

DEPARTMENT OF PUBLIC SERVICE

MISSION

The Department of Public Service has a broad mandate to ensure that all New Yorkers have access to reliable and low-cost utility services. The Department is the staff arm of the Public Service Commission, which regulates the rates and services of the State's public utilities, including electric, gas, steam, telephone and water. The Commission also oversees the siting of major electric and gas transmission lines and facilities, ensures the safety of natural gas and liquid petroleum pipelines and is responsible for oversight and regulation of the cable television industry in New York State. As the transition is made from a regulated utility industry to a more competitive market, the Department will use its oversight responsibilities to foster competitive market forces which will produce lower rates for consumers, enable customers to choose from a variety of suppliers and continue reliable service.

ORGANIZATION AND STAFFING

The Public Service Commission consists of five members who are nominated by the Governor and confirmed by the Senate. The Chairman serves as the chief executive officer of the Department which operates offices in Albany, New York City, Buffalo and Syracuse.

The Department's budget has two programs: the Administration Program, which supports the Public Service Commission and Department activities; and the Regulation Program, which undertakes activities to ensure fair and reasonable rates, foster proper competition, monitor service standards, address consumer complaints, promote efficient operation and ensure that industry construction programs meet safety and environmental requirements.

The Department will have a workforce of 545 for 2004-05. The Department is funded almost entirely from utility and cable assessments.

FISCAL BACKGROUND AND BUDGET HIGHLIGHTS

The 2004-05 budget recommendations for the Department of Public Service reflect the changing mission of the agency as the utility industry moves from a regulated environment to a competitive market. As the electric industry undergoes restructuring, the Department is overseeing this process to ensure that policies are implemented to encourage competition for retail and wholesale business, and to maintain a level playing field in this new competitive market.

The Department's 2004-05 operating budget includes funding of \$68.7 million from utility and cable assessments. Public utility assessments are based on a utility's gross intrastate operating revenues above \$25,000. Cable television assessments are based on revenues from those companies with 1,000 or more subscribers.

In addition, the local assistance budget provides a total of \$400,000 from fees paid by entities proposing the siting of electric generation facilities, that may be accessed by local governments and community groups to fund intervention activities related to the siting.

The Department also receives Federal grants to perform pipeline safety activities.

PROGRAM HIGHLIGHTS

The Department's highest priority for the coming year will be the completion of a formal inquiry into the causes and impacts of the August 14, 2003 Northeast regional electricity blackout that affected New York State. Although an initial Federal report indicates that the blackout started in Ohio, the Department will focus its blackout inquiry on New York State electric service restoration, steps to minimize the likelihood of another blackout and actions to improve the State's capabilities to deal with another blackout should one occur. The

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Department will also monitor implementation of security measures based on the results of utility vulnerability assessments that were completed in 2003. The transition toward competition in the electric, telecommunications and gas industries also remains a priority and will be effectively managed to ensure that competition benefits both the State's economic interests and utility ratepayers. During this transition to competitive markets, the Department will develop the infrastructure needed for competitive alternatives, maintain the high standards of reliability and service quality that New Yorkers expect, ensure fair competition and, where necessary, provide ratepayers effective protection. Department staff will continue to play a significant role in siting new and expanded electric generation facilities.

ALL FUNDS APPROPRIATIONS (dollars)

Category	Available 2003-04	Appropriations Recommended 2004-05	Change	Reappropriations Recommended 2004-05
State Operations	65,812,000	69,318,000	3,506,000	1,471,000
Aid To Localities	400,000	400,000	0	4,649,000
Capital Projects	0	0	0	0
Total	66,212,000	69,718,000	3,506,000	6,120,000

ALL FUND TYPES PROJECTED LEVELS OF EMPLOYMENT BY PROGRAM FILLED ANNUAL SALARIED POSITIONS

Full-Time Equivalent Positions (FTE)

Program	2003-04 Estimated FTEs 03/31/04	2004-05 Estimated FTEs 03/31/05	FTE Change
Administration			
Special Revenue Funds - Other	98	98	0
Regulation of Utilities			
Special Revenue Funds - Federal	12	12	0
Special Revenue Funds - Other	435	435	0
Total	545	545	0

STATE OPERATIONS ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE APPROPRIATIONS (dollars)

Fund Type	Available 2003-04	Recommended 2004-05	Change
Special Revenue Funds - Federal	1,700,000	1,611,000	(89,000)
Special Revenue Funds - Other	64,112,000	67,707,000	3,595,000
Total	65,812,000	69,318,000	3,506,000

Adjustments:			
Recommended Deficiency			
Public Service Department			
Special Revenue Funds - Federal	(300,000)		
Appropriated 2003-04	65,512,000		

**STATE OPERATIONS
ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM
APPROPRIATIONS
(dollars)**

Program	Available 2003-04	Recommended 2004-05	Change
Administration			
Special Revenue Funds - Other	10,185,000	10,781,000	596,000
Regulation of Utilities			
Special Revenue Funds - Federal	1,700,000	1,611,000	(89,000)
Special Revenue Funds - Other	53,927,000	56,926,000	2,999,000
Total	<u>65,812,000</u>	<u>69,318,000</u>	<u>3,506,000</u>

**STATE OPERATIONS - OTHER THAN GENERAL FUND
SUMMARY OF APPROPRIATIONS AND CHANGES
2004-05 RECOMMENDED
(dollars)**

Program	Total		Personal Service	
	Amount	Change	Amount	Change
Administration	10,781,000	596,000	5,498,000	0
Regulation of Utilities	58,537,000	2,910,000	32,477,000	(629,000)
Total	<u>69,318,000</u>	<u>3,506,000</u>	<u>37,975,000</u>	<u>(629,000)</u>

Program	Nonpersonal Service	
	Amount	Change
Administration	5,283,000	596,000
Regulation of Utilities	26,060,000	3,539,000
Total	<u>31,343,000</u>	<u>4,135,000</u>

**AID TO LOCALITIES
ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE
APPROPRIATIONS
(dollars)**

Fund Type	Available 2003-04	Recommended 2004-05	Change
Special Revenue Funds - Other	400,000	400,000	0
Total	<u>400,000</u>	<u>400,000</u>	<u>0</u>

**AID TO LOCALITIES
ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM
APPROPRIATIONS
(dollars)**

Program	Available 2003-04	Recommended 2004-05	Change
Regulation of Utilities			
Special Revenue Funds - Other	400,000	400,000	0
Total	<u>400,000</u>	<u>400,000</u>	<u>0</u>