

STATE OF NEW YORK

Public Service Commission

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11021/10-G-0146;10-M-0143;95-T-0248

SALE OF NYSEG ASSETS DIRECTLY BENEFITS CUSTOMERS

— **\$31.6M Earmarked for NYSEG Ratepayers to Offset Future Gas Rate Increases** —

Albany, NY—02/17/11—The New York State Public Service Commission (Commission) today approved the transfer of the Seneca gas storage, West Lateral and East Pipeline facilities from New York State Electric & Gas Corporation (NYSEG) to a group of investors led by Inergy Midstream, LLC, for \$65 million. With this decision, ratepayers will receive \$31.6 million of net present value after taxes and other costs are deducted to help reduce future delivery rate increases.

The lower operating costs resulting from this transaction will have the effect of reducing distribution rate increases for all firm NYSEG gas customers. Based on a compliance filing, effective 60 days after the order is issued, the Commission expects that the combined net benefit to customers will significantly reduce the size of the overall rate increases imposed in the second and third year of NYSEG's gas operations' current rate plan. While the exact decrease has not yet been determined, it could amount to an overall bill reduction of \$5 million annually, depending on the time period over which the gain will be returned to customers.

The sale of these assets has been under review for nearly one year. In petitions filed on March 31, 2010, NYSEG and the Inergy affiliates — including Arlington Storage Company, LLC and Inergy Pipeline East, LLC — requested approval for the sale of NYSEG's Seneca storage facility, a 1.45 Bcf (billion cubic feet) working capacity underground storage facility; the West Lateral, a gas transmission line connecting the Seneca facility to the interstate gas transmission

pipeline owned by Dominion Transmission, Inc.; and the East Pipeline, a gas transmission line running from the Dominion pipeline to Binghamton, Broome County.

Inergy and its affiliates are in the propane supply, liquid petroleum, and natural gas storage business. In New York, Inergy Storage is the owner of two storage facilities, with a combined capacity of 4.7 Bcf, located in Steuben County. Inergy Storage's parent, Inergy Midstream, is also the parent of Central New York Oil and Gas, LLC, which owns the 26.5 Bcf capacity Stagecoach Storage Facility located in Owego, Tioga County, on the New York-Pennsylvania border.

Inergy, L.P., the parent of the Inergy affiliates, is also the parent of U.S. Salt, LLC, which owns the property where the Seneca facility is located and the underlying cavern where the storage operations are conducted. NYSEG currently leases the storage cavern itself from U.S. Salt for a term ending in 2017, subject to a right to renew for an additional 10-year period. The cavern's current working capacity of 1.45 Bcf consists of 0.8 Bcf reserved for NYSEG's gas customers and 0.65 Bcf available for NYSEG's competitive market operations.

The Commission's decision today, when issued, 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 Numbers 10-G-0146, 10-M-0143, and 95-T-0248 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).