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THE LIFE OF A COMMISSIONER†

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For five years in virtually every rate case proceeding before the Minnesota Public Utilities Commission, I have been subjected to the machinations of countless economists, fiscal planners, accountants, and consultants who produce prodigious amounts of material describing, in agonizingly infinite detail, their analyses concerning cost-based utility rates.† Demand charges, energy charges, marginal costs, long- and short-run incremental costs, opportunity costs, avoided costs, allocation costs (I could go on) are all used to describe an overall strategy designed to "maximize our collective well-being, given the restraints of the real world."

Economic theory holds that a happy state of affairs can be achieved when the economy operates under the conditions of perfect competition. Supposedly, this same happy result can be achieved under regulation if the conditions of a competitive marketplace are simulated in the regulatory environment. The relevant condition that must be simulated is the determination of the price of the services being delivered. The benefits will result in the wise use of energy resources while producing equitable rates.

If prices for goods or services are set in an economically correct fashion, then efficient use of the resource will take place. In other words, consumers of the goods or services will neither consume too much nor too little. Consumption at these "correct" levels will result in an equitable distribution of the goods or services throughout the society.

The self-satisfaction that emanates from these mandarins of management as they parade their latest economic theories before the commission has prompted me to spend some time on the life of a commissioner, given "the restraints of the real world."

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At a weekly cold weather rule appeals meeting last winter, the commissioners were faced with a possible shutoff for an overdue bill. The utility and staff involved stated the bill had not been paid for several months and that they were unable to make contact with anyone at the house. Further questioning revealed that the occupant was a 17-year-old junior in high school whose father was dead and whose mother was in Anoka State Hospital. His grandfather, who lived in Iowa, had attempted to keep up with the bills and had in fact made a payment in the fall. (The utility eventually agreed not to disconnect.) A year earlier, a young woman, working for the state of Minnesota and supporting two small children by herself, was not able to keep up her utility bills on the salary she made.

Almost every day I hear from a fixed-income senior who talks to me about how he is trying to keep his television off and the heat down to 55 degrees so he can continue to pay his energy bill and remain in his own home. Those are just a few examples of the real world I live in.

The economist would shake his head and declare his sympathy for the plight of these unfortunates but, he would add, the commission is not a welfare agency and however difficult, we, as commissioners, must make decisions based on the greater good; that being unrelated somehow to what I have just described. The greater good would mean shutting off the 17-year-old, the young mother, and the senior. The economist would rationally and patiently explain that if the bills were not paid, those costs will have to be picked up by the other ratepayers, thereby creating a subsidy.

Now subsidies send economists and accountants into paroxysms. Not, however, the same kind of paroxysms that I get when I read about the tobacco subsidy or the automobile industry subsidy or the major oil companies neglect to mention the amount of oil taken from federal lands at great cost to the taxpayer.

My pique stems from the selective interpretation of subsidies. A 17-year-old should be shut off in the coldest January in Minnesota's history, while we subsidize the auto and tobacco industries. Now it may be that those subsidies should be continued, but then let us not state that there is something inherently immoral about subsidizing others in our society who for one reason or another do not make enough of a profit to pay their energy bills.

All this is not to say that cost, whatever the methodology, is absent from my decisionmaking. It is not. I recognize the value and
necessity of cost data and many decisions reflect that. I am simply saying that as a policymaker, I do not, and further will not, blindly follow whatever cost theory is currently in vogue. There is more than one dimension in decisionmaking. As the Minnesota Supreme Court has noted, “The process of establishing rate allocation among diverse consumer classes is one requiring . . . a careful balancing of many complementary and competing interests.” I have a responsibility as a regulator to ensure the utility an adequate return on equity, but I also have a responsibility to act in a manner that reflects the inequities of an imperfect world. That imperfect world includes among its imperfections the monopoly power of utilities. So long as the society continues to sanction the existence of monopolistic utilities, it must also keep in place regulators who have the courage to protect consumers from the possible excesses of those utilities.

As another rationale for cost-based decisions, I often hear that the public does not understand the complexity of the economic issues and therefore their concerns should not be taken too seriously. While I admit the rate case process lends itself to unending obfuscation, there is a quote from Paul Tillich that I think is appropriate here: “The mark of real depth is simplicity. Nothing of real importance is too profound for anyone. It is not because it is too profound but rather it is too uncomfortable to accept the truth. So let us not confuse the sophisticated with depth.”

The point, of course, is that while various cost methodologies may be confusing, the final result is not. The rates go up and no one paying the bills misunderstands that.

It has been my contention that the regulated utilities in Minnesota and elsewhere are in a position to implement strategies that recognize their social responsibility to ratepayers as well as financial responsibility to stockholders. Traditionally, a public utility has perceived that its ultimate role (goal) was to provide good service at a reasonable rate, while paying its investors a dividend. No serious debate until recently has occurred to change that basic philosophy. Now, however, with energy costs rising rapidly, and the economics of energy affecting larger and larger segments of society, the utility and others are questioning if that role is now too narrowly defined. For example, utilities are engaged in discussions related to diversification projects, the concept of total service

is being scrutinized, and more significantly, to the horror of absolute cost believers, utilities are asking what the social responsibilities of the industry are.

Utilities, in the view of the wise ones, have no business expressing any kind of social responsibility that retreats from "true" cost. That idea may be marginally acceptable when one is engaged in philosophical or rhetorical discussions, but actually to propose such a plan strains the understanding that exists between certain segments of our society that such things were never intended to be acted upon. It warms my heart, frankly, that those of us who have espoused precisely that kind of action from the major corporations cannot so easily be dismissed as social dreamers. It is difficult to imagine that even the most feckless could label Northern States Power Company as social and academic dreamers unaccustomed to the hard world of business. As Northern States Power has asserted to the commission, "The statutory concept of just and reasonable rates goes beyond cost studies and includes affordability."

It may be that Northern States Power has an idea whose time has not come, but I applaud the effort to rethink a very basic industry tenet and I welcome the opportunity it provides to engage in discussions to define or redefine what our obligations are to society.

The mark of a civilized society is a "decent provision for the poor," said Samuel Johnson. I agree. In this time of great economic upheaval and a growing and unfortunate "me first" attitude prevailing among us, it takes some courage to act in a manner that flies in the face of that attitude. This is not to say that the public utilities commission has not considered the social implications of its decisions in the past. It has, and many have called that political opportunism, reflecting the desires of a legislator, legislature, or an active group of citizens, all of whom are seen as having short-term interests. First, we are all of us political whether it be in the government, the corporations, the church, the school, or the family. But there is a difference between that kind of politics and overall policies that express long-term goals and are above the day-to-day routine office politics. My role as a commissioner encompasses more than a personal role and as an overall commission policy I will continue to balance economic cost against social costs, because I believe it is necessary and proper for a commissioner to consider the long-range effects of a rigid adherence to any one particular philosophy.
The commission staff and I frequently discuss economic and social costs and my most frequent and enthusiastic solution to our disputes is for all of them to sit as a commissioner and hear what the public’s response is to their economic passions. They always reply that while that may be interesting they really do not want to give up their power. (But, indeed, when two commission staff economists sat in a commission cold weather appeals deliberation on April 7, 1982, they admitted being moved and concerned by the consumers who appeared and presented their stories.) The staff may be right about power. Commissioners come and go but staff stays on forever. Discussions on power inevitably lead me to a Ralph W. Emerson quote: “You shall have power or you shall have joy, said God, you shall not have both.” While I am not sure that this is true, it does give me some pause, because making public policy means you have the power to do so, and the results of that power can be fearful indeed. The joy perhaps comes from the infinite possibilities the position allows, and whether it is done carefully or carelessly, with diffidence or indifference, and finally callously or compassionately, makes all the difference.