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May 15, 2009

VIA HAND DELIVERY

Hon. Jaclyn Brilling
Secretary
New York State Public
Service Commission
Three Empire State Plaza
Albany, New York 12223

2009 MAY 15 PM 3:42

Re: Case 08-G-1137 – Proceeding on Motion of the Commission as to the Rates,
Charges, Rules and Regulations of Corning Natural Gas Corporation for Gas
Service

Dear Secretary Brilling:

Pursuant to the schedule established in the above-referenced proceeding, Multiple Intervenors, an unincorporated association of approximately 50 large industrial, commercial and institutional energy consumers with manufacturing and other facilities located throughout New York State, including the Corning Natural Gas Corporation (“CNG” or “Company”) service territory, hereby submits an original and five (5) copies of this statement in support of the Joint Proposal filed with the New York State Public Service Commission (“Commission”) on March 27, 2009. As set forth below, the Joint Proposal represents a reasonable resolution of the issues addressed therein, and Multiple Intervenors urges the Commission to adopt the Joint Proposal without modification.

For several reasons, Multiple Intervenors recommends that the Joint Proposal be adopted by the Commission as being in the public interest. In particular, Multiple Intervenors supports the revenue requirement and allocation of revenues set forth in the Joint Proposal. The Joint Proposal provides for a Rate Year base delivery rate increase of \$972,794 and the development of a Merchant Function Charge (“MFC”) that will collect \$523,938 from customers purchasing commodity from the Company. (Article V.A.1; Appendix B.) There is no escaping that this is a very significant increase, especially under the current economic circumstances. As such, Multiple Intervenors’ decision to support the Joint Proposal was not made lightly. However, for all practical purposes, it does not appear that a material rate increase can be avoided in this proceeding due to a multitude of factors.

For example, a significant portion of the increase is related to pensions and other post-employment benefits (“OPEB”). (Article V.A.4.j. and Appendix B.) In fact, pension and OPEB expenses increased by \$563,700, representing a substantial portion of the total increase.

One of the primary reasons that Multiple Intervenors elected to support the Joint Proposal is that considerable efforts have been made to moderate the rate increases to the maximum extent possible. For instance, the revenue requirement increase, although substantial, represents an approximately \$1.136 million decrease from the \$2.632 million increase proposed by the Company in its September 24, 2008 filing, as updated on February 20, 2009 – over a 50% reduction. Importantly, the allocation of revenue and rate design set forth in the Joint Proposal is based on the results of the Company’s embedded cost of service

study and will bring all rates closer to cost of service. Moreover, in accordance with the policy objective of the Commission to increase economic development throughout New York State, the Joint Proposal permits CNG to create a new interruptible rate service classification for large industrial customers. (Article V.M.) The creation of this service classification could attract new load that might otherwise solely rely on alternative fuels and will assist in the maintenance of system reliability by having load available for curtailment in exchange for a lower delivery rate.

Moreover, in order to ameliorate this increase, the Joint Proposal contains several potential credits to customers. For example, in general, the Joint Proposal requires CNG to share revenues generated from the receipt of local production gas on 80% customer/20% company basis. (Article V.P.1.) In addition, the Company will not share in revenues generated through off-system sales and capacity release transactions. (Article R.) In addition, the Joint Proposal contains a 2.0% productivity adjustment which reduced the overall revenue requirement by over \$109,000 (Article V.A.4.g and Appendix B at 2.)

In order to encourage greater system reliability and capital investment, the Joint Proposal also provides for explicit financial incentives/disincentives to CNG. In particular, the revenue requirement set forth in the Joint Proposal includes \$3,215,621 and \$3,109,211 for capital expenditures in 2009 and 2010, respectively. (Article V.H.1) Importantly, if the Company expends less than established amounts on capital projects, it is required to defer the revenue requirement impact associated with the under-spending and record a regulatory credit. (Article V.E and V.H.2.) The Joint Proposal also establishes stringent safety,

reliability and service quality performance targets for the Company. (Article V.F.) Significantly, in order to appropriately incentivize the Company, financial penalties will be assessed against CNG if the Company fails to meet the performance targets set forth in the Joint Proposal.

Lastly, it is noteworthy that the Joint Proposal enjoys broad-based support from a diverse group of participants representing a variety of interests. In addition to Multiple Intervenors, the Joint Proposal is supported by CNG, Department of Public Service Staff, and Bath Electric Gas and Water Systems. Upon information and belief, no party oppose the Joint Proposal.

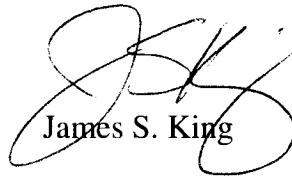
The provisions of the Joint Proposal – individually and collectively – are reasonable and their adoption is in the public interest. Furthermore, the provisions were the subject of extensive settlement discussions and reflect numerous, interrelated compromises made by the signatories to the Joint Proposal, including Multiple Intervenors. In fact, the incorporation and totality of such compromises are essential to Multiple Intervenors' support. Where the terms of a Joint Proposal are reasonable and in the public interest, as is the case here, the Commission should be extremely reluctant to upset the delicate balance of interests achieved by the settling parties.

May 15, 2009
Page 5

For all the foregoing reasons, Multiple Intervenors urges the Commission to adopt, expeditiously and without modification, the Joint Proposal negotiated and filed in this proceeding.

Respectfully submitted,

COUCH WHITE, LLP



James S. King

JSK/sem

cc: Hon. Rafael A. Epstein (via e-mail and hand delivery)
Active Parties List (via email)

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