

STATE OF NEW YORK

Public Service Commission

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Local Natural Gas Utilities are "Winter Ready" for Heating Season -Commission Implements Winter Outreach and Education Efforts-

Albany, NY – 10/18/06 – Based upon an annual review of local utilities' winter preparedness, the New York State Public Service Commission today announced that utilities providing natural gas service in the state have adequate supplies, delivery capacity, and storage inventory to satisfy customer demands under severe winter temperatures. Despite moderating natural gas prices as compared to last year, residential heating customers' bills are expected to be about the same as last year, based on normal winter temperatures. In response, the Commission will launch its winter heating outreach program to help ease the impact, as much as possible, of high natural gas prices on the state's utility customers.

"Unfortunately, moderating natural gas prices may not translate into lower bills this winter as customer usage is expected to be greater than last year since last winter was considerably warmer than normal," said Commission Chairman William M. Flynn. "Since this winter's energy bills will again be difficult to deal with, particularly for the elderly and people on fixed or low incomes, I have directed staff to implement outreach and education efforts to inform the public about the expected level of natural gas prices and provide consumers with information and assistance to better manage their energy and heating bills this winter."

Staff of the Department of Public Service (staff) today reported to the Commission that going into this winter, the local distribution utilities have made arrangements to obtain adequate commodity supply to meet expected customer demands under severe winter weather conditions. Also, the utilities have contracted adequate natural gas pipeline capacity to deliver this gas, although interstate pipeline capacity available to New York continues to be tight, especially into the downstate region. While there is adequate capacity to meet the projected requirements for this winter, incremental pipeline capacity will be needed in the future. Staff will continue to monitor the capacity situation.

The Commission's assessment of natural gas supplies and prices is based on the Department of Public Service staff's monitoring of local distribution utilities and gas marketer actions to prepare for the winter. Throughout the year, staff monitors, among other things, gas supply portfolios, pipeline capacity, storage inventories, contract strategies and commodity pricing.

Nearly 98 percent of the natural gas used in the New York State is imported from other regions of North America, principally from the Gulf States and Canada. The Commission only regulates natural gas delivery rates and not the price of the natural gas itself, often referred to as the "commodity price." The commodity price of natural gas was deregulated by Congress beginning in 1978 and is determined by national and international markets, not the Commission or New York utilities. The price of natural gas can be tracked on the New York Mercantile Exchange (NYMEX) as it changes daily and almost hourly.

Staff also reported at today's briefing that natural gas futures prices on the NYMEX last winter averaged \$10.55 per decatherm (Dt), a warmer than normal winter, but one whose supply was disrupted by hurricanes Katrina and Rita. As of September 27, 2006, NYMEX futures prices for November 2006 through March 2007 average \$7.16/Dt, or 32 percent lower than in the 2005-2006 winter. These prices for November through March deliveries will change in response to changes in market conditions, such as weather and gas availability, as the winter progresses.

Residential heating customers' bills are expected to be approximately the same compared to last year, based on a normal 2006-2007 winter. Although natural gas prices are projected to be lower than last year, bill impacts for residential customer bills are projected to be about the same compared to last year due to the fact that last winter's usage was significantly lower than what would be used in a winter with normal weather. Also, the drop in wholesale natural gas prices occurred after gas utilities already had purchased a large portion of the natural gas supply required to meet customer demand this winter.

In New York State, there are about 3 million natural gas heating customers who heat with natural gas. About 50 percent of the households in the state use natural gas for heating purposes and residential customers constitute the majority of natural gas customers.

Staff also reported to the Commission that while Corning Natural Gas Corporation (Corning) has adequate natural gas in storage, has contracted for sufficient gas supplies, and has

taken action to mitigate price volatility for this winter, there was a concern as to whether Corning will have sufficient cash flow to pay for these natural gas supplies. A preliminary review of Corning's projected cash flow shows that should be sufficient funding available to meet their needs for the up-coming winter season. Previously on July 24, 2006, the Commission approved the merger of Corning Natural Gas with C&T Enterprises, Inc. (C&T). In a vote taken on October 11, 2006, the Corning stockholders failed to approve the merger with C&T. Staff will continue to follow this situation and report, as appropriate, on the possibility of other merger options.

Outreach and Education

The Commission's staff has implemented an extensive consumer awareness campaign to alert New Yorkers to the 2006-2007 natural gas outlook for the state and actions they can take to control winter heating bills. The program will include plain language publications, mailings to community leaders, radio and newspaper advertising, grassroots outreach at consumer shows, speaking presentations, and partnerships with service organizations, such as American Association of Retired Persons, Cornell Cooperative Extension, the state Consumer Protection Board, and the New York State Energy Research and Development Authority (NYSERDA).

For information on how to lower energy costs this winter, call the New York State Public Service Commission at 1-888-Ask-PSC1 (1-888-275-7721), or visit the Commission's Web site at www.AskPSC.com and click on the New York's Natural Gas Outlook link. Energy saving tips also are available from the New York State Energy Research and Development Authority (NYSERDA) by calling 518-862-1090 or toll-free at 1-877 NY-Smart, or by visiting NYSEERDA's www.GetEnergySmart.org Web site. Customers may also choose their own natural gas supplier. For a listing of natural gas suppliers serving your area, and a comparison chart, visit www.PowerToChooseNY.com or call 1-888-AskPSC1.