

**SUMMARY OF JOINT PROPOSAL
ST. LAWRENCE GAS RATES PROCEEDING
(Case 02-G-1275)**

Term: Thirty-Seven (37) months commencing September 1, 2003. Earnings will be measured on a three-year fiscal basis ending September 30, 2006.

Revenue Increase/Freeze: \$595,000 total proposed increase, or 2.7% overall, to base rates in Rate Year One. Base rates would be frozen for Rate Years Two and Three. This amount is about 1/3 of St. Lawrence's rate increase request of \$1.7 million.

Rate Impacts: Because cost studies have shown that large customer classes (SC-3) are providing returns greater than residential customers (SC-1), the proposed increase would be generally allocated to SC-1. Impacts for residential heating customers would range from 4% to 6%. The average residential heating customer would see an increase of about \$51 per year in their bill. SC-2 Small General Firm customers using 1,000 therms per month would see an increase of about 3% (or \$17), customers who use more than 10,000 therms a month would see no change in their bills, while customers using 100,000 therms per month would see a decrease of about 1% (or \$1,607). All SC-3 customers would see slight decreases in their transportation bills as a result of a change in the load balancing rates.

Customer Charges: All SC-1 and SC-2 customers would receive increases in their customer charges. The SC-1 customer charge would increase \$2.28 per month or 46% and the SC-2 customer charge would increase \$5.33 per month or 108%. St. Lawrence's minimum bill under the proposal is \$7.20 for SC-1, approximately one-half of the minimum bill charges for other upstate gas utilities.

Rate Cap: If St. Lawrence achieves a return on equity exceeding 10.1% during the term of this proposal, 50% of such excess over the three-year term will be deferred and returned to customers.

Major Cost Changes (Reasons for Rate Increase): Payroll, Health Insurance, Local Property Taxes, Pensions, Post-Retirement Benefits (other than pensions) and a New Billing System. Increases in depreciation charges and various inflation-related cost increases also contribute to the proposed rate increase.