

PSC No: 5 Gas  
Corning Natural Gas Corporation  
Initial Effective Date: 04/01/2008

Leaf: 76  
Revision 0  
Superseding Revision:

- V. Adjustment of Rates in Accordance with Changes in the Cost of Purchased Gas: (Cont'd.)  
2. Gas Supply Charge

The GSC will be the sum of the Total Average Cost of Gas, the Supplier Refund Adjustment, the Annual Reconciliation Adjustment and other PSC approved adjustments. The Total Average Cost of Gas is the sum of the Demand Cost Component and the Commodity Cost Component multiplied by the Factor of Adjustment. The Demand Cost Component shall be determined by dividing the Company's Pipeline Capacity Cost by the forecasted normalized annual gas purchases. The Commodity Cost Component shall be determined by dividing the Company's gas supply cost for the month in which the GSC will be in effect by the forecasted normalized quantities of gas purchased for the month that the GSC will be in effect. Should the Company once again be responsible for its own gas storage fill, the GSC will also include a component to recover the carrying cost of the gas storage inventory. This component will remain as an available option until new delivery rates are approved by the commission.

3. Statement of Gas Supply Charge:

The Monthly GSC statement will be filed not less than three (3) days prior to the date it is proposed to be effective. The GSC will be effective on the date stated on the statement and will remain in effect until changed by the filing of a subsequent statement. The Company will file supporting data and work papers underlying the GSC statement, consistent with 16 NYCRR, Part 720

4. Delivery Rate Adjustment (DRA):

The DRA will be derived from the net combination of the per unit credit or surcharge related to the reconciliation of the revenue imputation for the forecast usage of certain SC2/SC7 customers, the per unit credit or surcharge related to the reconciliation of the revenue imputation for Bath/Hammondsport sales and the credit resulting from any revenues generated by receipt of local production gas. 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.

Issued by Michael German, President and C.E.O., Corning, N.Y. 14830