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June 9, 2016

***VIA ELECTRONIC AND FIRST CLASS MAIL***

Administrative Law Judge Susan D. Colwell  
Office of Administrative Law Judge  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor West  
PO Box 3265  
Harrisburg, PA 17105-3265

In re: Joint Application of Pike County Light and Power Company, Corning Natural Gas Holding Corporation and Orange and Rockland Utilities, Inc. for: a Certificate or Certificates of Public Convenience Evidencing the Pennsylvania Public Utility Commission's Approval of: the Transfer by Sale of 100% of the Issued and Outstanding Stock of Pike County Light & Power Company; Docket No. A-2015-2517111; A-2015-2517036; G-2015-2517113; G-2015-2517114; S-2015-2517115 and S-2015-2517116; **CORNING NATURAL GAS HOLDING CORPORATION EXHIBIT NO. 13 – REQUEST FOR ADMISSION INTO RECORD**

Dear ALJ Colwell:

As you may recall, the record in the referenced matter was held open to allow the admission of an extended commitment letter from M&T Bank to Corning Natural Gas Holding Corporation ("CNGHC"). The letter, marked as CNGHC Exhibit No. 13, is enclosed. CNGHC respectfully requests that the document be so marked and admitted into the record. We are authorized to represent that the OCA and OSBA do not oppose the admission of this exhibit.

Administrative Law Judge Susan D. Colwell

June 9, 2016

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Parties have been served in accordance with the attached Certificate of Service. If you have any questions regarding this filing, please do not hesitate to contact me.

Very truly yours,



Thomas J. Sniscak  
Christopher M. Arfaa  
William E. Lehman  
Whitney E. Snyder

TJS/CMA/das  
Enclosure

cc: Rosemary Chiavetta  
Per Certificate of Service

**CNGHC Exhibit No. 13**

**Extended Financing Commitment Letter**



68 Exchange Street, Binghamton, NY 13901

May 12, 2016

Mrs. Firouzeh Sarhangi, Chief Finance Officer  
Corning Natural Gas Corporation.  
330 West William Street  
P.O. Box 58  
Corning, NY 14830

Re: Pike County Light & Power Company acquisition

Dear Fi:

I am pleased to inform you that M&T Bank has approved your loan requests to provide a new \$2,000,000 Line of Credit, \$12,000,000 Term Loan, and a \$2,000,000 Letter of Credit to assist you with the stock purchase of Pike County Light & Power Company from Orange & Rockland Utilities.

The general terms and conditions of the respective credit facilities are outlined below.

<b>Facility #1</b>	<b>LINE OF CREDIT</b>
<b>BORROWER:</b>	Pike County Light & Power Company
<b>AMOUNT OF LOAN:</b>	\$2,000,000
<b>TYPE OF LOAN:</b>	Line of Credit
<b>TERM:</b>	Demand
<b>PURPOSE:</b>	Working Capital
<b>REPAYMENT:</b>	Interest due monthly
<b>INTEREST RATE:</b>	30 day LIBOR plus 2.75%. Rate changes daily.

**Facility #2** **\$12,000,000 TERM LOAN**

**BORROWER:** Pike County Light & Power Company

**AMOUNT OF LOAN:** Up to \$12,000,000

**TYPE OF LOAN:** Term Loan

**PURPOSE:** Finance the stock purchase of Pike County Light & Power Company from Orange & Rockland Utilities.

**RATE:** Variable interest based on 1 Month LIBOR plus 3.00%. Rate changes monthly.

**SWAP:** Borrower may enter into an interest rate SWAP rate derivative product with the Bank to mitigate interest rate risk for a term not to exceed the term of the loan. Any prepayment of the loans while a SWAP Agreement is in effect shall subject the Borrower to applicable SWAP breakage fees.

The Corning Natural Gas Board of Directors must provide documentation of written Board approval that the company is authorized to used uncleared swaps to hedge its interest rate risk. See attached Schedule A for more details on criteria and governance.

**LOAN TERM:** The Term Loan will mature Five (5) years from the date of closing.

**REPAYMENT:** Billed interest only for first 6 months, then commence monthly payments of principal plus interest based on a 10 year amortization.

**PREPAYMENT PREMIUM:** LIBOR breakage fee on term loan if using floating rate.

**COVENANTS:**

**Minimum Debt Service Coverage of 1.10 to 1.0.**  
Measured as net income after taxes, plus depreciation and Amortization, plus interest expenses, plus/ minus non-cash expenses/ income to the sum of CPLTD plus interest expense.

**Maximum Total Funded Debt/ Tangible net Worth Ratio of 1.40 to 1.0**  
Funded debt includes the current and long term portion of term debt plus the balance outstanding on the Line of Credit.

**Maximum Total Funded Debt / EBITDA of 3.75 to 1.0.**  
Funded debt less the balance of the Line of Credit to the sum of EBITDA.

**Facility #3**

**Letter of Credit**

**AMOUNT  
OF FACILITY:**

\$2,000,000

**TYPE OF LOAN:**

Standby Letter of Credit for payment guaranty purposes.

**BENEFICIARY:**

Orange and Rockland Utilities

**PURPOSE:**

Support purchases of gas and/ or electricity from Orange and Rockland Utilities.

**ANNUAL FEE:**

1.75% (\$35,000) billed quarterly

**TERM:**

1 year term from date of issuance

**TERMS CONSISTENT FOR ALL DEBT FACILITIES**

**BORROWER:**

Pike County Light & Power Company

**BANK:**

M & T Bank

**COLLATERAL:**

First security interest in all non- real estate assets

**GUARANTOR:**

Corning Natural Gas Holding Corporation

**PARTICIPATION:**

Approval and commitment from participating lender. As with our recently completed financing, another lender has been invited to participate in this credit extension.

**FINANCIAL STATEMENTS:**

Annual Audited statements on the Borrower and Guarantor within 120 days of Fiscal Year End.

Quarterly accountant prepared statements within 60 days of Quarter-ending.

Covenant Compliance certificates required within 60 days of quarter ending.

Projected Operating and capital budget to be provided annually by 12/31

**CLOSING COSTS:**

The Borrower shall be responsible for all closing costs, including, but not limited to: Bank's attorney fees, filing and recording fees.

**ADDITIONAL TERMS AND CONDITIONS:**

Borrower shall have delivered to M&T, sufficiently in advance of closing, all information and documentation required by M&T to evidence or facilitate both the Borrower's and M&T's compliance with all applicable laws and regulations, including, without limitation, all "know your customer" rules in effect from time to time pursuant to the Bank Secrecy Act, USA PATRIOT Act and other applicable laws. Any failure by Borrower or any necessary third party to deliver to M&T, in a timely manner, any material information or documentation requested, or any misrepresentation or inaccuracy with respect to such information or documentation, or if M&T reasonably determines that opening any account contemplated herein would potentially violate M&T's regulatory compliance policies or applicable law, shall permit M&T to withdraw or cancel this financing offer, without liability.

The rates outlined for the various facilities are based on the assumption that Pike County Light & Power Company will consolidate all of its operating accounts and its treasury management functions with M&T Bank.

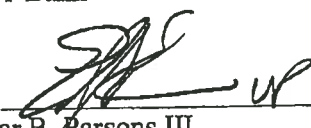
This commitment letter is not intended to set forth each and every requirement of the Bank with respect to these loan transactions. These loans shall be further contingent upon (i) the execution and delivery to the Bank of all agreements, instruments and other writings that the Bank or its counsel deems necessary or appropriate in connection with this loan; and (ii) there not having occurred or existed on or after the date of this letter and before the loan is closed any event or condition that we reasonably believe would or might have a material adverse affect on you or on your business, render any collateral less valuable than we had previously determined it to be or would cause us to deem ourselves insecure in making the loan.

This commitment letter, which is not assignable by you, shall automatically expire and be null and void if (i) we have not received an original of this letter executed by you, on or before June 30, 2016; or (ii) prior to any such receipt, we, orally or in writing, give notice of withdrawal hereof. This commitment replaces all previous commitments.

Thank you again for the opportunity. Glenn and I remain available to review this either in person or via the telephone. If you have any questions, please contact me at (607) 779-5909.

Sincerely,

M&T Bank

By:   
Edgar B. Parsons III  
Vice President

Agreed to and accepted this \_\_\_\_\_ day of \_\_\_\_\_, 2016

Corning Natural Gas Holding Corporation

By:   
Title 



## **Attachment A Swap Criteria & Governance**

### **Criteria for Relying on the End-User Exception**

In order to rely on the end-user exception for a swap, a company must meet the following criteria, which are set forth in CFTC Regulation 50.50: [4]

1. it is not a “financial entity,” as defined in Section 2(h)(7)(A) of the Commodity Exchange Act;
2. it is using a swap to hedge or mitigate commercial risk, as defined in CFTC Regulation 50.50(c);
3. it generally meets its financial obligations associated with entering into uncleared swaps;
4. it takes certain governance steps if it is a public company—specifically, if it is (a) an issuer of securities registered under Section 12 of the Securities Exchange Act of 1934 (Exchange Act) or (b) required to file reports under Section 15(d) of the Exchange Act (each a “reporting issuer”); and
5. it reports the information described above to a swap data repository (SDR), or to the CFTC if no SDR is available, through an annual filing that would cover swap transactions taking place over the upcoming year.

With respect to the fifth requirement, we expect most companies will make the annual filing, but CFTC rules offer the option of reporting the required information on a swap-by-swap basis, along with other information that must be reported in connection with every swap transaction. In that situation, typically the swap dealer (not the end-user) will report the information.

### **Governance Steps**

For companies that are otherwise eligible to rely on the end-user exception, and that are reporting issuers, the governance steps that are a pre-requisite for relying on the exception are:

1. The board (or an “appropriate committee” of the board) review and approve the company’s use of uncleared swaps. The approval must authorize the company to enter into swaps that will not be cleared, and will not be executed on a facility or exchange, due to the company’s intention to rely on the end-user exception.

The CFTC has said that a committee is “appropriate” only if it is “specifically authorized to review and approve the . . . decision to enter into swaps.” Board or committee approval can be done on a general basis, and if done on a general basis, it must occur at least annually because public companies must include confirmation of the approval each year as part of the annual filing discussed above under the heading “Criteria for Relying on the End-User Exception.” Approval also can be done on a swap-by-swap basis and reported to an SDR in connection with each swap transaction.

Significantly, the CFTC indicated in adopting the end-user exception that the review/approval requirement applies to the reporting issuer *and* to any entities controlled by the issuer. The CFTC also stated that the reporting issuer's board "would have reasonable discretion to determine the appropriate committee for approving decisions on swaps for its subsidiaries or affiliates."

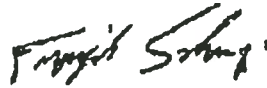
2. The board or committee must "set appropriate policies" governing the use of swaps subject to the end-user exception and review these policies at least annually, or more often if there is a significant change in the policies (such as implementing a new hedging strategy that was not contemplated in the original board or committee approval).

Companies could comply with this requirement by having the board or committee review and discuss with management policies that management has developed on the use of swaps. This review and discussion could occur as part of the process of approving the company's use of uncleared swaps.

If the company does not currently have written policies in place on the use of swaps, it should review its existing practices and document them. The CFTC has not issued guidance on what should be addressed in these policies. We anticipate that these policies will vary based on a company's circumstances, including the type of company and the reasons it uses swaps. At a minimum, a company's policies should address the types of swaps for which the company may rely on the end-user exception, although companies may wish to adopt broader policies that address their use of swaps more generally.

## AUTHENTICATION

I, Firouzeh Sarhanghi, Chief Financial Officer of Corning Natural Gas Holding Corporation ("CNGHC"), hereby state that the attached document is a true and correct copy of a renewed commitment letter from M&T Bank dated May 12, 2016 and accepted by CNGHC. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).



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Firouzeh Sarhanghi  
Chief Financial Officer  
Corning Natural Gas Holding Corporation

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

**BY ELECTRONIC AND FIRST CLASS MAIL**

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William E. Lehman, Esquire  
Christopher M. Arfaa, Esquire  
Whitney E. Snyder, Esquire

DATED: June 9, 2016