



**For Immediate Release:** 06/23/21

John B. Howard, Interim Chair

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**21065 / 21-M-0351**

## **Investigation in National Grid's Long Island, New York City Business Detailed**

### ***PSC Examines Utility's Actions to Determine if Customers Were Financially Hurt***

### ***Company Will Be Held Accountable if Expenditures Found to be Unjustified***

**ALBANY** — The New York State Public Service Commission (Commission) today released details of its investigation announced by Governor Andrew M. Cuomo into National Grid's downstate gas business after several former National Grid employees were charged in a bribery and kickback scheme involving contracts worth tens of millions of dollars.

“Based on the review of the complaint supporting the arrest of five former National Grid employees for soliciting and accepting from a contractor improper payments in connection with facilities department contracts in Long Island and New York City, sufficient questions are raised to warrant the commencement of this proceeding,” **said Commission Chair John B. Howard.** “In this proceeding, we will examine potential imprudence, the adequacy of National Grid’s internal controls, and National Grid’s compliance with its own internal procedures as well as provisions of the public service law, the Commission’s regulations, and Commission orders.”

A federal criminal complaint was issued June 17, 2021 against five former National Grid managers employed in the company's facilities department charging them with conspiring to violate the Travel Act by accepting hundreds of thousands of dollars in bribes and kickbacks in exchange for steering contracts to certain Long Island-based contractors with whom the company did business. One contractor, according to the complaint, secured more than \$50 million in facility maintenance contracts from the company during the time that the contractor was paying bribes to the defendants.

National Grid's justification for these expenditures will be examined and if found unjustified, an appropriate remedy will be fashioned. Because the facts described in the publicly available investigative materials raise serious questions as to the adequacy of National Grid's internal controls, this proceeding will also encompass an examination of the companies' conduct and behavior with respect to other contract expenditures. National Grid is expected to cooperate in full and good faith with all forms of discovery, including depositions, and to provide prompt access to all requested books and records and, as needed, utility personnel.

As alleged, the conduct described in the complaint appears to have resulted in unwarranted payments by National Grid to contractors to the detriment of the companies' customers. Such unwarranted expenditures would have been included in the costs of the company's maintenance projects. Because such expenditures are an integral part of the National Grid's rate case filings, such

costs would have been, and continue to be, collected in gas rates charged to customers. To the extent that National Grid's rates included charges for payments to contractors that were illegal and unwarranted, they would by definition be unjust and unreasonable.

Moreover, National Grid's conduct in connection with the contracts at issue could be deemed imprudent. The Commission has the power to review past actions of the companies. If the Commission finds that the companies' actions were imprudent, it may order relief. The complaint details actions by National Grid managers and high-level employees that may be illegal and included the creation and payment of unwarranted charges under maintenance contracts. In light of the charges alleged in the complaint, the prudence of the company's actions must be closely examined. In the absence of a persuasive justification by National Grid, the likely inflated payments made by the companies under these contracts would be imprudent.

National Grid must evaluate all of its contracts entered into through or on behalf of the facilities department from 2010 to date, unless it can demonstrate why a shorter timeframe is appropriate. In particular, the complaint alleges kickbacks and/or bribes related to National Grid contracts with at least two vendors. National Grid must endeavor to identify the two vendors and review all of its contracts with these vendors during the aforementioned timeframe. Upon its review, National Grid must identify all operations and maintenance (O&M) and capital expenditures associated with the contracts with these vendors. Further, National Grid must also demonstrate that its expenditures related to such contracts were prudent.

Today's order may be obtained by going to the Commission Documents section of the Commission's Web site at [www.dps.ny.gov](http://www.dps.ny.gov) and entering Case Number 21-M-0351 in the input box labeled "Search for Case/Matter Number". Many libraries offer free Internet access. Commission documents may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.