

STATE OF NEW YORK

Public Service Commission

William M. Flynn, Chairman

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FOR RELEASE: IMMEDIATELY

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PSC Votes to Approve Gas Distribution Rate Plan for St. Lawrence Gas

– Reduces Increase Request; Freezes New Rates for Three Years; Other Customer Benefits –

Albany, 7/23/03 – The New York State Public Service Commission today voted to approve a three-year plan governing the gas distribution rates for customers of the St. Lawrence Gas Company. The plan reduces the company's original increase request of \$1.7 million (8 percent) to \$595,000 (2.7 percent) and freezes delivery rates at that level until September 30, 2006.

“This change in distribution rates is the first for customers since 1995 and, even with the change, rates for customers will remain among the lowest in the state,” Commission Chairman William M. Flynn said. “The plan contains service quality provisions to protect customers and allows for the implementation of bill system changes that will support competitive opportunities and customer choice, which also can benefit customers.”

The Commission determined that the plan provides the company with the revenue needed to address increases in uncontrollable operating expenses (e.g., pension costs, wages and taxes) related to distribution services for customers. St. Lawrence Gas customer bills are unbundled – that is, they are “itemized” so that residential customers can see the cost of the gas supplies they use separately from the cost of delivering that gas to them. The “supply charge” – that is, the cost of the natural gas itself – identifies what it actually costs St. Lawrence Gas to obtain gas supplies for its customers and fluctuates with the market price of natural gas supplies throughout the country.

The new multi-year plan will better align rates with actual cost of services. Bill impacts will vary among customers. In general, residential and small commercial customers will receive much smaller increases than under the company's original proposal, while larger commercial and industrial customers will receive decreases. For example, a typical residential heating customer's annual bill for 158 Dth of gas will increase by about \$51 (5.6 percent), about one-half compared to the company's original request. This includes an increase in the monthly customer of \$2.28 to \$7.20. Similar monthly customer charges at other upstate gas distribution companies are approximately twice that level.

The Commission held two public statement hearings on the rate plan, which was supported by all parties participating in its public review: Alcoa Inc., largest St. Lawrence Gas customer which employs many area residents at its industrial facilities in Massena, NY; the International Brotherhood of Electric Workers, Local 97; Multiple Intervenors, an association of 55 large commercial and industrial energy consumers that have facilities throughout the state, including in the service region of St. Lawrence Gas Company; St. Lawrence Gas Company; and, the New York State Department of Public Service staff.

St. Lawrence Gas Company serves approximately 15,000 customers in various parts of St. Lawrence and Lewis Counties.

The Commission will issue a written decision detailing today's vote to approve a three-year plan governing gas distribution rates for the St. Lawrence Gas Company. The decision in Commission Case 02G1275, when available, can be obtained from the Commission's website at <http://www.dps.state.ny.us> by accessing the Commission Documents section of the homepage. Many libraries offer free Internet access. Commission orders can also be obtained from the Files Office, 14th floor, 3 Empire State Plaza, Albany, NY 12223 (518-474-2500).