STATE OF NEW YORK

Public Service Commission

William M. Flynn, Chairman

Three Empire State Plaza, Albany, NY 12223
Further Details: (518) 474-7080
http://www.dps.state.ny.us
FOR RELEASE: IMMEDIATELY **06069/05G1635**

PSC Approves Three-Year Rate Plan for St. Lawrence Gas

-Rate Plan Offers Three Years of Delivery Rate Stability-

Albany, NY—11/8/06—The New York State Public Service Commission (Commission) today voted to approve a three-year gas rate plan commencing on December 1, 2006, for St. Lawrence Gas Company, Inc., (St. Lawrence or the company). The rate plan includes performance measures for service quality and gas safety, promotes economic development and customer choice in natural gas suppliers, and funds a new billing system.

"Today's action by the Commission provides all of St. Lawrence's customers with rate stability through the three-year term," said Commission Chairman William M. Flynn. "The plan anticipates potential cost increases for 2008 and 2009 by calculating a levelized revenue requirement and rates that do not change for three years. Additionally, the rate plan better aligns rates for each customer class to reflect the actual costs of providing service to the various customer classes."

On December 27, 2005, St. Lawrence filed a petition with the Commission to increase its annual gas revenues by $2.9 million or 6.92% on the basis of forecast data for the 12 months ending December 31, 2007. According to the company's filing, higher costs to provide pensions and other post-employment benefits and installation of a new customer billing system, prompted its request for a rate increase. Following settlement discussions in May 2006, the company and Department of Public Service Staff entered into a Joint Proposal on June 14, 2006. The public was invited to submit comments concerning the Joint Proposal at any time before September 15, 2006.

In today's decision, the Commission approved the Joint Proposal put forth by the company and Staff. Under the Joint Proposal, St. Lawrence established a merchant function charge that removes natural gas procurement costs from base rates and will collect those costs through a commodity charge for customers who purchase their gas supplies from the company. Natural gas delivery rates will increase by $2.24 million commencing on December 1, 2006 and remain frozen through December 31, 2009. The increase in revenues allows the company to cover increases in the cost of providing service, while at the same time providing all customers with rate stability through the three-year term. The new delivery rates would increase the minimum charge for residential customers from $7.20 to $11.50 per month. A typical residential customer's annual bill for 128 Dths of natural gas will increase by about 8.9%.

The rate plan is designed to help ensure good service for all customers, wherein St. Lawrence will continue to measure customer satisfaction and keep track of the number of complaints submitted to the Commission. In any year the company fails to achieve its service quality threshold, a revenue adjustment will be applied to it. Also, the company's service quality performance mechanism will incorporate a gas leak odor call response time performance measurement to help ensure public safety.

In addition to service quality and customer choice, St. Lawrence may provide matching grants to fund economic development projects in the under-utilized business districts and commercial corridors in its service territory. The intent of this program is to transform a ratepayer burden into a contributing asset. If the program succeeds in supporting new business development in areas with under-utilized utility delivery infrastructure, all ratepayers will benefit because overall system costs would be spread across a larger customer base.

The Commission's order provides for a levelized return of 9.6% on equity for the three-year period. If, in the three-year period, St. Lawrence earns between 9.6% and 10.6%, the company will share the earnings in this range equally with ratepayers. If it earns between 10.6% and 12.6%, St. Lawrence will share 65% of the earnings in this range with ratepayers. Beyond 12.6%, all earnings will be deferred, kept and used to benefit ratepayers.

Also, St. Lawrence, in collaboration with Staff, is required to survey energy service companies (ESCOs) and other interested parties, including municipalities, to determine if there is sufficient interest in participating in an energy aggregation program.

St. Lawrence Gas Company serves approximately 15,000 customers in various parts of St. Lawrence and Lewis Counties.

The Commission will issue a written decision detailing today's vote to approve a three-year plan governing gas distribution rates for the St. Lawrence Gas Company. The decision in Commission Case 05-G-1635, when available, can be obtained from the Commission's Web site at http://www.dps.state.ny.us by accessing the Commission Documents section of the homepage. Many libraries offer free Internet access. Commission orders can also be obtained from the Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).

-30-