



CORNING

NATURAL GAS CORPORATION

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March 10, 2025 (Revised March 12, 2025)

Hon. Michelle L. Phillips, Secretary
New York Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

RE: Case 21-G-0260 – Joint Petition of Corning Natural Gas Holding Corporation et al. for Approval of Merger

Case 24-G-0447 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules, and Regulations of Corning Natural Gas Corporation for Gas Service: Proposed Modification of Credit Metrics Reporting

Dear Secretary Philips:

On behalf of Corning Natural Gas Corporation (“Corning” or the “Company”) we are writing to request that certain reporting requirements contained in the May 3, 2022 Joint Proposal (“JP”) adopted by the Public Service Commission (the “Commission”) in its Order Adopting Terms of Joint Proposal, Establishing Rate Plan and Approving Merger (the “2022 Order”), issued June 16, 2022, in Case 21-G-0260¹ be eliminated. Specifically, the provisions in question require that Corning calculate and report on its common equity ratio, its ratio of Funds from Operations (“FFO”) to Long-Term Debt, and its ratio of Long-Term Debt to Earnings Before Interest, Taxes, Depreciation, and Amortization (“EBITDA”). JP at 39-42. Corning respectfully submits that this requirement is no longer necessary and, therefore, should be eliminated.²

The requirement that Corning provide the foregoing indicators of its financial integrity (the “Credit Metrics”) has its origin in the Department of Public Service Staff (“Staff”) Position Paper regarding Proposed Merger (the “Position Paper”) filed on December 21, 2021, in Case 21-G-0260. There, Staff observed, in relevant part:

¹ The 2022 Order was also issued in Case 21-G-0394, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Corning Natural Gas Corporation for Gas Service*.

² The JP acknowledged the right of the Joint Petitioners “to petition the Commission to modify these commitments and/or to request that the Commission modify the commitments in future rate proceedings.” JP at 41.

A requirement to maintain an investment-grade credit rating is often imposed on a utility by the Commission as a condition of its merger or acquisition. This is done to preserve the utility's financial integrity and mitigate the risk of higher financing costs. Many of the recent Commission authorizations for utility acquisitions in New York State required the utilities in question to maintain their then-current credit rating for a period of time after consummation of the transaction. However, such a condition is not applicable in this case. This is because Corning LDC, Corning Holdco, and Argo are not rated by a major rating agency. . . . Given the expenses entailed in issuing bonds, including obtaining a credit rating, it would not be cost-effective to require any of the Petitioners to do so either. Therefore, a condition related to credit ratings is not appropriate.

As a substitute, Staff recommends that Corning LDC be required to maintain two credit metric ratios in a manner that is consistent with a "BBB" credit rating from Standard & Poor's Global Ratings (S&P). The first credit metric ratio is FFO/Debt and the second metric ratio is Debt/EBTIDA [*sic*; EBITDA]. . . . Staff recommends that Corning LDC be required to maintain FFO/Debt at or above 9.0% and Debt/EBITDA at or below 5.5. According to S&P's current Corporate Methodology, published on November 19, 2013, . . . this is consistent with a "BBB" rating by S&P for a company with Excellent business risk. . . . Staff recommends that these two metrics be calculated annually by Corning LDC and then reviewed by Staff to assess their consistency with a "BBB" rating by S&P. . . . This requirement would be effective for at least five years immediately following consummation of the [merger] Transaction. . . .

Position Paper at 30-32 (footnotes omitted).

With minor clarifying modifications, the Staff Credit Metrics proposal was incorporated into the JP (at 39-41) and approved in the 2022 Order (at 61-63). The annual filings were required to be made "commencing after a full year of Corning LDC's operation under ACB Crotona ownership" (JP at 41). Corning made the first two of the requisite filings on August 28, 2023 and November 25, 2024, respectively.

On March 7, 2024, Corning petitioned the Commission for authority to issue long-term indebtedness to enable the Company to refinance its debt (the "Refinancing"). The Commission, by its Order Authorizing Issuance of Long-Term Indebtedness issued June 24, 2024 in Case 24-G-0148³ (the "Refinancing Order"), granted such authority. In connection with carrying out the Refinancing through, *inter alia*, the issuance of Notes to various entities, Corning's parent, Corning Energy Corporation ("CEC"), obtained a credit rating for the Notes from Kroll Bond Rating Agency. That rating is investment grade.⁴ The relevant documentation for the purchase of the Notes requires CEC to maintain a credit rating from a Nationally Recognized Statistical Rating Organization during the time that the Notes are outstanding.

³ *Petition of Corning Natural Gas Corporation for Authority, Pursuant to Public Service Law Section 69, to Issue Long-Term Indebtedness.*

⁴ The Kroll rating report, which is highly confidential, was previously provided to Staff.

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As a consequence of the Refinancing transactions, including the on-going condition to maintain a credit rating, Corning, through CEC, now has, and will continue to have, a credit rating – the “missing” element that gave rise to Staff’s alternative criteria that were embodied in the JP and approved by the Commission in the 2022 Order. Accordingly, the Credit Metrics that served as a substitute for a credit rating are no longer needed as an indicator of Corning’s financial integrity. The CEC credit rating will serve that purpose.

For the foregoing reasons, Corning respectfully requests that the provision in the JP requiring the calculation and reporting of Credit Metrics be eliminated.

Copies of this filing are being served electronically on the Administrative Law Judges in Case 24-G-0447 and on all parties to that proceeding and Case 21-G-0260.

Any questions regarding this filing may be directed to me.

Very truly yours,



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cc: Hon. Maureen O’Leary
Hon. Dakin Lecakes
All Parties (Cases 21-G-0260, 24-G-0447)