

PSC No: 6 Gas  
Corning Natural Gas Corporation  
Initial Effective Date: 09/01/2009

Leaf: 7  
Revision 2  
Superseding Revision: 1

Where exceptional circumstances warrant, the Company may petition the Commission for waiver of the above refund plan.

Delivery Rate Adjustment (DRA)

The DRA will be derived from the net combination of the per unit creditor surcharge related to the reconciliation of the revenue imputation for Bath sales, Corning transportation charges for Hammondsport delivery and the credit resulting from any revenues generated by receipt of local production above and beyond the first \$250,000 which were imputed in base rates. Any amounts above the \$250,000 will be shared between the customer and company on an 80/20 basis (Rate Order Case 08-G-1137. The customer portion if any will be refunded via this mechanism. The DRA will also include 20% carrying costs related to gas storage balances as explained in the Merchant Function Charge section below.

A statement to implement the DRA will be filed by November 15th of each year with the effective date of January 1<sup>st</sup>. The DRA will remain in effect for 12 months and be derived including interest on the unrecovered balance or the unrefunded balance owed to customers, whichever may be the case. Interest on the unrefunded or unrecovered balance will be computed using the Commission approved unadjusted customer deposit rate. The initial DRA should reflect the reconciliation for the period October 1st, 2006 through September 30<sup>th</sup>, 2007. Based on results of the above reconciliation or flow-back mechanisms for the previous twelve months ended September 30<sup>th</sup>, to the extent the net DRA credit or surcharge is not fully passed back or recovered during the twelve month period the credit or surcharge is in effect, the remaining refund or surcharge balance will be included in the derivation of the next effective DRA.

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 7, 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.

"Issued Under Authority of PSC order Dated August 20, 2009 in Case No. 08-G-1137."

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