

**PROPOSED MERGER OF  
CORNING NATURAL GAS CORPORATION,  
C&T ENTERPRISES, INC.  
AND  
C&T ACQUISITION, INC.  
CASE 06-G-0569**



**FACT SHEET**

**Q. What is a corporate merger?**

A. A corporate merger occurs when one company absorbs another by acquiring its assets, liabilities, franchises and powers, or by acquiring ownership of its stock.

**Q. What is the merger transaction proposed by Corning Natural Gas Corporation, C&T Enterprises, Inc. and C&T Acquisition, Inc.?**

A. C&T Enterprises, Inc. is a holding company and management services provider that already owns a subsidiary company that provides utility service in New York State (Valley Energy, Inc.). The companies have proposed that C&T Enterprises, Inc. will form a new corporate subsidiary (C&T Acquisition, Inc.). The stockholders of Corning Natural Gas Corporation would turn in their stock shares in exchange for a cash payment of \$13.71 per share. The new subsidiary would be the purchaser of all of the stock of Corning Natural Gas Corporation and would become its sole owner. At the closing, C&T Acquisition, Inc. would merge with Corning Natural Gas Corporation such that C&T Acquisition, Inc. would cease to exist as a corporate entity and Corning Natural Gas Corporation would remain as a wholly owned subsidiary of C&T Enterprises, Inc.

**Q. What would happen to the company now known as Corning Natural Gas Corporation?**

A. Corning Natural Gas Corporation would continue, but under new senior management, and operate as a subsidiary and public utility company under the overall corporate control of C&T Enterprises, Inc.

**Q. What would happen to the current senior management of Corning Natural Gas Corporation?**

A. The current President/CEO and Executive Vice President will resign effective at the closing of the merger transaction. C&T Enterprises, Inc. will appoint new senior management to operate the utility company.

**Q. What would happen to the current employees of Corning Natural Gas Corporation?**

A. C&T Enterprises, Inc. asserts that all non-management employees will be retained for at least one year after closing and the new management will recognize the employees' union and adhere to the current collective bargaining agreement, which expires November 2, 2008.

**Q. What impact would the proposed merger have on gas rates?**

A. In the long run, the companies assert that the merger will allow the holding company and affiliates to reduce their costs by sharing employees and assets, better economies of scale, and by lower costs for financing.

**Q. What does that specifically mean for Corning Natural Gas Corporation's gas customers?**

A. C&T Enterprises, Inc. proposes a three-year moratorium on rate increases above the recently approved rate levels, and to pass back to customers over three years the \$1.4 million owed to customers due to past excessive gas storage fill and hedging costs. Corning Natural Gas Corporation is currently subject to only an approximately one-year moratorium on rate increases above the recently approved rate levels and does not have the necessary cash-on-hand to pass back to customers the \$1.4 million owed to customers due to past excessive gas storage fill and hedging costs.

**Q. What impact will the proposed merger have on service quality and reliability?**

A. The companies assert that C&T Enterprises, Inc., as the new parent company of Corning Natural Gas Corporation, would be better able to finance the utility operations, making the acquisition of gas supply and the provision of service more reliable. C&T Enterprises, Inc. has stated that if the merger is approved, it is committed to making substantial physical improvements to the gas system infrastructure over-and-above the level currently planned by the utility. Corning Natural Gas Corporation would continue to operate under rules that impose financial disincentives if there is a decline in the quality and reliability of the service it provides. In addition, the PSC will monitor post-merger service quality and reliability to ensure that there is no deterioration.

**Q. What impact will the proposed merger have on the development of competitive markets?**

A. The companies assert that the merger will not have an adverse impact on competition and may advance competitive interests because Corning Natural Gas Corporation would be in a better financial position to undertake competition-enhancing measures.

**Q. What is the Public Service Commission (PSC)?**

A. The PSC is a governmental entity of New York State established to regulate electric, gas, steam, telephone, water, and cable television companies. The PSC currently consists of five members, each appointed by the Governor and confirmed by the State Senate. The Chairman is designated by the Governor. Members serve for six-year terms.

**Q. What are the responsibilities of the PSC?**

A. The PSC has a broad mandate, as set forth in the New York State Public Service Law, to ensure that consumers receive safe and reliable utility service at reasonable rates and with the least adverse effect on the environment.

**Q. What is the Department of Public Service?**

A. The PSC, the five-member decision-making body, is organized within the Department of Public Service, one of 20 major departments in New York State government. The Chairman of the PSC also serves as chief executive of the Department of Public Service. The staff of the Department of Public Service represents the public interest in all PSC proceedings, under the direction of the Chairman.

**Q. What is the role of the PSC related to utility mergers?**

A. The Public Service Law grants the PSC the authority to review proposed mergers. Section 70 of the Public Service Law states that no gas corporation shall transfer or lease its franchise, works or system, or any part thereof, without the written consent of the Commission. Section 110 states that the PSC may disapprove any contract or arrangement between a gas corporation and its affiliated corporations found not to be in the public interest. Section 69 states that PSC approval is required before stock, bonds and other forms of indebtedness can be issued by a gas corporation.

**Q. What does the PSC do to review a proposed merger?**

A. The PSC makes such inquiry or investigation, holds such hearings and examines such witnesses, financial records, documents or contracts as it may deem important in enabling it to reach a determination concerning a proposed merger.

**Q. Does the PSC involve the public in its decision-making process?**

A. Yes. The PSC strongly encourages the public to comment on issues in pending proceedings. Public statement hearings are conducted to distribute information and to solicit comments. Written comments are also encouraged either by mail or electronically over the internet. All comments received are considered by the Commission in its deliberations.

**Q. What criteria does the PSC use in considering a proposed merger?**

A. The overall standard is whether the merger is in the public interest. More specifically, the PSC will look at the impact of the proposed merger on service reliability, customer service, and rates.

**Q. When will the PSC make its decision on the merger proposal?**

A. Corning Natural Gas Corporation and C&T Enterprises, Inc. have requested that the final PSC decision be made at a PSC Session scheduled for July 19, 2006. The actual timing of a final PSC decision will depend on the scope and duration of any investigations and hearings deemed necessary by the PSC to facilitate its review of the proposed merger.

**Q. Is the PSC the only governmental entity that has to approve the proposed merger before it can be consummated?**

A. No. Other governmental agencies such as the Federal Energy Regulatory Commission, the Securities and Exchange Commission and the Federal Communications Commission must approve aspects of the proposed merger.

*If you would like more information or would like to comment on the proposed merger of Corning Natural Gas Corporation, C&T Enterprises, Inc. and C&T Acquisition, Inc.:*

*CALL OUR TOLL-FREE OPINION LINE ...1-800-335-2120*

*SEND US E-MAIL ... by filling in an on-line PSC Comment Form accessed using the "Consumer Assistance" button appearing on our internet website at <http://www.dps.state.ny.us>*

*OR WRITE TO ...Jaclyn A. Brillling, Secretary  
NYS Public Service Commission  
Three Empire State Plaza  
Albany, NY 12223-1350*

*ALL COMMENTS MUST BE RECEIVED BY JULY 17, 2006  
AND SHOULD REFERENCE CASE 06-G-0569*