

STATE OF NEW YORK

Public Service Commission

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09079/08-G-1137

NEW RATE PLAN APPROVED FOR CORNING NATURAL GAS

— Earnings Sharing Opportunity Offered to Corning Customers —

Albany, NY—08/20/09—The New York Public Service Commission (Commission) today approved a Joint Proposal with modifications for Corning Natural Gas Corp. (Corning) establishing new rates for natural gas service. As part of authorization of new rates, the Commission also will require a mechanism for the sharing of earnings between customers and the company.

“Approval of the Joint Proposal’s terms in combination with the requirement for an earnings sharing mechanism preserves the company’s opportunities to improve earnings by controlling costs, and partially protects customers against inaccurate forecasts of revenues, expenses or capitalization under the Joint Proposal,” said Commission Chairman Garry Brown. “Our action today serves the public interest and helps ensure safe and adequate service at just and reasonable rates.”

The Commission’s action today adopts the terms of an uncontested Joint Proposal which the Commission addressed initially in an order to show cause issued on July 17, 2009. The Commission’s approval of the Joint Proposal provides for a \$1.5 million increase in annual gas delivery service, equating to a bill increase of between 6.5 percent and 7 percent for a typical residential heating customer for the rate year starting September 1, 2009. The typical bill increase will vary depending on usage level and whether the customer is located in the Corning or Hammondsport service area.

In the second rate year, starting September 1, 2010, Corning could impose a surcharge to recover incremental plant additions and associated property tax increases. If the company applies for a general rate increase to take effect before the end of the second rate year, the surcharge would not be allowed and the company would forfeit a portion of the 10.7 percent return on equity provided for under the Joint Proposal.

Corning serves approximately 14,000 customers, predominantly residential, in Steuben County and the Elmira area of Chemung County.

In addition to the Joint Proposal's terms approved today, Corning is required to implement an earnings sharing mechanism (ESM) initially proposed in the Commission's July 17 Order.

Under the ESM, revenues would be shared between customers and the company, if Corning's average earned return on equity for rate years one and two exceeds an earnings sharing threshold of 11.85 percent. Accordingly, customers would receive 50 percent of earnings exceeding 11.85 percent, 75 percent of earnings exceeding 14.1 percent, and 90 percent of earnings exceeding 16.1 percent.

The Joint Proposal approved by the Commission today for new rates for Corning was submitted on March 27, 2009 by the company, Staff of the Department of Public Service, Multiple Intervenors, and the Village of Bath.

The Commission decision concerning Corning's rates may be obtained by going to the Commission Documents Section of the Commission's Web site at www.dps.state.ny.us and entering Case 08-G-1137 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).