nature of these needs in no way diminishes the severity of the problems these households face. Low income payment troubled customers that have long term financial needs are considered for the company's Low Income Residential Assistance (LIRA) program.

Identification Process & Eligibility Requirements

Identification Process

National Fuel provides gas service to approximately 214,000 customers in a 14 county service area in Northwestern Pennsylvania. The company has identified approximately 27,000 of their customers as having incomes less than 150% of the Federal Poverty Level. The source of this identification for system coding has been the customers' receipt of Low Income Home Energy Assistance (LIHEAP) grants, and individual income and household analysis performed during the payment arrangement negotiation process. The Company is also able to identify and code payment troubled customers by income level.

Payment troubled is defined here as customers who have difficulty paying bills and contact the Company to obtain a payment arrangement.

National Fuel's senior gas customers can be referred to the 62+ program, which is set up to notify a third party of collection action. This third party is often a relative or a representative of the Area Agency on Aging.

The CARES program targets those payment troubled customers that have a temporary inability to pay and are in danger of having service terminated.

Eligibility Requirements

In order to participate in the CARES program, the customer must have a temporary inability to pay their bill. Except under unusual circumstances, the CARES customer is a low income, senior, or special needs customer. Low income customers that have long-term financial problems will be considered for the LIRA program.

Referral Process

A ratepayer meeting the qualifications of the CARES program may be referred from Consumer Business. Consumer Business representatives will inform the ratepayer of the main characteristics of the CARES program by saying (for example):

CARES provides individual assistance for customers that are experiencing a temporary inability to pay the gas bill. It is designed to provide referral assistance to outside agencies for low income, senior, and special needs customers.

A 30-day CARES hold is automatically placed on the account to allow the Company the necessary time to process the referral.

Referred ratepayers are then contacted by Company personnel in order to further determine the best method of helping the customer. Contacts may include telephone calls, letters, and additional follow up.

Although the majority of referrals are expected to be from Consumer Business, any department may encounter ratepayers who could benefit from the CARES program and who appear to be eligible. Human Service agencies within National Fuel's service territory may also contact the Company with a customer referral.

Account Processing

After the CARES referral is received, an attempt is made to contact the customer. If the CARES representative is unable to contact the customer by phone, a letter is sent to the customer requesting that they call the Company.

The CARES representative does an in-depth confidential analysis of the customer's payment situation. This includes documentation of the customer's household income and expenses. Information is collected from the customer pertaining to his or her account. If the customer is able to pay the Budget plus an amount toward the arrears, a Budget plus arrangement is negotiated. If the customer is unable to pay a Budget plus arrangement, a CARES flat payment arrangement can be negotiated. This arrangement can be less than budget plan and cannot exceed four months.

Only under unusual circumstances will an account remain in the CARES program for more than four months.

When an account is removed from the CARES program, hopefully the customer's temporary financial problem has been solved. If the customer has an unpaid balance, a budget plus arrangement will be negotiated. Low Income (Less than 150% of the federal poverty level) payment troubled customers with long term payment problems will be referred to the company's LIRA program.

The CARES representative gathers pertinent information about the account to form a case history of the customer's short term problem. This case history includes CARES demographics and other account data.

After the initial case information is gathered, the CARES representative will review the case to determine the best methods to follow in providing assistance to the customer. An assessment of the basic causes of the customer's bill paying problems is made and a personalized, needs-based referral and action plan is formulated and initialized to obtain assistance for the customer. Assistance includes helping the customer receive financial assistance, medical and mental health services, food, clothing, shelter, etc. Once a customer's needs have been determined, the CARES representative makes the appropriate connection or referral to agencies and programs that can provide assistance.

Program Requirements

- 1) The maximum number of months that a customer should be a participant in the CARES program is four months.
- 2) If possible, the CARES customer should attempt to pay toward the account arrearage or monthly bills. The customer must cooperate with the CARES representative to obtain assistance from referral agencies.

Projected Enrollment

The enrollment for the reporting period is not expected to exceed 50 customers per year.

Projected Budget

The expenditure for the reporting period will be approximately \$15,160 for 2017-2020 Plan.

LIHEAP Outreach Efforts

As part of the Customer Assistance Referral Evaluation Service Program, National Fuel devotes comprehensive time and effort to complete extensive yearly LIHEAP Outreach campaigns. These campaigns includes: educational letters, various mailings, news media releases, and advertising throughout our 14 counties. As a result of these efforts in FY 2014-2015: low income customers realized 19,204 basic grants and 5,646 received crisis grants totaling \$5.7M.

National Fuel Low Income Usage Reduction Program (LIURP)

Identified customers who have annual consumption in excess of 130 MCF will be referred to the Energy Management Department for possible participation in LIURP. Identified eligible customers using less than 130 MCF in need of furnace or water heater repair or replacement will also be referred to the Energy Management Department for possible LIURP participation under the Emergency Repair Replacement Program.

The Low Income Usage Reduction Program is a PUC-mandated weatherization program for low-income customers. It is designed to assist low income customers in reducing their energy usage, thus reducing their bills.

Eligibility criteria include:

- high annual usage;
- ~~substantial~~ arrearage;
- income below 150% of federal poverty guidelines, an exception allows for 20% of the annual budget to be spent on the income level from 151-200% which can include special needs customers: senior citizens, customers with medical needs or disabilities, and/or customers with young children in the home.
- ~~income below 150% of federal poverty guidelines, an exception allows for 20% of the annual budget to be spent on the income level from 150-200%;~~
- And and residency at the premises for at least one year with 12 months continuous service.

Eligible customers receive:

- a heating system safety check;
- energy audit, energy education sessions;
- wall and/or attic insulation when appropriate;
- blower door-guided air sealing;
- other energy conservation measures;
- And a post inspection by a National Fuel representative.

Measures installed must be cost-effective (pay for themselves through energy savings in a specified time frame according to LIURP regulations). Consumption and payment behavior are monitored for the twelve months before and after weatherization for program evaluation by the PUC.

Program Budget and Projected Enrollment

The annual program budget has been set by a rate case at \$1,300,000. National Fuel expects to continue at this funding level through this plan period. Approximately \$300,000 per year is allocated to the Program that repairs or replaces furnaces and water heaters (ERRP) for owner occupied customers that use less than the threshold amount of 130 MCF of gas in a year. Additionally, an estimated \$187,000 is utilized for administrative costs.

Approximately \$813,000 will be available for weatherization jobs. At the current average of \$4,300 per job, the program will accommodate around 189 jobs each year of this Plan. To control the average costs, the Company bids the work among community agencies and private contractors to maintain the maximum number of jobs at the lowest prices.

LIURP job counts and corresponding allocations will vary due to carryover funds and annual costs. These figures will also be adjusted for yearly cost of living. The average number of jobs completed annually during the last ten years is 201. The company expects to continue this average. The most recent LIURP reporting for 2014 customers shows a 19 % reduction of gas consumption in homes which received full weatherization measures. Since the program's inception, 5,963 customers have received services from LIURP and \$27,007,219 has been expended. Approximately 8,100 homes have been previously reviewed and cancelled or rejected for various reasons including building design, health and safety and no response to program services. However, these accounts have the opportunity to be considered again for weatherization as long as all conditions have been met.

National Fuel continues to coordinate with agencies and other weatherization programs available to the customer. List of names are provided to screen customers for other additional services within the scope of the weatherization program.

LIURP NEEDS ASSESSMENT

The following chart depicts the number of customers in National Fuel’s service area that are likely to fall below 200% of the FPL.

Census Data by County - 2011-2015 Estimates

	Total Households	Number <=150%	Percent <=150%	Number 150-200%	Percent 150-200%	Number <=200%	Percent <=200%	NFG Households	NFG Number <=200%
Armstrong County	28,534	8,054	28.23%	3320	11.64%	11,374	39.86%	596	238
Butler County	74,476	14,648	19.67%	5836	7.84%	20,484	27.50%	2,099	577
Cameron County	2170	645	29.72%	294	13.55%	939	43.27%	1,315	569
Clarion County	15,830	5,513	34.83%	1856	11.72%	7,369	46.55%	3,846	1,790
Clearfield County	31,817	10,902	34.26%	3895	12.24%	14,797	46.51%	6,806	3,165
Crawford County	34,575	11,206	32.41%	4479	12.95%	15,685	45.37%	17,427	7,906
Elk County	13,244	2,871	21.68%	1792	13.53%	4,663	35.21%	10,915	3,843
Erie County	109,934	36,456	33.16%	11016	10.02%	47,472	43.18%	90,331	39,007
Forest County	1,974	678	34.35%	231	11.70%	909	46.05%	901	415
Jefferson County	18,479	6,103	33.03%	2511	13.59%	8,614	46.62%	6,528	3,043
McKean County	17,400	6,036	34.69%	1918	11.02%	7,954	45.71%	5,753	2,630
Mercer County	45,546	13,768	30.23%	5145	11.30%	18,913	41.53%	26,208	10,883
Venango County	22,129	7,246	32.74%	2510	11.34%	9,756	44.09%	14,543	6,412
Warren County	17,113	4,902	28.64%	2272	13.28%	7,174	41.92%	9,770	4,096
Total/Avg.	433,221	129,028	29.78%	47,075	10.87%	176,103	40.65%	197,038	84,573

Census Data Compiled by Mollie Van Loon
CSIS Project
Penn State University
1/26/2017

Sources:
2015 American Community Survey 1-Year and 5-Year Estimates - United States Census Bureau
NFG Households, PDF PA Low Income Customers 2016-12 Summary - Residential by County

As of 2017, There there are approximately ~~86,376~~ 84,573 households, in National Fuel's service territory, who are under 200% of the federal poverty guidelines.

A review of confirmed low income accounts indicate that approximately ~~1913%~~ or ~~16,411~~ 10,995 customers meet the yearly consumption level of equal to or greater than 130 MCF and income threshold of 200% FPL for National Fuel's weatherization program.

National Fuel Conservation Measures

Energy Audits

Energy audits are available to all National Fuel customers including participants in the LIRA or CARES Programs. Priority will be given to conducting energy audits for those LIRA customers who have annual consumption in excess of 130 MCF. These high usage customers will also be referred to Energy Management for consideration in the Low Income Usage Reduction Program (LIURP).

The Energy Conservation Audit is designed to provide customers with energy conservation tips, with an emphasis on things that they can do themselves. Since many of these customers are senior citizens, they are screened for eligibility to other programs. After accompanying the representative through the house, the customer receives a written summary of suggestions and a flier with energy conservation tips.

In the absence of an audit, customers will be provided with energy education materials.

National Fuel NEIGHBOR FOR NEIGHBOR HEAT FUND

The Neighbor for Neighbor Heat Fund is a voluntary program designed to provide assistance to qualifying individuals who require aid to meet basic energy needs. This Hardship program will provide help to prevent disconnection of utility service, to pay overdue bills, to purchase any type of heating fuel or to repair or replace heating equipment.

A Neighbor for Neighbor Advisory Board made up of individuals representing human service organizations coordinates the Neighbor for Neighbor Heat Fund. The Greater Erie Community Action Committee is the financial agency. Applications and screening are handled by designated service organizations in each county.

Neighbor for Neighbor is funded by public donations. National Fuel stockholders match every dollar up to \$100,000 for use within National Fuel's service territory.

To receive Neighbor for Neighbor funds an applicant must be:

- 55 years or older, or
- on a disabled, handicapped income or unemployment income, or
- able to demonstrate a certified medical emergency, and
- a resident in National Fuel's service territory, but not necessarily a National Fuel customer and
- have made 3 good payments within the last 12 months and a fourth one within the last 90 days.

In all cases:

- Need must be evident;
- Individual or family resources are not sufficient to meet energy needs;
- Other energy assistance programs must have been exhausted prior to applying for Neighbor for Neighbor;
- Assistance is limited to one time per calendar year; \$400 maximum, \$200 maximum for non-natural gas applicants;
- Grants are issued to the energy vendor for payments and contractor for repairs.

Referrals may be made by: National Fuel personnel, community agencies, or by the customer. Since our last plan, to better identify individuals who meet the unemployment income eligibility requirement, we conducted outreach presentations at all county Career Link and Community Resources for Independence offices. Most recently in 2016, targeted outreach was completed for all United Way organizations in all National Fuel communities. This is in addition to the bi-annual outreach meetings which are held. These efforts have increased awareness and have been well received.

Projected Budget

Historically the Neighbor for Neighbor Heat Fund has received donations totaling over \$100,000 per year. The company anticipates the donations will remain at that level through the next plan period.

Needs Assessment

The Company has developed an appropriate Needs Assessment of eligibility for the Neighbor for Neighbor Heat Fund. The Company notes, however, that it works with community-based organizations like the Greater Erie Community Action Committee (“GECAC”) to identify eligible households on a case-by-case basis. The Company further notes that eligible households do not have to be a National Fuel customer or even natural gas customer.

National Fuel Households with Members over the Age of 55

	Total Population	Total Population Over 55 Years of Age	% of Population Over 55 Years of Age	Total Households	NFG Households	Number of NFG Household Members Over 55 Years of Age
Armstrong County	68,373	23,260	34.02%	28,557	594	202
Butler County	185,098	54,069	29.21%	73,503	2,095	612
Cameron County	5,000	1,945	38.90%	2,144	1,313	511
Clarion County	39,498	11,916	30.17%	15,872	3,849	1,161
Clearfield County	81,392	25,765	31.66%	31,994	6,777	2,145
Crawford County	87,719	27,686	31.56%	34,482	17,397	5,491
Elk County	31,645	10,843	34.26%	13,212	10,853	3,719
Erie County	280,679	78,265	27.88%	109,733	90,026	25,103
Forest County	7,696	2,578	33.50%	2,001	890	298
Jefferson County	44,924	14,495	32.27%	18,661	6,549	2,113
McKean County	43,140	13,291	30.81%	17,465	5,794	1,785
Mercer County	115,650	37,835	32.72%	45,924	26,303	8,605
Venango County	54,304	18,506	34.08%	22,429	14,613	4,980
Warren County	41,187	14,417	35.00%	17,053	9,761	3,417
Total/Avg.	1,086,305	334,871	32.57%	433,030	196,814	60,142

Sources:

U.S. Census Bureau, B01003: 3 and 5 Year American Community Survey

NFG - ADHOC - PDF 394-85 Total active residential accounts by county including sales and transportation customers

U.S. Census Bureau, C18120: 2011-2013 3-Year (all counties except Cameron and Forest), 5-Year (Cameron and Forest Counties)

U.S. Census Bureau, S0101: 2009-2013 5-Year American Community Survey

Estimated Number of National Fuel Households with Disabilities

	Total Population	Total Population with Disabilities	% of Population with Disabilities	Total Households	NFG Households	Number of NFG Households with Disabilities
Armstrong County	68,373	6,624	9.69%	28,557	594	58
Butler County	185,098	10,207	5.51%	73,503	2,095	116
Cameron County	5,000	467	9.34%	2,144	1,313	123
Clarion County	39,498	3,269	8.28%	15,872	3,849	319
Clearfield County	81,392	5,932	7.29%	31,994	6,777	494
Crawford County	87,719	7,881	8.98%	34,482	17,397	1,563
Elk County	31,645	2,143	6.77%	13,212	10,853	735
Erie County	280,679	21,891	7.80%	109,733	90,026	7,021
Forest County	7,696	679	8.82%	2,001	890	79
Jefferson County	44,924	3,384	7.53%	18,661	6,549	493
McKean County	43,140	3,894	9.03%	17,465	5,794	523
Mercer County	115,650	9,295	8.04%	45,924	26,303	2,114
Venango County	54,304	5,309	9.78%	22,429	14,613	1,429
Warren County	41,187	3,641	8.84%	17,053	9,761	863
Total/Avg.	1,086,305	84,616	8.26%	433,030	196,814	15,928

Sources:

U.S. Census Bureau, B01003: 3 and 5 Year American Community Survey

NFG - ADHOC - PDF 394-85 Total active residential accounts by county including sales and transportation customers

U.S. Census Bureau, C18120: 2011-2013 3-Year (all counties except Cameron and Forest) American Community Survey

U.S. Census Bureau, C18120: 2009-2013 5-Year (Cameron and Forest Counties) American Community Survey

Estimated Number of National Fuel Households Receiving Unemployment Benefits

	Total Population	Total Workforce Population	Unemployed	% of Population Reported as Unemployed	Total Households	NFG Households	Est. NFG Households Receiving Unemployment Benefits
Armstrong County	68,373	56,511	2,927	5.18%	28,557	594	31
Butler County	185,098	150,383	6,473	4.30%	73,503	2,095	90
Cameron County	5,000	4,247	170	4.00%	2,144	1,313	53
Clarion County	39,498	32,949	1,576	4.78%	15,872	3,849	184
Clearfield County	81,392	67,744	3,041	4.49%	31,994	6,777	304
Crawford County	87,719	70,878	3,082	4.35%	34,482	17,397	756
Elk County	31,645	26,297	984	3.74%	13,212	10,853	406
Erie County	280,679	226,186	12,794	5.66%	109,733	90,026	5,092
Forest County	7,696	7,071	141	1.99%	2,001	890	18
Jefferson County	44,924	36,524	1,691	4.63%	18,661	6,549	303
McKean County	43,140	35,368	2,051	5.80%	17,465	5,794	336
Mercer County	115,650	95,130	4,183	4.40%	45,924	26,303	1,157
Venango County	54,304	44,484	2,156	4.85%	22,429	14,613	708
Warren County	41,187	33,931	1,447	4.26%	17,053	9,761	416
Total/Avg.	1,086,305	887,703	42,716	4.46%	433,030	196,814	9,855

Sources:

U.S. Census Bureau, B23025: 2011-2013 3-Year American Community Survey (All counties excluding Cameron and Forest)

U.S. Census Bureau, B23025: 2009-2013 5-Year American Community Survey (Cameron and Forest County)

U.S. Census Bureau, B01003: 3 and 5 Year American Community Survey

NFG - ADHOC - PDF 394-85 Total active residential accounts by county including sales and transportation customers

Projected Enrollment

The above US Census tables show the potential households for Neighbor for Neighbor eligibility.

There is a potential of 60,142 households in all the National Fuel service territory, which meets the age requirement of 55 and over.

Estimates of 15,928 households, with members receiving disabilities benefits, are within National Fuel's service territory.

There is an estimate of 9,855 National Fuel household members receiving unemployment benefits who may be eligible for Neighbor for Neighbor assistance.

The Neighbor for Neighbor eligible recipients could include all households within National Fuel's service territory (433,030 households, refer to above census data) who are not necessarily a National Fuel customer as explained in National Fuel's Neighbor for Neighbor literature. Based on the above census, there is a potential to include all three categories (85,925 households). However, the eligible households could be reduced due to customers being included in more than one category. Therefore, it is difficult to determine the correct number of possible recipients. Using historical data, we can anticipate an average of 417 yearly referrals for the 2017-2020 Plan.

Outreach and Intake Efforts

National Fuel provides the following outreach and intake efforts for all Universal Service Programs:

Mail and telephone solicitation

Targeted mailings for potential LIRA and LIURP participants

Reports generated for Confirmed low income and/or LIHEAP recipients

Participation in community events such as senior fairs, task forces, community and agency boards

Biannual Universal Service meetings with local agencies within the National Fuel service area

Training for Consumer Business staff for enrollment campaigns and compliance

Training for operational employees

Bill inserts and press releases provided to the public

Universal Service Program Outreach with United Ways in all NW Counties 2016

LIHEAP specific outreach through bill inserts, media, community outreach locations, letters, training, meetings, and information provided to community agencies, social service agencies, and mass transit sites

Energy assistance information provided on the Company's website at www.nationalfuelgas.com

Identification of Eligible Customers

National Fuel trains Call Center and operational staff to identify potentially eligible customers and to refer customers for all available Universal Service programs.

Integration of Programs

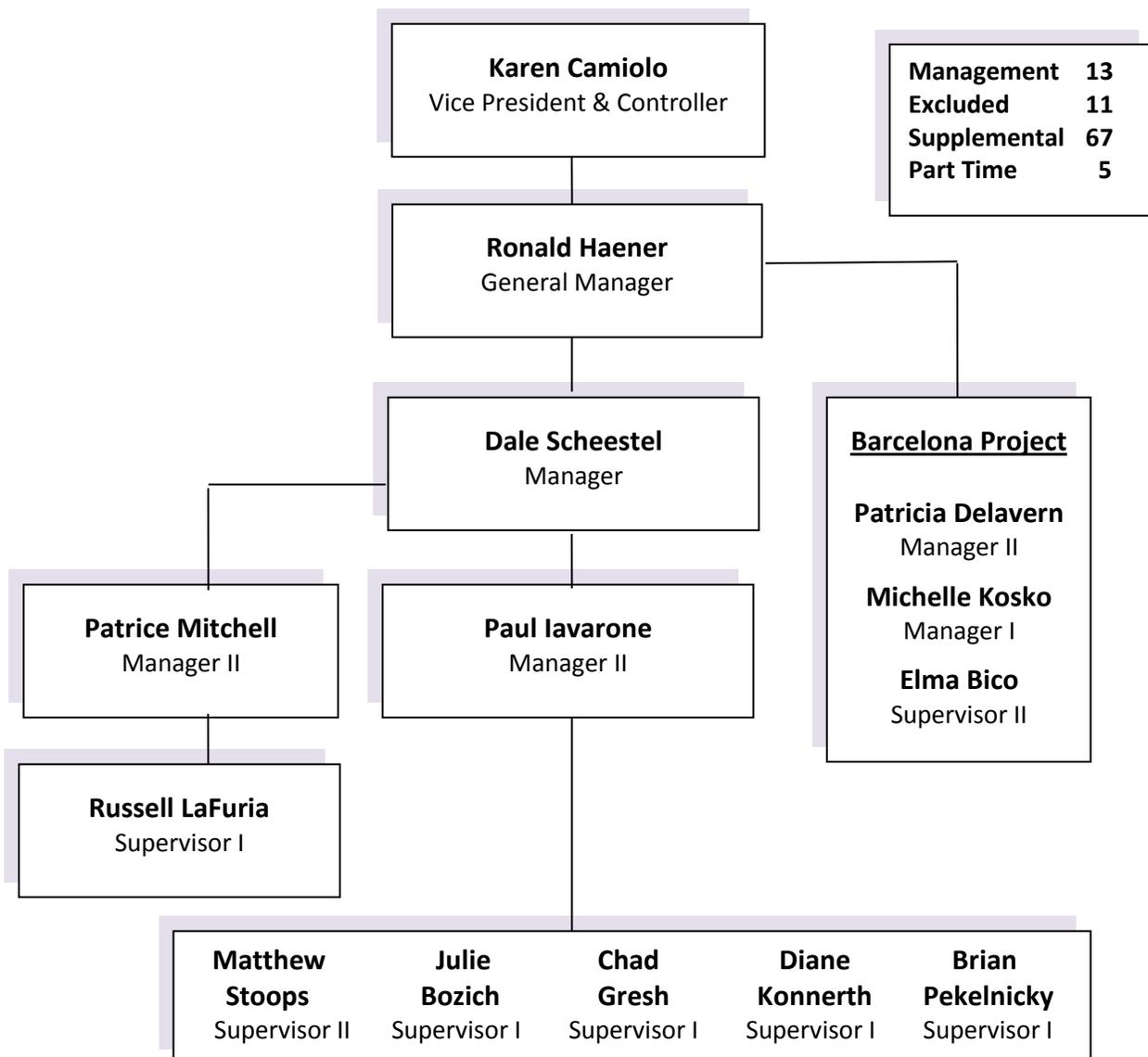
National Fuel incorporates referrals into existing processes (Cold Weather Survey, collection, compliance, and contact management) and coordinates services with contracted agencies and other community agencies. Company staff coordinates and makes referrals to all Universal Service program components, as well as LIHEAP referrals. An effective program referral process encompasses customer service representatives, field operations, and community agencies.

National Fuel has an integrated approach in maintaining and managing the Universal Service Programs. As a result, National Fuel has one of the lowest costs for program operation than most other utilities. There is a manager, two supervisors, an administrative assistant, and a senior

customer service representative who are involved in the day to day operations of all the Universal Service Programs. In addition to these dedicated positions there are several customer service representatives (supplemental employees) who are all involved in ongoing contact and interactions with our customers. The referrals, questions and possible concerns of the customer are initiated from the Pennsylvania Consumer Business Center. A chart showing our structure is located below.

NATIONAL FUEL GAS DISTRIBUTION CORPORATION

Consumer Business – Pennsylvania – Fiscal Year 2017



Community Based Organizations

National Fuel works with numerous community based organizations on various projects. The Company holds two yearly meetings, within the fourteen county service territories, with local organizations, state agencies, and consumer groups. The locations are rotated throughout the territory so that agencies can attend a meeting in their area periodically. These meetings allow the opportunity for National Fuel to review the Universal Services Programs and to collect input and suggestions from the involved agencies about the Programs. The participant reviews have all been favorable and they will continue to be held twice each year on a rotating basis.

Following are the agencies used by each Universal Service Program.

LIRA Program

The LIRA Program communicates most often with the Department of Human Services, through the local County Board of Assistance offices, and the Social Security Administration. Interaction with other social service agencies is determined by each individual customer's needs. Dival Safety, Incorporated is currently National Fuel's third party contractor for processing LIRA applications. Matrix Imaging is also a third party contactor that is responsible for LIRA invitations and reverification mailings.

Neighbor for Neighbor

Participating Agency List:

Clarion County

United Way of Clarion County

P. O. Box 207
Clarion, PA 16421

Butler/Armstrong Counties

Butler Salvation Army
313 West Cunningham Street
Butler, PA 16001

Clearfield/Jefferson Counties

CPCA-Clearfield
207 East Cherry Street
Clearfield, PA 16830

Crawford County

Associated Charities
409 East Central Avenue
Titusville, PA 16354

Center for Family Services

213 Center Street
Meadville, PA 16335

Elk/Cameron County

Northern Tier Community Action
Post Office Box 389
Emporium, PA 15834

Erie County

GECAC
Greater Erie Community Action Committee
18 West Ninth Street
Erie, PA 16501

McKean County

Salvation Army
111 Jackson Avenue
Post Office Box 314
Bradford, PA 16701

Mercer County

Community Action Partnership of Mercer County
75 South Dock Street
Sharon, PA 16146

Venango County

United Way of Venango County
1999 Alleghany Blvd.
Reno, PA 16343

Warren/Forest Counties

Warren/Forest Counties Economic Opportunity Council
(E.O.C)
1209 Pennsylvania Avenue West

Post Office Box 547
Warren, PA 16365

Low Income Usage Reduction Program (LIURP)

Community Based Contractors:

Central PA Community Action Inc.
207 E. Cherry Street
Clearfield, PA 16830

Community Action, Incorporated
105 Grace Way
Punxsutawney, PA 15767

Community Action Partnership of Mercer County
75 S. Dock Street
Sharon, PA 16146

Greater Erie Community Action Committee (GECAC)
18 West 9th Street
Erie, PA 16501

The Housing Authority of the County of Erie
P. O. Box 38
120 South Center Street
Corry, PA 16407

Northwest PA Weatherization, Inc
7940 Franklin Pike
Meadville, PA 16335

**Warren/Forest Counties Economic Opportunity
Council**
1209 Pennsylvania Ave
P. O. Box 547
Warren, PA 16365

The highlighted agencies have been added since the last Plan.

CARES PROGRAM

Community Based Organizations

The following is a list of the public and private programs and referral agencies with which the CARES staff works:

1	Agency on Aging (14 Counties), including Senior Centers	28	LECOM Health Center
2	Alzheimer's Association of NW PA	29	Legislators – State Representatives, Senators
3	American Red Cross	30	Lifeworks – LECOM Health
4	Associated Charities (FEMA)	31	LINK
5	Association for Retarded Citizens	32	Love, Inc.
6	Barber National Institute	33	Martin Luther King Center
7	Blindness and Visual Services – Dept. of Labor & Industry	34	Mental Health Base Service Unit
8	Booker T. Washington Center	35	Mental Retardation Base Service Unit
9	Catholic Social Services	36	Mercy Center for Women
10	Center for Family Services	37	Multicultural Center YMCA
11	Central PA Community Action, Inc.	38	Neighbor for Neighbor Affiliates
12	Community Home Health Agencies	39	North Central PA Office of Human Services
13	Community HealthNet	40	Northwestern Legal Service
14	Corry Memorial Hospital - LECOM	41	Office of Children & Youth Service
15	County Office of Children and Youth Agencies	42	Office of Vocational Rehabilitation
16	Department of Human Services	43	Pharmaceutical Assistance Contract for the Elderly (PACE)
17	Economic Opportunity Association, Inc.	44	Property Tax/Rent Rebate Program - PA
18	Emergency Management Agency	45	Safe Harbor Community Health
19	Family Services	46	Salvation Army
20	Good Shepherd Center, Inc.	47	Social Security Administration
21	Greater Erie Community Action Committee (GECAC)	48	St. Martin Center
22	Hamot UPMC Medical Center	49	St. Vincent Health Center, Allegheny Health Network – St. Vincent
23	Home Health Care Agencies	50	Stairways Behavioral Health
24	Homeless Case Management Program	51	The Sight Center of NW PA
25	Independent Council on Aging	52	Twilight Wishes
26	Inter-Church Ministries	53	Veteran's Administration
27	International Institute	54	Womens Care Center

Summary

Bi-annual targeted outreach meetings will continue to provide an opportunity for agencies and organizations to learn about all National Fuel Universal Service Programs. As a result of this exchange, more customers will be referred, enrolled, and assisted. Additional LIRA targeted outreach efforts will continue. Customers who received LIHEAP benefits will also be screened for LIRA participation and appropriate actions for enrollment will be completed.

National Fuel will be establishing a Universal Service Advisory Committee. It will meet twice a year to address specific PUC identified concerns. The current Universal Service concerns to be addressed include LIRA bill modifications, LIRA enrollment, and coordination of LIURP programs between gas, electric and State weatherization agencies.

LIURP spending will continue to be \$1.3M annually. CARES has averaged out at \$3,790 annually based on the past three years, so there is no reason to increase the established budget. CARES will continue to assist the “transitional needy” customer with an aggregate of no more than 50 customers annually. Through the CARES program, maximum customer benefits have been realized. A casework approach is used for referring “vulnerable” and “special need” customers to agencies and programs for assistance.

The annual CAP spending cited in the BCS 2011 USP and Collection Report listed a total of \$2.8M spent for the LIRA Program and a corresponding \$3.9M total Universal Service Program (US) spending. The Universal Service spending per resident customer at that time was \$19.50, “one of the lowest in the state” per the BCS. Expenditure levels and other aspects in this Plan reflect historical enrollment, gas costs and demand. Recent Universal Service program data is reflected below. When comparing the individual residential cost associated with Universal spending, there has been a 36% decrease now reflecting spending of \$12.54. The decrease in CAP program costs directly impacts the average annual spending per residential customer as well as the total spending on Universal Service Programs. Minimizing the financial impact to National Fuel rates is a desired result of utilizing Universal Service Programs. In addition to restricting the financial impact, other desired outcomes are: establishing affordable payment plans, modifying payment behavior, and reducing energy consumption.

Program Year	Annual Cap Spending	LIURP Spending	CARES Spending	Total Annual Universal Service Spending	Average Annual Universal Spending per Residential Cust	Total Customers
2013	\$1,838,472	\$1,533,989	\$3,211	\$3,375,672	\$16.98	198,762
2014	\$1,934,110	\$1,203,340	\$4,052	\$3,141,502	\$15.81	198,681
2015	\$1,489,477	\$1,002,398	\$4,107	\$2,495,982	\$12.54	199,060

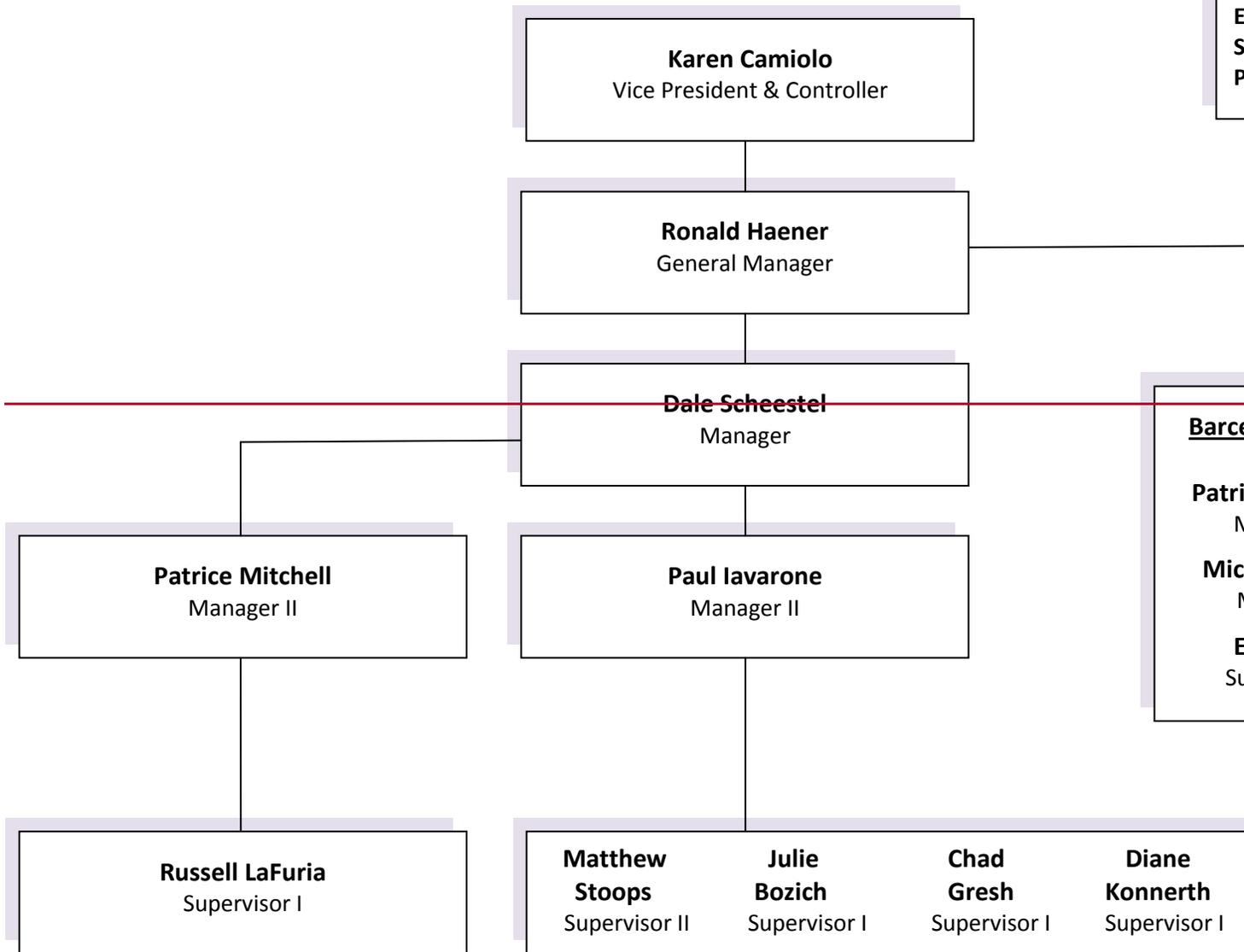
Universal Service Projected Enrollment Levels

	2017	2018	2019	2020
LIRA	9,196	9,013	9,000	9,000
LIURP	189	189	189	189
CARES	50	50	50	50
Hardship Fund	417	417	417	417

Program	Income Criteria	Other Criteria
CAP (LIRA)	<ul style="list-style-type: none"> 150% FPIG or less 	<ul style="list-style-type: none"> Must be a residential heating customer Must be payment troubled
LIURP	<ul style="list-style-type: none"> 150% FPIG or less (Note: 20% of the budget may be allocated to customers with incomes of 151 - 200% FPIG which can include special needs customers) 	<ul style="list-style-type: none"> Annual usage must exceed 130 MCF Must be a resident at the property for at least one year Must have an arrearage
CARES	<ul style="list-style-type: none"> No specific income criteria other than low income 	<ul style="list-style-type: none"> Must be payment –troubled Special needs, elderly, handicapped Circumstances must be temporary, otherwise the customer is considered for the LIRA Program
Hardship Fund (NFN)	<ul style="list-style-type: none"> No specific income criteria 	<ul style="list-style-type: none"> Must be at least 55 years old Must be on a disabled or handicapped income or have a medical emergency Resident in NFG service territory, but not necessarily a customer Customer must have made 3 good payments within the past 12 months and a fourth one within the last 90 days

NATIONAL FUEL GAS DISTRIBUTION CORPORATION

Consumer Business – Pennsylvania – Fiscal Year 2017



Addendum A

LIRA Rate Discount effective until June 1, 2018 is as follows:

Step 1 Determine Percentage of Income Target

Determine the percentage of income target payment percentage matrix for income and household size based on the BCS-related guidelines.

<u>BCS Tier</u>	<u>Maximum % of Poverty</u>	<u>Bill Target as % of Income</u>
<u>I</u>	<u>50%</u>	<u>6.5%</u>
<u>II</u>	<u>100%</u>	<u>8.0%</u>
<u>III</u>	<u>150%</u>	<u>9.0%</u>

Step 2 Determine Annual Bill Target

Step 2 is the determination of the annual bill target by income and household size based on: 1) the percentage of income target developed in Step 1, 2) minimum monthly payment towards natural gas bills of \$12 per month, and 3) the annual LIHEAP payment for LIRA customers through use of the LIHEAP grant schedule.

Step 3 Determine Annual Required Discount Amount

Step 3 determines the annual required discount amount needed in order to achieve the annual bill target included in Step 2. The required discount amount is calculated by subtracting the annual bill target in Step 2 from the annual residential bill for the average LIRA customers' annual consumption by household size category.

Step 4 Determine Percentage Discount

In Step 4, the percentage discount for income and household size is determined. The percentage discount is determined by dividing the required discount in Step 3 by the residential bill for average LIRA customer consumption by household size then rounding the result to the nearest 10%. The minimum discount to be provided to qualified LIRA customers is 10%.

Step 5 Determine the LIRA Discount Amount

Step 5 calculates the LIRA discount amount by multiplying the LIRA Percentage Discount by the annual residential bill for average LIRA customer consumption by household size

Step 6 Determination of LIRA Customer Distribution

Calculate the number of current LIRA rate participants by income category and household size.

Step 7 Calculate Projected Discounts

In Step 7, the projected level of discounts for current LIRA rate participants is calculated by multiplying the discount amount by income category and household size by the number of current participants by income and household size

Step 8 Determination of Total Discounts for the Upcoming 12 Months

Step 8 provides the determination of the total discounts associated with the LIRA program for the upcoming 12 months. The total discounts are equal to the sum of the monthly total projected discounts for the upcoming 12 months. The total monthly projected discount is equal to the residential bill for the average LIRA customer consumption for the month multiplied by the average discount amount multiplied by the projected number of LIRA customers for the month.

The LIRA rider will be recalculated whenever there is a change to the Residential Sales Service Rate Customer Charge, Distribution Charge, Natural Gas Supply Charge, or Gas Adjustment Charge or Gas Procurement Charge.

A summary of the variables that may change with each update of the LIRA rider include:

8. Change in residential sales rates
9. Change in the current number of LIRA participants by household size and income category
10. Percentage discounts by household size and income
11. Average LIRA customer annual and monthly volumes by household size
12. Average LIRA discount percentage
13. Total number of LIRA customers current and projected by month
14. Non-LIRA residential customer volumes
15. The LIHEAP Grant schedule

The calculation of the Reconciliation component will include the following:

5. LIRA Rate Discount: the LIRA rate discount reconciliation will be based on the previous fiscal year actual over / (under) collections determined by comparing discounts provided to in bills to LIRA customers as compared to discounts billed to Residential customers under the Rider.
6. LIRA Program Costs: the LIRA program cost reconciliation will be calculated based on the previous annual fiscal year costs 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).
7. LIRA Forgiven Pre-Program Arrearages: the LIRA Forgiven Pre-Program Arrearage reconciliation will be based on the previous annual fiscal year pre-program forgiven arrearages associated with the LIRA program less \$755,591 of LIRA pre-program arrearages embedded in base rates that became effective on January 1, 2007 (Docket No. R-00061493).
8. Incremental Customer Credit: an annual credit of \$35 per LIRA customer will be provided associated with the LIRA incremental customers. The LIRA incremental customer credit will be based on the average number of LIRA customers billed during the previous fiscal year less 11,411. If the average number of LIRA customers billed during the previous fiscal period is 11,411 or less, the credit will be \$0.

The filing to be effective February 1, 2010 and every February 1 thereafter will include a levelized rate for over/under collections for the prior twelve (12) month period by comparing projected revenues under the Rider to actual revenue amounts experienced. The annual reconciliation will 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.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code 1.54 (relating to service by a party)

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Dated this 2nd Day of March, 2018.



Nathaniel J. Ehrman, Esquire