

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

**Focused Management and Operations Audit
of National Fuel Gas Distribution
Corporation**

**Public Meeting held May 24, 2012
2228385-AUD
Docket No. D-2011-2228385**

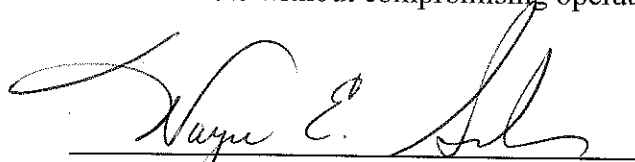
STATEMENT OF COMMISSIONER WAYNE E. GARDNER

On April 24, 2012, the Commission's Bureau of Audits' Staff concluded its fieldwork for a Focused Management and Operations Audit of National Fuel Gas Distribution Corporation (NFG). On April 24, 2012, Staff issued a final report to NFG and in response, NFG submitted an Implementation Plan responding to each of the twelve recommendations made by Audits. NFG accepted ten of the twelve recommendations and partially accepted the remaining two. I am encouraged by NFG's willingness to implement the recommendations made by the Bureau of Audits. I do, however, wish to highlight one recommendation which NFG has only partially agreed to accept.

The investigation by staff revealed that dividend payments made by NFG to its parent have significantly exceeded net income in recent years at levels ranging from 125% to 209% of net income. Audits recommended that NFG establish a formal dividend policy and set sound business parameters from which to base dividend payouts. Staff noted that this level of dividend payouts is not sustainable without borrowing significant amounts of money to support ongoing operations. In its Implementation Plan, NFG stated that it will evaluate the practicality of developing a formal dividend payout policy.

I strongly encourage NFG to *actually develop* a formal dividend payout policy rather than investigate the practicality of doing so. I agree with Audits that a continued pattern of dividend payouts which exceed net income is not sustainable without compromising operations.

May 24, 2012
Date



Wayne E. Gardner, Commissioner