

PSC No:4 Gas
Corning Natural Gas Corporation
Initial Effective Date: 06/01/2006

Leaf: 80.5
Revision: 1
Superseding Revision: 0

i) The Monthly Deficiency Price Index would equal the monthly average of the Applicable daily index midpoint prices as published in Gas Daily plus the monthly average cost of transportation plus the average variable capacity costs plus fuel losses from the index point (DTI South Point to Corning's City Gate). The sum of the items above is then multiplied by the appropriate Index Price Adjustment shown in the table below.

ii) The Monthly Surplus Price Index would equal the monthly average of the Applicable daily index midpoint prices as published in Gas Daily plus monthly average cost of transportation. The sum of the items above is then multiplied by the appropriate Index Price Adjustment shown in the table below.

iii) Multipliers will be progressively stiffer as the imbalance worsens.

Monthly Balancing Index Price Table

Deficiency Imbalance	Index Price Adj.	Surplus Imbalance	Index Price Adj.
0 to -10%	No Cash out	0 to +10%	No Cash out
<-10% to -15%	110% of Index	>+10% to +15%	90% of Index
<-15% to -20%	115% of Index	>+15% to+20%	85% of Index
<-20% or greater	125% of Index	>+20% or greater	75% of Index

D) Only the difference above or below the monthly balancing tolerance is cashed out. The balancing tolerance level for the month will roll to the next month. The difference above or below the monthly balancing tolerance will be cashed out by applying the appropriate Monthly Index Price Adjustment to the difference as it is stepped through the tiers. I.e., if a Customer's account is out of balance by +31% the Company would deduct the first 10%(the Balancing Tolerance), then apply the factor of 90% of index to the amount between 10 and 15%, then apply the factor of 85% of index to the amount between 15 and 20% at the next tier and then apply the factor of 75% of index to the remainder over 20% at the final tier and accumulate the calculations. The first 10% (the Balancing Tolerance) of the imbalance is not cashed out in any case.

E) The SC14, SC6, SC4 (Hammondsport) SC5, SC3/SC4 (Bath) and SC7 (Hammondsport) Customer/Marketer shall monitor actual gas usage and the daily nomination is to be adjusted to follow changes in the actual volumes used. Operations during critical periods may require closer scrutiny. When the total gas requirements on the Company's system are estimated to

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Issued by Thomas K. Barry, Chairman, President & C.E.O., Corning, NY 14830