

If Your Commercial and Small Industrial Customers Don't Pay During the Pandemic

Utilities have tariffs or ordinances generally providing that customers who do not pay are turned off. During the pandemic, many state public service commissions have directed utilities not to turn off customers. Some specify residential customers; others do not. Very few APGA members are subject to those PSC orders. Therefore, local boards that oversee the operations of APGA members need to make that call. Boards should act formally because the default tariff provision is to turn off customers, and the ability to waive that provision may not exist, depending on how it has been written. APGA members should be sensitive to claims of discrimination among customers and customer classes when establishing any pandemic turn off policy. Utilities may treat customers differently provided that there are good reasons to do so, and those reasons should be articulated as part of any policy.

APGA members also should understand how the CARES Act could provide monies to small businesses (fewer than 500 employees) to help the company pay its utility bills under the **Paycheck Protection Program**.

It is not the job of a utility to play a role in the Program's loan process, but APGA members that have a financially struggling business customer may make the business (or non-profit) aware of the program. Although Treasury Secretary Mnuchin claims that the roll-out of this loan program which began on Friday, April 3 is running smoothly, most participating banks have not yet rolled out the program and are not accepting applications or if they are accepting them they are not being processed as the banks await further guidance from the SBA. Many of these issues will be resolved this week. In any event, any struggling business in your community should contact its relationship officer of the bank where it does business to begin the process.

Here is a bit of information about the **Paycheck Protection Program (PPP)**:

Under the U.S. Small Business Administration's ("SBA") PPP, eligible small businesses may borrow up to 250% of their average monthly payroll costs from most banks and certain other SBA-approved financial institutions. Qualified loan recipients are eligible for loan forgiveness, up to the total loan amount, for loan proceeds used to pay payroll costs, rent, utilities and certain other operating related expenses ("Qualified Expenses") during the 8-week period following the disbursement of the loan ("Forgiveness Period"). The government essentially funds 100% of an eligible business' payroll and other operating expenses for the Forgiveness Period so that the loan essentially becomes an outright grant. Small Businesses should contact their banks or their local Small Business Development Center (www.sba.gov/tools/local-assistance/sbdc) to find an approved SBA or Department of Treasury lender.

Maximum PPP Loan Amount and Related Terms

The maximum PPP loan amount any small business is eligible to borrow is 250% of its average total monthly "payroll costs" incurred in the one-year period before the PPP loan is made, up to \$10 million. "Payroll Costs" include the sum of salaries, wages,

commissions; payments for vacation, parental, family, medical or sick leave; allowance for dismissal or separation; payments required for the provisions of group health care benefits, including insurance premiums; payments of any retirement benefit; and payments of state or local tax assessed on the compensation of employees-but excludes any compensation of an employee whose principal place of residence is outside of the United States. Interest rate on PPP loans has been set at 1% and the loan will have a 2-year maturity. In addition unlike other SBA loan programs, PPP loans do not require any collateral or personal guaranty of the owners of the small business.

Use of Proceeds & Terms of PPP Loan Forgiveness

Qualifying businesses will be eligible for loan forgiveness if all employees are kept on the payroll during the Forgiveness Period, and the loan proceeds are used for Qualified Expenses incurred during the Forgiveness Period. No more than 25 percent of the forgiven amount may be for non-payroll costs, including utility costs. Documentation showing payroll, rent, mortgage and utility expenses is required to receive loan forgiveness.

Applying for PPP Loan

PPP Loan Applications may be submitted online to an existing SBA-lender. Existing SBA-certified lenders have authority to approve and make PPP Loans. The PPP Loan program is available through June 30, 2020; however, Small Businesses are encouraged to submit their PPP Loan Application promptly.

The PPP Loan Application Form can be downloaded here www.sba.gov/document/...