

PSC No:4 Gas  
Corning Natural Gas Corporation  
Initial Effective Date: 06/20/2012

Leaf: 75.2  
Revision: 2  
Superseding Revision: 1

### Virgil Customer Surcharge

The New York State Public Service Commission in Case 09-G-0252 issued on July 24, 2009 approved Corning Natural Gas Corporation's exercise of a gas franchise in the town of Virgil, county of Cortland NY. The Commission in its approval mandated a surcharge of \$1.50 per MCF for the Resort Customer and \$3.25 per MCF for all other customers within the Virgil franchise area. The surcharge is to accelerate recovery of \$1,000,000 of investment needed to serve new customers in the Virgil Franchise. This surcharge will be in effect throughout the first seven years of operating the Virgil franchise or when the \$1,000,000 accelerated recovery is completed, as prescribed in ordering clause 4(b-e) of the Commission's Order.

### Merchant Function Charge

Case# 11-G-0280 agrees that the Merchant Function Charge ("MFC") established in the 2009 Rate Order will be continued and will be applicable to Service Classifications ("SCs") under the new consolidated tariffs and specifically to the customers within the successor SCs: Corning SC 1, Corning SC 2, Corning SC 5, Bath SC 1, Hammondsport SC 1, and Hammondsport SC 2. Appendix E in the JP Case# 11-G-0280 details the four components of the MFC: commodity uncollectibles, supply procurement, records and collections and return on gas in storage. Further detail regarding the calculation of the MFC, including proration and synchronization to the Rate Years, is contained in Appendix E in the JP in Case# 11-G-0280.

The commodity uncollectible expense rate associated with gas costs will be determined by multiplying the fixed uncollectible rate of 1.10% by the estimated annual cost of gas. The commodity uncollectible expense component of the MFC will be reconciled on a Rate Year basis, but the uncollectible rate itself will not change. The MFC rate reflects the recovery of \$80,309 for gas supply procurement. On a Rate Year basis, the Company will reconcile this cost for differences between actual and forecast throughput, but there will be no adjustment to the target of \$80,309.

The MFC rate also reflects the recovery of \$184,231 for gas records and collections. Also on a Rate Year basis, the Company will reconcile this cost for differences between actual and forecast throughput, but there will be no adjustment to the target of \$184,231.

"Issued Under Authority of Order of PSC Dated July 24, 2009 in Case No. 09-G-0252."

Issued by Michael German, President & C.E.O., Corning, NY 14830