



CORNING

NATURAL GAS CORPORATION

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February 27, 2024

Michelle L. Phillips, Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

RE: CASE 21-G-0394 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules, and Regulations of Corning Natural Gas Corporation for Gas Service. ORDER ADOPTING TERMS OF JOINT PROPOSAL.

Dear Secretary Phillips:

The New York State Public Service Commission (“Commission”) approved Joint Proposal (“JP”) in Corning Natural Gas Corporation’s (“Corning” or “Company”) Case 21-G-0394 at page 21 states “For years subsequent to CY 2024 Corning LDC shall replace or remove not less than 7.0 miles per year until LPP replacement or removal is completed or until that target is changed by the Commission. The Signatory Parties agree that Corning LDC shall have the right to file a plan with the Commission to request modification of the 7.0-mile target applicable to RY 4 and subsequent Rate Years. If the Company files such a plan no later than the mid-point of RY 3, Staff will review the plan and provide its recommendations to the Commission pursuant to statutory deadlines incorporating the need for all necessary stakeholder input.”

Pursuant to the above referenced order, the Company requests that the CY 2025 LPP target be changed from 7.0 miles to 5.0 miles. In support of its request the Company provides the following information.

The Company’s current rate plan requires that a total of 28 miles of LPP pipe be replaced over the period CY 2022, 2023 and 2024. The Company will meet the Commission established targets through 2024. At the end of 2024 the Company, will have only 19 miles of LPP pipe remaining, having replaced approximately 150 miles of LPP pipe since 2005. The Company will file a rate case in 2024 to become effective on July 1, 2025¹. The LPP replacement targets are set on a calendar year basis and not on a rate year basis. Therefore, the LPP replacement targets in the rate case filing will cover the CY 2026 to 2028. The CY 2025 LPP target will be 7 miles per the current rate agreement unless modified.

Since Corning’s last rate case New York State enacted a major piece of legislation that materially impacts the cost of LPP replacement. On September 15, 2023, New York enacted the Roadway Excavation Quality Assurance Act (“Prevailing Wage”) legislation. The Company estimates that Prevailing Wage legislation will nearly double the Company’s project cost for its LPP replacement projects.² In order to minimize the cost impact of the new Prevailing Wage legislation on the remaining 19 miles of LPP replacement, the Company has developed a plan to complete two miles annually of the remaining LPP replacement program with lower cost in-house personnel. The Company believes it does not have sufficient in-house personnel to

¹ The filing will provide for a three-year rate plan with the rate years being the Twelve months ended June 30, 2026, 2027 and 2028

² The Company has received two bids from contractors for LPP replacement projects, that reflect the new prevailing wage rates and the bid costs are 70% to 77% higher than pre-legislation levels.

safely complete more than 2 miles of LPP replacement per year, while still providing its other gas maintenance services. The lower annual mileage target will permit the Company to complete a larger percentage of the remaining LPP program with lower cost in-house personnel, thus minimizing the impact on customer bills of the higher cost Prevailing Wage legislation. The lower target would reduce the annual financial burden on the company and its customers, mitigate the shortage of qualified contractors. The lower annual target of 5 miles will allow sufficient time to coordinate the replacement of a multitude of small non-contiguous segments of LPP pipe replacement that are scattered across our gas system³.

Conclusion

The lower mileage target will permit more time to plan an orderly completion of the LPP pipe replacement program. The Company's proposed modification would add only one additional year to the expected completion date of the LPP replacement. If the Company's modification is granted the removal of the LPP pipe from the Corning system will take 23 years⁴ allowing for the completion of LPP replacement in 2028.

For the reason stated above the Company asks that the LPP pipe replacement target of 7.0 miles currently set for CY 2025 be reduced to 5.0 miles and the JP approved by the Commission in Case21-G-0394 be modified accordingly.

Very truly yours,



Jeffery Spear
Vice President and COO

³ The smaller size of the projects will increase the contractor mobilization costs.

⁴ Start year CY 2005 end year CY 2028