"Issued in Compliance with Commission Order "11-G-0280" Issued and Effective April 20, 2012"

Merchant Function Charge (Cont'd)

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.

Case# 11-G-0280 agrees to include in the MFC the projected monthly quantities and prices of the Company's balances of gas in storage on a Rate Year basis. On a Rate Year basis, 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. The difference between the actual average inventory balance and the projected balance will be multiplied by the effective other customer capital rate to determine the variance in carrying costs associated with changes in the cost of gas. This variance 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.