

South Asia Regional Regulation Partnership Executive Exchange



Electric Technology - Public Policy Leadership - Government Regulation

September 21, 2009

AGENDA – PART 1

- New York Public Service Commission
 - History
 - Public Service Commission (PSC)
 - Department of Public Service (DPS)
 - Public Service Law (PSL)
- United States - Federal Authority
 - Federal Power Commission (FPC)
 - Federal Energy Regulatory Commission (FERC)
- Administrative Hearings

AGENDA – PART 2

Raj Addepalli

Office of Electricity, Gas & Water

- ❖ Cost and Rates for Renewable Energy
- ❖ Demand Response Initiative
- ❖ Cross Border Energy Exchange
- ❖ Independent Power Producers

AGENDA – PART 3

Christina Palmero & Michael Townsley
Office of Energy Efficiency & Environment

- ❖ Renewable Energy
- ❖ Energy Efficiency
- ❖ Energy Conservation
- ❖ Portfolio Standards
- ❖ Incentive Programs

AGENDA – PART 4

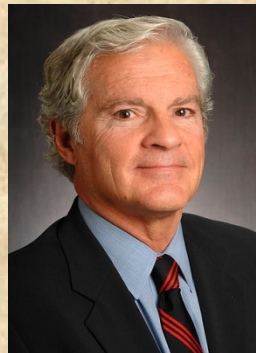
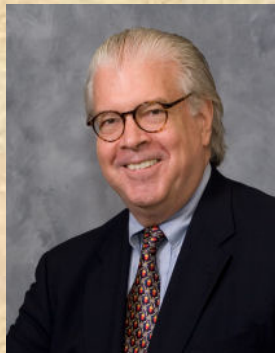
Laura Getz and Erin O'Dell – Keller
Office of Consumer Affairs

- ❖ Consumer Advocacy
- ❖ Low-Income Customer Programs

Public Service Commission



- Chairman
 - Chief Executive Officer
 - One of Five Commissioners
- Commissioners
 - Appointed by the Governor
 - Confirmed by the State Senate
 - Each Serves A 6-Year Term





Department of Public Service

- Engineers
- Accountants
- Financial Experts
- Economists
- Lawyers
- Consumer Service Specialists
- Environmentalists

Chairman Brown

Public Service Commission

Commissioner Acampora
Commissioner Curry
Commissioner Harris
Commissioner Larocca

(Political Appointments)

Department of Public Service

Deputies, Directors
& Managers

(Civil Servants)

Professional Offices

Engineers
Accountants
Financial Experts
Economists
Energy Efficiency Specialists
Environmentalists
Lawyers
Consumer Representatives

RULE OF LAW

- United States Constitution
- Federal Laws
- State Constitutions & State Laws

- **All Government Officials and Citizens Abide by the Law**
- **Courts Exist to Enforce the Law**

Public Service Law

(1907/10; 1930's & 1970)

- Establishes the PSC and DPS
 - Chairman, Commissioners & Professional Staff
 - Written Decisions: Rules, Regulations & Orders
 - Standards: Safe & Adequate Service
Just & Reasonable Rates
Good Public Policy
 - Courts Can Review PSC Decisions
 - To Balance and Check Power

Rule of Law – Public Service Law

- **Jurisdiction, Authority & Powers**
 - General Supervisory Authority (Regulated Utility)
 - Audit Books & Records (Accountants)
 - Inspect Plant & Facilities (Engineers)
 - Investigate Utility Company Actions (Lawyers)
 - Ratemaking Authority (Railroads)
 - Rates and Charges Approved in Advance
 - Same Rates Apply to Similar Customers
 - No Discrimination

Rule of Law – Public Service Law

- **Jurisdiction, Authority & Powers (continued)**
 - Customer Rights
 - Service Termination
 - Deposits
 - Meter Readings
 - Bills & Payment Plans
 - All Necessary and Implied Powers
(Court Provided)

Federal Energy Regulatory Commission

- **Federal Power Commission (1930)**
 - 1935 Federal Power Act
 - Wholesale Electricity Sales
 - Interstate Transmission of Electricity
 - 1938 Natural Gas Act
 - Natural Gas in Interstate Commerce
- **Federal Energy Regulatory Commission (1977)**
 - 1996 - FERC Order 888 (Open Access)
 - 2000 - FERC Order 2000 (RTOs/ISOs)

Federal & State Energy Policy

- State Level – Governor & Appointees
- Federal Level – President, Congress & Federal Agencies
- Current Policy Focus:
 - Electric System Planning
 - Wholesale Energy Markets
 - Regional Transmission Organization (RTOs like NEISO)
 - Independent Transmission Organizations (ISOs like NYISO)
 - Energy Efficiency, Conservation & Renewable Resources

Hearings

- Hearings for Rate Cases
- Hearings for “Prudence Reviews” and any other Commission-initiated, formal proceedings
- Hearings to locate Power Plants and Transmission Facilities
- Hearings to provide utility companies their “due process” before the PSC acts adversely to their interests
- Hearings for consumer complaints

Hearings

- Hearings are costly; used as a last resort if less costly and routine practices fail.
- If hearings are unavoidable, parties may still try to negotiate a settlement or meet with a “settlement judge”.
- Litigation and Quasi-Judicial Procedures always remain available and are put to use.



The Road Ends and Begins

Electricity in New York: State Action and Federalism

1880 – 1890	Early Developments
1907 – 1910	First Regulation
1920 – 1930	Enhanced Regulation
1970 – 1990	Recent History

Federal Hall National Memorial 26 Wall Street

- **George Washington Inauguration – 1788**
- **First Congress**
- **First Supreme Court**
- **Freedom of the Press at this site**

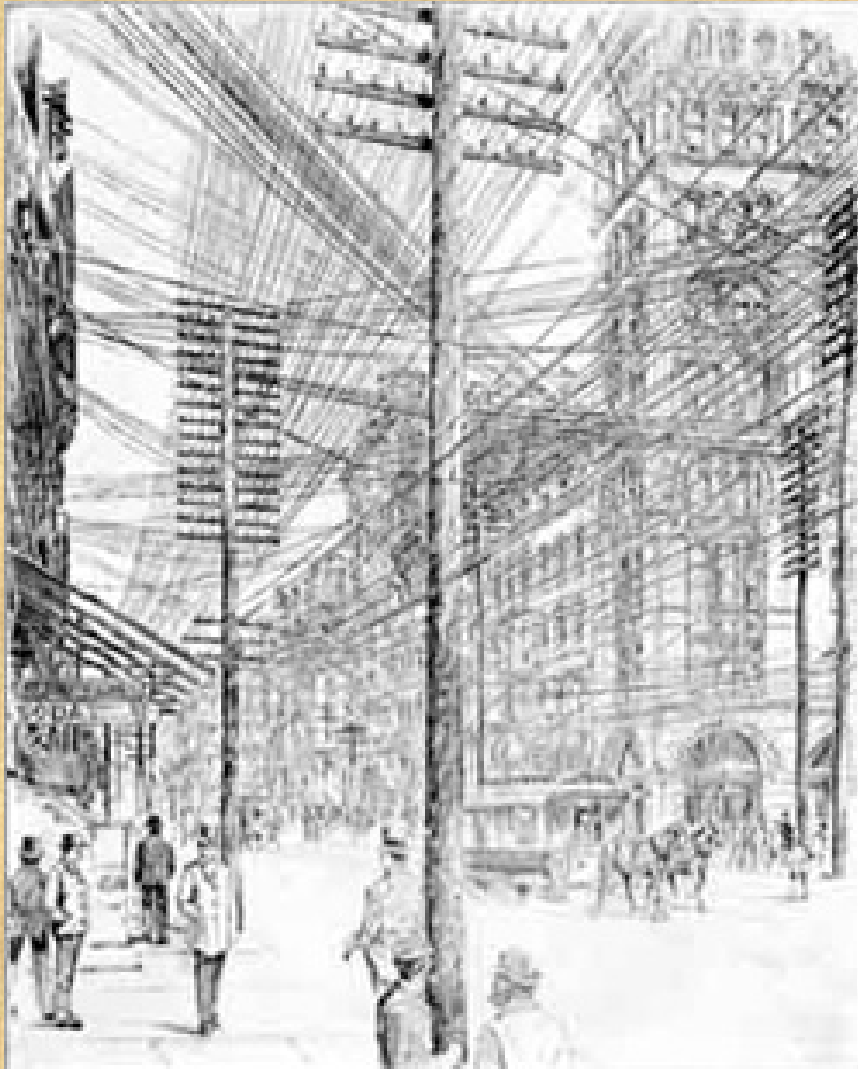


Railroads Need Regulation



Federal Problem – Interstate Commerce Commission (1887)

Wires Need Regulation

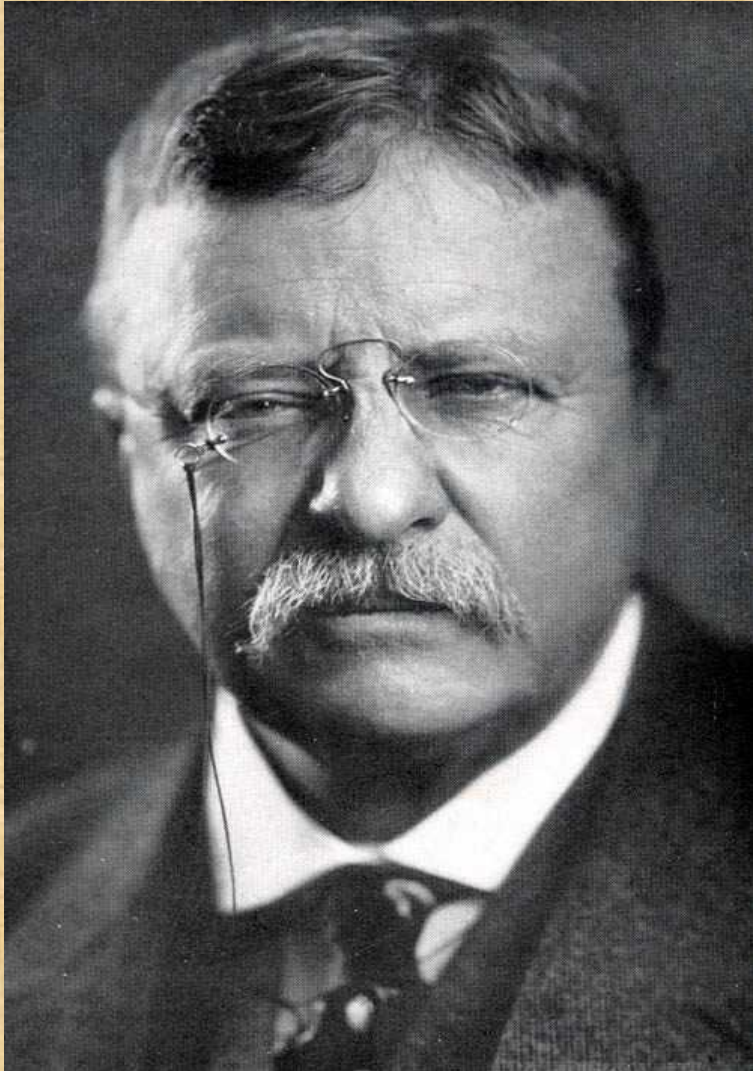


1884 New York State Legislature required all telegraph, telephonic, and electric light wires in New York City and Brooklyn be placed under the surface of the streets.

The Empire City Subway Corporation still survives

Local Problem – Board of Commissioners of Electric Subways (1886)

Theodore Roosevelt



Rough Rider
Spanish American War - 1898

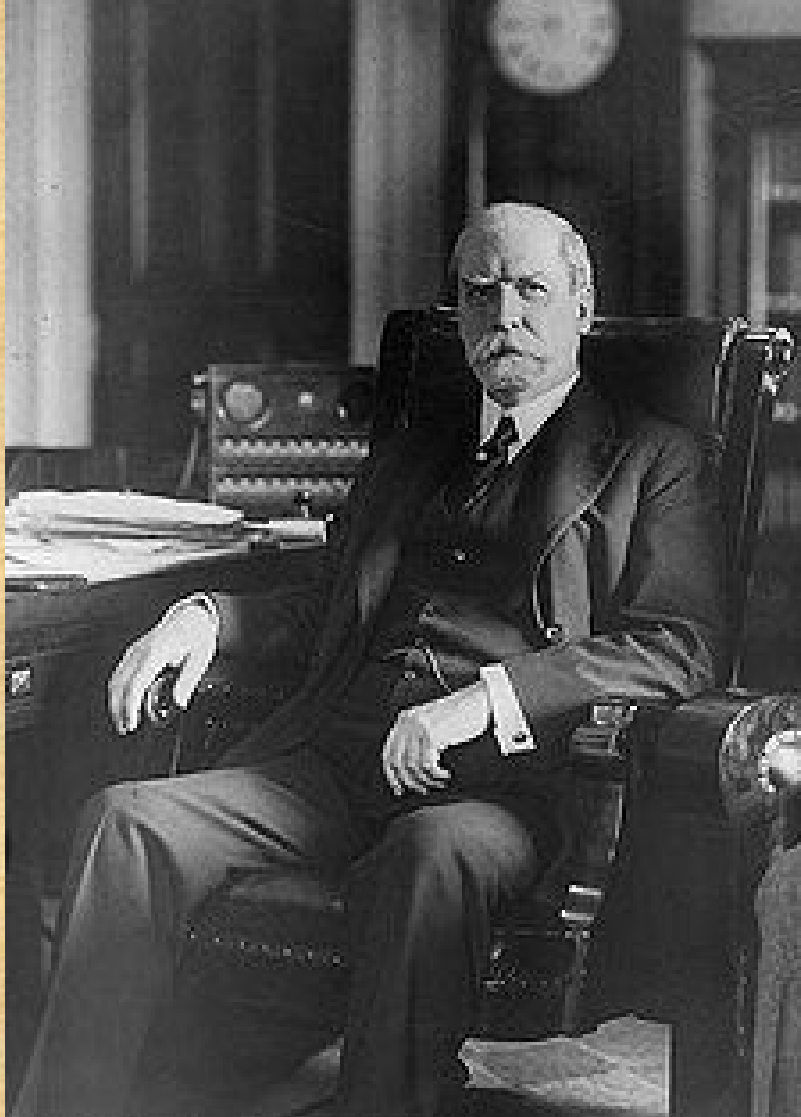
Governor of New York (1899 -1900)
U.S. President (1901-1909)

Trust Buster - Dissolved
Monopolistic Corporations

Square Deal
Heavy Regulation of Railroads
Strong Use Federal Authority

Federal Regulation begins at the ICC with the Hepburn Act (1906)

Charles Evans Hughes



New York City Lawyer Investigated
Gas Prices in New York City

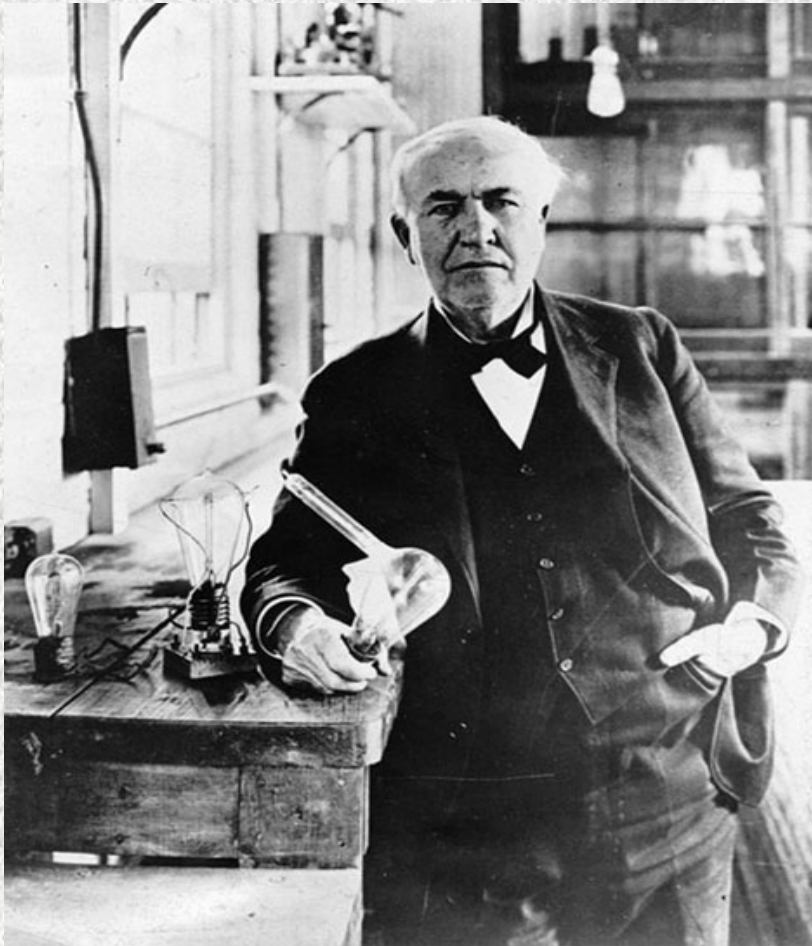
Governor of New York
-1907 to 1910
-Supported the PSC

U.S. Secretary of State
- 1921 to 1925

U.S. Supreme Court
- Associate Justice - 1910 to 1916
- Chief Justice - 1930 to 1941

State Regulatory Action Begins

Electricity



Thomas Edison
Direct Current (DC)
General Electric



Nicola Telsa
Alternating Current (AC)
Westinghouse

Hydroelectricity in New York



Niagara Falls – Sufficient power for the Eastern United States (1896)
AC current provided by Westinghouse.

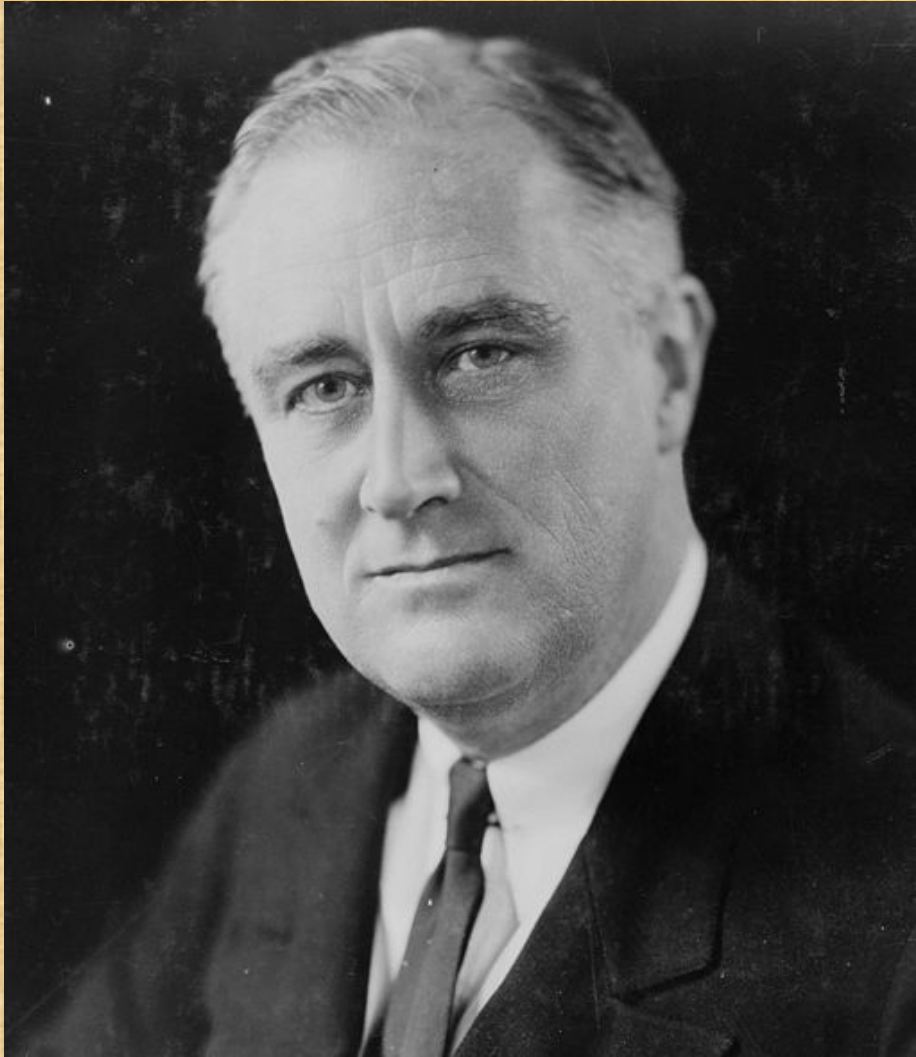
Samuel Insull



- Worked for Thomas Edison
- Identified with Chicago Edison
- Masters the use of electric technology
- Founds Commonwealth Edison
- Forms the first electric monopoly:
included railroads and electric street
railways
- Becomes a “Captain of Industry”
- His holding company collapses during the
Great Depression

Insull survives political and business corruption in Chicago of the 1920's
But he let down investors; fled the country; and barely survived a criminal trial

Franklin Delano Roosevelt



New York Governor 1929 - 1932
U.S. President 1933 - 1945

In the 1930's:

- "New Deal" Reforms

1930 Federal Power Commission

1934 Securities & Exchange
Commission

1935 Federal Power Act

1935 Public Utilities Holding
Company Act

1938 Natural Gas Act

FDR puts into place the modern federal government machinery

1930 -1950s

- 1930s – Great Depression
- 1940s – World War II
- 1950s – Post War Economy
 - Declining Electric Production Costs
 - Cheap Fuel Prices
 - Electric System Growth

1960s – Emerging Dissatisfaction

1961 to 1965

- In NYC consumer cost for energy increased 1%

1966 to 1970

- The NYC consumer cost for energy rose 5.7%
 - Decreasing Efficiency Gains
 - Environmental Concerns – Pollution
 - Long-Range Utility Supply Concerns Surface

Confidence in the PSC Begins to Erode

1965 Blackout



Worries about Electric System Reliability Begin
North American Electric Reliability Council Established

Nelson A. Rockefeller



New York Governor 1959 - 1973
U.S. Vice President 1974 - 1977

In the 1970s:

Establishes current PSC

Joseph Swidler

- Chairman 1970 – 1974
- Retired FPC Chairman
- Enlarges Professional Staff
to Better Serve the Public Interest

Alfred Kahn

- Chairman 1974 - 1977
- Economist – Public Utilities Treatise
- Deregulation
 - Airlines & Telecommunications

1970s Difficulties

- Electric Rates Skyrocket
- 1973 Oil Embargo
 - Higher Fuel Prices
- 1974 Consolidated Edison Sells A Nuclear Power Plant to Avoid Bankruptcy
- Stagflation Throughout the Decade
 - Inflation, High Interest Rates, Unemployment

1979 Three Mile Island Meltdown



Safety Concerns Push Nuclear Power Costs Out of Control

1980s Electric Industry Woes

- Five Electric Utility Companies in Financial Distress
 - Nine Mile II Nuclear Power Plant Cotenants
 - Niagara Mohawk
 - Central Hudson
 - Rochester Gas & Electric (RG&E)
 - New York State Electric & Gas (NYSEG)
 - Long Island Lighting Company Bankrupt
 - Shoreham Nuclear Power Plant

1990s & 2000s

- Electric Companies Sell Generation Units
- Accept The Move to Competitive Markets
- International Holding Companies Emerge
 - Niagara Mohawk = National Grid (England)
 - NYSEG and RG&E = Iberdrola (Spain)



The City is Silent and Dark but the Motion never Ends.

Working Notes

South Asia Regional Initiative for Energy

US Government

- Dept. of State
- FERC/FPC

State Government

- Local Matters

- SARI/Energy since 2000
- promote energy security (reliability?) through increased trade
- promote technical & institutional frameworks for regional power exchanges and regional transmission networks

Afghanistan
Bangladesh
Bhutan
India
Maldives
Nepal
Pakistan
Sri Lanka

Network of energy sector professionals interested in infrastructure for regional trade & economic development.

Seek to strengthen the energy sector structure of: government; regulatory bodies; utilities; NGOs and private sector.