

PSC No:5 Gas  
Corning Natural Gas Corporation  
Initial Effective Date: 09/01/2009

Leaf: 76.2  
Revision: 0

Revenue Decoupling Mechanism

A Revenue Decoupling Mechanism ("RDM") will become effective September 1, 2009 in accordance with Commission order in Case 08-G-1137 and will be apply to Residential Customers taking service under Corning SC 1, Corning SC 14, Hammondsport SC 1, and Hammondsport SC 7. The RDM will reconcile actual delivery service revenues to allowed delivery service revenues. Actual delivery service revenues are defined as the revenue from delivery rates adjusted for the WNC, excluding Gross Receipts Taxes, MFC revenue, economic development discounts, discounts and customer charges associated with any low income program, and all other applicable credits and surcharges. The allowed delivery service revenues will be developed using revenue per rate code ("RPRC") factors, which are based upon the annual customer and volume forecast underlying the rates set forth in the Joint Proposal for groups: Corning SC 1, Corning SC 14, Hammondsport SC 1, and Hammondsport SC 7. A customer is defined as the minimum charge revenue divided by the effective minimum charge rate quantified at the end of the month each month.

Under the RDM, actual delivery service revenues for each annual period commencing with the Rate Year will be reconciled by comparing actual annual delivery service revenues per group with the allowed delivery service revenues per group (the group RPRC factor multiplied by the actual average number of customers in the group). The Company will surcharge or refund customers if the actual delivery service revenues differ from allowed delivery service revenues. Any over- or under- collection at the end of the reconciliation period will include simple interest at the prevailing other customer capital rate issued by the Commission. The shortfall or excess will be surcharged or refunded to customers in each group on a volumetric basis over the 12-month period commencing the following January 1<sup>st</sup>. The rate per ccf will be developed using a forecast level of throughput per group. All refunds or surcharges will be subject to reconciliation and included in the subsequent RDM reconciliation.

A customer count proxy must be developed for each RPRC group. The customer count proxy will count customers using open and active meters. At the end of the Rate Year, and each 12-month period thereafter unless changed by the Commission, the resulting actual customers and proxy customers calculated for each month will be summed to obtain "actual customer months" and "proxy customer months." No later than 45 days after the end of the Rate Year and the Stayout Period, the Company will make an annual filing that will set forth the results of the operation of the RDM mechanism. The Company's annual filing will include an analysis that will compare (i) the Company's customer count, (ii) the customer count proxy for each RDM group, and (iii) the proposed surcharge or refund per group.

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

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