

CONNECT THE DOTS: Money in Politics

Will Big Bucks Zap New York's Energy Supply?

Back to the Dark Ages?

As temperatures rose this July, statewide electric demand skyrocketed. So did frustration. In mid-July, approximately a hundred thousand residents in Queens sat in the dark for more than a week as Con Ed scrambled to repair fried cables. The Queens outages were followed by shorter blackouts on Staten Island and thousands also experienced outages upstate. These outages show an electric system bursting at the seams, plagued by ineffective power plants, an antiquated transmission system and rapidly growing demand. The situation is particularly urgent in NYC. While estimates vary, reports indicate the City will outgrow its current supply between 2009-2012. If action is not taken, the situation could get worse, and residents could see a sequel to the 2003 blackout.

From bad to worse

When Governor Pataki took office in 1995, New York had the highest electricity rates in the continental US. Large industrial energy users (through their association, "The Multiple Interveners") put pressure on the government to bring rates down and energy traders like Enron encouraged competition across the country.

Pulling the plug on public participation

In the face of these problems, Pataki fast tracked deregulation upon entering office. New York was the only state to bypass its legislature while deregulating its market. The opportunity for public debate and legislative oversight was essentially nonexistent. Pataki eliminated the State Energy Office and cut the funding supply of the Citizens' Utility Board (CUB), **effectively killing the organization**. CUB was a nonprofit that represented residential ratepayers and one of the first groups to express doubts that consumers would benefit from deregulation. Pataki also appointed John O'Mara (who later became a registered lobbyist for the utility NiMo) to chair the PSC to oversee deregulation. The PSC's proceedings (now without the input of CUB) were and continue to be opaque. There is little opportunity for legislative oversight or citizen input.

Energy Spends Big in NYS

Governor Pataki, deregulation's main architect, is also a major recipient of campaign cash from the energy industry. So where was the Governor while New Yorkers were sweating it out in Queens?

TOTAL POLITICAL SPENDING Jan. '03—June '06:
\$10,750,205

Total Energy Campaign Donations... \$ 2,179,593*

Gov. Pataki.....	\$ 315,850 *
Eliot Spitzer.....	\$ 103,400.*
John Faso.....	\$ 23,225 *
Tom Suozzi.....	\$ 5,300*

**totals since 1999*

In addition to campaign contributions, energy companies exert influence by hiring expensive lobbying firms to bring their needs to elected officials. From 2003 to 2005, energy companies spent **\$9,767,651 to lobby** elected officials in NYS.

The \$ Talks

Campaign contributions are not the only way industry political giving skews policies. Energy companies have the resources to hire armies of lobbyists – experienced Albany insiders who know who to talk to and what to say. The amount of money these companies are willing to invest in lobbying demonstrates their confidence in lobbyist power. From January 2003 to June 2006 energy companies spent \$9,767,651 on lobbyist salaries and other lobbying expenses.

Missing benefits

Deregulation was marketed as a magic bullet. By increasing competition, reliability would improve and rates would fall. The state abdicated energy planning and relied on markets to bring an adequate supply of affordable energy to consumers. But many users have yet to see significant reductions. In fact, energy prices have gone from 62% to 80% above the national average since deregulation. Deregulation also encourages utilities to focus on short-term payoffs at the expense of long-term reliability. NiMo customer hours of interruption have

Key Players:

Public Service Commission (PSC): is a state agency that is supposed to prevent electric (and other utility) companies from cheating the consumer or behaving irresponsibly. Its broad powers make the PSC one of the most important players in the energy market.

Independent System Operator (ISO): was founded in 1998 as part of deregulation, it is responsible for the power grid.

Utilities: Before deregulation, a few utility companies produced and distributed electricity. Now, utility companies have sold some of their power plants to independent companies.

Energy Service Company (ESCO): Under deregulation ESCOs can buy electricity produced at power plants and sell it back to consumers.

increased 23.7% since deregulation and Con Ed has reduced maintenance spending every year from 1995 to 2004. The blackout in Queens was a dramatic sign of this neglect.

The PSC continues to release reports touting the benefits of deregulation. But critics say that since deregulation, the PSC has refused to rein in electric companies while prices rise and long-term reliability is threatened.

Got a Bright Idea?: The choices ahead

In 2007, a new Governor will take over in Albany. The current debate over the proposed NY Regional Interconnect (NYRI) upstate-downstate power line exemplifies the tough choices he will face. Among others, NYRI hired Albany-insider Patricia Lynch and Couch & White, a firm associated with former PSC chair Maureen Helmer, to make its case to the PSC. NYRI is attempting to play the game that has worked for so many others in the past. We need energy companies that sell affordable power, not buy influence in Albany. But to accomplish this goal, we first need an administration willing to hold both energy companies and the PSC accountable.

Paying to play

Why do energy companies invest so much money in politics? Because they expect – and often get – results. El Paso Energy exemplifies how much of a difference political spending can make. In 2002, a federal judge found that the natural gas giant had illegally withheld supplies during the California energy crisis, driving energy prices even higher. But even while it was under federal investigation, El Paso was using its cash to bolster its influence in NY.

In August 2001, El Paso applied for a permit to continue dumping wastewater into the Hudson River without first reviewing the environmental effects. Two weeks after applying, El Paso gave the NYS Republican State Committee \$10,000. A five-year extension of the permit was approved that October. El Paso used the same “pay to play” tactic again in July 2002. El Paso applied to the NYS Environment Office for a five-year permit for its Rensselaer plant. Nine days prior to applying, four subsidiary companies gave \$20,000 to the NY Republican State Committee. The plant was approved.



The Revolving Door: The Key to Energy Industry Influence

Weak laws allow yesterday's energy lobbyist to become today's energy monitor and vice versa. The result is insider access for big energy companies while the public sits in the dark.

The Public Service Commission (PSC) is supposed to oversee electric power service, but some have argued that Pataki's appointments have stacked the commission with partisans and insiders.

* The first Pataki-appointed PSC chairman, John O'Mara, became a registered lobbyist for Niagara Mohawk after overseeing deregulation, the plan that pulled NiMo from the brink of bankruptcy.

* The next Pataki-appointed PSC chairwoman, Maureen Helmer, left the PSC to work for the lobbying firm Couch & White, often appearing on behalf of clients before the PSC.

* Pataki appointed Gavin Donohue, the Governor's former Assistant Secretary, to the Department of Environmental Conservation. Donohue then left to head the Independent Power Producers of NY (IPPNY), an energy trade group that has given over \$190,000 to candidates since 1999. The outgoing IPPNY director, Carol Murphy, then took a post in the ISO, the “independent” body responsible for grid health.

* John Reese, the current director of the PSC Office of Economic Development, was previously the Vice President of Government Relations for Orion, a major energy player, as well as the Deputy Director of IPPNY.

* William M. Flynn, the chairman of the PSC since 2003, is a former aide to Dennis C. Vacco, the Republican attorney general from 1995 to 1998

* By law, no more than 3 of the 5 PSC commissioners may be members of the same political party. But the board is made up of 1 Democrat, 3 Republicans and 1 independent who was a Republican before she declared herself an independent in order to serve on a different state board in 2000.

This fact sheet was created in July 2006 as part of a series called CONNECT THE DOTS, which aims to show how money in politics impacts on issues New Yorkers care about.

For more information about Common Cause/NY's CONNECT THE DOTS coalition, call 1-800-300-8707.

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