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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

The Merchant Function Charge ("MFC") will be effective September 1, 2009 in accordance with Commission order in Case 08-G-1137 and will be applicable to Corning SC 1, Corning SC 5, Bath SC 1, Hammondsport SC 1, and Hammondsport SC 2, rate classifications. The MFC will collect company costs related with the company's provision of commodity service to its customers. These costs are uncollectible costs associated with commodity service, gas supply procurement, records and collection and carrying costs on gas storage. The rate charge per customer classification are detailed on PSC Statement type MFC (Merchant Function Charge).

For gas supply procurement, uncollectible associated with commodity costs and gas records and collections, the Company will reconcile and defer the recovery of both costs for differences between actual and forecast throughput in the annual reconciliation of gas costs, but there will be no adjustment to the targets.

For gas storage carrying costs, the projected monthly quantities and prices of the Company’s balances of gas in storage for the Rate Year and each 12-month period thereafter will be included in the MFC. The Company will true up its carrying costs on the cost of gas in storage for the changes in the cost of gas and the differences between actual and forecast throughput. Any variance between the actual and projected balance for the Rate Year will be combined with any over/under collection of carrying costs associated with differences between actual and forecast sales to arrive at the total true-up amount for the Rate Year and each 12-month period thereafter. For ease of calculation the MFC will be incorporated in the GAC monthly calculation.

The Company will charge 80% of the storage inventory component to firm sales customers and 20% to all customers. 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 DRA and reconciled via the annual DRA reconciliation.

Cancelled by 2 Rev. Leaf No. 75.2 Effective 06/20/2012