

SUMMARY OF JOINT PROPOSAL
ST. LAWRENCE GAS RATE PROCEEDINGS
Case 05-G-1635

Term: Thirty-Seven (37) months commencing December 1, 2006. Earnings will be measured on a three-year fiscal basis ending December 31, 2009.

Revenue Increase/Freeze: \$2,797,400 total proposed increase, or 6.79% overall, to base rates in Rate Year One. Base rates would be frozen for Rate Years Two and Three.

Rate Impacts: Because cost studies have shown that large customer classes (SC-3) are providing returns greater than residential (SC-1) and small general firm customers (SC-2), the proposed increase would be generally allocated to SC-1 and SC-2. Impacts for residential heating customers would approximate 9%. The average residential heating customer would see an increase of about \$140 per year in their bill. SC-2 Small General Firm customers using 1,000 therms per month would see an increase of about 4 %, or \$44 per month and customers who use more than 10,000 therms per month would see an increase of about 2% or \$253 per month.

Customer Charge: All SC-1 and SC-2 customers would receive increases in their customer charges. The SC-1 customer charge would increase \$4.30 per month or 60% and the SC-2 customer charge would increase \$8.00 per month or 78%. St. Lawrence's minimum bill under the proposal is \$11.50 for SC-1 and \$18.25 for SC-2.

Rate Cap: If St. Lawrence achieves a return on equity exceeding 9.6% during the term of this proposal, any earnings above 9.6% and up to 10.6% will be shared 50%/50% between the company and customers; any earnings above 10.6% and up to 12.6% will be shared 35%/65% between the company and customers; any earnings above 12.6% will be deferred for the benefit of customers for later disposition by the Commission.

Major Cost Changes (Reasons for the Rate Increase): Payroll, health insurance, local property taxes, pensions, post-retirement benefits (other than pensions), uncollectibles expense, interest expense and income taxes. Increases in depreciation charges and various inflation-related cost increases also contribute to the proposed rate increase.