

1 NEW YORK STATE PUBLIC SERVICE COMMISSIONS

2 IN THE MATTER OF

3 -----
4 CASE NO. 96-E-0900 - Orange & Rockland.
Utilities, Inc.'s Plans for
5 For Electric Rate/Restructuring Pursuant
to Opinion 96-12.
6 -----

7 MINUTES OF HEARING held at 10 Maple Avenue,
8 New City, New York, Thursday, May 15, 1997,
9 commencing at 7:30 p.m.

10 BEFORE: GERALD LYNCH.
Chief Administrative Law Judge.

11
12 APPEARANCES:

13 TIMOTHY S. CAREY, Executive Director.
New York State Consumer Protection Board
14 Suite 1020 Albany, New York 12210
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ORIGINAL

1 JUDGE LYNCH: Good evening, everyone. This
2 is the second part of the program this evening.
3 This is the public statement hearing portion of
4 the evening. This is where you get an
5 opportunity to put on the record any comments
6 you have concerning the reasonableness of the
7 proposed settlement agreement in this
8 proceeding.

9 I'm Gerald Lynch. I'm the Chief
10 Administrative Law Judge of the Public Service
11 Commission. I'm not the judge presiding in this
12 case, but I'm covering the hearing tonight. One
13 of the people that works with me asked if I
14 would cover the hearing for him.

15 How the information is used I think is
16 probably very important to all of you. What we
17 will do is take down a transcribed court record
18 of everything you have to say tonight. A
19 summary of those remarks will be prepared and
20 presented to the Commission, along with the
21 views of the parties that are participating in
22 the litigation part of the case and the views of
23 the senior staff of the Department of Public
24 Service, people that are advisors to the

1 Commission. The Commission will then take all
2 of that information at a public meeting and make
3 a decision in the case and as Mr. DeWitt said
4 earlier, typically the Commission will either
5 accept the proposed settlement agreement, accept
6 it with modifications or reject the settlement
7 agreement outright.

8 The rules for this part of the evening are
9 pretty straightforward. I'll call people to
10 come up and speak on a first-come, first-serve
11 basis. Please speak only one at a time because
12 that's the only way the reporter can accurately
13 get everything that you have to say down. Every
14 speaker can take as long as they want. We have
15 nine people signed up to speak tonight. If
16 anyone were to go on to a point where it seemed
17 that it was going to interfere with the rights
18 of other people to be heard, I might ask you to
19 sum up, but I rarely have to do that.

20 The hearing will continue for at least one
21 hour or as long as necessary for everyone to be
22 heard. If it were to get too late, we might
23 suspend the hearing and make arrangements to
24 come back on another date. Frankly, I don't

1 anticipate that, but I'm prepared to do that if
2 necessary.

3 I will also remind people that if you want
4 to present your views to the Commission but you
5 are too nervous or don't want to speak, there
6 are a variety of other alternative mechanisms
7 for communicating with the Commission which
8 includes writing to the secretary, calling the
9 Commission and E-mailing the Commission. There
10 are other ways. They were all set forth in the
11 notice. The telephone numbers are there.

12 If anyone at the end of the hearing wants
13 information about the numbers to be called or
14 the web site address or the secretary's address,
15 you can either ask me or ask one of the other
16 people from the Department of Public Service
17 back at the desk.

18 Are there any questions at all about the
19 process for this part of the evening or how the
20 information will be used? I see no hands. So
21 let me call up Joan Levine, L E V I N E.

22 JOAN LEVINE: Good evening. I'm Joan
23 Levine. I'm here to make some comments for
24 Assemblyman Alex Gromack.

1 "First, I want to apologize for not being
2 able to attend tonight's public statement
3 hearing, due to a previous commitment with
4 Assemblyman Sam Colman to host a public hearing
5 on the proposed expansion of the Palisades
6 Interstate Parkway. I would appreciate it if
7 this statement was read into the record of the
8 Public Service Commission.

9 Electric rates continue to be one of the
10 higher costs associated with living and working
11 in New York State. This is something I think
12 everyone here tonight can agree upon. Something
13 must be done to cut these rates and that is why
14 I support efforts to compel Orange & Rockland
15 Utilities to develop a rate restructuring plan.

16 Unfortunately, the plan presented tonight
17 demonstrates why the fox should not be allowed
18 to guard the chicken coop. New York's electric
19 rates are among the highest in the nation, and
20 the rates of Orange & Rockland Utilities have
21 traditionally been among the highest in New York
22 or, in other words, the worst of the worst. The
23 Orange & Rockland residential customers pay 5
24 percent above the national average.

1 But, to my dismay, the plan before you
2 fails to address the needs of Rockland County's
3 residential and small business customers, the
4 backbone of the electric rate users in
5 this county.

6 This plan clearly prioritizes the profits
7 of big business and big industry over the little
8 guy, the residential and small business
9 customers. It gives big business and big
10 industry a 12 percent rate reduction, while
11 throwing the residential and small business
12 customers table scraps by a two percent
13 reduction spread out over two years.

14 But this plan doesn't stop there in its
15 preference for big business. With the flexible
16 rate tariff and rate discounts to help big
17 business, the residential customer again takes
18 it on the chin.

19 We see the preference for big business
20 again in the elimination of the peak-activated
21 rate for non-residential customers.

22 And we again see the preference for big
23 business in the plan's provisions for sharing
24 excessive earnings. Under this plan, when the

1 earnings exceed 11.5 percent, customers will
2 share in only 25 percent of this profit, while
3 shareholders get 25 percent, on top of all of
4 the other profits they receive, and the
5 remaining 50 percent is used to write down
6 generation assets. Therefore, 75 percent of
7 These excess profits, which are generated off
8 the backs of the ratepayers to begin with, are
9 to settle O&R debts and line shareholder pockets
10 even further. Again, we see the residential
11 customers being thrown table scraps under this
12 plan.

13 My comments tonight are being spoken in
14 defense of the little guy, the people who put me
15 in office to represent their concerns and fight
16 backroom government deals such as this. The
17 rate restructuring by Orange & Rockland
18 Utilities must strike a balance that offers
19 equal rate reductions to all consumers.

20 We need to help the homeowner, the senior
21 citizen living on a fixed income, the young
22 couple hoping to begin a family and start living
23 the American dream, the middle-class family
24 struggling to meet ends meet, working paycheck

1 to paycheck, and the small business owners that
2 create most of our new jobs.

3 Unfortunately, the plan before you ignores
4 these individuals who are the heart and soul of
5 Rockland County.

6 Therefore, I cannot support this rate
7 restructuring plan until it gives equal billing
8 to Rockland County's residential and small
9 business customers. That is also why I plan to
10 continue my fight to enact the State Assembly's
11 Competition Plus Rate Restructuring plan, which
12 seeks an aggressive 25 percent reduction for all
13 customers.

14 Thank you for allowing me to speak tonight
15 and I hope all of you will go back to the
16 drawing board."

17 JUDGE LYNCH: Thank you very much.

18 The second speaker is Mr. Timothy Carey
19 from the Consumer Protection Board.

20 TIMOTHY CAREY: Good evening, Judge Lynch.
21 I'm Timothy S. Carey and I serve as Governor
22 Pataki's Chairman and Executive Director of the
23 New York State Consumer Protection Board. I
24 thank you and the Public Service Commission for

1 providing this opportunity to discuss the
2 Consumer Protection Board's position on the
3 settlement signed by Orange & Rockland, the
4 staff of the Department of Public Service and
5 several other parties.

6 I believe the settlement is a good first
7 step towards achieving lower rates and retail
8 access for customers living in the Orange &
9 Rockland service territory. However, there are
10 several areas which require significant
11 improvement.

12 Over the past year, the Consumer Protection
13 Board has participated in numerous forums in
14 utility service territories, including Orange &
15 Rockland's, engaged in comprehensive discussions
16 with various representatives of residential,
17 commercial and industrial customers, provided
18 extensive information to State and local
19 legislators and other interested organizations
20 on utility restructuring and reviewed other
21 sources that analyzed critical issues of concern
22 to ratepayers. We have also conducted an
23 extensive survey of New York State consumers to
24 elicit their concerns about restructuring the

1 utility industry. As a result of this process,
2 we've concluded that consumers in Orange &
3 Rockland and other utility service territories
4 support restructuring if it produces electricity
5 prices closer to the national and regional
6 averages, maintains essential consumer and
7 environmental protections and assures that
8 electric service will continue to be reliable
9 and service standards will be maintained.

10 In the Consumer Protection Board's direct
11 testimony in this proceeding, our witnesses
12 stated that any acceptable settlement must
13 satisfy 14 critical points we've developed after
14 considering the views of consumers. The 14
15 points include items such as rate decreases for
16 all customer classes, simultaneous retail access
17 for all ratepayers in 1998, a fair system of
18 revenue allocation and rate design, as well as a
19 fair sharing of stranded costs. In addition, we
20 support mitigating load pockets through various
21 means, including the expanded use of distributed
22 generation and renewable resources. Also,
23 technologies that allow residential and small
24 business customers to self-generate, e.g.,

1 photovoltaics, and to store electricity should
2 be encouraged. Further, every effort must be
3 made to prevent utilities from raising barriers
4 to distributed generation and storage solutions.

5 Further, the CPB advocates \$7.9 million for
6 public interest programs, including energy
7 efficiency, research and development and
8 low-income programs for the Orange & Rockland
9 service territory. This is the level the
10 company spent in 1995 and we recommend that
11 these programs should continue to be funded at
12 1995 levels.

13 Environmental protection is an important
14 societal goal. The electric industry must
15 ensure that it operates and constructs
16 generation and transmission and distribution
17 facilities in a matter that maintains a clean
18 and safe environment at the lowest reasonable
19 cost. A properly functioning competitive market
20 should provide such protection. Moreover,
21 energy purchasers who are interested in
22 purchasing Green Power must be assured that the
23 energy they pay for is not blended with other
24 forms of generation.

1 We also seek assurance that Orange &
2 Rockland will retain the obligation to serve all
3 customers in the company's service territory.
4 In the short term, distribution companies, like
5 Orange & Rockland, should continue to supply
6 electricity to consumers who either do not
7 select or are not accepted by energy service
8 companies. In the long run, provider of last
9 resort responsibilities should be shared among
10 all energy service companies. This would avoid
11 burdening one entity and advantaging
12 competitors. All energy service companies
13 should be subject to the Home Energy Fair
14 Practices Act and the Commissions's
15 non-residential Consumer Protection regulations.

16 The Consumer Protection Board has examined
17 the proposed Orange & Rockland settlement and
18 has concluded it does not adequately address
19 many of our 14 points. For this reason, the
20 Consumer Protection Board submitted extensive
21 direct testimony in the evidentiary phase of
22 this proceeding. Our testimony recommended 15
23 modifications to the proposed settlement that
24 would stimulate job creation, encourage a

1 competitive electric energy market, promote
2 economic growth and provide much needed rate
3 relief to residential and small business
4 ratepayers.

5 Our 15 recommendations are: No. 1, the
6 Commission should order

7 an immediate reduction of Orange &
8 Rockland's current revenue requirements by five
9 percent and give an additional five percent
10 across the board's decrease in rates.

11 No. 2, Orange & Rockland's equity return
12 should be no greater than 10.2 percent and
13 sharing should begin at that level.

14 No. 3, rate levels for all service
15 classifications should be reduced equally.

16 No. 4, the proposed Competitive Transition
17 Charge must be eliminated.

18 No. 5, any savings resulting from
19 securitization should be flowed through to
20 consumers equally. If contrary to our
21 recommendations, revenue reductions are not
22 equal to all classes, then the benefits of
23 securitization should go to classes of service
24 that were not equally benefited, i.e.,

1 residential and small business.

2 No. 6, any reopener should require that
3 equity earnings be below 9.2 percent or 100
4 basis points lower than the cap, and that
5 inflation exceed four percent in a recent prior
6 12-month period before becoming effective.

7 No. 7, an equitable sharing of stranded
8 costs should be established.

9 No. 8, above-market Independent Power
10 Producer costs should be shared equally.

11 No. 9, the settlement should require that
12 O&R not create any unreasonable administrative
13 or interconnection barriers against distributed
14 generation and storage installed by competitive
15 energy service companies or customers themselves
16 on the site of consumer premises.

17 14 Further, O&R should not be allowed to
18 unnecessarily expand the T&D System, which might
19 potentially add to stranded costs.

20 No. 10, a royalty should be imposed on
21 Orange & Rockland's unregulated subsidiaries for
22 the use of the utility's name, reputation and
23 good will.

24 No. 11, appropriate procedures must be

1 adopted to prohibit electric slamming.

2 No. 12, comparative price information must
3 be provided to allow consumers to make rational
4 choices from among the retail suppliers.

5 No. 13, environmental information must be
6 provided to ensure the consumers can select
7 Green Power.

8 No. 14, Orange & Rockland should continue
9 to fund systems benefit charge programs at the
10 level incurred in 1995.

11 No. 15, the settlement should explicitly
12 establish O&R's continuing obligation to serve
13 during the transition period.

14 It is particularly important that the
15 Commission reduce the amount of stranded costs
16 charged to ratepayers. The settlement would
17 require that O&R recover 100 percent of the
18 costs related to non-utility generator contracts
19 and regulatory assets and at least 90 percent
20 related to generation plants. After the
21 four-year settlement, the company will recover
22 80 percent of the difference in market and book
23 value of generation assets.

24 The table which is included in our

1 testimony shows that Orange & Rockland's total
2 stranded costs, independently estimated by O&R
3 and the Consumer Protection Board, may run as
4 high as \$384 million.

5 The settlement would require Orange &
6 Rockland's customers to pay for most of the \$384
7 million of the company's stranded costs. As a
8 result, ratepayers would be charged 2.9 to 3.9
9 cents per kilowatt hour more than the cost of
10 generation they would otherwise have been able
11 to purchase from competitive suppliers.

12 Orange & Rockland's settlement proposal is
13 uncompetitive. If Orange & Rockland is
14 permitted to recover most of its stranded costs,
15 rates will not be reduced. To attract
16 customers, competitors would have to sell power
17 at rates below the 2.7 to 3.7 cents per
18 kilowatt, the market price that will exist in
19 the Orange & Rockland service territory. This
20 is based on the current weighted average price
21 for electricity sold for delivery in the
22 Pennsylvania, New Jersey and Maryland market.
23 There will be no incentive for competitors to
24 enter the market until the stranded cost charges

1 are reduced.

2 The economic burden is greatest between
3 1997 and the year end 2001. The settlement will
4 require retail customers to pay about \$237 to
5 \$350 million in normal dollars above the
6 competitive cost of generation. This is clearly
7 inequitable.

8 The settlement's proposed sharing of
9 stranded costs must be significantly modified so
10 that all stakeholders are treated equitably and
11 that retail customers do not absorb an
12 unreasonable proportion of stranded costs. If
13 the Commission does not reduce the burden of
14 stranded costs on Orange & Rockland's customers
15 and allows rates to continue to be set at this
16 high level, economic growth will suffer.

17 Competition will be delayed in New York
18 State because there will be no economic
19 incentive for competitors to enter the market;
20 nor will consumers see any reason to change
21 suppliers if they will not realize adequate
22 savings.

23 Our proposal would reduce stranded costs by
24 about \$120 million. Thus, customers would pay

1 about two-thirds of and shareholders would
2 absorb approximately one-third of Orange &
3 Rockland's stranded costs. This is a more
4 reasonable outcome than the minimal sharing that
5 would result under the settlement and it would
6 provide welcome relief to Orange & Rockland's
7 ratepayers.

8 Our proposed modifications to the
9 settlement, if adopted by the Commission, would
10 significantly reduce Orange & Rockland's
11 electric rates, would provide retail access for
12 all consumers to competitive electric suppliers
13 at the earliest possible date, would ensure that
14 safe, environmentally compatible and reliable
15 service is maintained, would assure ratepayers
16 that service standards will not be impaired,
17 would eliminate any possibility that ratepayers
18 would subsidize the activities of unregulated
19 utility affiliates, and would still provide for
20 a return on shareholder equity of 10.2 percent.
21 An Orange & Rockland settlement which includes
22 these recommendations would be strongly endorsed
23 by the Consumer Protection Board. We hope that
24 the Commission will examine each of our

1 recommendations and modify the settlement
2 accordingly.

3 Thank you again for providing this
4 opportunity to address this important issue for
5 all New Yorkers.

6 JUDGE LYNCH: Thanks. Next speaker is Mr.
7 Steve Hoffman

8 from New City.

9 STEVE HOFFMAN: Good evening, your Honor.

10 I'm Steve Hoffman from New City. I
11 represent the concerned taxpayers of Rockland
12 County, which is over 4,000 families. There are
13 so many things to go over here, that to do this
14 properly with the time allotted, we won't get
15 out of here. I do have some statements and some
16 questions and I'll let the record speak for it
17 afterwards.

18 One which I've just heard, it's nice to
19 know that we have representatives now running
20 for office like Alex Gromack. Otherwise, we
21 would never hear from him, but at least he's
22 coming out because he's running for office. So
23 it's nice that you recognize that people have an
24 interest in what's happening. Let's go to

1 what's happening with the settlement.

2 First of all, we're dealing with Orange &
3 Rockland. This is the company that gave us some
4 of the highest rates in the country and also
5 Linda Winoker (ph), who has hit every national
6 paper for many months. I find anything that O&R
7 is involved in I must question deeply, because
8 it's never to benefit the people. It never has
9 in the past and it never will be. So the mere
10 fact that they've made this settlement or
11 proposal, I have strong questions about it.
12 Let's start with the proposal.

13 One issue I mentioned a little earlier was
14 the language used in the proposal. For those of
15 us that are not in the electrical industry, that
16 language could be broken down to user-friendly
17 language so that the public can understand what
18 it's all about and be able to address it.
19 That's never been taken into consideration, to
20 my knowledge. The Public Service Commission is
21 not blameless, either. There's an educational
22 program which took place between 6 o'clock
23 tonight and 7:30. Most people in this community
24 that work, if they work in New York, are not

1 going to get home by 6 o'clock. To hold an
2 educational program one and half hours before
3 you're supposed to testify in front of a law
4 judge is a little ludicrous. It doesn't give
5 you a chance to get your questions answered, to
6 address the information properly and to perform
7 a statement for the record. I think that should
8 be changed in the future. As I say, I'm going
9 through a couple of things that have to be hit
10 as far as the public is concerned.

11 Next thing which has been a favorite, I
12 guess, peeve of mine for a long time is the term
13 "rate relief" and I saw it coming up in the
14 statement a couple of times. The connotation of
15 rate relief means that the rate is bad and you
16 must be relieved. When a utility uses this
17 statement, they're going for rate relief, it
18 sort of tells the public that they're under the
19 gun and the utility needs relief from all of
20 this pressure they are under and it's a bad
21 message. It connotes the fact that they are
22 right and that is not the case. The term "rate
23 relief" should be dropped from usage by the
24 Public Service Commission and by the utilities.

1 "Rate change" is fine or any other term you want
2 to use, not "relief," because the connotation is
3 terrible. It sort of assumes the position of an
4 underdog and you tend to favor it. In our
5 country, we generally go towards the underdog.
6 Therefore, they're right before they even start.

7 Next thing I found, I've read through the
8 settlement agreement of O&R. I've read through
9 the one on Sithe Electronics.

10 JUDGE LYNCH: S I T H E.

11 STEVE HOFFMAN: One thing bothered me
12 greatly. In all cases, there was never a
13 separate section for a glossary so an individual
14 reading this could understand what they're
15 talking about, clear, simple, everyday language
16 and be able to relate to it. There are many
17 people that might want to say something, but
18 they can't go through the language that is used
19 in these statements or in the agreements to be
20 able to relate to it.

21 Another area -- and I might have read it
22 wrong -- but we talk about the company being
23 broken into -- O&R being broken into four
24 separate companies, one regulated, three

1 unregulated. One was a transmission and
2 distribution company and further on in the
3 agreement, I see it referred to as a delivery
4 company, but there is no mention, when you talk
5 about the breakup, as a delivery company, which
6 means you must assume the transmission and
7 distribution is the delivery company. It's a
8 bad thing to assume and I don't want to go
9 through all of the ramifications of one who
10 assumes.

11 In the first five years, the large user, as
12 always, becomes the main beneficiary of any rate
13 reduction. The consumer, one percent -- 1.09
14 the first year, one percent the second year,
15 etc. I don't know if you've looked at the bills
16 from O&R, but to tell a homeowner you're getting
17 a one-percent reduction would be sort of yelling
18 in a windstorm in the wrong direction. I'm
19 trying to clean that statement up. It's almost
20 less than useless.

21 Next area would be low income. How would
22 prices effect low income? How would they be
23 reduced and how would the low-income people be
24 aggregated? Who pays if there is a

1 differential? Is that cost going to be picked
2 up someplace along the line? That's a concern
3 to my members, because a lot are in a low-income
4 bracket.

5 Another area of the agreement deals with 25
6 percent earnings to be credited to O&R
7 customers. Credited how? I mean, statements
8 are made in the agreement that it will be
9 credited. Crediting is a very funny thing. It
10 goes to taxes, which we'll talk about. How does
11 the customer see that money? Does he see it in
12 lower rates 20 years from now when they are no
13 longer living in this area or they've lost their
14 home or seeing it in a check that comes at the
15 end of the month or lower taxes or seeing it in
16 a lower rate that they get? I think this will
17 have to be addressed very strongly.

18 Let's talk about the deregulation for a
19 second with, I guess, what you call a quasi
20 utility or utilities. The phone company was
21 deregulated. First thing we saw was all
22 independent companies coming into play. Hotel
23 costs, I can tell you, skyrocketed for the use
24 of a phone. They're still going up. Nobody

1 knows who the phone company is that they're
2 calling when they make a long-distance phone
3 call anymore. Pay phones have skyrocketed,
4 regional costs are hard to understand anymore.
5 There's more people in it. Granted, they're
6 trying to lower long-distance rates. This comes
7 from the Tariff 12 ruling, which I won't go into
8 at this moment, but with the rates being
9 lowered, it leads me to question something.
10 With competition, rates have started to lower on
11 long-distance calls, which is under the Tariff
12 12 regulation. If rates can be lowered to such
13 an extent on long-distance calls, why couldn't
14 they be lowered before deregulation? Why didn't
15 the Public Service Commission or someone else
16 jump into a phone company that had no
17 competition, for all practical purposes, and cut
18 some of the rates that they were charging,
19 because they're able to cut them now and they
20 haven't changed anything really, except, they've
21 downsized the companies? Well, fine. They
22 should have downsized a long time ago. When
23 you're a utility, you tend to get back. There's
24 no reason to downsize. Unless somebody like the

1 Public Service Commission comes in and says "You
2 will downsize." Why wasn't that done? So
3 there's a lot of questions that we ask that have
4 not been answered.

5 Stranded generation assets. Boy, that was
6 a tough one for me. Stranded generation, I had
7 asked it tonight during the education thing and
8 I couldn't find it listed anywhere in the
9 agreement. To somebody that is not in the
10 industry, that is not familiar with the
11 terminology that is being used, it is a heavy
12 area and one that is very difficult to
13 understand. Even with an explanation of what it
14 is, what is a stranded cost, is it really -- or
15 a stranded asset -- what is it really and who
16 determines that? Can the determination be
17 questioned? Again, as ratepayers, we have no
18 knowledge of any of this and it goes directly to
19 where costs are going to come from.

20 Coming back to the phone company for a
21 moment, because I must -- because the phone
22 company, years ago, had a section of the bill,
23 before other companies came into play, and we
24 discussed it a little bit earlier in education,

1 called a wire charge. I think from about the
2 1900's, my father paid for the wire in the
3 house. Then I took over the house and I paid
4 for the wire in the house. It's the same strand
5 of wire. It never changed, never went anywhere
6 or grew any children, but we pay for that wire
7 over and over and over again. There's a lot of
8 wires in the ground that they are going to be
9 delivering electricity on. So what are the
10 costs and what are we defining here? There are
11 too many things to answer that we don't have the
12 answers for and the agreement doesn't specify to
13 someone that is trying to understand it; but
14 that wire charge scares me terribly.

15 You deal with another point in the
16 agreement. "If the company fails to meet target
17 levels, we'll adjust up to 25 basic points."
18 That's a beautiful part, too, "25 basic points."
19 That's a maximum adjustment, five points per
20 area. Well, why is that a maximum? What do the
21 points mean? Who does the adjustment and what
22 does that cost? Who does it cost? I mean, it's
23 a wonderful statement. I've read it. I went
24 through it when I went after O&R a number of

1 years ago and we had long meetings with them,
2 but I honestly don't remember the breakdown of
3 what it means and again, we come back to this
4 "catch us if you can."

5 There was another section there on page
6 Triple I, I guess it was, on refrigerator
7 replacement with test areas. How would that be
8 accomplished and who pays for that? If there is
9 a loss, where is that loss picked up? What
10 would be mandatory and how would you make it
11 mandatory, etc.? Certain things were done by
12 United Water in this area, where they had to
13 conserve water and certain items were given to
14 the consumer to use and not use. Whether a
15 check was ever made as to whether they used it
16 or not, I don't know, other than what is the
17 gross amount of water being used.

18 O&R a number of years ago had to give bulbs
19 out to the public. I believe the Public Service
20 Commission demanded that. These were energy
21 efficient bulbs which were given out. I must
22 tell you, in all honesty, it was the biggest
23 joke I ever saw in my life. The people who were
24 handing out these bulbs, handed them out

1 indiscriminately. Whether or not you needed it
2 or you had a lamp in the house and as long as
3 you told them you were using that lamp, they
4 said "Here is the bulb." It didn't matter if
5 you used it or not. No one checked. Having
6 been part of Delco many years ago, Phillips
7 Organization, we manufactured, among other
8 things, bulbs. I can tell you what the cost is.
9 Forget about what the cost might be to the
10 utility. It's a very expensive proposition and
11 nobody cared where they went or how they went
12 out. Again, how is the money being handled?
13 Who is watching it? Is the Public Service
14 Commission really looking at it?

15 Another pet peeve area of mine, which I
16 mentioned earlier, and I don't have any answer
17 for, is security. If we come in with alternate
18 companies, a homeowner will probably be
19 required, again, depending on how the company
20 operates, to leave a security deposit before
21 signing on with a new company, since they, in
22 effect, have no history with that customer.
23 Again, I'm making this as an assumption, because
24 the company could come in from a marketing

1 standpoint and say "If you've had a house for
2 more than five years, we'll accept you." I
3 don't know, but let's make the assumption that
4 security will be required someplace down the
5 line. If that customer at a later date,
6 regardless of the time element involved, chooses
7 to go to the company of last resort and leave
8 that company they're with or go to another
9 company, alternate company, what happens to
10 that security deposit, especially if they're
11 required by the company they're now going to to
12 put up a security deposit? They've left on a
13 Tuesday. They have a security deposit here
14 Tuesday afternoon. They say "You must deposit
15 security for us to give you electric tonight."
16 Since it's the same line, they don't have to
17 change the line. "So I have a security deposit
18 there, does that mean I have to give you another
19 \$250 while my money is still sitting there and
20 go chase my money because I elected to change
21 companies"? My members would like to know what
22 happens with that. That's an area that nobody
23 has really dealt with.

24 Another area we get concerned with is

1 surcharges, tax surcharges, by the government.
2 In this case, let's say New York State. I
3 always laugh at surcharges and gross receipt
4 taxes and excess earning taxes. They did it
5 with the oil companies years ago. They made
6 fortunes in oil and the government said "Well,
7 don't worry. We're going to take the money from
8 them if they make too much." That's fine.
9 That's another way to tax me. The money went to
10 the government and never came back to me. So
11 what happens on the tax structure when this
12 happens with surcharges? If they make too much
13 money, does that come back to the public? How
14 does it come back to the public? Does it relate
15 to a decrease in electric rates? Is that given
16 on a monthly basis? Does it happen five years
17 after the fact? Is it given in a check in
18 one-lump sum at the end of the year to reduce
19 your rates? I don't know.

20 These are things to concern yourself with.
21 My biggest area of concern, and always has been,
22 and most of the Public Service Commission that
23 know me will tell you that it's a tremendous
24 concern of mine, is customer service.

1 O&R is one company that I would put on the
2 record as probably one of the worst that I've
3 ever dealt with in terms of customer relations
4 and customer service in as many years as I've
5 been doing this and that's well over 30 years.
6 We've had problem after problem with calling
7 them and a consumer asking a question and
8 getting in trouble with their rates, trying to
9 understand something on a bill, alternate
10 payment locations. I just had a recent case
11 with them, because I called and spoke to -- I
12 think it was the head of accounting or personnel
13 or whatever or controller named Bob McBennett
14 (ph) and as a result of my wonderful
15 conversation with him, I initiated a case with
16 the Public Service Commission against O&R,
17 because it was not to believe the way I was
18 answered and the type of answer I got. I won't
19 bore you with the details. It's on record.
20 Customer service must be something -- regardless
21 of whether it's deregulated or not -- since
22 you're dealing with, in some cases, life
23 support. It's electrical into a home,
24 forgetting corporation for a moment. You can't

1 let that walk by the roadside without monitoring
2 it in some way. You can't let the marketplace
3 just handle it by itself. For the consumer to
4 go to someone of last resort if customer service
5 can't handle the problem could take months,
6 years or never happen. What happens in the
7 interim, especially if it's a life-support
8 system with that particular consumer? Right now
9 we register life support. If you have someone
10 sick in the house, you're supposed to let the
11 company know. I'm making the assumption that
12 will continue. It will be mandatory for the
13 companies that come into play. However, I'm
14 making the assumption. It was not addressed. I
15 think it should be addressed to the consumer.
16 My interest here is not corporation as much as
17 it is consumer.

18 We come to limit on investments. O&R made
19 a statement that the agreement authorizes O&R to
20 invest 25 million to develop unregulated
21 companies, such as energy services, marketing,
22 telecommunication services, environmental
23 services and my favorite term, "related
24 projects." Well, they've got 25 million to play

1 with. I don't know if they have to pay for it
2 or how they get it or whether there is a charge.
3 They have a lot of nice words there. What does
4 it mean? What companies can they go into?
5 They're unregulated. You don't have any control
6 over them. There is 25 million. Where is the
7 25 million coming from? Where is the emphasis
8 going to be placed, etc.? These are companies
9 that by their very nature, they are a utility.
10 "Utility" to me is a quasi-government situation.
11 It tells me I have no choice. As we've operated
12 in the past, I had to use them. I had no
13 recourse. My only recourse was a complaint to
14 the Public Service Commission. They were free
15 to take money that they call as profit and do
16 whatever they wanted with it and some of the
17 things have been horrendous. Utilities in the
18 past, especially in this county, were famous for
19 it. They've been able to hire politicians as
20 employees. Those same politicians were involved
21 in legal aspects of the community. I have
22 fought against this from day one. We know have
23 a situation which is in every paper in the
24 country and on television called the Pyramid

1 Mall. We have politicians receiving money from
2 those that are building the Pyramid Mall. O&R
3 has been heavily involved in hiring politicians.
4 Linda Winoker was a perfect example of that. We
5 would like that stopped in any way, shape or
6 form, be an unregulated company, be it
7 regulated. There must be some rule. Because
8 again, you're dealing with something that can be
9 life sustaining to the public, like water. It's
10 not something you can say "it's deregulated" and
11 walk away in entirety. There must be some type
12 of control somewhere.

13 Credit history is another thing that
14 concerns my members. If a customer again goes
15 from one company to another company and if their
16 credit is bad in one company, do we let the
17 marketplace set the stage, where the company can
18 take them or will there be a collective
19 agreement between the companies that now come
20 into play and if you have bad credit with
21 company A, will company B not touch you until
22 you clean up your credit with company A and will
23 that go to TRW and does it effect everything
24 else you do, because maybe you didn't get

1 electricity when you should have gotten it? Do
2 you stop your payment? Does that hurt your
3 ability to buy a refrigerator out in the
4 marketplace because of your credit? I don't
5 know, but these are things that have to be dealt
6 with.

7 The bill that the consumer receives, it
8 should be plain and simple language, easy to
9 understand, boilerplate glossary on the back of
10 it instead of all of the things that threaten
11 you. Why is this so difficult to finally get
12 down to? It has to be the simplest thing in
13 government, for a utility to put out a simple
14 and easy to understand bill, with definitions
15 and clarity, etc. and a simple number to call,
16 where to call, an 800 number to get it answered.
17 We're asking for that for so long that it's
18 tiring already.

19 Another area that we're concerned with a
20 little bit are tax rates. I mentioned some of
21 this earlier. New York State taxes differ than
22 other states. If there is competition between
23 two utilities or two -- I hate to use the word
24 -- two electrical suppliers, one comes from out

1 of state, one is in the State of New York, the
2 taxing structure is going to be totally
3 different. Probably on an inequitable level.
4 This could result in unfair competition. I
5 don't know the answer to it. I don't know if
6 I'm fully on the right track, but I think it's
7 something that the Public Service Commission
8 must address at some point and look at.

9 Quality of power, and I'll finish rather
10 quickly, you go to an alternate source, what is
11 the quality of the power we're going to receive?
12 How is that regulated and what happens if there
13 is a surge of power? What happens if there is a
14 power outage? Where is the responsibility if
15 lines are down? I don't want to get into this
16 subdivide situation, where your computer was
17 supplied by one company and your printer is by
18 another company, your telephone lines by a third
19 company and you have a problem and you're in the
20 middle. Each one you call says it's the other
21 guys and you're caught in the middle.

22 The closing of a power facility, I
23 mentioned this earlier, but I did a little
24 research a number of years ago in a situation

1 called Watts (ph), and I might be mispronouncing
2 --

3 JUDGE LYNCH: Whoops (ph).

4 STEVE HOFFMAN: -- in the northwest. What
5 I came up with was approximately -- there were
6 five atomic plants built. Plants four and five
7 were closed. Plants one, two and three were
8 open. Stock was sold on plants four and five,
9 as well as one, two and three. Stock was
10 guaranteed or bonds, stock was guaranteed by a
11 hundred -- and this is my point for bringing it
12 up -- was guaranteed by a hundred and twenty
13 utilities in writing, 115 to 120 utilities.
14 Four and five failed. They closed trading on
15 it. The utilities had to make good on the
16 money. The government in the northwest stepped
17 in and said the utilities did not have to make
18 good the money since they had no right to go
19 into the contract to start with. It kind of
20 ended up that way. Two and a half billion was
21 lost by the bondholders or stockholders. It
22 became a very messy situation. I'm always leery
23 of utilities doing anything, especially in
24 writing, with a guarantee when the government

1 can come in and say they have no right to do
2 that.

3 I'm going to end this now, because if not,
4 you're going to throw me out of here because I
5 could go on for hours. There are so many things
6 in this agreement that leave open questions to
7 the public. I can't talk about the people that
8 wrote it or those that are directly concerned,
9 but with the different agreements that I've read
10 through, I'll strongly urge you to change the
11 language for the public or have it rewritten.
12 There are legal ramifications of rewriting
13 something, but there must be a way to spell it
14 out so the public can deal with it, understand
15 it, relate to it. There must be an educational
16 program long before the final hour so people
17 have a chance to ask questions, seek the
18 information and intelligently relate to what
19 you're looking for.

20 I got a chance this past week to go through
21 this and I called O&R and asked for the
22 settlement agreement and I received that. I had
23 to go to the president's office to get it, but I
24 did get it. A lot of people wouldn't do that or

1 they're intimidated to call and ask for it or
2 don't know where to call. My concern is the
3 little guy, not the big guy. The big guy will
4 take care of himself. I'm concerned with the
5 little guy. I always am and always will be.
6 There are many ways to look to protect the
7 public. O&R has never looked to do that under
8 any conditions that exist. In this community,
9 there is no love for this company. We fear
10 everything they get involved in because of the
11 way they've operated in the past. This is not a
12 company that looks to benefit the ratepayer by
13 wanting to do it. It's by having to do it.
14 That has to change.

15 Thank you very much.

16 (Short recess)

17 JUDGE LYNCH: The next speaker is Ms. Betty
18 Quick from New Milford, New York.

19 BETTY QUICK: New Milford is part of
20 Warwick, but that's my official address.

21 I'm Betty Quick and I'm a Sierra Club
22 activist and on behalf of the Sierra Club, I've
23 got a practical vision for New York's energy
24 future. The Sierra Club envisions a cleaner and

1 healthier environment, more jobs and lower
2 energy costs. The way to realize this vision is
3 through conservation and efficiency, coupled
4 with microsolar technology. When we've gone as
5 far as we can go with efficiency, you can't
6 reduce energy use to zero. Then we fill in with
7 local production of clean renewables, solar,
8 wind. Wind is also -- is generally considered a
9 form of solar. Without the sun, you wouldn't
10 have the wind and the ultimate goal of
11 sustainable and self-sufficient energy use.
12 This vision precludes nuclear power and
13 eventually, fossil fuels and neither of which is
14 either sustainable or clean. In the production
15 of electricity, the importance of energy
16 efficiency can't be overemphasized.

17 Seven years ago, New York Utilities
18 instituted a form of energy efficiency called
19 DSM, which is short for Demand Side Management.
20 Although the programs have been drastically
21 reduced since their height in '93 and '94,
22 they've had a significant impact. They've
23 created jobs for New Yorkers and these jobs
24 generally have been good jobs. Many of them in

1 construction, jobs retrofitting buildings, jobs
2 installing more efficient machinery or more
3 efficient air conditioning units, jobs doing
4 insulation. Now, in addition to creating jobs,
5 they've created -- they've reduced energy
6 demand, which means less air pollution. They've
7 eliminated the once pressing need for 1400
8 megawatts of power from Hydro Quebec. I might
9 mention that power from -- power produced in
10 Quebec or Ohio or Western New York produces very
11 few jobs for New Yorkers, whereas power produced
12 in New York State, whether through energy
13 efficiency or through generation, does create
14 jobs. These good things occurred in spite of
15 less than optimum DSM efforts by the utilities.
16 These programs always fell short of what the
17 utilities themselves said was economically
18 feasible and they fell far short of what

19 40 NYSERDA in 1989 said was possible.
20 "NYSERDA" is the New York State Energy Research
21 and Development Agency. Their projections were
22 that in the residential sector, it was possible
23 to reduce consumption by 34 percent. By 47
24 percent in the commercial sector and 16 percent

1 in the industrial sector. Three years later, in
2 1992, Amery Loving said "Today in fact, the best
3 technologies on the market can save about
4 three-quarters of all electricity now used in
5 the United States, while providing unchanged or
6 improved services." Amery Lovings has been
7 closer, has been right on the money, compared to
8 the utilities. For years, the PSC, the
9 utilities were saying that electricity use had
10 to -- production in use -- had to go up in order
11 for the economy to thrive and Amery's claim was
12 that through efficiency, we can get the same
13 bang with less electricity produced and his
14 projections came much closer to the way things
15 turned out than the utilities and our Public
16 Service Commissions.

17 Now, I might mention, as just a sidenote,
18 electricity is expensive in Japan. It's -- and
19 yet they are twice as efficient as we are in
20 this country in their overall energy, figured on
21 a per capita basis and they're increasing their
22 efficiency at a faster rate than we are. It's
23 not that I don't think that they're -- because
24 they are great environmentalists, so much as

1 that they want to save money and I think we all
2 know -- I drive a Honda -- that they're pretty
3 competitive with American industry.

4 Now, whichever projection we accept,
5 NYSERDA or Amery Loving, the point is that
6 energy efficiency has great potential, great
7 untapped potential and because we, the Sierra
8 Club, support jobs for New Yorkers, a healthier
9 New York economy, reduced energy bills, reduced
10 hemorrhaging of our wealth to foreign suppliers
11 of oil or power and a cleaner, healthier
12 environment, because of this, we support
13 comprehensive universally-available energy
14 efficiency programs accompanied by appropriate
15 solar technology. This requires both
16 information and access to credit. Just stop and
17 think. What would happen to new car sales if we
18 didn't have all of the information in the ads
19 and if we didn't have new car loans? There are
20 many people -- I have a friend on Long Island
21 who managed to decrease his electricity use in
22 one year by 50 percent. That's a big benefit,
23 because as bad as O&R prices are, Long Island
24 Lighting Company's prices are the highest in the

1 nation. Now, he also would like to install a
2 photovoltaic system on his roof, but if he is to
3 remain connected to the grid, Long Island
4 Lighting Company would charge him \$10,000 as a
5 penalty for producing part of his own
6 electricity. I looked in the O&R plan. I
7 couldn't find anything relating to this. I'd
8 like to know, if I could scrape the money
9 together for a PV system, would I be penalized
10 and I don't have the answer to that? I couldn't
11 find it -- I've read the whole darned thing
12 through and I couldn't find any reference to
13 this.

14 Now, according to the PSC, the purpose of
15 restructuring is to reduce the cost to the
16 consumer by introducing competition. In the
17 eyes of the PSC, not all consumers are created
18 equal.

19 For instance, it's already been brought up,
20 O&R's restructuring plan would give large
21 industrial customers an immediate 12.03
22 reduction and the rest of us would get peanuts,
23 2.9 percent over two years. Additionally, O&R
24 quoted: "Will design and file a flexible rate

1 tariff for commercial and industrial customers
2 who are currently taking service and who are at
3 serious risk of relocating or closing their
4 facility absent a discount rate." The PSC
5 expects that lower rates for industry will be
6 good for the New York economy or as O&R puts it
7 "Promote jobs and economic development in the
8 region by reducing industrial rates
9 substantially and immediately." Now, these -- I
10 brought this up earlier. What's been the effect
11 of extremely low rates, one or two cents per
12 kilowatt hour, compared to O&R's residential
13 rate of between 11 and 12 cents? What has been
14 the effect of very low rates on industries in
15 Western New York, companies such as Occidental,
16 Union Carbide (ph), DuPont, to get this cheap
17 power from the New York Power Authority.

18 In a 13-year period, encompassing the
19 decade of the 80's, these and dozens of others
20 Western New York companies saved more than two
21 billion dollars in electricity costs. In 1990,
22 the ten largest users of cheap power got a
23 subsidy that averaged \$22,579 per worker or
24 two-thirds of each worker's wage. With all of

1 these billions saved, there was not money
2 reinvested in the local economy. There was no
3 requirement that this be done. These
4 ridiculously low rates did not promote jobs and
5 economic development in the region. In the same
6 13-year period, employment in Niagara County
7 fell by 40 percent. When I read the reduction
8 for big industrial users in O&R territory, it is
9 small compared to the rates these Western New
10 York industries were getting. But even so, I'd
11 like to know what controls there will be and
12 what will be done to see that the industries
13 reinvest locally or that they retain jobs.

14 Now, there are certain things that I look
15 for in a utility restructuring plan and one,
16 which I've mentioned already, is I want to know
17 if the plan will provide the necessary
18 information and access to credit that will
19 enable all ratepayers, not just a handful in
20 Port Jervis, that's good, but it doesn't go far
21 enough in the O&R plan, that all ratepayers can
22 dramatically lower their bills through energy
23 efficiency and solar.

24 In the State of Florida, I understand that

1 if everyone who now has an electric hot water
2 heater had changed to a solar hot water heater,
3 and this is without even any changes in
4 laundromats or restaurants or small businesses,
5 just residential, who now have electric hot
6 water heaters, it would reduce electricity use
7 in the State of Florida by seven percent. I
8 would like a plan that would make it possible
9 for me to finance over time not only a solar hot
10 water heater, but a photovoltaic system. I
11 don't find anything about this in the O&R plan.

12 Another question I asked is whether there
13 is an equitable distribution of benefits to all
14 customers. That's already been covered. It's
15 not equitable.

16 In Orange County where I live, agriculture
17 is still a very important industry. When I
18 moved there, it was the number one industry.
19 It's still very important. I see nothing in the
20 plan that will benefit Bill Beard (ph), who has
21 a dairy farm half a mile from where I live, or
22 the onion farmers in the area. As I read the
23 plan, they will get the same 2.09 reduction,
24 percentage reduction, in rates over two years as

1 I will. That's not good enough. I want to know
2 if the plan actively encourages clean renewable
3 energy, such as a solar hot water heater and/or
4 a photovoltaic system on my rooftop. I find
5 nothing in the plan that indicates that it does.
6 Does this plan actively encourage a clean
7 renewable energy by means of a renewable
8 portfolio standard? That means that a bill that
9 was introduced in the legislature last year
10 would have required -- I think it was the Susan
11 John Bill -- that would have required that each
12 utility have, as part of its portfolio, all of
13 its generation, a certain percentage of their
14 energy produced by renewables. That didn't get
15 very far, but that's one of the things I am
16 looking for. Does the plan look at ways to
17 displace generating capacity? For example, in
18 Sacramento, SMUD, Sacramento Municipal Utility
19 District, is planting tens of thousands of trees
20 and they're doing this because these air
21 conditioners, with leaves, when mature, can cut
22 residential air conditioning by up to 40
23 percent. SMUD also installs over 102 kilowatt
24 photovoltaic systems per year on house rooftops

1 and they've replaced electric water heaters with
2 solar water heaters. That comes to another
3 question. I'm not sure whether O&R's plan would
4 allow my Town of Warwick to establish its own
5 Municipal Utility District. I don't find it
6 addressed anywhere in the plan. And are the
7 stranded costs shared equitably or dumped just
8 on the ratepayer? Well, they're not just dumped
9 on the ratepayer, but I don't consider the 20/80
10 split equitable. That is, 80 percent of the
11 costs for us and 20 percent for the
12 shareholders. I don't believe the plan is
13 cognizant of the fact that for every dollar
14 spent on energy efficiency, \$3 is returned to
15 the local economy. I can't blame O&R for
16 shortcomings, exclusively for shortcomings, in
17 the plan, but I think the whole thrust of the
18 Public Service Commission is wrong. They should
19 be focusing not on lowering rates. They should
20 be focusing on lowering bills through energy
21 efficiency and eventually, replacing as much
22 fossil fuel production as possible with clean
23 renewables.

24 Just one more note. New York State

1 officially calls "municipal waste energy,"
2 that's incinerator energy, calls it "renewable."
3 Incinerators, both the municipal incinerators
4 and hospital incinerators, are dioxin factories.
5 They are one of the main, if not the main,
6 sources of dioxins and they probably waste more
7 energy than they produce, if you consider the
8 materials that have to be produced anew, instead
9 of being recycled.

10 I could go on, but I think that's enough.

11 JUDGE LYNCH: Thank you very much.

12 The next speaker is Christopher T.

13 Pellnat.

14 CHRISTOPHER PELLNAT: Good evening. I'm
15 Christopher Pellnat. I'm with the Food Industry
16 Alliance of New York State, a trade association
17 representing some 23,000 retail food stores in
18 New York State, including supermarket chains,
19 independent grocery stores and convenience
20 stores, as well as manufacturers which supply
21 the grocery industry.

22 Thank you for the opportunity to comment on
23 the proposed settlement agreement between the
24 Public Service Commission and Orange & Rockland

1 Utilities, Inc. I'd like to applaud the PSC's
2 efforts to deregulate the electricity industry
3 in New York State. Deregulation will result in
4 millions of dollars of savings to our members,
5 savings which in our extremely competitive
6 business will be passed along to the consumer in
7 the form of lower grocery prices. We also
8 recognize and appreciate that Orange &
9 Rockland's schedule for opening its territory up
10 to full-retail electricity competition is the
11 most aggressive in the State.

12 However, the Food Authority Industry
13 Alliance of New York State does have concerns
14 regarding the proposed settlement plan.
15 Although Orange & Rockland would make
16 full-retail access available to all customers in
17 May 1999, it would precede this with a year-long
18 continuation of its current Pilot program. We
19 seriously question the need for more Pilot work
20 and recommend that the full-retail access
21 program be accelerated. Only last week,
22 California's Public Utility Commission issued a
23 decision allowing all of its 23 million citizens
24 to have customer choice to select their energy

1 supplier in January 1998.

2 We support O&R's plans to phase in rate
3 reductions. However, we believe that any rate
4 reductions should be equal across the board.
5 Under the settlement plan, large industrial
6 customers will see significantly greater savings
7 compared to commercial and residential
8 customers. It is true that rate reductions for
9 industrial customers promote economic
10 development and job formation and retention, but
11 we believe that the same holds true for
12 commercial customers, including supermarkets.
13 In the proposed settlement plan,

14 it appears that metering and billing
15 services will be opened to other competitors by
16 May 1999. We strongly favor this and urge the
17 PSC to ensure that this is implemented.

18 Once retail access begins, the settlement
19 plan includes provisions for O&R to recoup from
20 customers the variance between market revenues
21 and O&R's fixed cost of generation. The first
22 ten percent variance, plus or minus, will flow
23 directly to or be taken directly from customers.
24 Any variance beyond this threshold will be

1 shared between O&R, ten percent, and customers,
2 90 percent. We disagree with this portion of
3 the plan. We believe that O&R should be
4 subjected to the same market forces as its
5 competitors regarding the generation of power.

6 We oppose O&R's plan to charge customers 80
7 percent of its losses on the value of its
8 generation assets after four years. O&R's
9 shareholders will shoulder only 20 percent of
10 the burden.

11 Thank you again for the opportunity to
12 testify. We look forward to working with the
13 Public Service Commission and Orange & Rockland
14 Utilities, Inc., as the region is opened to
15 full-retail competition.

16 JUDGE LYNCH: Thank you very much.

17 Next speaker is Russell Trojan of Nanuet,
18 New York.

19 RUSSELL TROJAN: I'm Russell Trojan. I'm a
20 small residential user.

21 One of the largest items on my bill is an
22 approximate \$6.50 per month basic charge for
23 nothing. Since it's over two months you get the
24 electric bill, that's \$13 of my bill that is for

1 nothing. Additionally on the bill, in the
2 natural gas category, there's a fuel adjustment
3 charge. The Public Service Commission needs to
4 investigate this fuel adjustment charge. When
5 this charge goes up, while the media is
6 reporting that the prices of natural gas is
7 falling. O&R can change the fuel adjustment at
8 will to meet whatever they want in money income.
9 Something has to be stopped here. Somebody else
10 has to decide what the proper fuel adjustment
11 charge is or if O&R is paying too much to
12 somebody else to get its fuel, natural gas.
13 There's also a fuel adjustment charge on the
14 electric. The reports available at the back
15 table mentioned about stranded costs. Stranded
16 costs is a business risk and should be the
17 burden of the stockholders. They invested.
18 They took the risk. Customers should get a
19 share of the excess profits that O&R makes,
20 because unfortunately, consumers have been
21 forced to invest in O&R without the benefits
22 that the stockholders receive. This has been a
23 long-standing program, to guarantee O&R the
24 profit no matter what the economic conditions.

1 Back in the 70's, O&R was to return a
2 certain amount of money to its customers. So
3 was Con Ed. Con Ed returned the money. Orange
4 & Rockland invested the money in a natural gas
5 drilling company. The profits from that
6 subsidiary go to the stockholders. The
7 customers get nothing. There has been a price
8 difference in what O&R's and Jersey and
9 Pennsylvania's subsidiaries charges its
10 customers versus what the New York subsidiary
11 charges. This price difference has been going
12 on for decades. Effectively, New Yorkers have
13 been subsidizing two -- residents of two other
14 states. This is wrong. I ask you to give more
15 back in this settlement to the consumers,
16 starting with the elimination of the basic
17 charge of approximately \$6.50 per month and look
18 for other ways to give more back to the
19 residents.

20 Thank you.

21 JUDGE LYNCH: Thank you very much.

22 The next speaker is Mr. Robert Neff,
23 Rockland County Conservation Association. He's
24 from Suffern.

1 ROBERT NEFF: Evening. I'm Bob Neff and,
2 as Mr. Lynch has just said, I represent the
3 Rockland County Conservation Association, which
4 is the oldest such organization in the County,
5 having been formed in 1930.

6 There's a lot to deal with here this
7 evening and I'll try to be brief. There's an
8 overarching question that hasn't been really
9 directly addressed here this evening and that is
10 whether or not we should be deregulating. That
11 question I'm not really going to go into, but
12 I'm going to deal with the reality that is here
13 now, that is a proposal to deregulate.

14 I'd like to say, at the onset, that this is
15 a kind of pioneering document that we have here
16 in front of us, deregulation of the electrical
17 industry in New York State or at least in this
18 region and it's no wonder that it has
19 omissions, problems and so on. A major
20 revision is really to be expected and is quite
21 in order.

22 First, we are concerned with the matter of
23 stranded costs. As many of the speakers tonight
24 have said, it seems to us that the stockholders

1 win twice on this. Not only do they get the
2 chance for greatly enhanced returns, with a new
3 streamlined deregulated company, but they get to
4 dump the stranded costs on to the ratepayers.
5 This is not fair and the proposed allocation in
6 this document is grossly unfair, I think.

7 Secondly, we would like to see continued
8 guarantees and protections for the little guy.
9 Particularly low-income consumers and the person
10 who lives down the 500-foot road or driveway or
11 whatever and is rather hard to service, rather
12 costly to service. Those people need
13 protection.

14 Third, a matter of history, it's already
15 been mentioned tonight, about the telephone
16 company deregulation. I'd almost like to ask
17 for a show of hands, but I won't. The question
18 I would ask is does anyone feel their phone
19 service is better since deregulation? I doubt
20 if I would get very many hands to go up on that
21 one. So recent history kind of tells us that
22 this matter of deregulation is a tricky thing.
23 It's a complicated thing and we'd like to see it
24 done right when we do this with electricity.

1 Particularly of concern, I think, is the
2 matter of reliability. When you have many
3 competing companies coming in here and providing
4 electricity, I think a major concern is how
5 reliable is that power going to be and how is
6 this going to be checked up on? We would like
7 to see requirements for Orange & Rockland to
8 maintain or to reinstitute -- I'm not quite sure
9 where the program stands now -- the idea of
10 Demand Side Management, as mentioned by earlier
11 speakers. We would also like to see more
12 incentives in the proposal for the use of
13 alternative energy sources and I think that
14 environmental control should not be forgotten
15 here, that the companies which we deal with,
16 these multiplicity of companies, should be
17 required to maintain appropriate environmental
18 controls on their production of electric energy.

19 Lastly, I'd like to just raise a question
20 to those of you who are Rockland County
21 residents. Realize that over the last several
22 years, Orange & Rockland has won several major
23 tax reassessment cases and this is to the tune
24 of like tens of millions of dollars. I'm

1 wondering if this has shown up somewhere in the
2 O&R books and whether this improved financial
3 situation has been taken into account in making
4 some of these Commission decisions.

5 In closing, I'd like to say -- well, I'd
6 like to wish that the PSC has wisdom in trying
7 to sort through all of this. It's a
8 tremendously complex issue and we realize that
9 and we wish for an improved document at the end
10 of this process and the Rockland County
11 Conservation Association would also like to
12 offer its good offices of getting out
13 information or hosting informational meetings or
14 whatever it might be to help people be more
15 aware of what is going on.

16 So thank you for the opportunity of
17 speaking. We appreciate it.

18 JUDGE LYNCH: The last card I have for
19 someone who signed up to speak is Mr. Thomas A.
20 Condon from New City.

21 THOMAS CONDON: I almost feel that my
22 function tonight will be to partially defend the
23 company, which is not normally my function.

24 I'm Thomas A. Condon. I'm with the firm of

1 Birbrower, Montalbano, Condon & Frank. For over
2 20 years, we have represented the Industrial
3 Energy Users Association, known as the IEUA.
4 The IEUA has been an active participant in every
5 rate case filed by Orange & Rockland, both gas
6 or electric. Our purpose, much like the
7 residential customer, is to control cost to all
8 of us. Sometimes it appears that there's a
9 desire to pit the residential customer against
10 perhaps the industrial customer. Our goals are
11 exactly the same. How we go about it may be
12 somewhat different. Orange & Rockland has a
13 history that some of you find very offensive.
14 We do too, but that's yesterday and today is
15 today. It's not our job to, you know, cast
16 stones at Orange & Rockland for no purpose.
17 What we're about is rate design, rate case,
18 energy consumption, maintenance of jobs and
19 things of that sort. Over the years, many of
20 you may not know this, that, as a practical
21 matter, the PSC has recognized, and we have
22 fought to show, that there are subsidies in
23 Orange & Rockland. In fact, the Industrial
24 Energy Users, they subsidize residential rates.

1 The way that occurs is the fact that obviously
2 large consumers of anything, the cost delivered
3 to them is much less. What really happens here,
4 if you go into what's a very large document that
5 everybody in the PSC has or has been involved in
6 a rate case knows, it's an embedded cost of
7 service study. What that means is they go
8 through every cost and determine how to allocate
9 that. In doing that, you determine what the
10 actual cost is to serve each customer, but when
11 you look at those costs and you see what it cost
12 to serve an industrial, you find out that the
13 cost that we're being charged is 150 to 300
14 percent more than in some cases residential are
15 being charged. Now, what we've done over all of
16 these years is try to bring those rates in
17 closer in line to what those costs are. Over
18 many years while rates were going up, that was
19 almost impossible to do, because to do so would
20 have imposed even greater rate increases on
21 residential. So effectively, the industrials
22 have been asked to rate revenue. Rates started
23 to come down in the last couple of rate cases.
24 There was an opportunity to try to rectify some

1 of these inequities and therefore, industrials
2 have enjoyed an average percentage rate
3 decrease, but again, we are no where near the
4 actual cost of service. Now, it's funny.

5 The thing that I've noticed in here again
6 is that there are a lot of issues discussed.
7 There would be no way for me to respond to them.
8 It's not my function. It's the Commission's and
9 company's responsibility to do that. You should
10 know, if I haven't said so already, that we are
11 a signatory to the settlement agreement. We
12 believe it's an agreement that makes sense and
13 is the best agreement that can be gotten at this
14 time. Some of the issues that have been raised
15 dealing with stranded costs and other such
16 issues will be dealt with and we'll be there,
17 too, because we don't want to pay those stranded
18 costs any more than you do.

19 One of the things that Industrial Energy
20 Users proposed a year or two ago was something
21 called Customer Flexible Energy Option. It's
22 now known the company adopted the program. The
23 PSC adopted the program and with all of us
24 together in the last rate case, not the current

1 rate case, adopted this Power Pick program.
2 What it does is it allows people, all customers,
3 commercial, residential, industrial, to purchase
4 energy from sources other than O&R. There are
5 savings to be achieved and savings have been
6 realized and have also been realized to
7 residential customers. I personally am a Power
8 Pick participant and I've seen cost reductions
9 in my bill. This is a movement towards
10 full-retail access.

11 Do not lose sight of the fact that the
12 purpose of much of what is going on now in
13 deregulation is to reach full-retail access.
14 That will give you choices. It will also make
15 you make some choices that you may not want to
16 make. Sometimes people like to stay just where
17 they are. That would be your right under this
18 agreement. You do not have to move from where
19 you are. But we think competition will bring
20 things like they've mentioned in Japan, certain
21 energy efficiencies. Cost drives almost
22 everything in our society. If the cost of
23 energy is too high and conservation can reduce
24 it, conservation will be produced as part of

1 competition.

2 So do realize, again, I can't reiterate too
3 often, that we are not adversary towards the
4 residential. We want to maintain our businesses
5 here in Rockland County and my group, a small
6 group, really, in number that it is, has over
7 6,00 employees and spends hundreds of millions
8 of dollars in payroll every year. We want those
9 jobs here and in fact, I want to quote something
10 that I saw in the paper the other day, in the
11 Times Herald Record, which people forget,
12 sometimes they think that if a company doesn't
13 move out of the service territory, its jobs have
14 remained here. That's not the case.

15 Mike Greenholtz, president of the IEUA, was
16 quoted in the Herald record as saying: "These
17 costs," referring to electric costs, "become a
18 major factor when determining where production
19 will take place and which facilities will be
20 used to accommodate new production."

21 What that means, quite simply, is a lot of
22 our large employers in Rockland County, but it
23 applies to Orange as well, in Rockland County
24 have facilities outside of Rockland County and

1 let me assure you their cost of energy is less
2 and cost of real estate taxes are less and
3 everything else is less there. So when you have
4 a choice to produce something, you can say
5 "Let's produce it in Rockland County" or "Let's
6 produce it somewhere else." Corporations have
7 shareholders. Shareholders want profits and
8 when the accountants sit down and figure out
9 costs and the costs are too high in Rockland
10 County, where do you think it will go?

11 I have a business here in Rockland County.
12 It's a law firm. As I've mentioned to you, it
13 employs over 40 people. These companies spend
14 money here. They employ me. They employ my
15 staff. They employ a lot of other people. It's
16 important and the reality is that sometimes --
17 the CPB was here earlier tonight and I wish they
18 were still here, because we work very
19 effectively together at times to work with the
20 company, to work with the PSC in order to
21 control a lot of the very issues you've all
22 identified and we're going to continue to do
23 that. We've been at it for 20 years and we'll
24 probably be at it for another 20 years. We go

1 to Albany when these things come up and we
2 participate when these things come up. If we
3 save you a dollar, then we're saving ourselves a
4 portion of that dollar. So remember that. We
5 are not adversaries. If there is nothing else
6 you remember tonight, please remember that.

7 Also, when you talk about rate decreases
8 and the part that has been allocated to the
9 industrials, there is a little bit of
10 misinformation.

11 The basic rate decrease, I think, is eight
12 and a half percent. There is another three and
13 a half percent that we can earn. How do you
14 earn it, by going out and buying energy cheaper
15 than Orange & Rockland can buy it. If we don't
16 do that, instead of a three and a half percent
17 saving, you'll have a loss. In this Power Pick
18 program that was adopted, as I've said, a year
19 and a half ago, one of our clients went out,
20 negotiated a gas -- a rate on his own and
21 actually lost money. So there's no panacea
22 here. It's not a given. You have to go out and
23 earn it like everything else in life.

24 I want to go back to just one thing.

1 We feel, the IEUA feels, that Orange &
2 Rockland is moving ahead as quickly as it is on
3 full-retail access. It's very important to
4 everybody. I think that is one of the most
5 important points you should take away. I think
6 we are ahead of every other utility in the State
7 and we want to stay ahead of everybody. There
8 are some problems. There were a number of good
9 questions that were raised tonight and my belief
10 is we will address them in a better -- in a
11 newer proceeding.

12 By the way, there was a proceeding -- I
13 don't know if anybody told you -- and I missed
14 the forum and I apologize for not being here
15 early enough to hear what was told to you, but I
16 don't know if it was addressed or not, but in
17 August, there's an unbundling proceeding (ph).
18 That will start taking the actual costs of O&R
19 and breaking it down to find out what it cost to
20 do everything they're doing and if a competitive
21 company can come in and provide those services
22 for less, they'll get an opportunity to do that.
23 If they can provide them for less, then we're
24 going to pay less. You as the residential

1 customer will pay less. The industrials are
2 going to pay less and the commercial customers
3 are going to pay less. But the reality is we
4 want to stay -- all of our companies want to
5 stay in Rockland County. They want to prosper
6 in Rockland County. They want to make money for
7 themselves, their shareholders and provide jobs
8 for everybody. I don't think that the rate
9 design as proposed is inappropriate and we
10 support and have signed this agreement.

11 Thank you.

12 JUDGE LYNCH: Thanks very much. Those are
13 all of the cards I have

14 this evening for people that signed up to
15 speak. I want to thank everyone for

16 coming. You've given us a lot to think
17 about. As I've said, the Commission will

18 get a full report from this hearing and the
19 others like it and they'll consider that
20 information, along with the letters that we
21 receive, the evidence produced in the formal
22 evidentiary hearings, the advice of the
23 Administrative Law Judge and the advice of the
24 Commission's senior staff.

1 If there isn't anything else, this hearing
2 is adjourned.

3 Good night.

4 (Proceedings so concluded.)

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1 IN THE MATTER OF
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3 Case 96-E-0900 - In the Matter of Orange.
4 and plans for electric
to Opinion No. 96-12.
5

6 PUBLIC STATEMENT HEARING AT the Port Jervis
7 Municipal Building, 1420 Hammond 14th day of
8 May, 1997, commencing at 7:30 p.m.

9 BEFORE: JOHN CRARY,
Secretary to the Commission.
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ORIGINAL

1 P R O C E E D I N G S

2 JUDGE CRARY: I call case 96-E-0900 in the
3 matter of Orange and Rockland Utility, Inc.'s
4 plans for electric rate restructuring pursuant
5 to Opinion 96-12.

6 The purpose of this evening's hearings is
7 to provide an opportunity to the public to make
8 their views known to the Commission. We'll be
9 taking a verbatim transcript that will be made
10 available to the Commissioners, and I will
11 prepare a synopsis of your comments for the
12 Commissioner's use. Your views will be
13 considered by the Commission in its decision
14 making.

15 I assume there are no appearances for the
16 record tonight.

17 Again, I would like to thank Raj Addepalli
18 and the other staff members for the presentation
19 made earlier concerning the Commission's views
20 on competition, Commission's vision and a brief
21 review of the proposed settlement with Orange
22 and Rockland.

23 Our first speaker tonight is Councilman
24 George Belcher. We've made this chair

1 available. You may stand. We're free form.

2 MR. BELCHER: I haven't really too much
3 problem with the settlement agreement. I have a
4 copy of it. I have read it. I'm here mainly to
5 represent the City, as well as my residential
6 constituents.

7 We have here in Port Jervis a large senior
8 citizen population mainly living on fixed
9 incomes. Residential rates I understand have
10 been reduced four percent over the last two
11 years, but industrial rates have also been
12 reduced by four to fourteen percent over the
13 last two years. We have been experiencing some
14 of the higher rates in the nation in spite of
15 what I'm told. Industrial rates in New York, I
16 understand, are not competitive with the rest of
17 the nation, but then again neither are the
18 residential rates. The low income assistance
19 which Orange and Rockland is proposing will
20 apply to a small percentage of the senior
21 citizens, but not all of them.

22 If the settlement agreement is approved,
23 starting in 1998 we will have the opportunity to
24 participate in the O & R Power Pick Program and

1 purchase the energy from an alternate supplier
2 if an ISO is setup at that time. The same will
3 apply with retail access. If they do get an ISO
4 setup, we may be able to take advantage of that.

5 My only problem is I would like to see a
6 fairer splitting up of the reductions in the
7 settlement agreement and see the small
8 commercial accounts and the residential accounts
9 come out. I'm told the numbers are again, but I
10 would still like to see residential accounts and
11 small commercial accounts come out a little
12 better than the 1.09 and the one percent.

13 Thank you.

14 JUDGE CRARY: Thank you, Councilman.

15 The next speaker is, and I'm not sure, John
16 -- what's the third letter?

17 MR. GEBHARDS: "G". Gebhards.

18 JUDGE CRARY: Gebhards?

19 MR. GEBHARDS: Yes. I'm John Gebhards, and
20 it's G-E-B-H-A-R-D-S. If there's a problem with
21 the reading of the card.

22 JUDGE CRARY: Thank you. It's my
23 shortcoming, not yours.

24 MR. GEBHARDS: Okay. I have been an

1 employee for over 25 years of a 500 corporation
2 chemical manufacturing company. I'm retired
3 from that position currently, and my background
4 is in chemical engineering.

5 I currently am here tonight representing
6 the Sierra Club. I'm Chair of the
7 Ramapo/Catskill Sierra Club Group, which is a
8 local group of the Sierra Club, and I also
9 represent the position of the Atlantic Chapter
10 of the Sierra Club, which is the chapter which
11 encompasses the State of New York.

12 There are several concerns I'd like to
13 express tonight about the settlement and about
14 the overall concept of deregulation.
15 Recognizing that this is a very complex issue,
16 and as a non-professional in this industry I
17 don't have a hold of all of the facts, but I'd
18 like to express some concerns.

19 First of all, the major goals in the
20 deregulation seem to lose site of some of the
21 essential critical long-term needs of power
22 generation, specifically major improvements in
23 energy efficiency, generation of clean power,
24 development of renewable energy resources, and

1 expanded efforts of demand side management.

2 Environmental groups such as the Sierra
3 Club, Natural Resource Defense Council,
4 environmental advocates have had discussions
5 with Governor Pataki, and Governor Pataki
6 supports a Universal System Benefit Charge. And
7 I know that is in the plan as presented, and I
8 applaud the low income support and the mention
9 of promoting efficient generation and demand
10 side management; however, the level of this
11 funding, even though it's stated that that is at
12 current levels, we know that demand side
13 management efforts have decreased significantly
14 in the past year, those efforts, and the
15 estimate of the number of dollars necessary for
16 this is in the range of 400 million a year.
17 Now, if you look at O and R's current proposal
18 of roughly three million and you even say that
19 the other utilities in the State also contribute
20 substantially, you might get the 15 or 20
21 million in that term, nowhere near a 400
22 million a year investment, which is deemed as
23 probably the need, the real need.

24 Secondly, there are concerns that the

1 current settlement does not address what the
2 economists call externalities. Externalities
3 are those costs that result from a product --
4 that are not figured into the actual cost to the
5 rate payer. Those costs may be such as those
6 encountered through the acid precipitation, and
7 creating problems with plant growth and building
8 destruction, etcetera. They could be costs
9 related with health costs of lung disease and
10 all. We're concerned that with increased
11 competition driving down the costs, that these
12 issues will be less addressed than they
13 currently are, so in going to deregulation we
14 need to look at this.

15 There's a statement in one of the papers
16 that says that a market -- competitive market
17 should address environmental concerns. That's
18 not realistic. In chemical industry, for
19 example, that I worked many years in, even
20 though a company would desire to do better, many
21 times because the cost of it would put them out
22 of sink with the rest of the chemical industry,
23 they couldn't. You had to have some type of
24 regulation to level the playing field so that

1 all competitors have to follow the same
2 pertinent, socially responsible regulations, and
3 we don't want to lose that with deregulation.

4 One of the items along with this is that if
5 the generators of power are required to reveal
6 their emission profiles, such as chemical
7 companies are required to do today, and that
8 they were identified to the consumer as the
9 generator of the power, then the consumer would
10 have a better handle on how to make some
11 educated decisions whether they would like to
12 buy from such and such a power source or not.
13 Without that information the consumer may only
14 be going on price.

15 Another area of the demand side management,
16 this has decreased in the last year, and the New
17 York State Energy Research and Development
18 Agency at one point in the late '80's estimated
19 that 34 percent of the residential power could
20 be eliminated by demand side management and 47
21 percent of the commercial power could be
22 eliminated. We've nowhere reached that degree
23 of decrease in power consumption. Demand side
24 management must be continued in even a stronger

1 program. It's much better to reduce the need
2 for power than to build new power plants.

3 Fourthly, we would like to see a
4 requirement that any company selling power in
5 New York have to invest in the future, invest in
6 zero emission renewable energy research. This
7 is really the way to clean power for our future.

8 In summary, I would just like to say that
9 the focus on reduced rates is important but
10 should not be left as the governing issue.
11 Clean power, environmentally safe power,
12 promotion of reduced power consumption and
13 renewable energy must not take second place just
14 to rate reductions. Let's look to the future
15 for healthy energy.

16 Thank you for the opportunity to speak
17 tonight.

18 JUDGE CRARY: Thank you, Mr. Gebhards.

19 Is there anyone else at this point that
20 wishes to make a statement?

21 (No response given.)

22 JUDGE CRARY: Okay. At this point we'll go
23 off the record. We will remain here until at
24 least 8:30. If there's anyone else who shows

1 up, we'll give them the opportunity to speak.
2 So right now we'll stand in recess.

3 (After a recess, the hearing
4 continued as follows:)

5 JUDGE CRARY: Let's go back on the record.
6 My watch says now it's 8:30. Is there anyone
7 here that cares to make a statement?

8 (No response given.)

9 JUDGE CRARY: Hearing no one, we'll adjourn
10 this hearing until tomorrow evening at 7:30 in
11 New City.

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I N D E X

Introduction by Judge John Crary

SPEAKERS:

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1 NEW YORK STATE PUBLIC SERVICE COMMISSION

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IN THE MATTER OF

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Case 96-E-0900 - In the Matter of Orange.
And plans for electric to Opinion .
5 No. 96-12.

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The Orange County Government Center, 275

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Main day of May, 1997, commencing at 2:30 p.m.

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BEFORE: JOHN CRARY, Secretary to the

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Commission.

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P R O C E E D I N G S

JUDGE CRARY: Okay. I call case 96-E-0900 in the matter of Orange and Rockland Utility, Incorporated's plans for electric rate restructuring pursuant to Opinion 96-12.

The purpose of today's hearing is to provide the public an opportunity to make their views known concerning the proposed settlement agreement. We'll be taking a verbatim transcript today that will be made available to the Commissioners, and I will prepare a synopsis of the comments for the Commission. Your views will be considered in the Commission's decision.

I am John Crary. I'm the Secretary to the Commission, and I'm pinch hitting today for the Administrative Law Judge assigned to the case.

Is there anyone that cares to make an appearance today for the record?

(No response given.)

JUDGE CRARY: We'll begin. Yours will be a statement, and I'll take you first.

Before recognizing Ms. Botshon, I'd like to thank the Commission staff for the presentation that was made earlier. Mr. Addepalli's

1 explanation of the process and the settlement I
2 thought was quite comprehensive, and the backup
3 by the rest of the staff is certainly
4 appreciated.

5 If there's nothing further, we'll take the
6 first appearance. I have Ann Botshon is it?

7 MS. BOTSHON: Yes.

8 JUDGE CRARY: Would you like to speak
9 there? I think you can turn your microphone on.

10 Could you give us your name and address,
11 please.

12 MS. BOTSHON: Yes. My name is Ann Botshon,
13 B-O-T-S-H-O-N. And I'm -- I live at 350
14 Burlingham Road in Pinebush.

15 I'm here this afternoon on behalf of Orange
16 Environment, representing several thousand
17 members, Orange Environment members, in Orange
18 County concerned about protecting the
19 environment in and around Orange County.

20 The Commission in this hearing is asking
21 the public for input in the extremely sensitive
22 area where utility rates, energy use, public
23 health and environmental protection intersect.
24 In general, people have not been presented with

1 the scenarios of how this new plan will play out
2 in their lives. You may be interested to learn
3 that our local newspaper, serving close to
4 200,000 New Yorkers, has not even covered the
5 issue of electric utility restructuring.

6 Electric utility deregulation can mean
7 something ominous. That is because in
8 electricity production one of the main public
9 costs, that is, one of the main ways that the
10 public pays, is through enormous levels of fuel
11 consumption and air pollution production. And
12 the indirect effects are acid rain, damage to
13 forests, and to water supplies, and damage to
14 people's health.

15 The PSC's plan has put almost the entire
16 emphasis on lower utility rates. Under this
17 plan utilities will be encouraged to provide
18 cheaper, but definitely not cleaner, power.
19 Utilities will have an incentive to abandon
20 valuable programs in demand side management, and
21 also lost in the shuffle will be energy
22 efficiency and renewable energy resource
23 programs. And if the overriding goal is finding
24 the cheapest power, that may come from dirty

1 coal-burning plants in the Midwest, upwind from
2 New York, that operate with fewer emission
3 controls than our New York plants.

4 Orange Environment, along with other
5 environmental groups, is very concerned about
6 the headlong rush toward a deregulated energy
7 electric utility industry. We are calling for a
8 restructuring plan that maintains and enhances
9 environmental safeguards and commits to
10 continuing progress on efficiency, conservation
11 and renewables.

12 Orange Environment is urging that demand
13 side management be reinstated as a requisite, as
14 a major part of the restructured utility
15 industry.

16 As you know, demand side management has
17 been highly successful in New York and
18 throughout the Northeast, creating jobs,
19 resulting in reduced energy demand and reduced
20 energy bills, lessened our dependence on foreign
21 oil, eliminating the once pressing need for
22 about 1,400 megawatts of Hydro-Quebec power, and
23 reducing the need for new generating capacity,
24 and resulting in cleaner air.

1 Demand side management programs have been
2 drastically reduced since their height in 1993
3 and '94, and highly troubling is the fact that
4 in the last year programs to encourage
5 efficiency and energy conservation have
6 disappeared. Contracts are now being written
7 that provide discounts for increased energy use,
8 thus providing incentives for energy waste.

9 One thing environmentalists want to see is
10 establishment of a Universal Systems Benefit
11 Charge, which your speaker alluded to. Our
12 environmental conception of this is a small
13 surcharge, proportionate to the number of
14 kilowatt hours used, that, as you noted, would
15 generate a fund to finance relief for low-income
16 citizens and the elderly and also underwrite
17 programs to promote efficiency and development
18 of clean, renewable resources.

19 I think the big difference is that we would
20 like to see about 400 million dollars a year to
21 go to this fund initially. And from what I can
22 tell, your speaker was alluding to a much lower
23 figure.

24 In addition, to foster development of

1 clean, renewable energy technologies, we're
2 calling for a "portfolio" requirement for all
3 energy marketers. This would require any
4 company selling electricity in New York State to
5 have a certain level of investment in zero
6 emission renewables. We view this as a way to
7 actively encourage clean, renewable energy.

8 We would also like to require all energy
9 providers to disclose their emissions profiles,
10 so that the public can make a connection between
11 utility activity and air quality. In the case
12 of the chemicals industry, disclosures of this
13 kind have been extremely helpful in showing the
14 public the pollution activity of large
15 corporations and have required such corporations
16 to clean up their act. We think it is essential
17 for the electric utilities industry as well.

18 We are especially concerned about our
19 existing nuclear power plants. In order to be
20 competitive, we see that power producers will be
21 inclined to seek economy measures, but we view
22 that -- we view it as very dangerous to cut
23 corners on nuclear power plant operations, as I
24 mentioned before. We believe that if nuclear

1 power plants cannot compete without additional
2 federal or state subsidies, we recommend that
3 they be closed.

4 We are also encouraging "net metering",
5 wherein energy users who install solar panels or
6 windpower can run their electric meter backwards
7 when their generation exceeds their need. This
8 can encourage development of sustainable energy
9 technologies. I understand that the pre -- that
10 the PSC speaker spoke of this as a standard
11 energy cost, and that was somewhat troubling to
12 me, as we still view this as a way to develop
13 clean, renewable energy in New York State and
14 not by any means a white elephant.

15 We continue to oppose rate structures that
16 discount large-scale energy use. These rate
17 structures are in conflict with environmental
18 protection since they encourage energy
19 consumption, for both small-scale and
20 large-scale customers. Our fear is that these
21 inverted rate structures are only going to
22 become more extreme in a climate of
23 deregulation.

24 Finally, we were displeased at the Public

1 Service Commission's 1996 plan that allowed only
2 minimal time for public comments and no public
3 hearings. We must continue to have full public
4 participation and funding of interveners at
5 every stage of the restructuring process of this
6 critical but highly technical area so that our
7 -- our concern -- our concerns are of -- are
8 weighed in, as they don't seem to be in any
9 meaningful sense in the plan that I see before
10 me today.

11 I thank you for the opportunity to
12 participate in today's hearing.

13 JUDGE CRARY: Thank you, Ms. Botshon.

14 The next speaker is Michael Greenholtz.
15 Mr. Greenholtz, you may speak either from there
16 or you can come down here if you're more
17 comfortable.

18 MR. GREENHOLTZ: I'm fine from here. Thank
19 you.

20 JUDGE CRARY: Fine.

21 MR. GREENHOLTZ: Good afternoon. My name
22 is Mike Greenholtz, and I'm a resident in the
23 Orange and Rockland Utility service area, as I
24 reside in Highland Mills. I am also employed in

1 Rockland County. My position is Associate
2 Director, Utility Operations at Wyeth-Ayerst
3 Lederle. I am also the President of the
4 Industrial Energy Users Association, the IEUA.
5 The IEUA is a group of commercial and industrial
6 customers that have organized in an effort to
7 control energy costs, aggregate load and to be
8 proactive in the Orange and Rockland regulatory
9 proceedings.

10 As President of the Industrial Energy Users
11 Association and on behalf of Wyeth-Ayerst
12 Lederle Laboratories, I'd like to express
13 support for the New York State Public Service
14 Commission efforts to reduce electric energy
15 costs for New York State industry. Efforts by
16 Orange and Rockland to reduce the price of their
17 services and energy as outlined in the
18 settlement agreement filing are key to
19 stimulating economic development within the
20 state with the additional benefits of job
21 retention and growth.

22 Wyeth-Ayerst Laboratories is a division of
23 American Home Products Corporation. Our Pearl
24 River site is located on 500 acres and employs

1 over 2,900 manufacturing, research and site
2 personnel. As a leading pharmaceutical and
3 health care products company, we have locations
4 throughout the United States and abroad.
5 Although New York energy costs represent a
6 single component of our total operating costs,
7 these costs become a major factor when
8 determining where production will take place and
9 which facilities will be used to accommodate new
10 production.

11 Over the past 10 years the Pearl River site
12 has focused on minimizing overall operating
13 costs and the reduction of electric and gas
14 charges played a major role in our efforts. As
15 an example of our commitment to reduce energy
16 costs, the Lederle site has implemented the
17 following: Installed a 16 Megawatt
18 co-generation facility, replaced all lighting
19 with energy efficient lighting and ballasts,
20 paid for the installation of a gas pipeline to
21 allow us to transport gas to our co-generation
22 facility, contracted with natural gas suppliers
23 for our fuel requirements, purchased high
24 voltage transformers and other equipment to

1 qualify for reduced electric power rates, and we
2 participated in the Power Pick Program to our
3 maximum allowed limit.

4 The New York State Public Service
5 Commission's current efforts to introduce retail
6 access within the Orange and Rockland service
7 territory, as well as the elimination of the
8 Peak Activated Rate and overall rate reductions
9 will continue to favorably position the Pearl
10 River site within the American Home Product's
11 options.

12 Wyeth-Ayerst will continue to participate
13 in the New York restructuring efforts with an
14 aim to implement a pilot program for capacity,
15 as well as energy. In this way, we can be
16 properly positioned to take full advantage of
17 the competitive market when it opens in mid 1999
18 as per the Orange and Rockland settlement
19 agreement.

20 I'd like to thank you for being allowed to
21 speak.

22 JUDGE CRARY: Thank you, Mr. Greenholtz.

23 I have no more cards at this point. Is
24 there anyone else at this point that would care

1 to make a statement?

2 (No response given.)

3 JUDGE CRARY: Okay. We will remain here
4 for an hour. I think at this point we'll go off
5 the record, and as we used to say in the Navy,
6 we'll stand down.

7 (After a recess, the hearing
8 continued as follows:)

9 JUDGE CRARY: Let's go back on the record,
10 it is now 3:30. There are no additional people
11 here for the purpose of making statements, so
12 this hearing is adjourned until 7:30 p.m. this
13 evening in Port Jervis.

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