CORNING
NATURAL GAS CORPORATION
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Kathleen H. Burgess
Secretary
State of New York Public Service Commission
New York State Department of Public Service
Three Empire State Plaza
Albany, New York 12223

September 14, 2018

Re: CASE 17-M-0815 - Proceeding on Motion of the Commission on Changes in Law that May Affect Rates.

Dear Secretary Burgess:

On August 9, 2018 the Commission issued an Order in Case 17-M-0815- Order Determining Rate Treatment of Tax Changes. On page 52 Corning was directed to work with Staff to develop a more accurate estimate of the revenue requirement impact of the tax benefits prior to submitting its sur-credit tariff filing. The Company submitted its revised calculation to Staff and Staff has completed its review. Attached is the Company's calculation after Staff review of its revenue requirement update.

The attached calculation presents the net tax benefits of all tax changes that are contemplated in the Commission order. Each of the items are amortized over 3 years but for the tax depreciation and Compressor tax that is amortized over 51 years[1]. The customers will experience a decrease of 2.24% on their overall bill in year 1 (effective 10/1/2018) and 2.89% in year 2 (effective 10/1/2019).

The Company is filing its work papers supporting its tax benefit tax calculation, as well as, rate allocation calculation. The work papers include the book entries that the Company will record. The Company with this filing is providing the necessary tariff revisions required to implement the Commission Order.

During the course of Staff's review a question arose as to the treatment of Net Operating Losses ("NOL") in prior Corning rate cases. The Company and Staff agreed that additional time was needed to review and analyze this item's historical ratemaking treatment. Therefore, the impact of the NOL has not been included in the net tax benefit calculation noted above. In accordance with the Commission directive in Case 17-M-0815[2] the Company will defer the tax implication of the NOL until the final review is completed.

Yours truly,

Firouzeh Sarhangi
Chief Financial Officer

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[1] Per IRS normalization regulations the accelerated tax benefit cannot be passed back to customers faster than the book life of the underlying asset. To do so would jeopardize the tax depreciation deduction available to the Company retroactively and prospectively.

[2] The Commission directed that all net benefits of the Tax Cut and Job Act of 2017 be deferred for ultimate disposition by the Commission