

STATE OF NEW YORK

Public Service Commission

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PSC APPROVES RATE PLAN FOR CORNING NATURAL GAS

— Delivery Rates to Increase Over 3-Year Period —

Albany, NY—04/19/12—The New York State Public Service Commission (Commission) today voted to approve a Joint Proposal for a three-year rate plan for Corning Natural Gas Corporation's (Corning) natural gas service. The new rate plan will commence May 1, 2012 and run through April 30, 2015.

“The new rate plan is in the public interest and provides for substantive provisions related to capital replacement projects, enhanced customer assistance programs and consolidation of rate schedules for the company's Corning, Hammondsport and Bath service territories,” said Commission Chairman Brown.

The biggest drivers of the rate increase are primarily due to the company's investment in infrastructure, improvements for system safety and reliability, and increases in operation and maintenance expense, including pension and other post-employment benefits, depreciation expense and the introduction or enhancement of customer assistance programs.

Over the three years of the rate plan, Corning's delivery service rates will generate overall annual revenue increases of 3.96 percent in rate year one, 3.77 percent in rate year two and 1.31 percent in rate year three. For a typical residential customer, the average monthly bill will increase by \$4.46 in rate year one, \$3.85 in rate year two, and \$1.34 in rate year three.

The rate plan provides a customer benefit that includes an additional revenue sharing mechanism that will provide credits to customers' bills derived from the transportation of local gas production. It also provides for a 9.5 percent rate of return on equity for the company, and includes an earnings sharing mechanism.

To help ensure Corning pursues the replacement of infrastructure that will improve safety and reliability, the rate plan establishes targets and associated negative incentives for capital replacement projects — Bath reliability project, a bare steel main replacement program, and a bare steel service replacement program. Corning will incur negative incentives if it fails to meet these targets for replacements and certain safety measures.

Additionally, the rate plan requires Corning to file a plan for enhancing the company's outreach and education program and to commence a new low-income credit program. The low-income program consists of a \$5 monthly bill credit for all Corning customers who have received a Home Energy Assistance Program (HEAP) grant within the preceding 12-month period.

A new customer accounting system will allow customers to begin budget billing during winter months, when their energy bills are highest. Lastly, a new customer service performance incentive mechanism will help ensure and maintain the quality of customer service.

In separate contemporaneous decisions, the Commission in Case 08-G-1137 approved Corning's request to extend the deadline to complete the Bath Electric, Gas & Water Systems Reliability Project, from November 1, 2012 to November 1, 2013, but denied the company's request in Case 09-G-0790 to transfer certain pipeline assets from utility to non-utility ownership.

The Commission's decisions, when issued, may be obtained by going to the Commission's www.dps.ny.gov Web site and entering Case Number 11-G-0280, 08-G-1137 or 09-G-0790 in the input box labeled "Search for Case/Matter Number." Many libraries offer free Internet access. Commission orders may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).