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Federal

President Finalizes Cabinet Picks - Decisions by New DOT Secretary and FCC Chairman will Impact Con Edison Operations

Last week, President Obama finalized his cabinet selections and made other important nominations to round out his senior leadership team for the second term.

For Secretary of Transportation, the President nominated Anthony Foxx, the Mayor of Charlotte, N.C. Foxx is seen as a strong supporter of mass transportation as way to boost economic development. As Secretary of Transportation, he will oversee all federal highway and mass transit spending, all transportation safety regulations and the Federal Aviation Administration. Natural gas pipeline safety will also be under his jurisdiction as the Pipeline and Hazardous Materials Safety Administration (PHMSA) is a part of the Department of Transportation.

Penny Pritzker, who heads the investment firm PSP Capital Partners, is the President's nominee for Secretary of Commerce. Pritzker has played leading economic and fundraising roles in both presidential campaigns and will lead a department that has been without a confirmed Secretary for over a year.

In another important selection, the President named Tom Wheeler to head the Federal Communication Commission (FCC) where he will oversee cable, telephone and the ever-expanding world of mobile communication technology. Once confirmed by the Senate, Wheeler will supervise implementation of emergency responder access to the D-Block Spectrum and could determine whether utilities get access to this communication network when responding to an emergency situation.

Other nominations of the President are still awaiting Senate confirmation. They include MIT nuclear physicist Ernest Moniz, named to lead the Energy Department; Assistant Attorney General for Civil Rights Thomas Perez, to head Labor; and Environmental Protection Agency deputy and Regina McCarthy, promoted by Obama to head the EPA.

State

New York State Begins to Implement NYS2100 Commission's CHP Recommendations

Governor Cuomo announced that \$40 million will be made available for combined heat and power (CHP) projects larger than 1.3 MW in size. Earlier this year, an additional \$20 million in funding was made available for CHP projects ranging in size from 50 kW to 1.3 MW.

The Public Service Commission (PSC) also announced that a conference will be held on May 13th to review ways to eliminate barriers to CHP development. Specifically, the conference will focus on programs to support and promote CHP and ideas ways for utilities and CHP developers to work closer together.

These actions build upon the NYS2100 Commission's recommendations to increase investment in CHP, noting CHP's reliability during power outages. The NYS2100 Commission was established by Governor Cuomo after Hurricane Sandy to improve storm resiliency.

"Superstorm Sandy demonstrated the need for resilient power generation when critical facilities like hospitals lose electricity," Governor Cuomo said. "CHP technology is a clean energy, common-sense solution that keeps the lights on and systems running during emergencies."

Further information can be found in the Governor's [press release](#) and in the PSC's [announcement](#).

RGGI Study Bill Introduced

Senate Energy Committee Chair George Maziarz (R-Niagara) introduced legislation last week that would direct NYSEDA to study the costs and benefits of the current Regional Greenhouse Gas Initiative (RGGI). The sponsor Maziarz has said that the program's impact on jobs, the local tax base, and ratepayers needs to be examined.

The study will also review the feasibility and impacts of requiring program participation by out of state generators that export power to New York. According to the sponsor, requiring New York generators to pay the additional expenses associated with RGGI creates an unlevel playing field because out of state generators in states such as New Jersey and Pennsylvania do not participate in the RGGI program but sell power to New York.

The bill text can be found [here](#).

Legislation Introduced to Create the State Office of the Utility Consumer Advocate

Legislation has been introduced in both Houses of the Legislature that would create a new State Office of the Utility Consumer Advocate. The bill would direct the Office of the Utility Consumer Advocate (UCA) to represent the interests of residential utility customers in federal, state, and local matters. The head of the Utility Consumer Advocate will be appointed by the Governor and confirmed by the New York State Senate. Funding for the office will be provided by an assessment on utilities pursuant to Public Service Law §18-a.

AARP and others have argued that the bill is necessary because the Public Service Commission, also responsible for representing the interests of energy customers, is unable to act solely on behalf of the consumer's interest.

The bill text can be found [here](#).

Comptroller Releases Brownfield Cleanup Program Report

According to a report recently release by NYS Comptroller DiNapoli, New York's Brownfield Cleanup Program (BCP) should be restructured in order to achieve its economic, health, and environmental goals. The BCP was created in 2003 to encourage remediation and development of contaminated properties. "While two decades of efforts to clean up brownfields have delivered some successes, much more can and should be done," DiNapoli said. "Thousands of contaminated sites in communities across the state continue to pose environmental and health threats and prevent economic development."

The report sets forth a series of recommendations on how to reach additional contaminated sites in a cost effective manner. The recommendations relate to financing, tax credits, liability, and streamlining the permit process.

Additional details can be found [here](#) in the Comptroller's report.

City

New York Officials Release Hurricane Sandy After-Action Report

Last week Deputy Mayors Linda Gibbs and Cas Holloway released the 'Hurricane Sandy After Action' report. The reports goal was to do an evaluation of the City's performance during hurricane Sandy and also offers 59 recommendations on how the City's response can be improved. The report's release coincides with the six month anniversary of Sandy.

One of the first recommendations to take affect will be new evacuation maps. The revised maps will affect 640,000 more residents and include more categories for vulnerable neighborhoods. By breaking the zones down into smaller areas, City officials will have greater flexibility in targeting the residents that need to evacuate versus those that can just prepare themselves without leaving.

Other recommended improvements include a \$30 million upgrade to the City's 311 system. The upgrade will allow the system to take in more calls during a time of crisis, with a goal of diverting some of the calls that come in to 911. At the height of the storm 911 was receiving 20,000 calls and hour.

Communication and data collection was a major part of the report. Con Edison was included in a recommendation to establish continuous, consistent and reliable data exchanges to help the City manage and drive the allocation of emergency resources.

The full report can be found [here](#).

Mayor Bloomberg Presents Fiscal Year 2014 Executive Budget

Last week Mayor Bloomberg presented his \$69.8 billion 2014 Executive Budget and an updated four-year financial plan. The full text of the Executive Budget can be viewed [here](#).

Key parts of the budget and financial plan are as follows:

Historical Spending Overview

Since FY 2002, total City-funded expenses have grown by \$23.4 billion. Uncontrollable expenses and debt service represents \$15.5 billion of the total increase in City-funded expenses – or 66 percent. Education has been the only area of controllable spending that has risen at a rate higher than inflation, due in part to the gap left by the State’s annual reduction of education aid. Of the total \$23.4 billion increase in City spending since 2002, uncontrollable expenses, debt service and education represent \$19.1 billion (or 82 percent) of the total increase.

Historical Growth in Employee Costs

Pension and salary costs continue to increase, even though the City’s overall headcount has decreased by more than 14,000 employees. The rise of employee costs is due to higher pension costs and fringe benefits. Total costs for City employees have risen by 71 percent since 2002, from \$22.8 billion to \$39.2 billion.

Healthcare Costs and Labor Contracts

Healthcare expenses of City employees now account for the most sudden increase in costs. Healthcare is forecast to rise 38 percent in the next four years alone, from \$6.5 billion in FY 2013 to \$9 billion in FY 2017.

The mayor stated that the City must restructure healthcare benefits so that municipal employees make some contribution to their health insurance premiums. Currently, 95 percent of all City workers do not make any contribution toward their insurance premium, while more than 90 percent of State and private sector employees make some contribution.

Education

The City will spend more than \$13 billion in FY 2014 on education, the most the City will spend on any City agency. The City is now spending \$4.7 billion more than the state on education, shouldering 61 percent of non-Federally funded education costs, while the State funds 39 percent.

Private Sector Employment

The City’s development of new industries has helped to diversify the economy and support job creation in professional services, hospitality, information and other sectors, according to the Mayor. In January, private employment accounted for approximately 3.3 million jobs and was estimated to climb to 3.4 million in 2014. The revised report shows that private employment has already reached more than 3.4 million and will continue to increase in the year ahead.

Headcount

The City’s full-time and full-time equivalent headcount in FY 2014 is 297,148 - a reduction of 14,656 positions (4.7 percent) since the start of the Bloomberg Administration.

Out-Year Gaps

New York City will still face budget gaps of approximately \$2.2 billion in FY 2015, \$1.9 billion in FY 2016 and \$1.4 billion in FY 2017. The Mayor announced that the City has put \$142 million toward closing the gap in FY 2015, which begins July 1, 2014, and will pursue a 13th round of measures to help close the deficit in November.