

STATE OF NEW YORK

# Public Service Commission

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## **NEW RATES CONSIDERED FOR CORNING NATURAL GAS — Efforts Made to Minimize Ratepayer Impact —**

Albany, NY—07/16/09—The New York State Public Service Commission (Commission) today considered a Joint Proposal with modifications for Corning Natural Gas Corp. (Corning) to increase annual revenues by \$1.5 million.

In its deliberations concerning the Joint Proposal for Corning's rates, the Commission decided to issue an order to show cause why the Commission should not adopt the terms set forth in the Joint Proposal in combination with provisions added by the Commission which would establish an earnings sharing mechanism. These actions would establish a rate plan and other provisions governing Corning's gas delivery services, intended to take effect September 1, 2009 and to continue for at least two years.

“We are always concerned about the impacts on ratepayers of any rate increase, particularly in times of economic distress” said Commission Chairman Garry Brown. “Since 2001, Corning's rates and operating procedures have been under a stringent regulatory regime to improve service while minimizing the company's revenue requirement to operate. The Joint Proposal and modifications discussed today will enable Corning to perform the activities and financing essential for the provision of safe and adequate service.”

Under the proposed rate plan, the \$1.5 million revenue increase would be allocated among service classifications so as to promote economic efficiency by moving the classes' various rates of return closer to system-wide costs of service.

Bill increases for residential customers in the company's Corning and Hammondsport districts would depend on the district and the customer's consumption level. A typical residential heating customer in the Corning district using 1,063 Ccf annual would experience an annual bill increase of approximately \$101, or 7 percent.

Similarly, a typical residential heating customer in the Hammondsport service territory would experience an annual bill increase of approximately \$94, or 6.5 percent. Since the Bath district is currently paying more than the system-wide cost, typical residential bill increases for Bath would be approximately 1.6 percent.

In the second year, starting September 1, 2010, Corning could impose a surcharge to recover incremental plant additions and associated property taxes. If the company applies for a general rate increase to take effect before the end of the second rate year, it would forfeit a portion of the 10.7 percent return on equity allowed under the rate plan.

The Commission's order calls on Corning to show why the Commission should not require an earnings sharing mechanism (ESM) in addition to the Joint Proposal's provisions. ESMs in multi-year rate plans essentially protect customers from inaccurate forecasts with respect to revenues, expenses and the capital structure of the company.

The ESM provides for sharing of revenues between customers and the company, if the company's average earned return on equity for rate years one and two exceeds an earnings sharing threshold of 11.85 percent. Thus, 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 under consideration 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 Joint Proposal also provides for a revenue decoupling mechanism intended to remove the utility's disincentive to promoting important energy efficiency programs.

In response to expansion of municipalities' street excavation projects with federal stimulus funding, and price decreases due to the economic downturn, Corning accelerate its main and service replacements into rate year one instead of proceeding at a constant pace over the entire period of the rate plan. Customers would benefit from the resulting savings.

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

The Commission's decision, when issued may be obtained by going to the Commission Documents Section of the Commission's Web site at [www.dps.state.ny.us](http://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, 14<sup>th</sup> floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).