



INTERVIEW

With Electricity and Justice for All

RFF board member Linda C. Taliaferro is a lawyer and founder of the Talin Group, a management training and development consulting firm. She has served as chairman of the Pennsylvania Public Utility Commission and is currently on the board of Orange & Rockland Utilities, Inc., serving New York, Pennsylvania, and New Jersey. At mid-career, she decided to attend divinity school and received an M.A. in religion. Recently, she spoke with J. W. Anderson, RFF's journalist in residence.

RFF: What is life like for the regulators these days? It's a very different world with the deregulation of the electric utilities.

Taliaferro: It's unfortunate, but the job for some hasn't really changed that much. The real models are the deregulation of the trucking and telecommunications industries. There's still some oversight for rate-of-returns issues, for example, in the water industry. But there's also more oversight for quality-of-service and consumer issues.

My tenure was the early eighties, during the fly-up in the oil prices and the Three Mile Island situation in Pennsylvania. But my experience also foreshadowed what would be coming in electric issues after the trucking, telecommunications, and gas industry changes. I tried to communicate to staff then that we had to spend time studying the environment in which the utility operates—the service territory, the industry mix in its territory. We were actually anticipating issues involving benefits offered industrial customers of electricity to stem the flow, at least in the Pennsylvania area, of their departure from the state. Some of it had to do with the high cost of the utility services.

We had an early case—involving *Lukens Steel*—in which that firm wanted to switch utility companies and obtain out-of-state service. And at that time it created a very interesting legal problem, because it could have meant shifting approximately \$20 million in revenues from one utility to another. But the firm could not establish

that it was the high price it was paying for electricity alone that was causing their problems. So they weren't successful. But we then negotiated a way of offering incentives for them to stay in Pennsylvania and reduce their cost of electricity. I think some of those incentive pricing mechanisms foreshadowed today's goals.



Linda C. Taliaferro

RFF: Do utility commissions have the power, in your view, to oversee successfully the quality-of-service issues that are now going to arise?

Taliaferro: If you mean the legal authority, yes, they do, in my view. But the tricky part is bringing together the type of experience necessary in the economic analysis and the practical analysis and operating

experience—identification of problems and the ability to move fast toward solutions, the way the private sector is able to move. That's where the difficulties occur.

As a result of serving on the board of directors of a utility, I have seen it from the other side now. I and my colleagues have faced some of the decisions made by former regulatory colleagues on the commissions in imposing certain policies and operating standards. Take, for example, the whole issue of the divestiture of electricity generation—I am in a position to understand the desire for change. But at the same time I think the regulators have to understand the real motivating factors for all stakeholders—that is, the shareholders, rate payers, employees, and employers of the service territory. In time, we will know how successful we are, but experience with other industries does not provide for great optimism.

RFF: Do you think we're in for the same kind of turmoil in the electric utility industry that we have seen after deregulation in airlines and some of the other industries?

Taliaferro: Yes and it concerns me greatly. When I was doing some reading on the economic impact of deregulation and the whole philosophical debate, the thing that struck me was the availability of electric utility services throughout our society. According to EEI [Edison Electric Institute] it's around 98 percent of households—greater penetration than the phone system.

So there's a significant potential for disruption and confusion.

One problem area will be consumer fraud. Other issues will concern the nature of the services being offered and pricing of the alternative services. So there is room for a lot of mischief. Those at a disadvantage will be the economically and educationally and socially disenfranchised communities. I have very serious concerns about getting the information out to them. Those who would legislate on behalf of those communities need to understand that, as we know now, there is a void of information arising from the historic mistrust between utility management and the leadership in those communities.

RFF: Many people think of environmental justice as simply a matter of not putting the incinerator next to a neighborhood that isn't able to defend itself, but there's a lot more to it than that. Where do you see the issue of environmental justice going?

Taliaferro: I wish I could see where it was going, but I think that the first part of what you said is still a serious enough issue that has to be more widely recognized and dealt with in a balanced way. I think good science has to be brought to it, and good economics, and not answers driven by the political agenda of a few so that the ends are justifying the means. That's my concern.

In this issue as with the world climate issue, you hear it said that the less developed nations aren't involved. Well, let's go ask them why not. Until you get people who have the homegrown view of their own interest, speaking for themselves, then you won't really get the balanced decision making that you need.

RFF: Do you think that environmental justice is going to be a major concern in American politics? I have the sense that we were hearing more about this subject early

in the Clinton administration, and we've heard less about it recently.

Taliaferro: I think that as we evolve as a society we are going to hear it more. It has to be discussed not only as government policy and environmental approach but also discussed in terms of cultural issues. I think it is also going to be discussed from the spiritual side, if you will, but right now I can't think of a secular word for an ecumenical approach to this issue of sustainability. You have to recognize that you can't ensure your individual health or protect one small group or one narrow interest at the expense of everybody else. For example, I cannot, as someone with no children, simply ignore school reform and the training of young people. A failure to act may well come back and haunt me, whether in the level of my community's street crime, or in the lack of skilled workers to meet industry needs and foster economic growth. That's the circularity that has to be recognized—uniformly recognized.

RFF: Are the churches going to get more deeply into environmental issues?

Taliaferro: I think they are already deeply into them. At the seminary I discovered the level to which they are already involved. It's not covered in the media, but their involvement is there. Years ago the churches got involved with South African apartheid. Then they moved to issues of corporate investments and things like that. I am happy to see the churches' participation in environmental questions. At the same time, I am always concerned about the sources of the scientific and economic data.

RFF: Environmental justice is a pretty broad term. Within it, what interests you the most at this point?

Taliaferro: Right now it's the marginalized communities. The uneven application of

the standards is always one thing that concerns me. To take one example, it's the political and tax policy incentives that only the middle class takes advantage of because they're the only ones who can figure them out and see that they're eligible even if they aren't the ones who need it the most.

RFF: We all know what you do for RFF as a board member. What does being on the RFF board do for you?

Taliaferro: Actually, it's very exciting and keeps me in touch with some of the best economic analysis available. But more importantly it allows me to engage in discussions here from a different point of view, looking at the criteria and sometimes saying in small ways to people here: Wait a minute, how come I perceive it this way? I like staying in touch with the issues. I can capture the latest trends and analytical thinking in a comprehensible manner. Some information I file away, knowing that it's going to be useful. So it's not just me. It's also for people I interact with who, I think, also get the benefit of RFF.

RFF: Where would you like to see RFF go from here?

Taliaferro: I think I have been on the board long enough to remember when RFF was talking about public policy from mainly a domestic perspective. Now we see the new mission statement taking a world view. Where it goes from here is, I hope, to become an instrument of peace, through knowledge. That's about the only way I can put it. If you are fighting over the facts, you know, that's a potential for chaos. Hopefully, RFF will help us evaluate our interests to avoid problems, and in that way be an instrument for peace. Economic interests have led nations to war in the past, you know. ☺

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