

PSC No: 5 Gas
Corning Natural Gas Corporation
Effective Date: 6/20/2012

Leaf: 76.1.2
Revision 0
Superseding Revision:

Merchant Function Charge (Cont'd)

The return on the cost of gas in storage inventory component of the MFC will be reset each Rate Year and each 12-month period thereafter by first calculating the projected average balance of storage inventory. The resulting projected average inventory cost will be multiplied by the effective other customer capital rate and finally divided by projected throughput for MFC applicable SCs purchasing commodity from the Company for the next 12-month period following the Rate Year to arrive at a per unit rate.

Case# 11-G-0280 acknowledges that most of the storage asset is used to serve firm sales customers, but a portion of the asset is used to balance the system, benefiting all customers. Case# 11-G-0280 agrees that 80% of the storage inventory component should be charged to firm sales customers and 20% to all customers. Case# 11-G-0280 agrees that the 80% storage inventory component will be charged via the MFC and reconciled annually in conjunction with the other MFC components discussed above. The 20% storage inventory component will be charged via the Delivery Rate Adjustment ("DRA") and reconciled via the annual DRA reconciliation.

The MFC components will be reconciled on a Rate Year basis. The Company will file its annual MFC reconciliation on June 15th following the close of each Rate Year and each 12-month period thereafter, and the new rate will go into effect on September 1st.