STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

CASE 20-G-0101 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Corning Natural Gas Corporation for Gas Service.

Case 16-G-0204 - Petition of Corning Natural Gas Corporation to Defer Leak Survey and Repair Costs Over and Above the Level Last Established in Rates.

ORDER ESTABLISHING RATES AND RATE PLAN

Issued and Effective: May 19, 2021

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STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on May 19, 2021

COMMISSIONERS PRESENT:

John B. Howard, Interim Chair
Diane X. Burman, concurring
James S. Alesi
Tracey A. Edwards

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BY THE COMMISSION:

I. INTRODUCTION

In this Order we establish rates and a rate plan for Corning Natural Gas Corporation ("Corning" or "the Company"). In lieu of the one-year revenue increase of $6,256,000 requested by the Company, we determine that a base rate reduction of $766,000 is required. The revenue requirement supporting the $766,000 decrease is detailed in Appendix 2. In addition to the base rate decrease, a $1.3 million tax surcredit is expiring and the Delivery Rate Adjustment ("DRA") surcharge is forecast to be reduced by $30,000. Including the impact of the expiration of the surcredit and change to the DRA, the total net revenue impact on ratepayers will be an annual increase of $505,000. The overall revenue increase is 1.77% over the twelve-month period ending January 31, 2022 ("Rate Year"). The average annual bill impact on residential customers during the Rate Year will be an increase of approximately 2.43%. We are also improving the Company's low-income program. Due to these improvements qualifying low income customers will see an annual bill decrease of approximately 6.14%.

In this Order we also continue a number of positive and negative incentive mechanisms and direct a number of measures to ensure that the Company continues its leak-prone pipe replacement program at its current level, increases its efforts to reduce its leak backlog, minimizes excavation damage to its facilities, maintains its current targets for fast response times in emergencies, fully complies with pipeline safety regulations, increases its work to repair minor leaks in a flood-prone area, improves its coordination with and training of other emergency responders, and establishes a pilot program for residential methane detectors. We also continue and improve the Company's customer service metrics and programs to minimize complaints, achieve good results on customer satisfaction surveys, and minimize missed appointments, uncollectibles and terminations. We also direct an improvement to the Company's outreach and education plan, approve a proposal by Staff (accepted by the Company) to eliminate fees for credit and debit card payments, and approve a proposal by Staff (also accepted by the Company) to file a plan for electronic Deferred Payment Agreements.

II. PROCEDURAL BACKGROUND

On February 27, 2020, Corning filed with the New York Public Service Commission (the "Commission") revised tariff leaves with an effective date of April 1, 2020 (the "Rate Filing"). Using as a base period the 12 months ended September 30, 2019 (the "Historic Test Year"), the revised tariff leaves would result in an increase in revenues from the Company's gas operations of $6,255,926 in the Rate Year. The Company proposed a three-year rate plan encompassing the initial Rate Year and the two succeeding rate years (the 12-month periods ending January 31, 2023, and 2024), with rate increases of $845,142 and $680,913, respectively. The Company asserted that three years of stand-alone rate increases would impact customers' total bills by 23.4%, 2.56% and 2.01%, respectively. Corning proposed that these increases be levelized over three years, which it asserts would result in an increase of $3,523,167 in each Rate Year, with a total bill impact of 10.93% in each Rate Year.

In the Rate Filing, Corning indicated its openness to developing a staged increase proposal for the 12 month periods ending January 31, 2025, and January 31, 2026. Under the staged increase approach, the Company would recover the carrying costs on incremental plant additions over the previous year. As an alternative to the staged increase, Corning suggested a construction surcharge mechanism ("CSM") that would permit the Company to establish a surcharge factor to be applied to all delivery customers, except those with contractually determined prices, that would permit the Company to cover the carrying costs on projected infrastructure investments.

The Rate Filing included prepared testimony and exhibits constituting Corning's direct case. In Attachment B to the transmittal letter for the Rate Filing, Corning summarized the major drivers behind the proposed rate increases. Of the $6,255,926 Rate Year increase, the costs of mandated initiatives comprise $4,535,731. Of that total, $3,122,469 was in response to legislation enacted by the State of New York, including in particular the Climate Leadership and Community Protection Act (the "CLCPA"). Corning's filing asserted that such accelerated depreciation is necessary because the CLCPA will shorten the effective life of the Company's existing and future investment in infrastructure. The $3,122,469 increase in revenue requirement from the proposed accelerated depreciation is the largest single issue in this case, amounting to nearly half of the proposed one-year rate increase.

This proceeding was commenced upon the Commission's receipt of the Rate Filing and two Administrative Law Judges (ALJs) were appointed to preside over this case. Procedural and technical conferences were held remotely on April 14, 2020. On April 24, 2020, the ALJs issued a Ruling on Procedure and Schedule, establishing dates for the filing of Company updates, direct testimony of Department of Public Service trial Staff ("Staff") and intervenor parties, rebuttal testimony, and the commencement of evidentiary hearings.

On April 16, 2020, the Company filed Supplemental Direct Testimony, and an exhibit, providing an update on financial market conditions and the effect of those conditions on risk perceived by equity investors. On May 12, 2020, Corning filed updates and corrections to the Rate Filing, consisting of additional direct testimony and revisions to certain exhibits.

On June 26, 2020, Staff and Multiple Intervenors ("MI") filed direct testimony and exhibits, and an individual intervenor-party, Bob Wyman, filed direct testimony. On July 14, 2020, the New York Geothermal Energy Organization ("NY-GEO") filed comments opposing Staff's rejection of Corning's proposal to shorten depreciation service lives. On July 24, 2020, the Natural Resources Defense Council ("NRDC") and the Sierra Club filed joint comments voicing similar opposition to Staff's position. On July 24, 2020, Corning filed rebuttal testimony and exhibits and Mr. Wyman filed rebuttal testimony. Corning filed supplemental rebuttal testimony on July 30, 2020.

By letter dated August 4, 2020, Corning provided notice of impending settlement negotiations to the Secretary, the ALJs, and the parties in this case. By separate correspondence dated August 7, 2020, Corning set August 21, 2020, as the date for the commencement of settlement negotiations.

On August 10, 2020, the ALJs held a prehearing procedural conference. On August 12, 2020, the Examiners issued a Ruling on Schedule and Procedure, which, among other things, cancelled the evidentiary hearings previously scheduled to commence on August 17, 2020, and required biweekly reports on the status of the settlement negotiations.

The Commission next scheduled information sessions and public statement hearings, which were subsequently held remotely on September 22, 2020. Corning presented its settlement offer at the August 21, 2020 settlement conference. It was anticipated that a Staff counter-offer would be presented at a subsequent settlement conference. Corning provided the ALJs with biweekly reports from September until early March 2021. To accommodate the potential for a settlement, Corning, by letter dated November 20, 2020, agreed to an extension of the statutory suspension period from January 29, 2021, to June 1, 2021 conditioned upon a "make-whole" provision to keep customers and the Company in the same position as they would have been absent the extension. On January 22, 2021, the Commission granted the extension through May 31, 2021.

The ALJs required Corning to provide notice, by March 17, 2021, whether it would request a further extension of the suspension period to continue pursuing settlement. Corning decided not to request a further extension of the suspension period and notified the ALJs of its decision on March 18, 2021. The ALJs held a prehearing conference on March 19, 2021, and presided over an evidentiary hearing on March 23, 2021. The resulting record consists of 1,259 pages of stenographic minutes and 55 exhibits. At the conclusion of the evidentiary hearing, the ALJs established a briefing schedule, with initial briefs due on April 16, 2021, and reply briefs due on April 23, 2021.

Initial briefs were filed by Corning, Staff, MI, Public Utility Law Project ("PULP"), Utility Intervention Unit ("UIU") and Mr. Wyman. Reply briefs were filed by Corning, Staff, and Mr. Wyman.

On April 29, 2021, Corning filed a letter purporting to address certain aspects of Staff's Reply brief. In response, DPS Staff, PULP, and UIU filed letters asking that Corning's letter be wholly disregarded because the ALJs had not authorized sur-replies and any consideration of the substantive arguments advanced by Corning in its filing would prejudice the other parties. We agree that Corning's letter failed to comply with the Commission's procedural regulations regarding sur-replies and thus will not consider it in this Order.

On May 5, 2021, Corning filed another letter, asking the Commission to take administrative notice of the Governor's recent announcement regarding the accelerated reopening of the New York State economy. We will disregard the request for administrative notice in the May 5 letter as an additional unauthorized sur-reply. In that letter, Corning also provided additional information regarding the status of the collective bargaining agreement between the Company and its employees, and the Company's position on wage increases.

On May 6, 2021, Corning filed a letter stating that the union membership voted on May 5, 2021, to ratify the terms of the collective bargaining agreement. We have routinely recognized the completion of collective bargaining agreements prior to our decision in a rate case, and as discussed below we will do so here.

III. PUBLIC NOTICE

A notice pursuant to the State Administrative Procedure Act was published in State Register on October 14, 2020.[1] Four comments were filed on the page maintained for this case in the Document and Matter Management System. Three of those comments were filed by residential customers of Corning, while one comment was filed by a developer that undertakes business in Corning's service area.

All four comments expressed opposition to the proposed rate increase. One commenter described the Company's proposed rate increase as clever but bad for customers because it is too large. Commenters also asserted the Commission should not allow accelerated depreciation because the costs of climate change should not be borne entirely by ratepayers. They argued the rate impacts are too great, especially for customers on fixed incomes. Commenters argued it is an especially bad time for an increase in rates because of the adverse economic impacts of the COVID-19 pandemic. They argued that even in good times residents and businesses have trouble paying increased gas rates and pointed out that half the population of Corning's service territory is below the poverty line. Commenters also noted the fact that Corning laid-off or furloughed 700 workers due to the pandemic and that those families are still struggling. Commenters argued that the Company's requested return on equity of 10.2 percent is too high, especially since customers cannot

[1] SAPA No. 41-20-00011-P.

afford a significant rate increase at this time. Commenters pointed out that, while the Company cannot at present terminate service for non-payment, customer arrearages are up because of the pandemic and the full extent of the pandemic’s impacts will only be realized when the Company can again begin terminating service for nonpayment. Commenters also claim that Corning can take other measures to cut its costs without raising rates so much. Finally, the developer-commenter stated that natural gas is quickly becoming an energy source of the past and that any additional investments in gas infrastructure will lead to stranded assets.

On September 4, 2020, the Secretary issued a notice of public statement hearings to be held, virtually, on September 22, 2020. Two public statement hearings were held on September 22, 2020, at 1 p.m. and 6 p.m. Four speakers made statements. The Town of Bath opposed the rate increase, describing the Company’s proposals for return on equity and depreciation as aggressive and insensitive. The Town expressed concerns about meter accuracy and non-redundant plant serving the Town. The three remaining speakers supported the Company’s proposal to depreciate all of the Company’s assets within 30 years, both to avoid stranded investments and to promote the transition to the use of renewable energy. One speaker categorically objected to any new gas infrastructure investments by the Company.

IV. RATEMAKING ISSUES

A. COVID-Related Austerity Adjustments

Corning filed its rate case on February 27, 2020, prior to any understanding of the extent, if any, that the COVID-19 epidemic would result in financial impacts to Company’s customers. Corning initially sought a Rate Year revenue requirement increase of more than 23%, or over $6.25 million.

In its May 12, 2020 update, Corning still sought a revenue requirement increase of over $6.22 million.

Corning claims that its proposed Rate Year revenue requirement reflects the Company's costs of implementing the Commission's policies and goals related to the CLCPA and its efforts to reduce greenhouse gasses, particularly with regards to the accelerated depreciation of its plant. Staff challenges the increase sought by Corning, arguing that such significant revenue requirement increases are almost unheard of, even during periods of economic prosperity.[2] Staff further argues that the Company's filings were ill-conceived in light of the tremendous revenue and rate impacts during the COVID-19 pandemic. Staff asserts that the impacts of the COVID-19 pandemic are unprecedented both in our lifetimes and in the history of the Public Service Commission.

In testimony Staff recommended a Rate Year revenue requirement increase of $270,773.[3] In its brief, however, Staff recommended four additional adjustments, totaling $47,218, and recommended a Rate Year revenue requirement of $223,555.[4] In recognition that Corning's rate plan was filed prior to any understanding of the economic ramifications of the COVID-19 pandemic, Staff also noted that the Commission may make additional discretionary reductions to the increase in the revenue requirement, if the Commission decides the economic climate faced by Corning's customers warrants further reductions. Staff identified four policy-based austerity adjustments that could be made: 1) modifying the amortization periods for regulatory assets and liabilities; 2) removing the

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[2] Staff Initial Brief at 3.

[3] Staff Initial Brief at 1-2.

[4] Staff Initial Brief at 1-2.

allowance for management wage increases in the Rate Year; 3) removing the allowance for certain proposed new employees; and 4) removing the accelerated amortization of leak prone pipe ("LPP"). Staff noted that, although these adjustments were not specifically addressed during the evidentiary hearing, the Commission may nevertheless address them in this Order given that they are based on underlying Commission policies.

Corning charges that Staff's suggested methods for further austerity adjustments lack any record basis. Corning urges the Commission not to make any such adjustments because they would be antithetical to the Commission's ratemaking process.[5] This would be illegal, Corning also argues, because they are unsupported by any clearly established nexus between the customer impacts of the COVID-19 pandemic and the issues raised in this rate case.[6]

We discuss these austerity adjustments in greater detail below.

1) Amortization of Regulatory Assets and Liabilities

As of the end of the Historic Test Year, Corning is expected to have $2.864 million of regulatory assets, i.e., moneys owed to the Company, and $0.916 million of regulatory

[5] Company Reply Brief at 2.

[6] Company Reply Brief at 4 and note 13.

liabilities, i.e., moneys owed to ratepayers.[7] To further mitigate the revenue requirement increase, Staff notes that the Commission could accelerate the return of regulatory liabilities to customers and/or defer the Company's collection through rates of regulatory assets. In choosing an approach, Staff recommends weighing the benefits of mitigating the increase in revenue requirement against the costs, to customers, of delaying the Company's collection of regulatory assets.[8] Staff notes that amortizing all new deferrals over ten years would reduce the revenue requirement by approximately $269,972.[9] Alternatively, Staff notes, the Commission could choose to not amortize any regulatory assets in the Rate Year but pass regulatory liabilities back to customers over five or three years. These two options would reduce revenue requirement by approximately $631,884 or $728,348, respectively.

2) Removing the Allowance for Management Wage Increases in the Rate Year

In testimony and its initial brief, Staff recommended allowing union and management wage increases at the general rate

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[7] Staff Initial Brief at 6. For each new deferred asset or liability, including deferred Pension and OPEB costs, the Company proposes to amortize the forecast balances as of January 31, 2021 over a three-year period. Tr. 86, Ln. 1-2, Tr. 87, Ln. 5-6; Staff Initial Brief at 22. Staff disagrees and recommends that, for all new deferrals, except rate case expenses, the actual deferral balances as of the end of the Historic Test Year be amortized over five years, to mitigate the potential rate increase. Tr. 766, Ln. 10-13. For rate case expense, Staff argues a three-year amortization period is appropriate because the Company has historically entered into three-year rate plan agreements. Staff Initial Brief at 22-23. Staff's initial brief incorrectly stated that these balances were as of the beginning of the Rate Year, however we have been advised that the correct time period of these amounts is as of the end of the Historic Test Period.

[8] Staff Initial Brief at 7.

[9] Staff Initial Brief at 7.

of inflation, or 1.34%.[10] However, based on current economic conditions due to COVID-19, Staff suggested that the Commission could consider reducing management wage increases to 0% in the Rate Year and thereby reduce the revenue requirement by $5,139.

Corning contests Staff's proposed 1.34% limit on wage increases based on the general rate of inflation. Corning argues that a 3% increase in wages is necessary to retain its employees. Corning also challenges Staff's assertion that the Commission is authorized to freeze management wage increases based on general concerns about the adverse economic impacts of the COVID-19 pandemic.

3) Removing the Allowance for Certain Proposed New Employees

Staff suggests the Commission could deny cost recovery for four new employees and a contractor that Corning has proposed.[11] This approach, Staff argues, would reflect the fact that many businesses have imposed hiring freezes, and/or terminated or furloughed employees due to financial constraints associated with the COVID-19 pandemic. Imposing temporary limits on Corning's ability to hire new staff, Staff reasons, may be appropriate given these circumstances. Disallowing all four employees and the contractor would reduce the revenue requirement by approximately $344,513. Alternatively, Staff suggests, the Commission could limit the adjustment to only reflect new employees not yet hired by Corning.

Corning opposes this adjustment, arguing that its testimony demonstrates that these new employees will pursue significant tax and operating cost savings that are expected to

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[10] Tr. 689, Ln. 3-9; Staff Initial Brief at 17-18.

[11] The Company has asked for cost recovery relating to retaining an information technology (IT) contractor or hiring four new employees: one IT employee, two gas specialists and one laborer. Staff Initial Brief at 8.

offset their salaries and the Company is prepared to reduce future rates to reflect savings that might be achieved.[12]

4) Removing the Accelerated Amortization of Leak-Prone Pipe

Corning's proposed depreciation expense included the amortization of the remaining plant balance associated with LPP over a seven-year period. In testimony, Staff agreed with amortizing the remaining LPP plant balance over the time period of expected removal, to limit intergenerational inequity and reduce rate base for assets no longer used and useful. However, Staff suggests that, to reduce rate impacts on customers, amortization of the remaining LPP plant balance could be pushed outside of the Rate Year and addressed in a future rate proceeding. This would decrease revenue requirement by approximately $439,206.

Corning argues this proposed adjustment has no record basis and, if adopted, will cause intergenerational inequity and lead to significantly increased rates in the future. Corning asserts that, for these reasons, this proposed adjustment must be rejected by the Commission.[13]

DISCUSSION

Over the past fifteen months, because of the COVID-19 pandemic, all State residents have been forced to make hard sacrifices and to bear up under extraordinary and unforeseen circumstances. The Commission cannot ignore the pandemic-related economic hardships caused by the COVID-19 pandemic. When setting rates, we must make adjustments that account, in some degree, for the economic fallout from the pandemic. Failing to do so would, in effect, impose additional hardships

[12] Company Reply Brief at 10-11.

[13] Company Reply Brief at 11.

on ratepayers at a time of unusual and unexpected need. The austerity adjustments offered by Staff are warranted due to the current extraordinary circumstances. While Corning argues recent events have suggested that things are getting better, that is not a rational basis for ignoring what actually happened in the recent past. On the other hand, it is reasonable to require the Company to bear part of the economic burden of recent events.

Accordingly, we adopt Staff’s suggested austerity adjustments relating to removing the allowance for management wage increases in the Rate Year; removing the allowance for certain proposed new employees; and, removing the accelerated amortization of LPP. To further mitigate the revenue requirement increase, we will also accelerate the return of regulatory liabilities to customers and/or defer the Company’s collection through rates of regulatory assets. In deciding which approach to take, we have weighed the benefits of mitigating the revenue requirement increase against the costs, to customers, of delaying the Company’s collection of regulatory assets. We find that an appropriate balance between these competing concerns can be struck by amortizing all deferred regulatory assets, including both pension and Other Post-Employment Benefits (“OPEB”) amounts, over a ten year period, and amortizing all deferred regulatory liabilities, other than the OPEB deferral, over a three year period.[14] This will reduce the increase in the Company’s revenue requirement by approximately $466,905. These measures, along with the other austerity measures described above, will mitigate the increase in the Company’s revenue requirement, and thereby protect the

[14] See Appendix X for a full list of regulatory deferrals and amortization periods.

interests of ratepayers in the context of the still-ongoing COVID-19 pandemic.

Most of the adjustments identified in the prior paragraph fall squarely within the discretion of the Commission in that they are based on underlying Commission policies and thus need not be grounded in any evidentiary record colloquy. It is sufficient that these matters have been raised and countered in the overall case record in the parties' briefs. Although Corning's request for management wage increases and to hire employees for newly created positions are not associated with any underlying Commission policies, we find that Corning has not met its burden with respect to these matters. Specifically, we find that the need to employ austerity measures far outweighs the Company's need to increase management salaries and add these new positions. We also note that the rates at issue in this case will have a one-year duration and, should the economy recover in the interim, such austerity measures would likely not need to be employed in future rate cases.

B. Estimated Sales and Revenues

1. Sales Forecast

Staff made a number of adjustments to the Company's sales forecasts. The Company accepted all of Staff's adjustments and there are no remaining areas of disagreement on this topic.[15] The calculations in Appendix 2 reflect these agreements.

2. Local Production Revenues

The Company accepts Staff's adjustments to delivery revenues, local production revenues, and other transportation

[15] Staff Initial Brief at 10; Company Initial Brief at 10; Company Reply Brief at 15.

revenues.[16] The calculations in Appendix 2 reflect this agreement.

3. Other Revenue Issues

Staff and the Company also agree to continue the mechanism established in the 2017 Rate Order in Case 16-G-0369[17] estabishing annual revenue targets and sharing the difference between the actuals and the targets between customers (85%) and shareholders (15%). Staff and the Company agreed to revenue imputation targets of $1,650,029 for contract revenues and $263,201 for local production revenues, with no changes to the sharing mechanism.[18] While we accept this agreed-upon mechanism, certain contract revenues are dependant on firm delivery rates, and therefore, the contract revenue imputation target needs to be updated to reflect the base delivery rates adopted in this Order. As such, the imputed contract revenue target is set at $1,472,455.

Staff and the Company also agree to Staff's adjustments to the Revenue Decoupling Mechanism ("RDM") to use a revenue per class RDM target rather than a revenue per customer RDM target,[19] Merchant Function Charge target revenue of $40,813 for credit and collections and $82,884 for gas supply

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[16] Staff Initial Brief at 10-11; Company Initial Brief at 11; Company Reply Brief at 15-16.

[17] Case 16-G-0369, Corning – Gas Rates, Order Adopting Terms of Joint Proposal and Establishing Gas Rate Plan (issued June 15, 2017).

[18] Staff Initial Brief at 12-13; Company Initial Brief at 12; Company Reply Brief at 16.

[19] Staff Initial Brief at 14; Company Reply Brief at 14.

procurements[20], and an uncollectible rate of 0.464% rather than 0.565%.[21] We accept these agreements.

C. Operation and Maintenance Expenses

1. Direct Labor

Staff and the Company agree on Staff's adjustments to set overtime expenses at a three-year average and to correct the vacation accrual.[22] Three of Staff's other direct labor adjustments are disputed: (1) disllowance of the costs of one proposed new IT employee; (2) disallowance of the costs of the Company's incentive compensation plan; and (3) a wage increase of 1.34% based on the general inflation rate rather than the Company's proposed 3% increase. As discussed below, we agree with the first two of Staff's adjustments. In addition, as discussed above in the section on Austerity Adjustments, we are making additional adjustments regarding new employees and management wage and salary increases. The discussion immediately below relates to the specific adjustments proposed in Staff's testimony.

a. Additional IT Employee.

Staff proposed to disallow the costs of two proposed new IT employees. The Company agreed to the removal of the costs of one of the two.[23] Staff argued that the Company's justification was inadequate because the work of the disputed employee is already being handled by other Company employees, and because the tax savings alleged by the Company to be provided by the work of the new employees were not reflected in

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[20] Staff Initial Brief at 14; Company Reply Brief at 16-17.

[21] Id.

[22] Staff Initial Brief at 16; Company Initial Brief at 13; Company Reply Brief at 17.

[23] Staff Initial Brief at 18-19; Company Initial Brief at 13; Company Reply Brief at 17-19.

the Company's case. The Company argues that the tax savings will primarily be reflected in future years (and therefore future rate cases), but agrees to notify the Commission of any savings achieved during the Rate Year. We agree with Staff's adjustment. Given the Company's claim that the savings achieved by the employee will more than cover the salary costs[24] and the Company's failure to offset any of the salary costs by expected savings in its case, we disallow the costs of the disputed employee position.

b. Incentive Compensation Plan

Staff proposed to disallow recovery of the costs of the Company's management incentive compensation plan. As Staff testified, the Commission requires a company to make one of two showings for the costs of such a plan to be allowed: (1) that the Company's total level of employee compensation inclusive of incentive pay is reasonable relative to peer companies and that the incentive pay does not contain performance targets that adversely affect customer interests or are inconsistent with Commission policies; or (2) that the incentive pay plan provides quantifiable or demonstrable benefits to customers, in a financial sense, or in terms of reliability, environmental impact or customer service.[25] Staff argues that the Company failed to make either of these showings with respect to its incentive compensation plan. Staff notes that the Company did not provide a compensation study, and that the majority of incentives focus on goals that benefit shareholders, especially in light of the provision of the plan that no incentive is paid if the earnings target is not achieved.[26] The Company argues

[24] Company Reply Brief at 17.

[25] Tr. 923-926.

[26] Hearing Exh. 36 (DSG-1, p. 1); Tr. 927-928.

that all of its business and the work of all of its employees are dedicated to achieving safety, reliability and customer service and that disallowing the costs of the incentive program would send the wrong signal to the Company's employees.[27] The Company also argues that the plan's financial performance goals benefit customers by maintaining the financial strength and solvency of the Company.[28]

We are not persuaded by the Company's arguments. They are broad, general and would justify virtually any incentive compensation plan. We find that the Company has not made the specific showings required by Commission policy, and we adopt Staff's adjustment.

c. Wage Increase.

Staff proposed in testimony to limit the allowed wage increases in the Rate Year to the general inflation rate. The Company proposes a 3% increase. The Company's union contract expired on April 5, 2021,[29] thus requiring a forecasted amount for the Rate Year. Staff's position was that the Company's forecast of 3% was not appropriate in light of the uncertainties of the COVID pandemic, and that the inflation rate should be used to forecast Rate Year wage increases.[30] Staff agreed that the Company could update the record during the course of this proceeding in the event of material changes in union negotiations,[31] but there were no such updates as of the date briefs were due.[32] The Company in its Initial Brief reported a tentative agreement with the union "consistent with the level

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[27] Company Reply Brief at 19.

[28] Company Initial Brief at 13-14.

[29] Tr. 83.

[30] Tr. 687-688.

[31] Tr. 688.

[32] Staff Initial Brief at 17.

projected by the Company for the rate year".[33] In its Reply Brief the Company stated that it expected a contract to be finalized "within a few days."[34] In its May 5 and May 6, 2021 letters the Company informed the Commission that a collective bargaing agreement has been reached and ratified by union membership vote. In the May 5 letter, the Company stated that, although the agreement provides for wage increases of 3.5%, 3.5% and 3.0% for years 1-3 of the agreement, the Company would adhere to its 3.0% Rate Year request in this case. The Company also argues that its forecast is reasonable and consistent with past history and that it may lose employees if its wages are non-competitive.[35]

We will allow a 3% wage increase applicable to the Rate Year as requested by the Company. It is standard Commission practice to recognize completed collective bargaining agreements during the pendency of the case and, as noted above, Staff agreed that the Company could update the record during the course of the proceeding.[36]

2. Insurance

Staff and the Company agree on the use of the latest-known Gross Domestic Product ("GDP") Deflator as the general inflation rate applied to property insurance, injury and damages, other insurance, life insurance and plan administrative costs.[37] The parties disagree on the Rate Year forecast of health care costs. The Company proposes a 10% increase, and Staff applies the general inflation rate. The Company testified

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33 Company Initial Brief at 16.

34 Company Reply Brief at 19.

35 Tr. 83, 114-115; Company Initial Brief at 15-16.

36 However, we make an additional adjustment to management wages and salaries in the section above on Austerity Adjustments.

37 Tr. 700, 724-725; Company Reply Brief at 21.

that health care costs increase at a higher rate than average cost increases.[38] Staff testified that the general pool of costs subject to the general inflation rate includes some costs that are higher and some costs that are lower than the the general inflation rate, and that the inclusion of health care cots in the general pool of costs is consistent with long-standing Commission practice.[39] Staff cites the June 26, 2014 Order Establishing Rates in Case 13-W-0235[40] as the most recent statement by the Commission of its policy, followed since 1986, that:

> ". . . in the generic inflation pool, by its nature, some costs are fully expected to increase faster than general inflation rates while others are not. If medical expense falls into the former category … that does not alter the fact that the generic inflation rate is an average of inflationary and deflationary changes in the prices of all the various goods and services in the pool. Thus, a deviation between the increase in a single pooled cost item such as medical expense, relative to the average increase, does not justify removing that item from the pool in an attempt to predict it separately."

The Company has not convinced us that we should change this policy, and we adopt Staff's adjustment.

3. Regulatory Expenses and Amortizations

Staff and the Company agree on the amounts of regulatory and rate case expenses, on the assumption that the rate case expense amount will be amortized over three years based on the actual amount as of the time of the Commission decision.[41] However, as previously discussed, we are delaying

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38 Tr. 65-67; Company Initial Brief at 18-19.

39 Tr. 803, 931-933; Staff Initial Brief at 15-16.

40 Case 13-W-0235, United Water New York Inc. – Rates, Order Establishing Rates (issued June 26, 2014).

41 Staff Initial Brief at 21-22; Company Initial Brief at 20-22; Company Reply Brief at 23-24.

the Company's collection of its regulatory assets as a means of mitigating the revenue requirement increase. Accordingly, rate case expenses will be amortized over ten years, consistent with other deferrals assets.[42]

Regarding regulatory expense deferrals, the Company objects to Staff's calculation of the balances as of the end of the Historic Test Year as opposed to forecasting them for the Rate Year. The Company argues that forecasting is "normal Commission practice"[43] but fails to cite any Commission precedent. Staff's position is that the Historic Test Year balances have been audited but that forecasted balances cannot be audited.[44] We accept Staff's position for the reason stated by Staff.

Staff and the Company also disagree on the time period for amortization of deferrals other than rate case expenses. The Company's position is that a period longer than three years risks overlapping with the next rate plan, that prior rate plans have used a three-year period and that the period should be consistent with the period of amortization of rate case expenses.[45] Staff proposes a five-year period given the potential for large rate increases in this case and the uncertainties facing ratepayers during the COVID epidemic.[46] We reject both the Company's and Staff's amortization periods. As discussed, we are modifying the Company's amortization of its regulatory assets and liabilities as a means of mitigating the

[42] A listing of Corning's deferred debits and credits for the rate year ending January 31, 2022 is contained in Appendix 3.

[43] Company Reply Brief at 24.

[44] Tr. 765-766; Staff Initial Brief at 22.

[45] Tr. 117-118; Company Initial Brief at 22; Company Reply Brief at 24.

[46] Staff Initial Brief at 23.

revenue requirement increase. Accordingly, all regulatory assets will be collected from customers over ten years and all regulatory liabilities, with the exception of the OPEB deferral, will be passed back to customers over three years.

Staff and the Company also disagree on recovery of $349,547 of survey and repair costs related to cold weather that were incurred in 2015. This issue was first raised in a deferral petition that the Company filed on April 13, 2016[47] and remains pending. The Company proposes a three-year amortization of the amount in question. Staff's position is that the Company's request fails to meet the second prong of the Commission's three-prong test for eligibility for deferral treatment and that the Company's deferral petition should be rejected. The parties agree that the request meets the first prong (the expenses are incremental to the amount allowed in rates) and third prong (the Company cannot earn above its authorized rate of return). The dispute is over the second prong: that the incremental amount must be material and extraordinary in nature. The parties agree that the amount is material, and the dispute is therefore over whether the expenses were extraordinary.

The Staff Accounting Panel testified that the expenses were not extraordinary in nature. Staff's analysis is based on the overall heating degree days during the winter of 2015, noting that the winter was only 1.7% colder than the previous winter.[48] Staff also noted that no other gas utility undertook a similar survey of its entire system in 2015.[49] The Company's

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[47] Case 16-G-0204, Corning – Petition to Defer Leak Survey and Repair Costs Over and Above the Level Established in Rates.

[48] Tr. 752; Hearing Exh. 37 (SAP-2); Staff Initial Brief at 25-27.

[49] Tr. 752-753.

position is that the January to February period of that winter was extremely harsh and that frost was deeper than had been experienced in a long time.[50]

We accept Staff's position and deny the Company's deferral petition. Every winter has periods of time that are significantly colder than average. The appropriate period of time for determining whether cold weather is extraordinary is the entire winter, not the period of a particular cold temperature event. As a whole, the winter of 2015 was not materially colder than the previous winter, and it is a common occurrence for heating degree days in January and February to be significantly colder than average in any winter.[51] We also find it noteworthy that other gas utilities did not undertake a similar systemwide survey and repair program during the winter in question.

4. Pensions and Other Post-Employment Benefits

The Company agreed to Staff's adjustments to pensions and OPEBs except for the appropriate period of amortization of new deferrals. As with regulatory expenses, Staff proposes a five-year period and the Company proposes a three-year period. For the reasons discussed above for regulatory expenses,[52] we reject both the Company's and Staff's recommended amortization periods. The pension and OPEB deferrals will be amortized over ten years.

5. Other Expense Items

Staff and the Company agree on many of the remaining expense items, including the costs of pension and OPEB

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[50] Tr. 118-119; Company Initial Brief at 23-24.

[51] See data for 2013, 2014 and 2015 in Hearing Exh. 37 (SAP-2, page 321).

[52] Staff Initial Brief at 22-23; Company Initial Brief at 25; Company Reply Brief at 27.

management, uncollectibles,[53] the low income program, building services, transportation, outside services, inventory and Other O&M.[54] We accept these agreements.

We also note the parties' agreement to eliminate credit and debit card payment fees charged to customers, with an allowance in rates for the relevant costs. The Commission welcomes this agreement and notes that it will save customers approximately $8,000 per year.[55]

6. Productivity

Staff proposes a 1% productivity improvement imputation in the Rate Year forecast of direct labor expense, employee fringe benefits expense and payroll taxes, asserting that this adjustment reflects a long-standing Commission policy to capture unidentified and/or unquantifiable productivity gains, efficiencies and cost savings that could be realized in a Rate Year.[56] The Company opposes such an adjustment, stating that it has already increased productivity by reducing costs, and that the application of the general inflation rate to health care expenses is effectively a productivity adjustment.[57]

We have explained above why the use of the general inflation rate is appropriate for health care expenses as part of a large pool of expenses that are subject to cost increases.

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[53] Staff and the Company agree that the Company may file a petition to defer the difference between actual and rate year forecast uncollectibles. Company Initial Brief at 27. Staff clarifies that such a petition must meet the Commission's standard three-prong test for eligibility. Staff Reply Brief at 7. We concur with Staff's clarification.

[54] Company Reply Brief at 28-33 reflects these agreements.

[55] Company Initial Brief at 29-30; Staff Initial Brief at 103-104; Company Reply Brief at 29.

[56] Tr. 824, 827-828; Staff Initial Brief at 21-22.

[57] Tr. 63-67; Company Initial Brief at 35-37.

We are not persuaded that the Company's forecasted Rate Year savings capture the level of productivity improvements that the Company can and should achieve. We are also not persuaded that we should abandon our normal practice of imputing a productivity adjustment, and we therefore adopt Staff's proposed productivity adjustment.

7. Taxes

For the most part, the parties are in agreement on tax issues, including property taxes, payroll taxes, revenue taxes, and state and federal income taxes.[58] Staff and the Company also agree to remove from this case and to address in a future rate case the appropriate deferred federal income tax refund balance associated with the federal income tax savings due to customers for the Tax Cuts and Jobs Act of 2017 corporate federal income tax rate reduction.[59] We accept these agreements. An in depth analysis is required to reconcile and determine the tax savings amount that should have accrued to customers as compared to the amount that has been provided to customers by the tax savings sur-credit implemented October 1, 2018. The amount that is determined to be an over or under passback of savings, will be accounted for in the deferred federal income tax refund account. The only area of disagreement related to taxes is Staff's proposed amortizaton of accumulated deferred income taxes over an average depreciable life of 42 years for long-lived assets as opposed to the Company's proposed 30-year amortization for such assets in accordance with its proposal to depreciate all long-lived assets over a 30 year period.[60] Because we are rejecting the Company's 30-year depreciation proposal, we accept Staff's

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[58] Company Reply Brief at 42-47; Tr. 123-124.

[59] Staff Initial Brief at 33; Company Reply Brief at 43.

[60] Company Reply Brief at 46-47.

proposal for amortization of accumulated deferred income taxes.

8. Depreciation Expense

By far the largest issue in this case, amounting to nearly half of the requested rate increase,[61] is the Company's proposal to depreciate its long-lived assets by 2050, a 30-year period, as opposed to the depreciation lives that would result from the Company's depreciation study. The Company argues that, because the CLCPA mandates the reduction of statewide greenhouse gas emissions by 85% of 1990 levels by 2050, the statute "effectively shortens the effective life of the Company's existing and future investments in infrastructure."[62] The Company further argues that the CLCPA will reduce customer demand and increase the cost of capital. The Company asserts that the proposed shortened lives "will allow the Company to continue its systematic replacement program with more internally generated funds."[63] The Company also asserts that delay in adjusting its depreciation rates in this case "effectively kicks the can down the road" and would only lead to higher rates in the future.[64]

Intervenor Bob Wyman supports the Company's proposed useful lives for the same reasons stated by the Company.[65] Mr. Wyman agrees that the Company's proposal involves some degree of speculation, but argues that all ratemaking necessarily involes forecasting and some degree of speculation. In this case, Wyman argues, the Company's proposal is reasonable and well-grounded.[66]

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61 Tr. 53.

62 Tr. 52-53.

63 Id; Company Initial Brief at 38-39,

64 Tr. 123.

65 Bob Wyman Initial Brief at 3-6.

66 Bob Wyman Reply Brief at 5-11.

Staff responds that any change in depreciable lives at this time is premature, because it is unknown how the CLCPA will be implemented.[67] Staff also raises concerns about the bill impact of the change, particularly in light of the COVID epidemic.[68] UIU also opposes the shortening of useful lives proposed by the Company. UIU argues that the CLCPA does not explicity state that all gas assets will be retired by 2050, nor has it been determined what role, if any, pipeline infrastructure will play in reaching the CLCPA's goals.[69] UIU also notes that when the Rochester Gas & Electric ("RG&E") steam system in Rochester was retired as no longer profitable, shareholders took on a significant portion of the costs of retirement and assets were transferred to a newly-formed municipal corporation to create a district loop.[70]

We reject the Company's proposal for shortened asset lives and adopt Staff's adjustment.[71] Logically, the shortening of depreciable lives to a 2050 end-point amounts to a forecast that the Company will cease utility operations by 2050 and that none of its assets at that time will have any value. Because the Company has not met its burden of proof that such a result is probable, we find the Company's position to be speculative. It simply does not follow that a target of 85% statewide greenhouse gas reductions by 2050 means that the Company will close up shop by 2050 and that none of its assets will remain in

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67 Tr. 419-420; Staff Initial Brief at 27-29.

68 Staff Initial Brief at 5-6.

69 UIU Initial Brief at 6.

70 UIU Initial Brief at 7; see Case 28612, Op. No. 84-19, Rochester Gas & Electric Corporation – Steam Rates, Opinion and Order concerning Steam Service and Determining Revenue Requirements (issued July 11, 1984).

71 A schedule showing the Rate Year Depreciation Expense is attached as Appendix 4.

service. It is impossible to make a precise forecast at this time of what the Company's business will look like in 2050, but it is clear that the assumption that the Company will be out of business at that time is at the extreme end of many possibilities. These possibilities include business as usual if the State's climate goals can be met through other means, the total or partial use by the Company of renewable natural gas supplies, and the total or partial conversion of the Company's system to renewable hydrogen gas. All of these alternatives are consistent with a financially healthy gas utility using its existing assets long after 2050. UIU is also correct that in an arguably similar situation when RG&E retired its steam system in Rochester, some of the utility assets still had a useful function, and RG&E's shareholders bore much of the cost of early retirement.

Further, several of the Company's rationales – that the CLCPA will lead in the future to lower revenues and a higher cost of capital and that the adjustment will provide more internally generated funds for the Company's capital program – have little to do with the depreciation expense allowance in this case. If revenues decline and the cost of capital increases in the future, those matters will no doubt be raised by the Company in future rate cases, and the Commission will address them at that time. The fact that the shortened lives would give the Company more internally generated funds for its line repleacement program is not a justification for the depreciation proposal. Such an argument could be made for any ratemaking adjustment that gives the Company more cash at the expense of its customers. The argument does not establish that the proposal is appropriate.

It also appears that the Company itself may not believe in its forecast. If the Company truly believes that its assets will be valueless in 2050, the financial statements that the Company's parent holding company provides on a quarterly and annual basis to the investment community and to the Securities and Exchange Commission should fully reflect these dire circumstances. However, as admitted by the Company's Chief Financial Officer, although the Company's operations are fully reflected in the parent company's financials, the shortened depreciable lives proposed in this case are not reflected in its recent SEC 10-Q and 10-K financial statement filings.[72] It appears to the Commission that the Company is claiming materially worsened financial circumstances to justify a large rate increase, while at the same time it presents financial statements to the investment community on a business-as-usual basis that is at odds with the greatly reduced asset lives claimed in this case.[73]

For these reasons we reject the Company's proposal to depreciate all of its assets by 2050. We are not just "kicking the can down the road." We find that the Company has not demonstrated that its proposed useful lives are anything more than speculation. The dire circumstances raised by the Company are far from the only potential outcomes from the CLCPA. If in the future we were to take the drastic step of directing a regulated gas utility to cease operations, the mechanism to do so would not be what the Company proposes in this case – a large transfer of cash from ratepayers to shareholders. We note also that the Company proposes no plan for its customers to transition away from gas by 2050 and proposes no limitations on

[72] Tr. 166-167.

[73] We note that shortening the asset lives and increasing depreciation expense in the relevant 10-K and 10-Q financial statements would have negatively impacted the reported net income of the Company's parent.

its use of the proposed incremental ratepayer funding. The implementation of the CLCPA by the Commission will be difficult, complicated and potentially expensive, but however it is implemented the plan will not look like what the Company has proposed here.

9. Inflation

The parties agree on the use of the GDP deflator at the time of the Commission decision as the general inflation rate.[74] We accept this agreement.

D. Rate Base

1. Plant in Service and Capital Spending

Staff and the Company disagree on three plant in service and capital spending issues: (1) an increase by Staff in the capital budget to maintain the replacement of bare steel mains at 10 miles per year, rather than the 8.6 mile figure proposed by the Company; (2) Staff's deletion of two projects that were funded in the Company's preceding rate case but not accomplished; and (3) Staff's proposal to continue the downward-only reconciliation mechanism for net plant investment targets in the Rate Year.

We accept Staff's adjustment to the bare steel main replacement program. The Company proposes to decrease the replacement program from 10 miles to 8.6 miles per year "as a COVID mitigation measure."[75] While we appreciate the concern of the Company in this respect, the public safety concerns related to bare steel pipe outweigh the relatively minor decrease in

[74] Company Initial Brief at 17; Staff Initial Brief at 21; Company Reply Brief at 21, 31.

[75] Company Reply Brief at 39.

capital spending that the Company proposes.[76] We therefore direct the Company to maintain its current program of 10 years of pipe replacement per year, and we make allowance for that capital spending in the revenue requirement calculation in this case.

We also accept Staff's proposed disallowance of capital spending for two projects, totalling $230,000, because the Company's last rate case already included funding for these projects.[77] The Company responds that although it did not perform these projects, it expended the allowed capital budget funds on other projects, and that the Commission's capital budget allowance allows for flexible allocations of funding among projects as long as the total allowed budget is spent.[78] Although we agree with the Company that funding these projects a second time would not amount to double recovery of the allowed capital spending in the last rate case, the Company clearly has placed low priority on these projects. We are not convinced that the Company would complete them if we included their costs a second time in this rate case. In other words, the Company has not met its burden to establish that it would actually complete these projects if given a second bite at the apple, and we are concerned that the Company would again use the allowed funds for other projects of its choosing that it did not reflect in this case. A schedule listing our allowances for Corning's Capital Expense Budget is contained in Appendix 5.

We also accept Staff's proposed continuance from the Company's last rate case of the downward-only reconciliation

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[76] The parties agree on the size of the Company's replacement program for unprotected service lines. Staff Brief at 34.

[77] Tr. 411-414; Staff Initial Brief at 35-36.

[78] Company Reply Brief at 40.

mechanism of net plant targets for the Rate Year.[79] This mechanism protects ratepayers against paying for capital expenditures in an amount greater than the Company incurs. The Company argues that although this mechanism has been used in the Company's last three rate cases, it is unnecessary in a single-year rate case because ratepayers are fully protected by the penalties applicable if the Company misses its leak-prone pipe replacement targets.[80] We agree with Staff and will continue the downward-only reconciliation mechanism. The pipe replacement program penalties cover only a portion of the Company's net plant investments, and we see no reason to remove the protection that the ratepayers have had for the last three rate cases against underspending by the Company. Appendix 6 shows the net plant true-up targets, as well as an example for how the true-up calculation is performed.

2. Reporting Requirements

Staff recommends that the Commission require capital expense and variance reporting. These reports should include: (1) a final variance summary of capital expenditures for all capital projects and programs including all on-going and active construction projects and programs; (2) a narrative explaining any cost or timeline differences from estimated costs in the project's white paper; (3) a narrative on project design, permitting and/or construction status, including a detailed construction schedule for each project, for any ongoing projects; and (4) a description of any new projects or programs with, at minimum, information that is provided in a white paper.[81] Staff asserts that it is important for Staff and the

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[79] Tr. 422-423; Staff Initial Brief at 37.

[80] Company Reply Brief at 41.

[81] Tr. 423-424; Staff Initial Brief at 38.

Commission to monitor the Company's capital work, and that the reports should be filed with the Commission Secretary within 45 days after the end of each calendar year.[82]

The Company objects to the proposed reporting on the ground that no allowance is made for the costs of staff to prepare the reports. The Company also objects to a filing date 45 days after each calendar year because the applicable data will not be available until approximately 30 days after the end of the year, leaving only 15 days to compile and file the reports. The Company suggests a minimum of 90 days to file the reports.[83]

We adopt Staff's position on the need for the reports. We are not convinced that the additional reporting costs would be so material that they require an adjustment to the revenue requirement in this case. However, the Company makes a reasonable argument about the due date of the reports. To minimize the incremental costs and difficulty of reporting we accept the Company's proposal that the reports shall be due 90 days after the end of the calendar year.

E. Cost of Money

1. Capital Structure

Staff and the Company dispute certain elements that make up the Company's overall after-tax rate of return. After accounting for these differences, Staff recommends that the Commission provide Corning with a return of 6.07% compared to Corning's request of 7.28%. The difference is attributed to disputes over the cost of equity, the common equity ratio, and the cost of long-term debt. In summary, Staff urges the

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[82] Id.

[83] Company Reply Brief at 44-45.

Commission to reduce Corning's requested cost of equity from 10.20% to 8.45%, common equity ratio from 50.77% to 48.00%, and cost of long-term debt from 4.45% to 3.91%.[84]

Underlying the dispute are the parties' positions on whether using a stand-alone capital structure is appropriate in this matter. Corning proposes the use of such a structure for setting its rates, while Staff, despite providing an analysis of and corrections to the Company's stand-alone capital structure, proposes the use of a hypothetical capital structure to set rates. Staff's recommendation is based on the assertion that it is not clear if the Company and its parent are employing rational financing policies because of the use of preferred equity in the parent company's capital structure. In this respect, Staff notes that it is difficult to determine the extent to which the parent company is effectively leveraged relative to Corning. Staff posits that it would not be appropriate to authorize rates predicated on either Corning's stand-alone capital structure or the consolidated capital structure of the parent because of this difficulty.[85]

Corning counters that a stand-alone structure is appropriate because the Commission has already determined that its ring-fencing measures are appropriate in its 2013 order approving of a Joint Proposal that established the use of a

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[84] Staff Initial Brief 39-40. Staff notes that in terms of revenue requirement, a 1% change in the common equity ratio is worth approximately $51,693 and a 10 basis-points change in return on equity (ROE) is worth approximately $44,612.

[85] Staff Initial Brief 41-43.

holding company between Corning and its parent.[86] Corning also notes that Staff's approach ignores the fact that Corning's relatively small size negatively impacts its ability to access capital markets on reasonable terms.

Staff counters that, although the Commission has sometimes allowed the use of a stand-alone capital structure in setting rates where sufficient ring-fencing exists, Corning's Affiliate Standards do not rise to that level. Staff notes that, while Corning's measures were determined to be adequate for establishing the Holding Company, the Commission has not determined that they are sufficient for rate-setting and observes that there are deficiencies from what Staff determined would be suitable in its testimony in Case 16-G-0257.[87] By way of example, Staff observes that Corning has neither implemented a "golden share" provision to prevent the bankruptcy of the parent company or affiliates from affecting the Company, nor issued a non-consolidation letter to demonstrate the implementation of ring-fencing and the creation of the separate legal and credit entity for the utility subsidiary. Staff states that, in the absence of sufficiently strong ring-fencing provisions, the Commission typically compares the stand-alone capital structure of the utility to the consolidated capital structure of the utility's parent in order to ascertain whether they reflect rational financing policies. Staff concludes that because of its concern the Commission should instead use its

[86] Corning Reply Brief 57-58 (citing Case 12-G-0141, Petition of Corning Natural Gas Corporation for Authority to Form a Holding Company and for Approval of Certain Related Transactions, Order Adopting Terms of a Joint Proposal and Approving Formation of a Holding Company, with Modifications and Conditions (issued May 17, 2013)).

[87] Staff Initial Brief 44. Case 16-G-0257, National Fuel Gas – Rates.

proposed hypothetical capital structure.[88]

We agree with Staff. In particular, Corning's reliance on recent Commission-authorized weighted equity cost rates in New York is misplaced. Those rates were set in the context of multi-year plans. Given that Corning is making no commitment to delay any new rate filing, there is no additional risk to its investors. As for the other issues raised by Corning to support its request that we set rates using the Company's proposed equity ratio of 50.77%, we have reviewed the record and do not find it convincing. In particular, the Company's concerns about its cash flow do not convince this Commission that adjustments in favor of higher utility rates are warranted, particularly where the higher equity ratio would be borne by the utility's customer base through higher rates. While the record is devoid of evidence that Corning's requested 50.77% equity ratio is actually achievable, we also do not see it as a viable figure on which to set the Company's rates. As Staff notes, at best, Corning could be expected to maintain a stand-alone equity ratio of only 48.05% during the Rate Year.[89] To set rates based on an equity ratio higher than the actual rate borne by the Company would unreasonably shift additional costs on customers. Thus, we find that it is appropriate in this instance to employ a hypothetical capital structure and set the Company's rates using a common equity ratio of 48.00% as recommended by Staff.

2. Cost Rates

As for cost rates, Staff and the Company agree on the rates we should use for customer deposits and short-term debt.[90]

88 Staff Initial Brief 44-45.

89 Staff Initial Brief 47.

90 Corning Initial Brief 68.

The Commission annually sets the customer deposits rate which is currently at 0.05% and is appropriate here. For the cost of short-term debt, Corning forecast a rate of 3.78% and it was not disputed by Staff. We adopt this rate.

3. Long-Term Debt

Corning's requested long-term debt cost of 4.45% is based on the actual or estimated cost of each debt issuance reflecting the effective interest to Corning.[91] There is no real dispute as to the embedded costs used to calculate the Company's long-term debt cost. Instead, Staff takes issue with Corning's projections regarding anticipated new debt issuances that Staff disputes and makes an ultimate recommendation for the Commission to employ a long-term debt cost of 3.91%. Staff attributes the difference to a largely resolved correction related to three outstanding loans, as well as to disputes regarding the amounts and timing of the Company's future borrowing and the cost rate estimates for those anticipated new issuances.[92]

The two parties contest the significance of representations from an M&T Bank communication to Corning indicating that the applicable interest rate for new debt securities would be fixed at 4.75%. The Company claims that this figure is reliable and offers in brief another letter from M&T Bank received post-hearing that ostensibly indicates that, at present, Corning would be charged a rate of 4.57%, which the Company says favorably compares to its requested 4.45%.[93] Staff observes that the M&T Bank letter related to the 4.75% interest rate does not communicate any reliable estimate of the interest rate the bank would require on a loan to Corning during the Rate

[91] Corning Initial Brief 68.

[92] Staff Initial Brief 48.

[93] Corning Initial Brief 68.

Year.[94]

Staff proposes that the Commission look instead to other evidence in the case that demonstrates how M&T Bank determines interest rates when it lends to Corning and apply that formula. Staff notes that M&T Bank calculates the interest rate of 10-year loans at 1.80 percentage points above the yield on the 10-year Treasury and it fixes the interest rate on three-year debt at 3.00 percentage points above the three-year Treasury plus the ask side of the three-year London Interbank Offered Rate ("LIBOR") swap spread. At the time of Staff's testimony, the 10-year Treasury was trading at 0.66% and there was no change forecasted, indicating that Corning's 10-year debt issuances during the Rate Year would be issued at a cost of 2.46%. Also, the three-year Treasury was trading at 0.20% with the three-year LIBOR swap spread equal to 0.06%. With the addition of a spread of 3.00%, the resulting estimate for a cost of 3.26% for Corning's three-year debt issuances during the Rate Year.[95]

We agree with Staff that its formula serves as a reasonable proxy for a litigated result. We adopt that approach noting that we are updating the forecasts for the formula's components to reflect the actual Treasury and LIBOR rates as of the issuance of this decision. Given that we are adopting Staff's formula approach as reasonable, we do not need to rely on Staff's alternative grounds which were based on its observation that Corning has failed to comply with the Commission's Order Authorizing the Issuance of Securities in Case 17-G-0346. However, we do agree with Staff that the Company's failures to promptly disclose the terms of the long-

[94] Staff Initial Brief 49.

[95] Staff Initial Brief 49-50.

term debts that it issued and to demonstrate the reasonableness of those terms is unacceptable. We expect that the Company will comply going forward and so not require a prudence review.

4. Return on Equity

The largest point of contention surrounds the dispute on the authorized ROE. Corning's requested 10.20% is contrasted with Staff's recommended 8.45%, a difference of approximately $8 million in revenue requirement.[96] Disputed issues involve the composition of appropriate proxy groups, appropriate growth rates for the discounted cash flow ("DCF") analyses, key inputs employed in the capital asset pricing model ("CAPM") analyses, the relative weighting of the CAPM and DCF results, and appropriateness of imputing a size premium. Before we discuss the specific disputes, we note that the Commission's concern is in arriving at a just and reasonable result that balances the needs of the Company to access investment capital with those of the customer that must pay the rates we set.

a. Proxy Groups

A proxy group analysis is used as a guide to reduce the potential for bias and inaccuracy in equity analyst estimates. Selected members of a proxy group should be reasonably comparable to the utility seeking new rates as determined by a set of selection criteria. The elements of such criteria can significantly influence the constituents of a proxy group affecting the final ROE recommendations. Thus, it is important to analyze what criteria has been applied to determine whether those constituent members represent similarly situated utilities.

The Company proposed the use of two proxy groups: a group consisting of a combination of gas and electric utilities;

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[96] See Staff Initial Brief 39-40.

and a group consisting of gas only utilities all the members of which were included in the combined group. Staff analyzed only a single group consisting of 33 electric utilities and five natural gas utilities. The two parties agreed on certain criteria for proxy utilities such as each utility maintaining investment-grade credit ratings, not being a party to mergers or acquisitions, and having paid regular dividends. While both parties also evaluated prospective companies to determine how much is earned from regulated operations, Staff measured the amount relative to the companies' revenues while Corning measured their earnings relative to net operating income. Lastly, Corning also included a criterion by which a member could not own generation exceeding 60% of its megawatt-hour ("MWh") sales.[97]

Staff challenged both these differences, noting that the MWh criterion was unreasonably restrictive, and that net operating income created a proxy group that was ultimately much riskier in profile than Corning. On this second point, Staff asserted that inclusion of a riskier, non-utility subsidiary would make it more likely that a subsidiary with poor operating income would be included in the Company's proxy group.[98] Corning defended its exclusion of companies owning significant generation resources as not reflecting a similar risk profile to the Company.[99] Similarly, although Staff contested Corning's use of a gas-only proxy group as being too small, the Company countered that Staff's proxy group consisting of 85% electric utilities does not appropriately reflect the risks associated

[97] Staff Initial Brief 51-53.

[98] Staff Initial Brief 54.

[99] Corning Reply Brief 48-49.

with Corning's gas-only distribution operations.[100] Having reviewed the points raised by both parties, we opt to rely on Staff's proxy group as reasonable.

b. Discounted Cash Flow

As Staff notes, the primary challenge in applying the DCF is determining the rate of growth in future dividends that investors expect. Although Staff contested As Staff contends, the Company's DCF models contain inputs that are problematic and some of which the Commission has rejected in past rate matters.

Staff reasonably demonstrates that Corning's use of earnings growth forecasts rather than dividend growth forecasts for the short-term growth rates is not supported by the record and is of questionable validity at best.[101] The Commission has never endorsed a DCF formula that substitutes earnings growth for dividend growth and we do not see anything in the Company's submittals that would make us inclined to endorse it now. We agree with Staff that the assumption is problematic in that it does not serve to measures the present value of future dividends as intended by the DCF.

Additionally, we agree that Corning's long-term growth rate GDP growth rate derived from forecasted inflation rates and historic real economic growth rates is excessive. Staff demonstrates that the use of historic growth rates creates issues where, as here, there is no demonstration that circumstances for the historic period are adequately similar to current economic conditions and likely to provide an accurate forecast for future growth. In particular, we find compelling Staff's illustration that the Company's historically derived long-term growth rate of 5.52% exceeds the forward-looking GDP

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[100] Corning Initial Brief 62.

[101] See Staff Initial Brief 57-58.

estimate of 4.00%, published by Blue Chip Economic Indicators, by 152 basis points, while Staff's long-term growth rate of 4.70% exceeds this forward-looking GDP growth forecast by 70 basis points.[102] From this observation, it is clear that the Company's projection is very likely an outlier and of questionable reliability. Lastly, the Commission has already rejected the arguments raised by Corning regarding the timing of future dividend payments and the effect of the time value of money in Case 08-E-0539.[103] On the record before us, we see no reason to revisit that determination as nothing new has been raised in this case. The Commission's observation there that any additional allowance in the Company's ROE based on adjustments for the timing of dividends would be duplicative for those who actually reinvest dividends and unnecessarily generous to those who do not still applies. Thus, consistent with the Commission's 2008 Con Edison Rate Order, we decline to apply an upward adjustment to Staff's DCF results on which our ROE decision here is based.

c. Capital Asset Pricing Model

Both Corning and Staff calculated CAPM results for their respective proxy groups using a traditional and a zero-beta methodology. The parties differ, however, on the inputs used. Specifically, Staff takes issue with three facets of the Company's analysis arguing that Corning used an excessive market-return estimate of 14.27%, used a flawed source for its beta input, and used inappropriate risk-free rates.[104]

Regarding the Company's 14.27% market rate of return

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[102] Staff Initial Brief 59-60.

[103] See Case 08-E-0539, Consolidated Edison Company of New York, Inc. – Electric Rates, Order Setting Electric Rates 125-126 (issued April 24, 2009) (2008 Con Edison Rate Order).

[104] Staff Initial Brief 63-66.

estimate, relying on language from a Federal Energy Regulatory Commission order, Corning omits the use of a long-term component in its methodology relying wholly on a constant growth analysis of the S&P 500 index derived from short-term earnings. Staff challenges the Company's methodology stating that it is unreasonable to assume that near-term earnings growth forecasts formulated for the next three to six years will last into perpetuity. Additionally, Staff dismisses Corning's use of a beta from Bloomberg noting that the Commission has consistently used Value Line betas based on research that demonstrates the superiority of those betas. Nothing was presented in this case to make us reconsider that use in favor of other beta sources, or even as additional beta sources. We also agree with Staff that a five-year measurement period for beta balances the interests of having a long enough timeframe to produce reliable estimates but using recent enough data to reflect current market conditions. Lastly, we agree with Staff that the best forecast of future interest rates is a no-change forecast. There is no credible evidence that forecasts of changes in interest rates are reliable not just in terms of the amount of a predicted change, but even in the direction of any such change. Accordingly, we affirm the Commission's practice of not relying on any published analysts' interest rate forecasts to determine the risk-free rate, but rather to assume a no-change forecast.

Corning challenges Staff's CAPM result as being too low attributing such result to Staff's exclusive use of Value-Line betas,[105] but a review of the record demonstrates that the Staff methodology used follows Commission precedent as reflected in the rate case decisions that have been issued since the

[105] Corning Initial Brief 62.

Generic Finance Recommended Decision.[106] We agree with Staff and will employ its CAPM as updated.

As the Commission did in Case 16-G-0257 when it considered the litigated record to establish rates for National Fuel Gas, we rely on certain longstanding elements of the Commission's finance methodology: the application of both DCF and CAPM analyses to a representative proxy group of utility companies; the use of a two-stage DCF computation with inputs derived from Value Line; the basing of CAPM results on an average of the outcome from standard and zero-beta models with a risk-free rate based on Treasury bonds, market risk premium provided by Merrill Lynch's Quantitative Profiles, and betas taken from Value Line.

d. DCF/CAPM Weighting

The Commission has expressed its preference for a two-thirds weight of the DCF and a one-third weight to the CAPM results on numerous occasions. Relying on more observable and less subjective inputs, the DCF is superior to the CAPM and our preferred weighting for determining an ultimate ROE recognizes that superiority of the DCF. As Staff discusses in its brief, Corning's issues with the differences between the Company's own CAPM and DCF results are products of questionable inputs that we have rejected in this Order. Were the Company to run their respective calculations using our adopted inputs, it is more than likely that the two results would be more closely aligned. In any event, we see nothing new raised that has not been considered and rejected in past Commission orders on the question of weighting the two methodologies and affirm its use herein.

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[106] Case 91-M-0509, Proceeding on Motion of the Commission to Consider Financial and Regulatory Policies for New York State Utilities, Recommended Decision (issued July 19, 1994).

e. Size Premium

As a final issue, Corning urges the Commission to employ a 50-basis point upward adjustment to our final ROE to account for Corning's small size relative to some other New York investor-owned gas utilities.[107] The Company claims that such an adjustment is warranted because its smaller size makes it less able to weather events that adversely impact its revenues and expenses creating additional risk that should be compensated. In the universe of regulated utilities, difficulties faced by other smaller-sized companies are not present for precisely the reasons cited by Staff, e.g., they are heavily regulated and follow similar accounting procedures to each other, they are required to seek regulatory approval for security issuances, and they are provided just and reasonable rates that can be changed upon a demonstration of inadequacy. Thus, we see no reason based on size-alone to provide a premium to the Company's allowed ROE.

Here, we have already declined to apply numerous inputs used by Corning underlying its requested 10.20% ROE. In doing so, we have affirmed past Commission precedent and decided to apply Staff's application of the Commission's generic finance methodology. In so doing, we are allowing the Company to set rates based on an 8.80% ROE which has been updated from the time of Staff's testimony to reflect the most current financial information available. This result is the product of a rational methodology that creates predictability and certainty and balances all interests involved. As such, our allowed ROE and the other cost of money issues resolved in this section contribute significantly to the rate plan included in this Order and our finding that the rates we are setting are, as a whole,

[107] Corning Initial Brief 65-66.

just and reasonable.

F. Overall Revenue Requirement

All the changes discussed above result in a base rate decrease of $0.766 million. As previously stated, a $1.3 million tax surcredit is expiring and the DRA surcharge is forecast to be reduced by $30,000. These changes result in a total net revenue impact of $505,000, which is an overall revenue increase of 1.77% over the Rate Year. The average annual bill impact on residential customers will be an increase of approximately 2.43% and the average annual bill impact on low income customers will be a decrease of approximately 6.14%. However, as new rates will not go into effect until June 1, 2021, these impacts will need to be compressed into the remaining eight months of the Rate Year. To effectuate this compression, the Company must institute a surcharge, allocated to all service classes based on revenues excluding contract customers, that will collect $311,501 from June 1, 2021, through the end of the Rate Year. The amount is comprised of: 1) the tax sur-credit passed back between February 1, 2021, and May 31, 2021; 2) the residential base revenue decrease that the Company should have implemented beginning February 1, 2021, through May 31, 2021; and 3) the non-residential base revenue decrease that the Company should have implemented beginning February 1, 2021, through May 31, 2021. This surcharge shall expire on January 31, 2022. The Company shall reconcile the amounts collected through the compression surcharge to the amounts that should have been collected if rates had gone into effect on February 1, 2021. The residential base revenue collected through the compression surcharge shall not be included in this reconciliation as it will be reflected in the RDM reconciliation. The reconciliation amount shall be booked to a regulatory asset or liability account, dependent upon the result of the calculation, for the Commission's future determination.

G. Gas Safety

Staff and the Company are mostly in agreement with the revenue adjustment programs applicable to its gas safety initiatives. These initiatives establish safety performance targets in the areas of Leak Management, Infrastructure Enhancement, Emergency Response, Damage Prevention, and Non-compliance with the Commission's Gas Safety Regulations.[108]

Consistent with other gas utilities, Corning's performance is subject to a maximum negative revenue adjustment of 150 basis points for unsatisfactory performance.[109] The parties agree both to the total amount of revenue exposure and as to how the allocation of those points should be made. Corning also has some metrics by which it can earn positive revenue adjustments. There are some minor differences between the parties as to how to measure performance in certain targets and as to the amount and eligibility for positive adjustments.

As of the end of 2019, Corning's system included approximately 70 miles of leak prone pipe remaining to be replaced. The parties have agreed on requiring the Company to replace ten miles per year, which puts Corning on track to conclude its replacement program in approximately seven years. The parties also agree to a target of replacing a minimum of 250 leak prone services per year, concurrently with the main replacement program, and that all gas meters and service regulators be placed outside a customer's building or structure

[108] See Appendix 7 for a full description of all metrics and programs.

[109] Staff Initial Brief 81-82.

on all new and replacement service installations. The parties also agree that any leaks that Corning need repair in a flood control area may be included as part of the leak prone pipe replacement program. This allowance is for the period addressed in this rate proceeding and may not be extended, explaining that to remove and avoid conflicts with the flood control levees that currently contain leak prone pipe with active leaks, if the length of the pipe required to be replaced or relocated is longer than the actual length of the pipe in the ditch, Corning will be allowed to count the entire length of the pipe installed towards its annual 10 mile replacement target.[110] There is additional agreement on the treatment of incremental costs over the $33.96 cost per foot for systematic replacement of distribution main in calendar year 2021 utilized by the Staff Infrastructure and Operations Panel to calculate the average unit cost and on the maintaining of records of the number of miles and feet of main replaced, specifically in the flood control area.[111] Finally, the parties also agree that Corning be subject to a maximum negative revenue adjustment of 15 basis points[112] for not meeting its targets.[113]

There is one area of dispute as to whether Corning should be provided with a positive revenue adjustment for exceeding its annual leak prone pipe replacement targets.[114] The Company raised this possibility for the first time in rebuttal preventing Staff from addressing it in testimony. In brief, however, Staff does not recommend we adopt any positive

[110] Staff Initial Brief 82-83.

[111] Staff Initial Brief 83.

[112] All basis points applicable to negative revenue adjustments in this section are assessed on a pre-tax basis.

[113] Staff Initial Brief 83.

[114] Corning Initial Brief 70-71.

adjustment mechanism for leak prone pipe replacement. Staff relies mostly on its agreement with Corning that allows it to count additional pipe replacement in flood control areas towards its annual replacement goal. Staff notes that this allowance already provides an incentive to the Company and allow it to easily achieve its annual target.[115] We agree and decline to adopt a positive rate adjustment in this particular instance.

For leaks on the Company's system, Corning and Staff agree to total leak backlog targets of 45 at the end of 2021 and 40 at the end of 2022. The Company and Staff also agree for Corning to meet a repairable leak backlog of four leaks or fewer until changed by the Commission. As for an assessed revenue adjustment, Corning agrees to Staff's recommendation of five basis points for the total leak backlog target and ten basis points for the repairable leak backlog target.[116] Again, the two parties disagree on the application of positive revenue adjustments, although in this case they agree that some program of positive adjustments should be included in the rate order.

Staff proposes a tiered approach such that two basis points would be awarded for total year-end leaks between 34 and 26, four basis points for total year-end leaks between 25 and 16, and six basis points for fewer than 16. Corning contests the fairness of increasing the risk attached to potential negative revenue adjustments while reducing the additional earnings attached to superior performance.[117] Corning proposes that the respective tiers be valued at four, six and eight basis points, respectively.[118] Staff notes that its recommended

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[115] Staff Initial Brief 83-84.

[116] Staff Initial Brief 84.

[117] Staff Initial Brief 84-85.

[118] Corning Initial Brief 70.

positive revenue adjustment amounts are commensurate to other New York gas utilities.[119] Corning's fairness argument is tied to the fact that Staff's recommendation has reduced the revenues available to it under its previous rate plan. However, the Company does not dispute Staff's representation regarding similarly situated gas utilities. Accordingly, we adopt Staff's recommendation.

For Damage Prevention, Staff and Corning agree that its existing categorized program be converted into one metric applicable to total damages assessed on a tiered basis.[120] However, the parties disagree on the maximum exposure to which the Company should be subject. Under Staff's recommended program, for the maximum exposure tier, the target is set at a rate in excess of 2.50 damage incidents per 1000 one call tickets with an associated negative revenue adjustment of 20 basis points. For the second tier, the applicable target is between 2.26 and 2.50 incidents per 1000 one call tickets with an associated negative revenue adjustment of ten basis points. For the third tier, the applicable target is between 2.01 and 2.25 incidents per 1000 one call tickets with an associated negative revenue adjustment of five basis points. After a neutral tier whereby no revenue adjustment is made for performance within 1.51 and 2.00 incidents per 1000 one call tickets, the Company would begin to realize a positive revenue adjustment of five basis points for performance within 1.26 and 1.50 incidents, and ten basis points for a rate below 1.26 incidents.[121]

Corning argues that 20 basis points is too high and

[119] Staff Initial Brief 85.

[120] Corning Initial Brief 73.

[121] Staff Initial Brief 85-86.

proposes a maximum exposure of fifteen basis points. The Company relies on its small size asserting that any change in the number of total damages results in a large impact on its overall damage performance.[122] Staff does not specifically respond to Corning's assertion, but instead observes that when measured against the 2019 statewide average, Corning's performance for overall damages was at a rate of 2.10 per 1000 one-call tickets, worse than the average statewide performance level of 1.84 per 1000 one-call tickets of other gas utilities. Citing to the Company's historic performance, Staff asserts that its recommendation is designed to bring Corning closer to the statewide average.[123] We share Staff's concern regarding the Company's standing vis-à-vis its peer utilities. Accordingly, we adopt Staff's recommended exposure levels, as well as its positive incentive levels to which Corning did not object.

For Corning's emergency response program, Staff and the Company agree to maintain the current targets which require Corning to respond within 30 minutes to 75% of all gas leak, odor, and emergency calls; respond within 45 minutes to 90% of all gas leak, odor, and emergency calls, and respond within 60 minutes to 95% of all gas leak, odor, and emergency calls.[124] Staff has recommended an increase in the maximum exposure applicable to these tiers to twelve, eight, and five from the Company's last rate plan which applied six, four and two, respectively. Staff posits that such an increase will provide an incentive for Corning not to backslide from its current performance which was compliant.[125] Corning counters that there

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[122] Corning Initial Brief 73.

[123] Staff Initial Brief 86.

[124] Staff Initial Brief 86-87.

[125] Staff Initial Brief 87.

is no reason to believe that the Company’s performance will decrease.[126] Although we agree with Staff’s recommended increase in exposure, we think the more compelling reason to do so than Staff’s backsliding prevention concern is because such an increase better reflects the Commission’s elevated concern with the importance of responding to an emergency situation, particularly in the context of retaining a 150 basis point total maximum exposure, but reallocating that exposure among the complete profile of Corning’s gas safety programs.

Finally, for the outcomes of field audits performed by the Department’s Gas Pipeline Safety Staff to determine compliance with the Commission’s pipeline safety rules and regulations contained in 16 NYCRR Parts 255, 261 and 753, Corning and Staff are in agreement across the program. As an initial matter, for violations that occurred in previous years, Corning owes to customers $153,000 of which the parties to propose to invest $75,000 in the implementation of a Residential Methane Detector Program.[127] We agree.

As to the specifics of violations of the Commission’s rules and regulations, the parties agree on a negative revenue adjustment maximum exposure of 75 basis points per year, which is consistent with the pipeline safety performance measure metrics for other New York gas utilities.[128] The 75 basis points would be assessed as follows: for record audits, the first five high risk violations would not subject the Company to any adjustment; from the sixth to the 20th high-risk violations, the Company would incur one-half basis point per violation; and for each high-risk violation greater than 20, the Company would

[126] Corning Initial Brief 73.

[127] Staff Initial Brief 88, 94-95; Corning Initial Brief 75-76.

[128] Corning Initial Brief 73.

incur one basis point per violation. For the first 15 other risk violations, the Company would not be subject to an adjustment; and for each other risk violation greater than 15, the Company would incur a negative revenue adjustment of one-fourth of a basis point per violation. For field audits and investigations, the Company would incur a negative revenue adjustment of one-half a basis point for each of the first 20 high-risk violations; for each high-risk violation in excess of 20, the Company would incur a negative revenue adjustment of one basis point per violation; and for all other risk violations, the Company would incur a negative revenue adjustment of one-fourth basis point. In addition, for each audit year, a cap on the total record audit violation count of ten basis points will apply to each of the code sections identified in Hearing Exhibit 44 which lists several discrete code sections, with any additional noncompliance of those sections subject to further review and action. As explained by Staff, in any case where the Company has more than ten violations of a single code section, the Company is to develop a corrective action plan to ensure that violations do not continue and should the Company fail to comply with its corrective action plan, the number of violations of a given code section that are in excess of ten would be included with the remainder of the violations being considered for the compliance measure, thereby increasing the basis points at risk in a potential negative revenue adjustment. While the corrective action plan is intended to avoid the need for formal, intensive penalty actions against the Company for each noncompliance, it does not replace the Commission's ability to pursue a penalty action should the need for such action become apparent so as to compel compliance.[129]

[129] Staff Initial Brief 88-90.

H. Customer Service and Low Income

Since 2017, the Commission has been working with Office of Consumer Services to bring consistency across the State's utilities to their Customer Service Performance Indicator (CSPI) programs, including consolidating the names of the different metrics as well as the timing of annual reporting. We continue that trend and adopt Staff's general recommendations, to which the Company agrees, as to the names and applicability of the various metrics, the requirement that Corning's annual performance review be done on a calendar year basis, and to apply negative revenue adjustments for each metric that are measured in terms of pre-tax basis points rather than specific dollar amounts.[130]

The Company and Staff agree to maintain the current target level of three or fewer customer complaints to avoid a negative revenue adjustment.[131] Additionally, the Company and Staff agree to a Customer Satisfaction Survey minimum score of 87.7% to avoid a negative revenue adjustment. Should its score fall between 86.7% and less than or equal to 87.7%, Corning would be subject to a five-basis point adjustment, ten basis points for a score between 85.7% and less than 86.7%, and fifteen basis points for a score less than 85.7%.[132]

For Appointments Kept, Corning agrees to Staff's recommendation at this time to develop written policies and procedures for scheduling, logging, tracking and verification of service appointments and missed appointment information. Corning also will inform customers that they will receive a $25 credit for a missed appointment either at the time the

[130] Corning Initial Brief 78.

[131] Staff Initial Brief 98.

[132] Staff Initial Brief 98-99.

appointment is made or when confirming the scheduled appointment.[133] Corning should file its proposed policies and procedures with the Secretary within 30 days after issuance of this Order.

While the parties have agreed that Corning will add an Arrearage component to its existing Residential Service Terminations and Uncollectibles metric, Staff and the Company disagree on the targets that would be applied and the associated positive and negative revenue adjustments that would be applied against performance.[134] We, however, will pause this mechanism because, on May 11, 2021, Governor Cuomo signed into law an extension to the moratorium on utility terminations for residential and small businesses for a period of 180 days after the COVID-19 state of emergency is lifted or 180 days after December 31, 2021, whichever is earlier. The moratorium may be in effect much of the Company's rate year, which will impact company operations. Corning's actual termination, arrearage and uncollectible performances will be impacted by the legislation and its performance will not be comparable to either Staff or the Company's proposed performance targets. Staff, the Company and parties can explore reinstating this mechanism in the Company's next rate filing.[135]

The parties are also in agreement that the Company will file a feasibility proposal for an Electronic Deferred Payment Agreements (e-DPA) program.[136] We take no further action on this item, noting that only a proposal is required here. Thus, issues raised by Coring as to its Customer Information

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[133] Corning Initial Brief 79.

[134] Corning Initial Brief 79.

[135] See Appendix 8 for the CSPI metrics.

[136] Corning Initial Brief 82.

System not being connected to the Company web page for a secure portal for signatures and any alternatives may be raised in the filed proposal. The parties also agree as to securing support for its Customer Information System. Corning's proposal should be included in the Company's next rate filing, unless such filing is not made within 60 days after issuance of this Order, in which case the proposal should be filed within the same 60 days as a stand-alone compliance item.

Lastly, Corning agrees with Staff's recommendations to increase the existing low-income discount from $8.00 to $16.00 per month and its overall Low-Income Program budget to $250,000.[137]

I. Rate Design Issues

1. Embedded Cost of Service Study

The Company provided an embedded cost of service studay ("ECOS Study") allocating the Company's revenues and expenses to each service class. The ECOS study calculated a rate of return by class for guidance in revenue allocation and rate design, and allocated costs between customer-related (exclusive of demand) and demand-related costs. The ECOS Study classified gas distribution main costs as customer-related on the basis of a minimum system study, a 2-inch main system that would be required without consideration of any demand.[138]

Staff criticized the minimum system study on the basis that the five years of data on 2-inch mains were limited and not reflective of the Company's entire system cost. Staff recommends that the Company use in future cases the average installation cost for 2-inch mains based on the Company's entire

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[137] Corning Initial Brief 83.

[138] Tr. 279-289.

plant in service, not just the last five years of costs. Staff further proposes that if the relevant data are unavailable, the Company usea state-wide average customer componenet of the minimum system study to allocate distribution main costs.[139] The Company responded in rebuttal testimony that only a few years of data are necessary for this calculation and that a state-wide average would be meaningless.[140]

Because we are not using the ECOS study to design rates in this case, we do not need to resolve this issue here. We urge the Company to work with Staff prior to filing its next rate case to reach a mutual agreement on the data to use for the minimum system study. If agreement is not reached, we expect to see testimony on this matter in the next case, and we will address the issue at that time.

Multiple Intervenors objects to the Company's use of an "adjusted customer allocation factor" to allocate the costs of mains larger than two inches as this underallocates costs to small customers by attempting to combine the number of customers with the aggregation of larger loads. Multiple Intervenors witness Baudino testified that the Company's adjusted customer allocation factor was highly unusual.[141] The Company took issue with Mr. Baudino's illustrative alternative calculation but did not directly address Mr. Baudino's objections to the adjusted customer allocation factor.[142]

We see merit in Multiple Intervenors' objections to the adjusted customer allocation factor, but because we are not using the ECOS study for rate design in this case, this issue

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[139] Tr. 1018-1020.

[140] Tr. 311-313.

[141] Tr. 882-885.

[142] Tr. 314.

can be addressed if necessary in the Company's next rate case.

2. Revenue Allocation

Because of the unresolved disputes about the details of the ECOS study and because the revenue requirement increase we are authorizing in this case is relatively small, we will allocate the revenue requirement increase to each class of service on a uniform basis as proposed by the Company[143] with one exception: we will allocate a slightly larger increase to SC 8 Hamondsport Transportation to move it closer to SC 6 Commercial Transportation, which has similar characteristics. This adjustment was recommended by Staff[144] and not contested by the Company.[145] UIU also concurs with a uniform increase as adjusted by Staff.[146] Multiple Intervenors objects to a uniform rate increase and proposes adjustments to rate design based on the ECOS study,[147] but given the multiple criticisms of the ECOS study and the small revenue increase allowed in this case, we will adopt Staff's position.

3. Rate Design

The Company proposed increases in minimum charges of appproximately 25%.[148] Staff proposed proportional increases across the board to minimum customer charges and all other volumetric charges based on the revenue requirement authorized in this case.[149] The Company accepted Staff's proposal in its Reply Brief.[150] We accept the agreement of the parties. The

143 Company Reply Brief at 75.

144 Staff Initial Brief at 78.

145 Company Reply Brief at 75.

146 UIU Initial Brief at 10-11.

147 Multiple Intervenors Initial Brief at 7-9.

148 Hearing Exh. 11 (CNG-10, PMN-5, p. 1)

149 Hearing Exh. 46 (SRP-4); Staff Initial Brief at 79.

150 Company Reply Brief at 76.

final revenue allocation is contained in Appendix 9.

4. Lost and Unaccounted for Gas

For the last two rate proceedings, the Company has operated under an incentive mechanism for Lost and Unaccounted for ("LAUF") gas, which is calculated by subtracting metered deliveries from metered supplies. The mechanism is based on a LAUF Factor of Adjustment, which contains a deadband above which the Company incurs a penalty, and below which the Company achieves an incentive. Within the deadband the Company recovers its actual commodity costs. The current Factor of Adjustment is 1.0037, and the deadband is from 1.0 to 1.0160. The Company recommended no change in these amounts. Staff proposed to reset the Factor of Adjustment to 1.0027 based on the most recent five year period as the Commission did in the last two rate cases, and to reset the deadband at 1.0 to 1.0192.[151] The Company accepted these adjustments in its Reply Brief,[152] and we accept the agreement of the parties.

V. CONCLUSION

We find that the rates and rate plan adopted herein provide just and reasonable rates, terms and conditions, and, consistent with the discussion herein, are in the public interest.

The Commission orders:

1. Corning Natural Gas Corporation is directed to file cancellation supplements, effective on not less than one day's notice, on or before May 26, 2021, cancelling the tariff amendments and supplements listed in Appendix 1 to this Order.

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[151] Tr. 1031-1032.

[152] Company Reply Brief at 76.

2. Corning Natural Gas Corporation is directed to file, on not less than five days' notice, such further tariff revisions as are necessary to effectuate the provisions adopted by this Order, including a total net revenue increase of $505,000 to take effect June 1, 2021, as detailed in Appendix 2 to this Order. Corning Natural Gas Corporation shall serve copies of its filing on all active parties in these cases. Any comments on the compliance filing must be received at the Commission's offices within 14 days of service. The amendments specified in the compliance filing shall not become effective on a permanent basis until approved by the Commission.

3. The requirement of Section 66(12)(b) of the Public Service Law that newspaper publication be completed prior to the effective date of the proposed amendments directed in Clause 2 above is waived and Corning Natural Gas Corporation is directed to file with the Commission, not later than six weeks following the amendments' effective date, proof that a notice to the public of the changes made by the amendments has been published once a week for four successive weeks in newspapers having general circulation in the areas affected by the amendments.

4. Corning Natural Gas Corporation is directed to file within 90 days after the end of each calendar year, beginning with 2021, capital expense and variance reports as described in the body of this Order.

5. The Petition of Corning Natural Gas Corporation to Defer Leak Survey and Repair Costs Over and Above the Level Last Established in Rates in Case 16-G-0204 is denied.

6. Corning Natural Gas Corporation shall, within 30 days of the date of issuance of this Order, file proposed policies and procedures with respect to missed appointments and a customer credit of $25 for missed appointments.

7. Corning Natural Gas Corporation shall, either in its next rate case filing or within 60 days of the issuance of this Order, whichever first occurs, file a proposal for an electronic deferred payment agreements program.

8. These proceedings are continued.

By the Commission,

(SIGNED) MICHELLE L. PHILLIPS
Secretary

SUBJECT: Filing by CORNING NATURAL GAS CORPORATION

Amendments to Schedule P.S.C. No. 7 – Gas

Seventh Revised Leaves Nos. 153, 157, 160, 162, 165, 197
Ninth Revised Leaf No. 155

Suspension Supplement Nos. 7,8,9

Corning Natural Gas Corporation
Case 20-G-0101
Statement of Operating Income
For the Rate Year Ending January 31, 2022

	Rate Year As Adjusted Per Staff	Adj No.	Commission Adjustments	Rate Year As Adjusted By the Commission	Revenue Requirement Adjustment	Rate Year with Revenue Increase
Operating Revenues	$ 26,827,587		$ -	$ 26,827,587	$ (765,664)	$ 26,061,923
Purchased Gas	7,227,396		-	7,227,396	-	7,227,396
Operating & Maintenance Expense	9,270,709	1	(697,204)	8,573,505	(3,555)	8,569,950
Depreciation Expense	2,525,056	2	(534,058)	1,990,998	-	1,990,998
Accelerated Recovery of Plant	177,222		-	177,222		177,222
Taxes Other Than FIT	3,153,509	3	(15,303)	3,138,206	(9,687)	3,128,519
Total Operating Expense	22,353,891		(1,246,565)	21,107,326	(13,242)	21,094,084
Operating Income Before Income Taxes	4,473,696		1,246,565	5,720,261	(752,422)	4,967,839
State Income Taxes						
Current	261,981		52,202	314,183	(48,907)	265,275
Deferred	(59,086)	4	26,370	(32,716)	-	(32,716)
Total State Income Taxes	202,895		78,572	281,467	(48,907)	232,560
Federal Income Taxes						
Current	1,062,564		188,849	1,251,413	(147,738)	1,103,675
Deferred	(762,190)	5	54,037	(708,152)	-	(708,152)
Total Federal Income Taxes	300,375		242,887	543,261	(147,738)	395,523
Operating Income	**3,970,427**		**925,106**	**4,895,533**	**(555,776)**	**4,339,757**
Rate Base	$ 68,650,777	6	$ 466,132	$ 69,116,909		$ 69,116,909
Rate of Return	**5.78%**			**7.08%**		**6.28%**

Corning Natural Gas Corporation
Case 20-G-0101
Schedule of Revenues and Operating and Maintenance Expenses
For the Rate Year Ending January 31, 2022

	Rate Year As Adjusted Per Staff	Adj No.	Commission Adjustments	Rate Year As Adjusted By the Commission
Operating Revenues				
Total Delivery Revenues	$ 18,062,487			$ 18,062,487
Merchant Function Charge	246,869			246,869
Total Base Revenues	18,309,356		-	18,309,356
Gas Costs	7,227,396			7,227,396
Revenue Taxes	322,803			322,803
NYSE&G	421,657			421,657
Gas Operating Revenues	26,281,212		-	26,281,212
Other Gas Revenues				
Customer Discounts Forfeited	101,031			101,031
Reconnect Fees	1,992			1,992
Misc. Revenues	2,929			2,929
Local Production Shortfall	213,114			213,114
Local Production - Transportation Short Fall	50,088			50,088
Accelerated Recovery Plant	177,222			177,222
Total Other Gas Revenues	546,375		-	546,375
Operating Revenues	**$ 26,827,587**		**$ -**	**$ 26,827,587**

	Rate Year As Adjusted Per Staff	Adj No.	Commission Adjustments	Rate Year As Adjusted By the Commission
Operating Expenses				
Purchased Gas Other	$ (21,142)		$ -	$ (21,142)
Direct Labor	3,302,952	1A	(150,181)	3,152,771
Supervisory & Indirect Labor	552,394			552,394
Insurance Costs	1,389,575	1B	(82,931)	1,306,644
Regulatory Costs	493,775	1C	(405,698)	88,077
Pensions and OPEBS	1			1
Pension Current	1,072,432			1,072,432
Pension Amortization	222,637	1D	(111,318)	111,319
OPEB Current	64,968			64,968
OPEB Amortization	(72,626)	1E	36,313	(36,313)
Uncollectible Accounts	118,564			118,564
Low Income Program	250,000			250,000
Debit Card & Credit Card fees	44,000	1F	8,242	52,242
Building Services	112,305			112,305
Transportation	195,546			195,546
Outside Services	476,425	1G	(72,000)	404,425
Inventory	166,307			166,307
Other O&M Costs	970,566	1H	80,369	1,050,935
Productivity Adjustment	(67,970)			(67,970)
Total Operating Expense	**$ 9,270,709**		**$ (697,204)**	**$ 8,573,505**

Corning Natural Gas Corporation
Case 20-G-0101
Depreciation Summary
For the Rate Year Ending January 31, 2022

	Rate Year As Adjusted Per Staff	Adj No.	Commission Adjustments	Rate Year As Adjusted By the Commission
Depreciation Expense	2,525,056	2	(534,058)	$ 1,990,998
Depreciation (Bath Line Project 11-G-0280 rate case)	177,222			177,222
Total Depreciation	**$ 2,702,278**		**$ (534,058)**	**$ 2,168,220**

Corning Natural Gas Corporation
Case 20-G-0101
Taxes Other than Income Taxes
For the Rate Year Ending January 31, 2022

	Rate Year As Adjusted Per Staff	Adj No.	Commission Adjustments	Rate Year As Adjusted By the Commission
Property Tax	$ 2,618,171			$ 2,618,171
Payroll Taxes	212,535	3A	(15,303)	197,232
Revenue Taxes	322,803			322,803
Taxes Other Than Income Taxes	**$ 3,153,509**		**$ (15,303)**	**$ 3,138,206**

Corning Natural Gas Corporation
Case 20-G-0101
Rate Base Summary
For the Rate Year Ending January 31, 2022

	Rate Year As Adjusted Per Staff	Adj No.	Commission Adjustments	Rate Year As Adjusted By the Commission
Net Utility Plant				
Plant in Service	$ 98,562,604	6A	104,242	$ 98,666,846
CWIP-Non Interest Bearing	3,182,055			3,182,055
Plant Allocated to Subsidiaries Operations	(817,715)			(817,715)
Plant Reserves				
Normal Depreciation	(26,268,942)	6B	253,197	(26,015,745)
Accelerated Recovery-Root Well/ Upgrades	(2,689,522)			(2,689,522)
Accelerated Recovery-Virgil	(1,000,000)			(1,000,000)
Accelerated Recovery-Bath	(1,569,704)			(1,569,704)
Accelerated Recovery-Other	(52,724)			(52,724)
Total Net Plant	69,346,052		357,439	69,703,491
Working Capital				
Material and Supplies	1,754,033			1,754,033
Prepayments	1,588,832			1,588,832
Cash Working Capital	926,215	6C	(27,063)	899,152
Total Working Capital	4,269,079		(27,063)	4,242,017
Deferred Debits	1,498,815	6D	164,637	1,663,452
Deferred Credits	(382,449)	6E	(78,677)	(461,126)
Unamortized Debt Discount & Expense	94,284			94,284
Accumulated Deferred Income Taxes	(9,946,487)	6F	49,796	(9,896,692)
Total Rate Base	64,879,295		466,132	65,345,427
Earnings Based Capitalization Adjustment	3,771,482			3,771,482
Rate Base as Adjusted	**$ 68,650,777**		**$ 466,132**	**$ 69,116,909**

Corning Natural Gas Corporation
Case 20-G-0101
Calculation of State Income Taxes
For the Rate Year Ending January 31, 2022

	Rate Year As Adjusted Per Staff	Adj No.	Commission Adjustments	Rate Year As Adjusted By the Commission
Operating Income Before Income Taxes	$ 4,473,696		$ 1,246,565	$ 5,720,261
Interest Expense	(1,382,499)		(37,760)	(1,420,259)
Amort of Excess Book Depreciation Reserve	(151,619)			(151,619)
ADR Normalized	18,100			18,100
Book Depreciation Expense	5,158,266			5,158,266
Deduct Tax Depreciation (less accelerated)	(4,659,039)			(4,659,039)
Rate Case Cost 2016	95,000		(82,333)	12,667
Amortization of Gas Specialist	(3,997)		2,221	(1,776)
Other Surcharges Applied to Plant	177,222			177,222
Deferred Net Plant Due	(24,624)		13,674	(10,950)
Rate Case 2020	211,967		(148,377)	63,590
Safety & Reliability Shortfall	29,372		(14,686)	14,686
Customer Affiliate Allocation Shortfall	17,557		(8,778)	8,779
Customer Make Whole Increase	18,397		(9,198)	9,199
Leak Repair/Survey	(0)			(0)
Pass Back of Interest on Over Collection	(57,912)			(57,912)
Fixed Interest	119,561		(59,781)	59,780
Customer Incentive	12,800		(6,400)	6,400
2019 mismarks	-		(2,011)	(2,011)
Leak backlog, total damages and mismarks for 2016, 2017 and 2018	-		(29,372)	(29,372)
Updated NRA balance	-		(14,520)	(14,520)
PP OPEB	-		(38,608)	(38,608)
Deferred Credits - 2016 Regulatory Liability	(4,704)		(3,137)	(7,841)
Deferred Credits - 2017 Regulatory Liability	(3,671)		(2,447)	(6,118)
Deferred Credits - 2018 Regulatory Liability	(3,397)		(11,945)	(15,342)
Deferred Credits - 2019 Regulatory Liability	(10,000)		10,000	0
Total Adjustments for Taxable Income	(443,221)		(443,458)	(886,679)
	939,278			533,580
Tax Income	$ 4,030,475		$ 803,107	$ 4,833,582
Rate	6.50%			6.50%
Current SIT	261,981		52,202	314,183
Total Current State Income Tax	**$ 261,981**		**$ 52,202**	**$ 314,183**

	Rate Year As Adjusted Per Staff	Adj No.	Commission Adjustments	Rate Year As Adjusted By the Commission
ADR Normalized	(1,176)			(1,176)
ACRS Normalized	(32,450)			(32,450)
Other Surcharges applied to plant	(11,519)			(11,519)
Deferred Net Plant Due	1,601		(889)	712
Rate Case 2016	(6,175)		5,352	(823)
Safety & Reliability Shortfall	(1,909)		955	(955)
Customer Affiliate Allocation Shortfall	(1,141)		571	(571)
Customer Make Whole Increase	(1,196)		598	(598)
Gas Specialist	260		(144)	115
Leak Repair/Survey	0		-	0
Pass Back of Interest on Over Collection	3,764		-	3,764
Fixed Interest	(7,771)		3,886	(3,886)
Customer Incentive	(832)		416	(416)
Def Debit-FIT Refund	(0)		-	(0)
2019 mismarks	-		131	131
Leak backlog, total damages and mismarks for 2016, 2017 and 2018	-		1,909	1,909
Updated NRA balance	-		944	944
PP OPEB	-		2,510	2,510
Def Debit-Rate Case 2020	(13,778)		9,645	(4,133)
Deferred Credits - 2016 Regulatory Liability	306		204	510
Deferred Credits - 2017 Regulatory Liability	239		159	398
Deferred Credits - 2018 Regulatory Liability	221		776	997
Deferred Credits - 2019 Regulatory Liability	650		(650)	(0)
Amortization of Accelerated Recovery Deferred Tax	11,822			11,822
Total Deferred State Income Tax	**$ (59,086)**	4A	**$ 26,370**	**$ (32,716)**

Corning Natural Gas Corporation
Case 20-G-0101
Calculation of Federal Income Taxes
For the Rate Year Ending January 31, 2022

	Rate Year As Adjusted Per Staff	Adj No.	Commission Adjustments	Rate Year As Adjusted By the Commission
Operating Income Before Income Taxes	$ 4,473,696		$ 1,246,565	$ 5,720,261
SIT Current	(261,981)		(52,202)	(314,183)
Interest Expense	(1,382,499)		(37,760)	(1,420,259)
Amort of Excess Book Depreciation Reserve	(151,619)			(151,619)
ADR Normalized	18,100			18,100
Deduct Tax Depreciation (less accelerated)	(3,367,705)			(3,367,705)
Rate Case 2016	95,000		(82,333)	12,667
Other Surcharges applied to Plant	177,222			177,222
Safety & Reliability Shortfall	29,372		(14,686)	14,686
Customer Affiliate Allocation Shortfall	17,557		(8,778)	8,779
Customer Make Whole Increase	18,397		(9,198)	9,199
Amortization of Specialist Wage Diff	(3,997)		2,221	(1,776)
Leak Repair/Survey	(0)			(0)
Pass Back of Interest on Over Collection	(57,912)			(57,912)
Fixed Interest	119,561		(59,781)	59,780
Customer Incentive	12,800		(6,400)	6,400
Def Debit-Rate Case 2020	211,967			211,967
2019 mismarks	-		(1,207)	(1,207)
Leak backlog, total damages and mismarks for 2016, 2017 and 2018	-		(29,372)	(29,372)
PP OPEB	-		(38,608)	(38,608)
Updated NRA balance	-		(15,324)	(15,324)
Deferred Credits - 2015 Regulatory Liability	0			0
Deferred Credits - 2016 Regulatory Liability	(4,704)		(3,137)	(7,841)
Deferred Credits - 2017 Regulatory Liability	(3,671)		(2,447)	(6,118)
Deferred Credits - 2018 Regulatory Liability	(3,397)		(11,945)	(15,342)
Deferred Credits - 2019 Regulatory Liability	(10,000)		10,000	0
Deferred Net Plant Due	(24,624)		13,674	(10,950)
Book Depreciation -includes clearing accounts	5,158,266			5,158,266
Total Adjustments for Taxable Income	586,133		(347,283)	238,850
Tax Income	5,059,829		899,282	5,959,111
Rate	21.00%		21.00%	21.00%
Current Federal Income Tax	**$ 1,062,564**		**$ 188,849**	**$ 1,251,413**

	Rate Year As Adjusted Per Staff	Adj No.	Commission Adjustments	Rate Year As Adjusted By the Commission
ADR Normalized	(3,801)			(3,801)
ACRS Normalized	(376,018)			(376,018)
Other Surcharges Applied to Plant	(37,217)			(37,217)
Deferred Net Plant Due	5,171		(2,872)	2,300
Rate Case 2016	(19,950)		17,290	(2,660)
Safety & Reliability Shortfall	(6,168)		3,084	(3,084)
Customer Affiliate Allocation Shortfall	(3,687)		1,843	(1,844)
Customer Make Whole Increase	(3,863)		1,932	(1,932)
Gas Specialist	839		(466)	373
Leak Repair/Survey	-			-
Prior Year Pension Recoverable Costs	(0)		-	(0)
Amortization of Prior Period OPEB Over-Collection	(0)		-	(0)
Pass Back of Interest on Over Collection	12,162		-	12,162
Fixed Interest	(25,108)		12,554	(12,554)
Customer Incentive	(2,688)		1,344	(1,344)
Def Debit-Rate Case 2020	(44,513)		-	(44,513)
2019 mismarks	-		253	253
Leak backlog, total damages and mismarks for 2016, 2017 and 2018	-		6,168	6,168
Updated NRA balance	-		3,218	3,218
Deferred Credits - 2016 Regulatory Liability	988		659	1,647
Deferred Credits - 2017 Regulatory Liability	771		514	1,285
Deferred Credits - 2018 Regulatory Liability	713		2,508	3,222
Deferred Credits - 2019 Regulatory Liability	2,100		(2,100)	(0)
PP OPEB	-		8,108	8,108
Amortization of Accelerated Recovery Deferred Tax	38,194			38,194
Regulatory Tax Asset Protected Rates	119,231			119,231
Regulatory Tax Asset Unprotected Rates	(38,611)			(38,611)
Regulatory Incremental Tax Asset Unprotected	(260,835)			(260,835)
Regulatory Incremental Tax Asset Protected	1,859			1,859
Deferred Regulatory Liability Current FIT Due	(139,313)			(139,313)
Deferred Regulatory Liability Depreciation FIT	(295,045)			(295,045)
Deferred Regulatory Liability FIT Other	752,350			752,350
Adjust amortization of excess ADFIT protected	66,952			66,952
Adjust amortization of excess ADFIT unprotected	(506,703)			(506,703)
Adjust amortization of excess ADFIT unprotected - CIAC	-		-	-
Total Deferred FIT	**$ (762,190)**	5A	**$ 54,037**	**$ (708,152)**

Corning Natural Gas Corporation
Case 20-G-0101
Capital Structure
For the Rate Year Ending January 31, 2022

Corning Natural Gas Corporation
Case 20-G-0101
Summary of Adjustments
For the Rate Year Ending January 31, 2022

Adj No.	Description of Adjustment	Commission Adjustments	Total Amount
Adj. 1	**Operations and Maintenance**		
A.	**Direct Labor**		
(1)	To eliminate management wage increases	(5,139)	
(2)	To update overtime pay for union contract	3,258	
(3)	To update vacation pay for union contract	2,557	
(4)	To reflect union wage increases of 3%	18,923	
(5)	To remove allowance for four new hires	(169,780)	(150,181)
B.	**Insurance**		
(1)	To reduce health insurance related to removal of four hires	(77,680)	
(2)	To reduce dental insurance related to removal of four hires	(5,251)	(82,931)
C.	**Regulatory**		
(1)	To reflect amortization of Prior Period OPEB deferral over 3 years	(38,608)	
(2)	To reflect amortization of 2016, 2017, 2018 NRAs deferral over 3 years	(11,749)	
(3)	To reflect amortization of new 2019 NRA deferral over 3 years	(804)	
(4)	To reflect amortization of 2016 NRA deferral over 3 years	(3,137)	
(5)	To reflect amortization of 2017 NRA deferral over 3 years	(2,447)	
(6)	To reflect amortization of 2018 NRA deferral over 3 years	(11,945)	
(7)	To reflect amortization of Gas Supply Specialist deferral over 3 years	2,221	
(8)	To reflect amortization of Net Plant deferral over 3 years	13,674	
(9)	To reflect amortization of 2016 Rate Case deferral over 10 years	(82,333)	
(10)	To reflect amortization of Fixed Interest deferral over 10 years	(59,781)	
(11)	To reflect amortization of Customer Incentive deferral over 10 years	(6,400)	
(12)	years	(14,686)	
(13)	To reflect amortization of Customer Affiliate Allocation Shortfall deferral over 10 years	(8,778)	
(14)	To reflect amortization of Customer Make Whole Increase deferral over 10 years	(9,198)	
(15)	To reflect amortization of Rate Case 2020 deferral over 10 years	(148,377)	
(16)	To include leak backlog, total damages and mismarks NRA deferrals for 2016, 2017 and 2018	(17,623)	
(17)	To include updated NRA balance	(14,520)	
(18)	To include removal of Company's 2019 NRA deferral estimate	10,000	
(19)	To include 2019 mismark NRA deferral	(1,207)	(405,698)
D.	**Pension-Amortization**		
(1)	To reflect amortization of pension deferral over 10 years		(111,318)
E.	**OPEB-Amortization**		
(1)	To reflect amortization of OPEB deferral over 10 years		36,313
F.	**Debit Card & Credit Card Fees**		
(1)	To update estimated vendor costs		8,242
G.	**Outside Services**		
(1)	To remove allowance for the IT consultant		(72,000)
H.	**Other O&M**		
(1)	To update for the latest construction overhead rate		80,369
	Total O&M Expense Adjustments		(697,204)
Adj. 2	**Depreciation Expense**		
(1)	To reflect correction to depreciation expense	(119,845)	
(2)	To remove the allowance for accelerated depreciation of leak prone pipe	(414,213)	(534,058)
Adj. 3	**Taxes Other Income Taxes**		
A.	**Payroll Tax**		
(1)	To track labor adjustments		(15,303)
	Total Taxes other than Income Tax Adjustments		(15,303)

Adj. 4	**New York State Income Tax**		
A.	**Deferred Taxes**		
(1)	To track deferral adjustments		26,370
Adj. 5	**FED Income Tax**		
A.	**Deferred Taxes**		
(1)	To track deferral adjustments		31,511
Adj. 6	**Rate Base**		
A.	**Net Utility Plant**		
(1)	To correct for errors in Company's plant model		104,242
B.	**Plant Reserves**		
(1)	To reflect correction to accumulated depreciation	46,091	
(2)	To remove the allowance for accelerated depreciation of leak prone pipe	207,106	253,197
C.	**Cash Working Capital**		
(1)	To track adjustment to working capital		(27,063)
D.	**Deferred Debits**		
(1)	To reflect amortization of 2016 Rate Case deferral over 10 years	41,027	
(2)	To reflect amortization of Fixed Interest deferral over 10 years	29,890	
(3)	To reflect amortization of Customer Incentive deferral over 10 years	3,200	
(4)	years	7,343	
(5)	To reflect amortization of Customer Affiliate Allocation Shortfall deferral over 10 years	4,389	
(6)	To reflect amortization of Customer Make Whole Increase deferral over 10 years	4,600	
(7)	To reflect amortization of Rate Case 2020 deferral over 10 years	74,188	164,637
E.	**Deferred Credits**		
(1)	To reflect amortization of Prior Period OPEB deferral over 3 years	19,304	
(2)	To reflect amortization of 2016, 2017, 2018 NRAs deferral over 3 years	5,875	
(3)	To reflect amortization of new 2019 NRA deferral over 3 years	403	
(4)	To reflect amortization of 2016 NRA deferral over 3 years	1,568	
(5)	To reflect amortization of 2017 NRA deferral over 3 years	1,224	
(6)	To reflect amortization of 2018 NRA deferral over 3 years	5,972	
(7)	To reflect amortization of Gas Supply Specialist deferral over 3 years	(1,110)	
(8)	To reflect amortization of Net Plant deferral over 3 years	(6,837)	
(9)	To include leak backlog, total damages and mismarks NRA deferrals for 2016, 2017 and 2018	(79,304)	
(10)	To include updated NRA balance	(65,341)	
(11)	To include removal of Company's 2019 NRA deferral estimate	45,000	
(12)	To include 2019 mismark NRA deferral	(5,431)	(78,677)
F.	**Deferred Taxes Amount**		
(1)	To reflect the ADSIT impact related to the depreciation adjustments	17,357	
(2)	To reflect the ADFIT impact related to the depreciation adjustments	56,076	
(3)	To reflect amortization of Prior Period OPEB deferral over 3 years	(5,309)	
(4)	To reflect amortization of 2016, 2017, 2018 NRAs deferral over 3 years	(1,615)	
(5)	To reflect amortization of new 2019 NRA deferral over 3 years	(110)	
(6)	To reflect amortization of 2016 NRA deferral over 3 years	(431)	
(7)	To reflect amortization of 2017 NRA deferral over 3 years	(336)	
(8)	To reflect amortization of 2018 NRA deferral over 3 years	(1,642)	
(9)	To reflect amortization of Gas Supply Specialist deferral over 3 years	305	
(10)	To reflect amortization of Net Plant deferral over 3 years	1,880	
(11)	To reflect amortization of 2016 Rate Case deferral over 10 years	(11,282)	
(12)	To reflect amortization of Fixed Interest deferral over 10 years	(8,220)	
(13)	To reflect amortization of Customer Incentive deferral over 10 years	(880)	
(14)	years	(2,019)	
(15)	To reflect amortization of Customer Affiliate Allocation Shortfall deferral over 10 years	(1,207)	
(16)	To reflect amortization of Customer Make Whole Increase deferral over 10 years	(1,265)	
(17)	To reflect amortization of Rate Case 2020 deferral over 10 years	(20,401)	
(18)	To include leak backlog, total damages and mismarks NRA deferrals for 2016, 2017 and 2018	21,808	
(19)	To include updated NRA balance	17,969	
(20)	To include removal of Company's 2019 NRA deferral estimate	(12,375)	
(21)	To include 2019 mismark NRA deferral	1,493	49,796

Total Rate Base Adjustments	466,132

Corning Natural Gas Corporation
Deferred Debits and Credits
For the Rate Year Ending January 31, 2022

Deferred Debits

		Balance as of 9/30/19	Number of Years of Amortization		Amortization Expense
Fixed Interest	$	597,803	10	$	(59,780)
Customer Incentive		64,000	10		(6,400)
Safety & Reliability Shortfall		146,859	10		(14,686)
Customer Affiliate Allocation Shortfall		87,785	10		(8,779)
Customer Make Whole Increase		91,987	10		(9,199)
Rate Case 2020		635,900	10		(63,590)
Rate Case 2016		126,667	10		(12,667)
Total Deferred Debits	**$**	**1,751,002**		**$**	**(175,099)**
Pension Deferral	**$**	**1,113,185**		**$**	**(111,319)**
Total Amortization Expense				***$***	***(286,418)***

Deferred Credits

		Balance as of 9/30/19	Number of Years of Amortization		Amortization Expense
Prior Period OPEB Interest Due Customers	$	(289,558)	3	$	96,519
Amortization of Gas Specialist Wage Differential		(5,329)	3		1,776
Deferred Net Plant Due		(32,850)	3		10,950
Deferred Credits-2016 Regulatory Liability		(23,522)	3		7,841
Deferred Credits-2017 Regulatory Liability		(18,355)	3		6,118
Deferred Credits-2018. Regulatory Liability		(89,587)	3		29,862
Deferred Credits-2019 Regulatory Liability		(6,034)	3		2,011
Additional 2016 - 2018 NRAs		(88,115)	3		29,372
Total Deferred Credits	**$**	**(553,350)**		**$**	**184,450**
OPEB Deferral	**$**	**(363,130)**	10	**$**	**36,313**
Total Amortization Expense				***$***	***220,763***

CORNING NATURAL GAS CORPORATION
CASE 20-G-0101

RATE YEAR DEPRECIATION EXPENSE

Account	Measuring and Regulating Station Structures	Staff Monthly Depreciation Rates	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22
Account	**INTANGIBLE PLANT:**													
301	Organization	0.000%	-	-	-	-	-	-	-	-	-	-	-	-
302	Franchise and Consents	0.000%	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-
	TRANSMISSION PLANT:													
	Land	0.000%	-	-	-	-	-	-	-	-	-	-	-	-
365	Rights of Way	0.128%	69	69	69	69	69	69	69	69	69	69	69	69
366	Structures and Improvements	0.167%	86	86	86	86	86	86	86	86	86	86	86	86
367	Mains	0.119%	4,616	4,616	4,616	4,616	4,616	4,616	4,616	4,616	4,616	4,616	4,616	4,616
369	Measuring and Regulating Station Equipment	0.185%	785	785	785	785	786	786	787	788	789	790	790	791
371	Other Equipment	0.208%	490	490	490	490	490	490	490	490	490	490	490	490
			6,046	6,046	6,047	6,047	6,047	6,048	6,049	6,050	6,050	6,051	6,052	6,052
	DISTRIBUTION PLANT:													
	Land	0.000%	-	-	-	-	-	-	-	-	-	-	-	-
374	Land Rights	0.000%	-	-	-	-	-	-	-	-	-	-	-	-
375	Structures and Improvements	0.167%	330	330	330	330	330	330	330	330	330	330	330	330
376	Mains	0.128%	64,848	64,916	64,983	65,153	65,492	65,967	66,510	67,053	67,528	67,972	68,260	68,356
378	Measuring and Regulating Station Equipment	0.208%	8,494	8,525	8,556	8,633	8,788	9,004	9,251	9,498	9,715	9,876	9,959	9,986
380	Services	0.152%	28,675	28,697	28,719	28,775	28,885	29,040	29,217	29,394	29,549	29,672	29,739	29,762
381	excl. ERTS	0.278%	5,547	5,553	5,558	5,572	5,598	5,636	5,679	5,721	5,759	5,788	5,805	5,810
381.1	ERTS (Encoder, Receiver, Transmitter)	0.417%	1,225	1,231	1,237	1,252	1,282	1,324	1,372	1,420	1,462	1,495	1,513	1,520
382	Meter Installations	0.167%	4,656	4,656	4,656	4,656	4,656	4,656	4,656	4,656	4,656	4,656	4,656	4,656
383	House Regulators	0.185%	816	817	817	819	823	829	835	842	847	852	854	855
384	House Regulator Installations	0.185%	684	684	684	684	684	684	684	684	684	684	684	684
385	Industrial Meas and Reg Station Equipment	0.208%	311	311	311	311	311	311	311	311	311	311	311	311
			115,587	115,720	115,853	116,186	116,851	117,782	118,846	119,910	120,841	121,636	122,112	122,270
	GENERAL PLANT:													
389	Land and Land Rights		-	-	-	-	-	-	-	-	-	-	-	-
390	Structures and Improvements	0.177%	8,723	8,725	8,728	8,735	8,748	8,766	8,787	8,808	8,827	8,842	8,851	8,854
391	Office Furniture and Equipment	0.641%	20,451	20,493	20,534	20,637	20,844	21,133	21,463	21,794	22,083	22,236	22,272	22,283
392	Transportation Equipment	0.926%	12,168	12,226	12,283	12,427	12,714	13,117	13,577	14,037	14,439	14,792	15,008	15,081
393	Stores Equipment	0.333%	214	214	214	214	214	214	214	214	214	214	214	214
394	Tools, Shop and Garage Equipment	0.417%	5,079	5,090	5,100	5,128	5,182	5,257	5,344	5,430	5,506	5,564	5,594	5,604
395	Laboratory Equipment	0.333%	122	122	122	122	122	122	122	122	122	122	122	122
396	Power Operated Equipment	0.595%	1,932	1,932	1,932	1,932	1,932	1,932	1,932	1,932	1,932	1,932	1,932	1,932
397	Communications Equipment	0.556%	813	813	813	813	813	813	813	813	813	813	813	813
			49,502	49,614	49,726	50,007	50,568	51,353	52,251	53,149	53,935	54,514	54,806	54,903
	Total		171,135	171,380	171,626	172,239	173,466	175,183	177,146	179,109	180,826	182,202	182,969	183,225
	Depreciation Expense Balance		(12,635)	(12,635)	(12,635)	(12,635)	(12,635)	(12,635)	(12,635)	(12,635)	(12,635)	(12,635)	(12,635)	(12,635)
	Depreciation of LPP at Applicable Rates		1,843	1,843	1,843	1,843	1,843	1,843	1,843	1,843	1,843	1,843	1,843	1,843
			160,343	160,588	160,834	161,447	162,673	164,391	166,354	168,316	170,034	171,409	172,177	172,433
	Annual Depreciation Expense	$ 1,990,998												

CORNING NATURAL GAS CORPORATION
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CAPITAL BUDGET BY PROJECT

Acct. No.	Project	Description	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
	1	**Services**					
380	1.1	New installations	$ 140,550	$ 143,361	$ 146,228	$ 149,153	$ 152,136
380	1.2	Systematic replacement	$ 612,848	$ 625,105	$ 637,607	$ 650,359	$ 663,366
380	1.3	Other replacement	$ -	$ -	$ -	$ -	$ -
		Project Total	**$ 753,398**	**$ 768,466**	**$ 783,835**	**$ 799,512**	**$ 815,502**
	2	**Meters & Regulators**					
383	2.1	Residential regulators	$ 22,176	$ 22,620	$ 23,072	$ 24,004	$ 24,004
378	2.2	Non-residential regulators	$ 4,490	$ 4,580	$ 3,870	$ 4,765	$ 4,860
381	2.3	Residential meters	$ 61,500	$ 62,730	$ 63,985	$ 65,264	$ 66,570
381	2.4	Non-residential meters	$ 37,875	$ 38,633	$ 39,405	$ 40,193	$ 40,997
378	2.5	Rotary / turbine meters	$ 43,400	$ 37,944	$ 38,703	$ 39,477	$ 40,266
378	2.6	Volume correctors	$ 15,600	$ 15,912	$ 16,230	$ 16,555	$ 16,886
378	2.7	Pressure recorders	$ 3,720	$ 3,794	$ 3,870	$ 3,948	$ 4,027
378	2.8	AMR	$ 74,160	$ 75,643	$ 77,156	$ 78,699	$ 80,273
		Project Total	**$ 262,921**	**$ 261,856**	**$ 266,292**	**$ 272,905**	**$ 277,883**
	3	**Main - Distribution**					
376	3.1	New installations	$ -	$ 285,532	$ 291,242	$ 297,067	$ 303,008
376	3.2	Systematic Replacement	$ 1,546,787	$ 1,523,937	$ 1,097,234	$ 1,492,239	$ 1,617,214
376	3.3	Other replacement (Cross Town Line repair)	$ -	$ -	$ -	$ -	$ -
376	3.4	Other replacement (Leak Repair, system upgrades)	$ -	$ -	$ -	$ -	$ -
376	3.5	Blank	$ -	$ -	$ -	$ -	$ -
376	3.6	Blank	$ -	$ -	$ -	$ -	$ -
376	3.7	Blank	$ -	$ -	$ -	$ -	$ -
		Project Total	**$ 1,546,787**	**$ 1,809,469**	**$ 1,388,476**	**$ 1,789,306**	**$ 1,920,222**
	4	**Main - HP Distribution**					
376	4.1	New installations	$ -	$ -	$ -	$ -	$ -
376	4.2	Line 11	$ -	$ -	$ -	$ -	$ -
376	4.3	Bath Reliability - Second Supply	$ 480,000	$ 306,000	$ 312,120	$ 318,363	$ 324,730
376	4.31	Line 15 Systematic Replacement	$ 600,000	$ 612,000	$ 2,184,840	$ 955,088	$ 649,459
376	4.4	Blank	$ -	$ -	$ -	$ -	$ -
376	4.5	Blank	$ -	$ -	$ -	$ -	$ -
		Project Total	**$ 1,080,000**	**$ 918,000**	**$ 2,496,960**	**$ 1,273,450**	**$ 974,189**
	5	**Main - Distribution extension**					
376	5.1	Blank	$ -	$ -	$ -	$ -	$ -
		Project Total	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
	6	**Cathodic Protection**					
376	6.1	System Cathodic Protection	$ 57,222	$ 58,366	$ 59,534	$ 60,724	$ 61,938
369	6.2	Blank	$ -	$ -	$ -	$ -	$ -
376	6.3	Blank	$ -	$ -	$ -	$ -	$ -
		Project Total	**$ 57,222**	**$ 58,366**	**$ 59,534**	**$ 60,724**	**$ 61,938**
	7	**SCADA**					
391	7.1	Hardware / Software upgrade	$ -	$ -	$ -	$ -	$ -
378	7.2	RTU /other equipment (current installation improvements)	$ 46,818	$ 47,754	$ 48,709	$ 49,684	$ 50,677
		Project Total	**$ 46,818**	**$ 47,754**	**$ 48,709**	**$ 49,684**	**$ 50,677**
	8	**M&R Stations**					
378	8.1	M&R Station replacement	$ -	$ 94,889	$ 96,787	$ 98,724	$ 100,698
378	8.2	Herrington Station (odorizer install)	$ -	$ 500,000	$ 408,000	$ -	$ -
378	8.3	Orr Hill Station (odorizer install)	$ -	$ -	$ -	$ -	$ -
378	8.4	Blank	$ -	$ -	$ -	$ -	$ -
378	8.5	Blank	$ -	$ -	$ -	$ -	$ -
		Project Total	**$ -**	**$ 594,889**	**$ 504,787**	**$ 98,724**	**$ 100,698**

CORNING NATURAL GAS CORPORATION
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CAPITAL BUDGET BY PROJECT

Acct. No.	Project	Description	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
	9	**Transportation Equipment**					
392	9.1	Replace small vehicle	$ -	$ 206,000	$ 210,120	$ 214,323	$ 163,957
392	9.2	Replace1987 Line Truck	$ 190,000	$ -	$ 200,000	$ -	$ -
392	9.3	Heavy Equip Trailer	$ -	$ -	$ -	$ -	$ -
392	9.4	Replace Backhoe	$ -	$ -	$ -	$ -	$ -
392	9.5	Purchase Mini Excav	$ -	$ 80,000	$ -	$ -	$ -
392	9.6	Replace small vehicle	$ -	$ -	$ -	$ -	$ -
392	9.7	Replace line tech truck	$ -	$ 40,800	$ -	$ -	$ -
392	9.8	Replace dump truck	$ -	$ -	$ -	$ -	$ -
392	9.9	Replace backhoe	$ -	$ -	$ -	$ -	$ -
392	9.10	Replace 1987 line truck	$ -	$ -	$ -	$ -	$ -
392	9.11	Heavy Equipment Trailer	$ -	$ -	$ -	$ -	$ -
392	9.12	Replace line truck	$ -	$ -	$ -	$ -	$ -
392	9.13	Replace 1996 line truck	$ -	$ -	$ -	$ -	$ -
		Project Total	**$ 190,000**	**$ 326,800**	**$ 410,120**	**$ 214,323**	**$ 163,957**
	10	**Tools and Equipment**					
394	10.1	Pipeline Locator	$ 4,412	$ 4,500	$ 4,590	$ 4,682	$ 4,776
394	10.2	HFI	$ 12,000	$ -	$ -	$ -	$ -
394	10.3	CGI	$ 5,400	$ 5,508	$ 5,618	$ 5,731	$ 5,845
394	10.4	Portable Shoring	$ -	$ 10,200	$ -	$ -	$ 10,400
394	10.5	CP Data Logger	$ -	$ -	$ -	$ -	$ -
394	10.6	Blank	$ -	$ -	$ -	$ -	$ -
394	10.7	Electro fusion Controller	$ -	$ -	$ -	$ -	$ -
394	10.8	Mueller (8" to 12") machine	$ -	$ -	$ -	$ -	$ -
394	10.9	Health HFI	$ -	$ -	$ -	$ -	$ -
394	10.10	Engineering survey equipment	$ -	$ -	$ -	$ -	$ -
394	10.11	Blank	$ -	$ -	$ -	$ -	$ -
394	10.12	GPS Survey Equipment	$ -	$ -	$ -	$ -	$ -
394	10.13	Welding Machine	$ -	$ -	$ -	$ -	$ -
394	10.14	Blank	$ -	$ -	$ -	$ -	$ -
394	10.15	Blank	$ -	$ -	$ -	$ -	$ -
394	10.16	Lighting	$ -	$ -	$ -	$ -	$ -
394	10.17	Stopper Replacement Equipment	$ -	$ -	$ -	$ -	$ -
394	10.18	Misc.Tools and Equipment	$ 3,184	$ 3,247	$ 3,312	$ 3,378	$ 3,446
		Project Total	**$ 24,996**	**$ 23,455**	**$ 13,521**	**$ 13,791**	**$ 24,467**
	11	**Safety Equipment**					
394	11.1	PPE	$ 70,000	$ 71,400	$ 72,828	$ 74,285	$ 75,770
394	11.2	Flash fire coveralls / hood / gloves	$ 40,800	$ 41,616	$ 42,448	$ 43,297	$ 44,163
394	11.3	Supplied Air Respirator	$ -	$ -	$ -	$ -	$ -
394	11.4	Confined space gas monitor	$ 7,500	$ -	$ -	$ 7,950	$ -
		Project Total	**$ 118,300**	**$ 113,016**	**$ 115,276**	**$ 125,532**	**$ 119,933**
	12	**General Office**					
390	12.1	HVAC	$ -	$ -	$ -	$ -	$ -
390	12.2	Parking Lot Refurbishment	$ -	$ -	$ -	$ -	$ -
390	12.3	Office Furniture and Equipment	$ -	$ -	$ -	$ -	$ -
390	12.4	Building Upgrades	$ -	$ -	$ -	$ -	$ -
390	12.5	Work Stations	$ -	$ -	$ -	$ -	$ -
390	12.6	Roof	$ -	$ -	$ 90,000	$ -	$ -
390	12.7	Training Center	$ -	$ 78,000	$ -	$ -	$ -
		Project Total	**$ -**	**$ 78,000**	**$ 90,000**	**$ -**	**$ -**
	13	**IT equipment**					
391	13.1	Computers / software	$ 28,830	$ 29,402	$ 29,990	$ 30,590	$ 31,200
391	13.2	Field Laptops	$ 8,268	$ 4,216	$ 4,301	$ 4,386	$ 4,476
391	13.3	Field GPS equipment	$ 300,000	$ 100,000	$ -	$ -	$ -
391	13.4	CADD Software replacement	$ -	$ 100,000	$ -	$ -	$ -
391	13.5	Blank	$ 90,000	$ 5,000	$ 5,000	$ -	$ -
391	13.6	Printer and Computer Replacement	$ -	$ 3,000	$ -	$ -	$ -
391	13.7	Accounting and Billing System Upgrade	$ -	$ 15,000	$ -	$ -	$ -
391	13.8	Enterprise Software (Microsoft and Norton Updates)	$ -	$ 75,000	$ 50,000	$ -	$ -
391	13.9	AS400 Equipment/Software/Licensing Costs	$ -	$ 7,500	$ 7,500	$ -	$ -
		Project Total	**$ 427,098**	**$ 339,118**	**$ 96,791**	**$ 34,976**	**$ 35,676**
	14	**Major Projects**					
369	14.1	Virgil expansion - Main & Services	$ 10,000	$ 3,300	$ 3,366	$ 3,433	$ 3,502
380	14.2	Blank	$ -	$ -	$ -	$ -	$ -
383	14.3	Blank	$ -	$ -	$ -	$ -	$ -
378	14.4	Blank	$ -	$ -	$ -	$ -	$ -
369	14.6	Cross Town-E Pultney repair 2010	$ -	$ -	$ -	$ -	$ -
		Project Total	**$ 10,000**	**$ 3,300**	**$ 3,366**	**$ 3,433**	**$ 3,502**
						$ -	$ -
						$ -	**$ -**
		Total Budget	**$ 4,517,539**	**$ 5,342,489**	**$ 6,277,667**	**$ 4,736,359**	**$ 4,548,643**

CORNING NATURAL GAS CORPORATION
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RATE YEAR NET PLANT

	Rate Year Gross Plant Balance	CWIP Balance	Depreciation Reserve Balance
Jan-21 (1/2)	$ 48,151,334	$ 1,394,082	$ (15,129,567)
Feb-21	$ 96,405,610	$ 2,788,164	$ (30,434,244)
Mar-21	$ 96,508,551	$ 2,788,164	$ (30,609,601)
Apr-21	$ 96,611,492	$ 2,788,164	$ (30,785,203)
May-21	$ 97,023,257	$ 2,788,164	$ (30,961,418)
Jun-21	$ 97,640,904	$ 3,113,252	$ (31,138,860)
Jul-21	$ 98,464,434	$ 3,329,977	$ (31,318,019)
Aug-21	$ 99,287,963	$ 3,546,702	$ (31,499,141)
Sep-21	$ 100,111,493	$ 3,546,702	$ (31,682,226)
Oct-21	$ 100,729,140	$ 3,546,702	$ (31,867,029)
Nov-21	$ 101,332,908	$ 3,329,977	$ (32,053,206)
Dec-21	$ 101,453,661	$ 3,315,363	$ (32,240,152)
Jan-22 (1/2)	$ 50,787,207	$ 1,403,457	$ (16,213,677)
AVG OF THE MONTHLY AVG	$ 98,708,996	$ 3,139,906	$ (31,327,695)
NET PLANT	$ 70,521,206		

CORNING NATURAL GAS CORPORATION
CASE 20-G-0101

NET PLANT TRUE UP TEST

		RATE YEAR GROSS PLANT BALANCE	NIB CWIP BALANCE	DEPRECIATION RESERVE BALANCE	AVERAGE DEFERRED TAXES
		A	*B*	*C*	*D*
Jan-21	(1/2)	47,167,434	1,602,443	(15,129,567)	
Feb-21		94,421,920	3,204,885	(30,434,244)	
Mar-21		94,508,972	3,204,885	(30,609,601)	
Apr-21		92,086,342	3,204,885	(30,785,203)	
May-21		92,434,551	3,204,885	(30,961,418)	
Jun-21		92,956,865	3,204,885	(31,138,860)	
Jul-21		93,653,283	3,479,787	(31,318,019)	
Aug-21		94,349,701	3,663,055	(31,499,141)	
Sep-21		95,046,120	3,846,323	(31,682,226)	
Oct-21		95,582,080	3,846,323	(31,867,029)	
Nov-21		96,096,786	3,846,323	(32,053,206)	
Dec-21		96,199,727	3,677,455	(32,240,152)	
Jan-22	(1/2)	48,151,334	1,827,532	(16,213,677)	
AVG OF THE MONTHLY AVG		$ 94,387,926	$ 3,484,473	$ (31,327,695)	$ 5,135,789

NET PLANT TARGET PER ORDER	$ 124,064,305	*E = A + B - C - D*
EXAMPLE ACTUAL NET PLANT	$ 91,000,000	*F*
OVER/(UNDER)	$ (33,064,305)	*G = F - E*
Pre Tax Rate of Return	10.61%	*H*
Carrying Costs	$ (3,508,123)	*I = G * H*
Average Plant Balance	$ 94,387,926	*A*
Actual Depreciaton Expense	$ 986,284	*J*
Composite Depreciation Rate	1.045%	*K= J/A*
Delta Depreciation Expense	$ (345,497)	*L = G *K*
Total Carrying Costs	$ (3,853,620)	*M = I + L*

NOTE:
The Net Plant In Service includes all writedowns (e.g. Virgil Surcharge, Rootwell Surcharge, Service Adjustment), however these writedowns are not specifically identified in this Appendix.

Corning Natural Gas Corporation (Corning) Case 20-G-101 Gas Safety Metrics Appendix

Gas Safety Metric	Staff recommendation	CNG Counteroffer
Leak Management	- Reducing the number from five to four leaks at year end. - An NRA of ten basis points for failure to meet the repairable leak target, and five basis points for failure to meet the total leak backlog targets. - If the Company maintains less than 35 total leaks, but not less than 26 total leaks at calendar years-end, it would earn a PRA of two BPs. If the Company maintains less than 25 total leaks, but not less than 16 total leaks at calendar year's end, it would earn a PRA of four BPs. If the Company maintains 15 or less total leaks at calendar year's-end, it would earn a PRA of six BPs. If the Company maintains 15 or less total leaks at calendar year's-end, it would earn a PRA of eight BPs - The Commission should not provide a PRA for Type 3 leaks in its determination of the rate case.	- Corning proposes and Staff agrees to a more stringent target for total leak backlog, by reducing them from 50 to 45 leaks at year-end 2021.
Leak Prone Pipe Replacement	- Corning replace or eliminate a minimum of 10 miles of leak prone pipe (LPP) annually. - Corning replace a minimum of 250 leak prone services per year, concurrently with the main replacement program.	- Corning agrees with Staff's recommended target of ten miles of LPP per year but proposes that LPP include Lines 11 and 15.

Gas Safety Metric	Staff recommendation	CNG Counteroffer
	- All gas meters and service regulators be located outside on all new and replacement service installations. - Corning agrees that it will maintain records of the number of miles and feet of mains replaced, more specifically of the pipe replaced in the flood control area, and any incremental cost over the $33.96 cost per foot for systematic replacement of distribution main in calendar year 2021 utilized by the Staff Infrastructure and Operations Panel to calculate the average unit cost, but no more than 1.5 times cost per unit, be deferred. - The maximum NRA exposure increases to 15 BPs. Corning agrees with Staff's recommendation	- Corning agrees with Staff's recommendation that Corning replace 250 leak prone services per year in conjunction with main replacement. - Corning agrees with Staff's recommendation. Fourth, Staff recommends and Corning supports Staff's recommendation to allow Corning to address the leaks found in the flood control area through the leak prone pipe replacement program.
Damage Prevention	- The total damage target be set at a rate of 2.50 damage incidents per 1000 one call tickets; failure to achieve this target would result in an NRA of 20 BPs; for a rate between 2.26 and 2.50, the Company would incur an NRA of ten basis points; for a rate between 2.01 and 2.25, the Company would incur an NRA of five basis points; for a rate between 1.51 and 2.00, the Company would not incur or earn any revenue adjustments; for a rate between 1.26 and 1.50, the	- Corning proposes and Staff agrees that damages due to mismarks and damages due to Company or Corning Contractor targets be eliminated, and instead Corning should be allowed to maintain an overall damage target. - Corning counter-offered to Staff's

Gas Safety Metric	Staff recommendation	CNG Counteroffer
	Company would earn a PRA of five basis points; for a rate below 1.26 the Company would earn a PRA of ten basis points.	proposed maximum NRA exposure of twenty BPs by proposing a maximum NRA exposure of fifteen BPs, asserting that given the size of the company, a small change in the number of total damages would have a large impact on its overall damage performance.
Violations	- Recommends that of the $153,000 resulting from the negative revenue adjustments, $75,000 be used to fund the implementation of a Residential Methane Detector Program. - Modifying the current NRA BPs allocation by reducing the NRA BPs maximum exposure by 25 BPs, from 100 to 75 BPs per year for this measure. - Violation measure targets and associated NRAs be modified as follows: for record audits, the first five high risk violations would not subject the Company to NRAs; from the sixth to the 20th high-risk violations, the Company would incur one-half BP per violation; and for each high-risk violation greater than 20, the Company would incur one BP per violation. For the first 15 other risk violations, the Company would not	- Corning agrees and accepts Staff's recommendations regarding the violation measure targets and associated NRAs as stated in its testimony.

Gas Safety Metric	Staff recommendation	CNG Counteroffer
	be subject to a NRA; and for each other risk violation greater than 15, the Company would incur a NRA of one-fourth BP per violation. For field audits and investigations, the Company would incur a NRA of one-half BP for each of the first 20 high-risk violations; for each high-risk violation in excess of 20, the Company would incur a NRA of one BP per violation; and for all other risk violations, the Company would incur a NRA of one-fourth BP per violation. - For each audit year, capping the total record audit violation count at ten basis points for each of the code sections identified in Exhibit 44. - If the Company fails to comply with its implementation plan, the number of violations of a given code section that are in excess of ten would be included with the remainder of the violations being considered for the compliance measure. - The performance measure provide a financial disincentive for non-compliance with the pipeline safety regulations, but it addresses only the first ten record audit violations of a specific requirement. If the financial disincentive is insufficient to induce compliance, then additional measures are necessary to change the	

Gas Safety Metric	Staff recommendation	CNG Counteroffer
	performance. It is critical for the Commission to be able to address all violations of its pipeline safety regulations given the potential for serious harm.	
New York State Department of Environmental Conservation requirements and gas leaks found in Flood control area	- Corning be directed by the Commission to seek approval from DEC to perform the necessary work to repair or eliminate these leaks in the flood control area, and file quarterly updates with the Chief of Pipeline Safety and Reliability Section on the status of its work to eliminate or repair the leaks, along with copies of all DEC communications with the Company until all the leaks are eliminated.	- Corning agrees and states that leaks will be addressed through the leak prone pipe replacement program and they will continue to work with the DEC to complete the repairs. - Corning proposes to provide Staff a list of project(s) completed the prior year and those slated to be completed that year, the report will be submitted by January 10th of each year. Staff accepts.
The 1.1 miles of Pipe Located at Sullivan Park Science Center	- Corning perform the necessary operating and maintenance (O&M) work, such as: leak surveys, mark-outs, CP readings, corrosion control/monitoring, identification and inspection of below grade valves, etc. - Within 60 days from the date of Staff filing its direct testimony, the Company files with the Chief of Safety	- Corning states that Staff's recommendation to expect Corning to be able to assure the integrity of the 1.1 miles of pipe within matters of weeks is unrealistic, and that the Company proposes

Gas Safety Metric	Staff recommendation	CNG Counteroffer
	and Reliability Section a report outlining the O&M performed and the records obtained with an explanation of how the integrity of this pipe is guaranteed.	to file the requested report outlining the O&M performed and the records obtained by December 31, 2020.
Residential Methane Detector Program	- Commission direct Corning to develop and file a proposal, within 90 days from the issuance of its rate order, for a Residential Methane Detector pilot program. This proposal will include details on Corning's deployment strategies, the number of customers involved, the number of methane detector units, and the associated cost per unit.	
Training with First Responders and New York Pipeline Emergency Responders Initiative, or NYPERI	- Corning improves its existing training with fire departments and first responders by conducting emergency drills, hands-on activities, and workshops with a review of the processes and procedures that would be used during an emergency. To accommodate this training, we recommend that $78,000 be included in Corning's capital budget for the purpose of establishing a training center so that Corning can conduct fire drills, or for the acquisition of a trailer type vehicle equipped with the necessary equipment to conduct drills and simulate real-life or life like environmental conditions that	- Corning agrees with the necessity of this training and believes that it has an advantage in that its Training Technician is a Chief with a local volunteer department and is a Training Technician with the New York State Fire Training Academy.

Gas Safety Metric	Staff recommendation	CNG Counteroffer
	change similar to situations experienced in the field. - An incentive, a PRA of one BP for each drill conducted up to six BP per year, with the assumption that Department Gas Safety Staff will be invited to attend each drill and that documentation is provided following each drill including a video recording of each drill and a list of all persons taking part. - Implementing emergency drills which will help educate and train those individuals on how to respond prior to an incident. - Corning participates in the collaborative effort with the stakeholders (Natural Gas Local Distribution Companies, Fire Departments, State Fire Marshal, Department of Public Service, etc.) of the NYPERI.	
Monthly Leak Report	- Staff did not address this request in its direct testimony, however, it would not be opposed to the Company's request.	- Corning proposed in its direct and rebuttal testimony that it be allowed to discontinue submitting reports on a monthly basis regarding leak repair status, leak survey status, quantity of leaks discovered, quantity

Gas Safety Metric	Staff recommendation	CNG Counteroffer
		of leaks repaired, and quantity of main, pursuant to Commission order issued in case 05-G-1539.

Customer Service Performan Indicator (CSPI)		
Indicator Metric	**Calendar Year Metric Targets**	**NRA - Pre-Tax Basis Points**
Escalated Customer Complaints	3 or less	0
	4	5
	5	10
	6	15
Customer Satisfaction Survey	≥87.7%	0
	≥86.7% to <87.7%	5
	≥85.7% to <86.7%	10
	<85.7%	15
Appointments Kept	$25 Credit for Each Missed Appointment	

Customer complaints are not a rate, rather the acutal aggregate number of escalated complaints received in the calendar year.

Revenue Allocation
Rate Year Ending January 31, 2022

Incremental Revenue Adjustment	$ (765,664)
Contract Adjustment	$ 20,559
Revenue Tax Adjustment	$ 9,671
Merchant Function Charge	$ (92,274)
Adjustment Revenue Requirement	$ (827,708)
Percent On Base Rate	-5.00%

		Unitized ROR	Allocation Factor	Revenue at Current Rates	Based Revenue Increase	Adjustment	Total	% Increase	Revenue Target
	7.00%								
S.C. 1 & SC 14 Residential	5.84%	0.835	1.00	$ 11,918,904	$ (595,393)	$ (1,187)	$ (596,581)	-5%	$ 11,322,323
S.C. 3 & SC 14 Commercial	14.72%	2.103	1.00	$ 2,252,461	$ (112,519)	$ (224)	$ (112,743)	-5%	$ 2,139,718
S.C. 6 Commercial Transportation	4.51%	0.645	1.00	$ 678,674	$ (33,902)	$ (68)	$ (33,970)	-5%	$ 644,704
SC-7 Bath S.C. 1, 2 & 3 Transportation	11.57%	1.653	1.00	$ 1,554,565	$ (77,656)	$ (155)	$ (77,811)	-5%	$ 1,476,754
S.C. 8 Hamondsport Transportation	0.86%	0.123	0.80	$ 164,899	$ (6,590)	$ (13)	$ (6,603)	-4%	$ 158,296
Total				**$ 16,569,503**	**$ (826,061)**	**$ (1,647)**	**$ (827,708)**		**$ 15,741,795**

Delivery Revenue by Service Classification
Rate Year Ending January 31, 2022

			Rate Year Usage Ccf	Current Rates	Revenue @ Current Rates	Recommended Rat	Recommended Impact	Revenue @ Proposed Rates	% Increase	Revenue Impact	Revenue Targets
S.C. 1 & S.C. 14 Residential											
Customers			167,634	$ 19.75	$ 3,310,772	$ 19.75	$ -	$ 3,310,772	0%	$ -	
	First 3 Ccf		475,891								
	Next 47 Ccf	38.78%	5,359,007	$ 0.8274	$ 4,434,042	$ 0.7701	$ (0.0573)	$ 4,126,744	-7%	$ (307,298)	
	Over 50 Ccf	57.78%	7,984,105	$ 0.5228	$ 4,174,090	$ 0.4866	$ (0.0362)	$ 3,884,808	-7%	$ (289,283)	
			13,819,003		**$ 11,918,904**			**$ 11,322,323**		**$ (596,581)**	**$ 11,322,323**
S.C. 3 & S.C. 14 Commercial											
Customers			13,090	$ 30.25	$ 395,973	$ 30.25	$ -	$ 395,973	0%	$ -	
	First 3 Ccf		30,040	`					\		
	Next 47 Ccf	9.49%	385,525	$ 0.6902	$ 266,089	$ 0.6483	$ (0.0419)	$ 249,930	-6%	$ (16,159)	
	Over 50 Ccf	89.77%	3,646,867	$ 0.4361	$ 1,590,399	$ 0.4096	$ (0.0265)	$ 1,493,815	-6%	$ (96,584)	
			4,062,433		**$ 2,252,461**			**$ 2,139,718**		**$ (112,743)**	**$ 2,139,718**
S.C. 6 Commercial Transportation											
Customers			276	$ 120.00	$ 33,120	$ 120.00	$ -	$ 33,120	0%	$ -	
	First 3 Ccf		771								
	Over 3 Ccf	99.96%	2,168,471	$ 0.2977	$ 645,554	$ 0.2820	$ (0.0157)	$ 611,584	-5%	$ (33,970)	
			2,169,241		**$ 678,674**			**$ 644,704**		**$ (33,970)**	**$ 644,704**
S.C. 7 & Bath S.C. 1 2 & 3 Transportation											
Customers			122	$ 1,220.00	$ 148,840	$ 1,220.00	$ -	$ 148,840	0%	$ -	
	First 2500 Ccf		339,870								
	Over 2500 Ccf	97.00%	11,456,601	$ 0.1227	$ 1,405,725	$ 0.1159	$ (0.0068)	$ 1,327,914	-6%	$ (77,811)	
			11,811,471		**$ 1,554,565**			**$ 1,476,754**		**$ (77,811)**	**$ 1,476,754**
S.C. 8 Hammondsport Transportation											
Customers			91	$ 100.00	$ 9,100	$ 100.00	$ -	$ 9,100	0%	$ -	
	First 3 Ccf		267								
	Over 3 Ccf	99.96%	713,694	$ 0.2183	$ 155,799	$ 0.2090	$ (0.0093)	$ 149,196	-4%	$ (6,603)	
			713,961		**$ 164,899**			**$ 158,296**		**$ (6,603)**	**$ 158,296**
Total Firm Sales					**$ 16,569,503**			**$ 15,741,795**			
Corning Contracts											
	1		0		0			$ -			
	2		20,488,434		$ 633,868			$ 633,868			
	3		0		0	**Rate Increase Adjustment**		$ -			
	4		3,594,290		$ 446,178	$	20,559.00	$ 425,619			
	5		281,136		$ 120,303			$ 120,303			
	6		1,574,280		$ 45,526			$ 45,526			
	7		3,906,244		$ 247,140			$ 247,140			
	8		0		0			$ -			
Total Contracts			29,844,384		**$ 1,493,014**			**$ 1,472,455**			
		12,949,755	44,396,226								
Total Sales		$5,179,902	17,758,490		**$ 18,062,517**			**$ 17,214,250**			

Delivery Rates
Rate Year Ending January 31, 2022

	Current Rates	Rate Year Rates	
SC. 1 & 14 Residential			
Minimum Charge	$ 19.75	$ 18.76	per month
First 3			
Next 47 CCF	$ 0.8274	$ 0.7860	per Ccf
All Over 50 CCF	$ 0.5228	$ 0.4966	per Ccf
S.C. 3 & 14 Commercial			
Minimum Charge	$ 30.25	$ 28.74	per month
First 3 CCF			
Next 47 CCF	$ 0.6902	$ 0.6557	per Ccf
All Over 50 CCF	$ 0.4361	$ 0.4143	per Ccf
S.C. 6 Commercial Transportation			
Minimum	$ 120.00	$ 113.99	per month
First 3 CCF			
All Over 3 CCF	$ 0.2977	$ 0.2828	per Ccf
S.C. 7 & Bath S.C. 1, 2 & 3			
Minimum	$ 1,220.00	$ 1,158.93	per month
First 2500 CCF			
All Over 2500 CCF	$ 0.1227	$ 0.1166	per Ccf
S.C.8 Hammondsport Transportation			
Minimum	$ 100.00	$ 96.00	per month
First 3 CCF			
All Over 3 CCF	$ 0.2183	$ 0.2096	per Ccf

Note: Bath S.C. 2 and 3 is billed as one customer and assessed one minimum charge.

Corning Natural Gas Corporation
Rate Year Ending January 31, 2022

ANNUAL BILL IMPACTS

S.C. 1 Residential

Month	Sales Ccf		Bills at Presents Rates		Bills at Rate Year Rate		Difference Amount	Difference Percent
January	188	$	196.92	$	204.28	$	7.36	3.7%
February	165	$	176.59	$	182.84	$	6.25	3.5%
March	144	$	158.60	$	163.86	$	5.26	3.3%
April	107	$	125.76	$	129.23	$	3.47	2.8%
May	60	$	84.76	$	85.99	$	1.23	1.4%
June	27	$	48.65	$	48.65	$	0.00	0.0%
July	18	$	38.97	$	38.71	$	(0.27)	-0.7%
August	15	$	35.05	$	34.68	$	(0.37)	-1.1%
September	16	$	36.28	$	35.94	$	(0.34)	-0.9%
October	32	$	54.86	$	55.03	$	0.17	0.3%
November	66	$	90.32	$	91.86	$	1.53	1.7%
December	125	$	141.95	$	146.31	$	4.35	3.1%
Annual Totals	**964**	**$**	**1,188.72**	**$**	**1,217.37**	**$**	**28.65**	**2.4%**

		Present Rates		Rate Year Rates
First 3 Ccf	$	19.75	$	18.76
Next 47 Ccf	$	0.82740	$	0.78599
Over 50 Ccf	$	0.52280	$	0.49663
DRA	$	0.00596	$	0.00596
Federal Tax Act	$	(0.07260)	$	-
Merchant Function Charge	$	0.01747	$	0.01876
Gas Supply Charge	$	0.39971	$	0.39971

The Average Annual Usage is 964 Ccf.

S.C. 14 Residential Aggregation

Month	Sales Ccf		Bills at Present Rates		Bills at Rate Year Rates		Difference Amount	Difference Percent
January	265	$	155.01	$	164.01	$	9.00	5.8%
February	214	$	131.43	$	138.38	$	6.96	5.3%
March	195	$	122.68	$	128.88	$	6.20	5.1%
April	146	$	99.89	$	104.11	$	4.22	4.2%
May	83	$	70.73	$	72.42	$	1.69	2.4%
June	41	$	48.35	$	48.49	$	0.14	0.3%
July	29	$	39.45	$	39.30	$	(0.14)	-0.4%
August	23	$	34.79	$	34.49	$	(0.30)	-0.9%
September	25	$	36.31	$	36.07	$	(0.25)	-0.7%
October	46	$	52.65	$	52.94	$	0.28	0.5%
November	97	$	77.37	$	79.63	$	2.27	2.9%
December	177	$	114.21	$	119.67	$	5.46	4.8%
Annual Totals	**1,339**	**$**	**982.86**	**$**	**1,018.41**	**$**	**35.55**	**3.6%**

		Present Rates		Rate Year Rates
First 3 Ccf	$	19.75	$	18.76
Next 47 Ccf	$	0.82740	$	0.78599
Over 50 Ccf	$	0.52280	$	0.49663
DRA	$	0.00596	$	0.00596
Federal Tax Act	$	(0.06630)	$	-
Merchant Function Charge	$	-	$	-

The Average Annual Usage is 1,339 Ccf.

S.C. 3 Commercial

Month	Sales Ccf		Bills at Present Rates		Bills at Rate Year Rates		Difference Amount	Difference Percent
January	558	$	492.38	$	507.12	$	14.74	3.0%
February	479	$	428.50	$	440.86	$	12.36	2.9%
March	414	$	375.26	$	385.65	$	10.38	2.8%
April	293	$	277.59	$	284.34	$	6.75	2.4%
May	151	$	163.09	$	165.59	$	2.50	1.5%
June	84	$	109.00	$	109.48	$	0.49	0.4%
July	71	$	98.21	$	98.30	$	0.08	0.1%
August	62	$	91.34	$	91.17	$	(0.17)	-0.2%
September	67	$	94.83	$	94.78	$	(0.04)	0.0%
October	96	$	118.83	$	119.68	$	0.85	0.7%
November	184	$	189.96	$	193.46	$	3.50	1.8%
December	**354**	**$**	**327.47**	**$**	**336.08**	**$**	**8.61**	**2.6%**
Annual Totals	**2,814**	**$**	**2,766.46**	**$**	**2,826.50**	**$**	**60.04**	**2.2%**

		Present Rates		Rate Year Rates
First 3 Ccf	$	30.25	$	28.74
Next 47 Ccf	$	0.69020	$	0.65565
Over 50 Ccf	$	0.43610	$	0.41427
DRA	$	0.00596	$	0.00596
Federal Tax Act	$	(0.05060)	$	-
Merchant Function Charge	$	0.01747	$	0.01876
Gas Supply Charge		0.39971		0.39971

The Average Annual Usage is 2,814 Ccf.

Corning Natural Gas Corporation
Rate Year Ending January 31, 2022

ANNUAL BILL IMPACTS

S.C. 6 Commercial Transportation

Month	Sales Ccf	Bills at Present Rates	Bills at Rate Year Rate	Difference Amount	Difference Percent
January	15,523	$ 10,688.29	$ 10,806.30	$ 118.01	1.1%
February	14,023	$ 9,666.61	$ 9,773.21	$ 106.60	1.1%
March	12,663	$ 8,741.09	$ 8,837.37	$ 96.27	1.1%
April	8,409	$ 5,844.44	$ 5,908.38	$ 63.94	1.1%
May	5,365	$ 3,772.28	$ 3,813.10	$ 40.82	1.1%
June	3,662	$ 2,612.38	$ 2,640.25	$ 27.87	1.1%
July	3,246	$ 2,329.00	$ 2,353.71	$ 24.71	1.1%
August	3,091	$ 2,223.74	$ 2,247.27	$ 23.53	1.1%
September	3,645	$ 2,600.69	$ 2,628.43	$ 27.74	1.1%
October	6,341	$ 4,436.31	$ 4,484.54	$ 48.23	1.1%
November	9,874	$ 6,842.16	$ 6,917.24	$ 75.08	1.1%
December	14,022	$ 9,666.47	$ 9,773.07	$ 106.60	1.1%
Annual Totals	**99,864**	**$ 69,423.45**	**$ 70,182.87**	**$ 759.42**	**1.1%**

The Average Annual Usage is 99,864 Ccf.

	Present Rates	Rate Year Rates
First 3 Ccf	$ 120.00	$ 113.99
Over 3 Ccf	$ 0.29770	$ 0.28280
DRA	$ 0.00596	$ 0.00596
Federal Tax Act	$ (0.02250)	$ -
Merchant Function Charge	$ -	$ -
Gas Supply Charge	$ 0.39971	$ 0.39971

S.C. 7 Industrial Transportation

Month	Sales Mcf	Bills at Present Rates	Bills at Rate Year Rates	Difference Amount	Difference Percent
January	13,256	$ 68,838.80	$ 69,384.11	$ 545.31	0.8%
February	11,193	$ 58,267.32	$ 58,720.64	$ 453.33	0.8%
March	11,200	$ 58,304.80	$ 58,758.45	$ 453.65	0.8%
April	7,846	$ 41,119.09	$ 41,423.21	$ 304.12	0.7%
May	7,664	$ 40,184.16	$ 40,480.15	$ 295.98	0.7%
June	7,477	$ 39,223.40	$ 39,511.02	$ 287.63	0.7%
July	7,470	$ 39,188.77	$ 39,476.10	$ 287.32	0.7%
August	7,838	$ 41,075.09	$ 41,378.83	$ 303.74	0.7%
September	7,302	$ 38,329.21	$ 38,609.06	$ 279.84	0.7%
October	7,247	$ 38,046.68	$ 38,324.07	$ 277.39	0.7%
November	10,551	$ 54,979.49	$ 55,404.21	$ 424.72	0.8%
December	11,166	$ 58,126.26	$ 58,578.36	$ 452.10	0.8%
Annual Totals	**110,210**	**$ 575,683.08**	**$ 580,048.20**	**$ 4,365.13**	**0.8%**

The Average Annual Usage is 110,210 Mcf.

	Present Rates	Rate Year Rates
First 250 Mcf	$ 1,220.00	$ 1,158.93
Over 250 Mcf	$ 1.22700	$ 1.16558
DRA	$ 0.00596	$ 0.00596
Federal Tax Act	$ (0.10600)	$ -
Merchant Function Charge	$ -	$ -
Gas Supply Charge	$ 3.99712	$ 3.99712

S.C. 8 Hammondsport Transportation

Month	Sales Ccf	Bills at Present Rates	Bills at Rate Year Rates	Difference Amount	Difference Percent
January	13,588	$ 8,317.12	$ 8,459.27	$ 142.14	1.7%
February	13,900	$ 8,505.58	$ 8,650.98	$ 145.40	1.7%
March	11,683	$ 7,164.59	$ 7,286.80	$ 122.21	1.7%
April	7,473	$ 4,618.91	$ 4,697.09	$ 78.19	1.7%
May	4,345	$ 2,726.96	$ 2,772.43	$ 45.47	1.7%
June	3,402	$ 2,156.50	$ 2,192.10	$ 35.60	1.7%
July	3,304	$ 2,097.66	$ 2,132.25	$ 34.58	1.6%
August	3,448	$ 2,184.75	$ 2,220.84	$ 36.09	1.7%
September	4,511	$ 2,827.61	$ 2,874.82	$ 47.21	1.7%
October	5,171	$ 3,226.74	$ 3,280.85	$ 54.11	1.7%
November	7,973	$ 4,920.91	$ 5,004.32	$ 83.41	1.7%
December	12,823	$ 7,854.25	$ 7,988.39	$ 134.14	1.7%
Annual Totals	**91,621**	**$ 56,601.59**	**$ 57,560.14**	**$ 958.55**	**1.7%**

The Average Annual Usage is 91,621 Ccf.

	Present Rates	Rate Year Rates
First 3 Ccf	$ 100.00	$ 96.00
Over 3 Ccf	$ 0.21830	$ 0.20956
DRA	$ 0.00596	$ 0.00596
Federal Tax Act	$ (0.01920)	$ -
Merchant Function Charge	$ -	$ -
Gas Supply Charge	$ 0.39971	$ 0.39971

Corning Natural Gas Corporation
Rate Year Ending January 31, 2022

ANNUAL BILL IMPACTS

S.C 14 Commercial Aggregation

Month	Sales Ccf	Bills at Present Rates	Bills at Rate Year Rates	Difference Amount	Difference Percent
January	1,800	$ 765.64	$ 795.41	$ 29.77	3.9%
February	1,639	$ 700.56	$ 727.48	$ 26.91	3.8%
March	1,500	$ 644.63	$ 669.09	$ 24.46	3.8%
April	977	$ 434.24	$ 449.47	$ 15.22	3.5%
May	638	$ 297.68	$ 306.91	$ 9.23	3.1%
June	376	$ 192.20	$ 196.79	$ 4.60	2.4%
July	298	$ 160.92	$ 164.14	$ 3.22	2.0%
August	279	$ 153.22	$ 156.11	$ 2.89	1.9%
September	310	$ 165.58	$ 169.01	$ 3.43	2.1%
October	387	$ 196.79	$ 201.58	$ 4.80	2.4%
November	679	$ 314.25	$ 324.21	$ 9.95	3.2%
December	1,246	$ 542.32	$ 562.29	$ 19.97	3.7%
Annual Totals	**10,129**	**$ 4,568.05**	**$ 4,722.49**	**$ 154.44**	**3.4%**

	Present Rates	Rate Year Rates
First 3 Ccf	$ 30.25	$ 28.74
Next 47 Ccf	$ 0.69020	$ 0.65565
Over 50 Ccf	$ 0.43610	$ 0.41427
DRA	$ 0.00596	$ 0.00596
Federal Tax Act	$ (0.03950)	$ -
Merchant Function Charge	$ -	$ -

The Average Annual Usage is 10,129 Ccf.

Compression Surcharge Calculation

TCJA Surcredit Component

Service Classes	Four Months Sales *CCF	Total Annual Sales CCF	TCJA Rate (Per CCF)	TCJA Surcredits
S.C. 1 Residential	6,459,891	13,088,273	$ (0.0726)	$ (468,988)
S.C. 3 Commercial	1,117,822	2,345,495	$ (0.0506)	$ (56,562)
S.C. 6 Commercial Transportation	860,925	2,061,961	$ (0.0225)	$ (19,371)
S.C. 7 Industrial Transportation	2,653,272	7,859,634	$ (0.0106)	$ (28,125)
S.C. 8 Hammondsport Transportation	294,861	713,961	$ (0.0192)	$ (5,661)
S.C. 14 Residential Aggregate	349,916	730,730	$ (0.0663)	$ (23,199)
S.C. 14 Commercial Aggregate	835,072	1,716,938	$ (0.0395)	$ (32,985)
S.C. 1 Bath Firm	1,143,036	2,702,968	$ (0.0105)	$ (12,002)
S.C. 2 & 3 Bath Transportation	507,967	1,248,869	$ (0.0109)	$ (5,537)
Total	**14,222,762**	**32,468,829**		**$ (652,430)**

***CCF (January 31, 2021 through May 31, 2021)**

Base Rates Component

Base Rate Compression Surcharge %		**44.5%**
Revenue Requirement Decrease	$	(765,664)
Base Rate Compression Surcharge	**$**	**(340,929)**

	Percent		Amount
Residential Allocation	72%	$	(245,469)
Non Residential Allocation	28%	$	(95,460)
TCJA Surcredit		$	652,430
Total Compression Surcharge		**$**	**311,501**

Revenue Decoupling Mechanism Target

RDM Residential Service Classes		
S.C. 1 & 14 Residential	$	11,322,323