



For Immediate Release: 03/18/21

John B. Howard, Interim Chair

Contact:

James Denn | James.Denn@dps.ny.gov | (518) 474-7080

<http://www.dps.ny.gov>

<http://twitter.com/NYSDPS>

21030/16-G-0369

PSC to Ensure Federal Loan to Corning Benefits Customers, Not Shareholders

Action Designed to Make Sure Nearly \$1 Million Loan Benefits Customers, Not Shareholders

ALBANY — The New York State Public Service Commission (Commission) today ordered Corning Natural Gas Corporation (Corning), a gas utility operating in the Southern Tier, to respond to the Commission regarding a recent COVID-19 loan it received valued at \$970,950 and to explain how the loan will benefit ratepayers, not company shareholders.

“Corning had applied for, and received, a sizeable loan from the federal government as a small business impacted by the COVID-19 pandemic,” **said Commission Chair John B. Howard.** “Such loans are not intended to enrich shareholders. We need to understand Corning’s intent for these funds, how they affect the company’s rates and revenue requirements, and how this couples with customer interests.”

Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which sought to soften the economic impact of the COVID-19 pandemic and was signed into law on March 17, 2020. The CARES Act includes, among other things, the Payroll Protection Program (PPP), which provides small businesses having less than 500 employees with loans to pay up to eight weeks of payroll costs, paid sick, medical or family leave, mortgage interest, rent, utility payments, and interest on pre-existing debts. Repayment of the loan under the PPP may be forgiven after two years if the recipient of the loan meets certain conditions, including 75 percent of the loan is used for payroll, employee pay is not reduced by more than 25 percent, and there is no reduction in full-time employees.

Under this backdrop, on April 17, 2020, Corning filed a letter with the Commission stating that the company had applied for and received a PPP loan. Corning’s PPP application lists the purpose of the loan as being for payroll and healthcare. On May 9, 2020, in response to a staff information request, Corning said existing rates did not contemplate the economic catastrophe created by COVID-19 and related New York State lock-down. The company said the PPP loan is replacing lost revenue.

The purpose of the order is to gather necessary facts and information from Corning to determine the disposition of proceeds from Corning’s loan from a program established by the federal government in response to the economic consequences of the COVID-19 pandemic. Under federal rules, the loan may be converted to a grant if Corning meets certain conditions. Should this occur, it appears that the loan, or a portion of it, may represent a financial windfall to Corning beyond that approved in Corning’s most recent rate case and needed to provide safe and adequate service to ratepayers. The company has 30 days to respond.

Corning, as a jurisdictional gas utility, is regulated by the Commission. Corning's current rates, which are designed to provide sufficient funds to cover the company's full cost of providing service including operational expenses such as payroll, employee benefits and debt payments.

In filings with the Commission, Corning said the PPP loan is probably more appropriately viewed as a grant since repayment is only required if the program's conditions are not met. Given that fact, the loan therefore constitutes a financial potential windfall above what was authorized in the latest rate case and exceeding what is necessary for Corning's operations and profits.

Should the PPP funds become a grant, they would represent a source of income that was not anticipated in the setting of Corning's current rates, may not be required to provide utility service, and do not appear to benefit ratepayers despite Corning's general claims to the contrary. If converted to a grant, these PPP funds would provide duplicate recovery for payroll and healthcare expenses that were included in rates and thus could become a source of revenues unanticipated by the current rate plan. In order to ensure that Corning's rates are just and reasonable, the Commission must ascertain the impact and uses of the loan should it become a grant.

Corning, a publicly traded company, serves approximately 15,000 customers. Gas deliveries are made across 23 towns and villages, over 400 square miles, throughout the Southern Tier and Central regions of New York State. The company has fewer than 100 employees and is much smaller than the major gas and electric utilities operating in New York State. At this time, Corning is the only regulated energy utility in New York State the Commission is aware of that has received a PPP loan.

New York State's Nation-Leading Climate Plan

Governor Cuomo's nation-leading climate plan is the most aggressive climate and clean energy initiative in the nation, calling for an orderly and just transition to clean energy that creates jobs and continues fostering a green economy as New York State recovers from the COVID-19 pandemic. Enshrined into law through the CLCPA, New York is on a path to reach its mandated goals of economy-wide carbon neutrality and achieving a zero-carbon emissions electricity sector by 2040, faster than any other state. It builds on New York's unprecedented ramp-up of clean energy including a \$3.9 billion investment in 67 large-scale renewable projects across the state, the creation of more than 150,000 jobs in New York's clean energy sector, a commitment to develop over 1,800 megawatts of offshore wind by 2024, and 1,800 percent growth in the distributed solar sector since 2011. New York's Climate Action Council is working on a scoping plan to build on this progress and reduce greenhouse gas emissions by 85 percent from 1990 levels by 2050, while ensuring that at least 35 percent with a goal of 40 percent of the benefits of clean energy investments benefit disadvantaged communities, and advancing progress towards the state's 2025 energy efficiency target of reducing on-site energy consumption by 185 trillion BTUs of end-use energy savings.

Today's decision may be obtained by going to the Commission Documents section of the Commission's website at www.dps.ny.gov and entering Case Number 16-G-0369 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.