

Remarks at the 122nd Annual Meeting of the National Association of Regulatory Utility Commissioners

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122nd Annual Meeting of the National Association of Regulatory Utility Commissioners

Thank you, Phil, for that kind introduction. It's a pleasure to be here with so many of the nation's leading regulators.

From my days as governor of Washington State, I know how important it is for regulatory commissioners to meet on a regular basis – to share best practices – to keep up with changing times.

And congratulations also to the newly elected officers of NARUC. I am sure you will carry on a fine tradition, established by a long line of great leaders.

On behalf of the other federal officials attending this year's convention – including FCC Chairman Julius Genachowski – Rural Utility Service Administrator Jonathan Adelstein – and Cyber Security Coordinator Howard Schmidt – I'd like to express special gratitude to you in the audience.

Before discussing how the federal government and states can work through the various issues on this week's agenda, let me share another insight into why I am here today.

Just a few blocks away – at the Atlanta Marriott Marquis – the U.S. Commerce Department is co-hosting the fourth American Competitiveness Forum. This is a meeting bringing together policymakers, business leaders economic development specialists and innovators to help foster economic growth throughout the Western hemisphere.

But there is a common thread there and here. In both places, we are asking ourselves how we can create the right policies and the right incentives to stimulate innovation to improve the lives of our citizens.

Innovation is America's global competitive advantage.

It is the reason why we are able to enjoy a high standard of living across our population of over 300 million people – it is the fuel that keeps the U.S. and the global economy moving forward.

At the Commerce Department, we see it as core to our mission to help create the conditions that make our society so innovative.

We are not inventors, but our patent examiners at the PTO grant property rights in inventions. And those property rights attract the capital that fuels business growth.

We do not start up businesses, but we invest in the infrastructure and the research that allows them to thrive.

We do not sell products, but our International Trade Administration helps break down barriers for U.S. companies selling in global markets.

The National Institute of Standards and Technology – NIST – is also part of the Commerce Department, and they drive the nation's – even the world's – standardization process.

Here at NARUC, I would suggest, you also are getting into the business of fostering innovation.

Yes, protecting the consumer's interest -- providing reliable and affordable water, electricity and telephone service – will always be among your top priorities.

But there are at least two areas in your purview where innovation is essential. Broadband expansion and making our national electric grid smarter and more efficient.

And these happen to be the two areas where it is absolutely essential for federal and state officials to be working together to find solutions.

Let's look at the communications network, where just a decade ago, your prime focus was on the provision of local and long distance telephone service. This continues to be critically important.

But we are fast reaching a point where access to broadband services is just as important as access to telephone and mobile phone service.

The good news is that broadband penetration among consumers has grown seven-fold – from 9 percent of households in 2001 to 64 percent in 2009. But we've got a ways to go. As a recent Commerce Department report highlighted, there are still major geographic disparities as well as sizable gaps when you break down broadband access by income, ethnicity, and education levels.

At the Commerce Department – and in particular at the National Telecommunications and Information Administration, led by Larry Strickling – we are striving to address this disparity.

In less than 20 months, NTIA has awarded over \$4 billion in grants to get high speed Internet into underserved communities across America.

The projects we funded will pay dividends far into the future by enabling:

- Children to take distance learning classes from any university in the world;
- Small businesses to advertise and tap into domestic and international markets; and
- Rural doctors to send their patients test results to be analyzed at University medical centers hundreds of miles away.

These projects reach every state and territory and will:

- Fund the construction or upgrade of approximately 120,000 miles of broadband networks and;
- Directly connect 24,000 community anchor institutions like schools, libraries, government offices, health care facilities, and public safety entities.

Perhaps most importantly, our funding is helping to catalyze billions of additional dollars in local and private-sector investment in broadband infrastructure. The majority of our Commerce Department grants are for something called “middle mile” broadband infrastructure. Just as the federal government might build highways and have state or local interests build the roads coming off of it, our broadband grants are often funding the fiber optic backbone that enables local Internet service providers to bring service directly into homes or businesses.

We’ll be funding the deployment of enough fiber optic and wireless infrastructure to eventually bring high-speed Internet service to as many 40 million households and 4 million businesses.

In addition, our grants to the states will support statewide broadband planning and implementation efforts as well as efforts to collect and verify data on broadband availability. This will be used to create a national broadband map, which we will release next February.

As the results of this program roll in – as we learn more about what promotes adoption in areas where there is lower than average Internet access – we will need to continue to partner with the states to shape what we do going forward.

I understand that this morning NARUC’s Telecommunications Subcommittee voted on a resolution regarding NTIA’s budget for managing the broadband grants program. I want to thank you for your concern and support. As some of you know, as a result of a budgeting quirk, NTIA started the new fiscal year, without any appropriated funding for

broadband oversight and management to even release and distribute the \$4 billion in broadband grants, even though the President has asked for \$24 million.

The Office of Management and Budget has authorized us to continue operations and NTIA is operating pretty much normally for now. But we are working closely with Congress and the White House to permanently lock-in the necessary funding, and hope to reach that goal by the end of the year. Rest assured, we are doing everything possible to avoid disruptions in the program.

Aside from broadband, NTIA is of course also fostering growth in the wireless communications industry.

Just today, the NTIA is releasing two reports describing a path to achieving President Obama's goal of making 500 megahertz of spectrum available for wireless broadband service over the next decade. This wireless broadband asset will be available as another means for people to connect to the Internet – especially in rural areas.

More wireless broadband spectrum will fuel growth in the nation's mobile communications sector, which is at the cutting edge globally. And with revenues generated from auctioning off spectrum – and some help from Congress -- there will be greater possibilities for funding new, interoperable public safety radio systems.

The second area where federal and state leaders must partner to drive innovation is in turning the promise of a smart electric grid into reality.

The electric grid has evolved over the course of the last century with many innovations and improvements. But in many respects, the architecture of the system is much the same as it was 100 years ago. It is still designed to move power generated from carbon-producing sources at large, centralized facilities in a one-way flow to consumers, who have little awareness of how much power they consume or how they can reduce their usage and save money.

Do you realize, for example that as much as 10 percent of the electricity in our homes is used to power electronic devices when they are turned off, just so they can come back on quickly. As a society, we waste a lot of energy - because we don't have the technology and tools deployed that can help us be more efficient.

Modernizing our electricity grid is one of the cornerstones of President Obama's energy and climate policy.

With a smart grid, customers will have far greater control over when they use energy and the impact of their energy consumption on the grid. Of course, as these new technologies are developed and deployed, however, we are reminded how critical it is that the customers are empowered to use them and engaged as active participants, not left as passive onlookers.

But when they are engaged, consumers can for example choose to take advantage of variable pricing; programming their washing machine to run at 3am when electricity is at its cheapest.

With the benefit of smart grid technologies, utilities can utilize new demand response technologies that will allow them to meet peak demand without having to crank up costly backup power generation or even build additional power plants.

And as distributed power sources like plug-in electric cars, rooftop solar panels and wind farms become a bigger part of America's energy mix, we'll need a smart grid to deal with energy coming from many sources where some customers are consuming energy and where others are feeding it back into the grid.

Last, but hardly least, it is important to note that the emergence of smart grid technologies here in the U.S. promises to catalyze investment and innovation, enabling U.S. companies to lead in a global transformation of electricity generation and delivery.

The Obama administration is already helping kickstart a transition to a smarter grid through various investments. Most recently, the Recovery Act provided \$4.5 billion for smart grid development, deployment, and worker training, which is being matched by the private sector to net over \$10 billion in smart grid investments. The Recovery Act investments, however, are just one piece of the federal government's overall smart grid strategy.

The National Institute of Standards and Technology (NIST) – another component of the Commerce Department – is leading a public-private collaboration to develop interoperability and cybersecurity standards for the grid. We've already accomplished in a year and a half something that took the telecom industry over five years!

As you all may know, the Administration has established an interagency effort—a Subcommittee of the National Science and Technology Council—to develop our policy framework for the Smart Grid.

The Subcommittee is chaired by Patricia Hoffman, Assistant Secretary in the Department of Energy. NIST's George Arnold is its vice-chair. The subcommittee is working to develop a comprehensive policy framework to guide the nationwide transition to a 21st century grid, and they will be counting on the input of many of you.

These federal efforts are important. But the potential of the smart grid will not be realized without your leadership and active engagement.

As many of you are aware, the primary barriers to a nationwide smart grid are not technical. A lot of the technologies we use in our smart grid are similar to the same networking devices we've been using to link up computers in our offices and factories for decades.

The modernization of the grid is not a simple undertaking, however, and it will require that regulators evaluate how to enable innovation in and based on the electric grid.

You know, several years ago, the National Academy of Engineering published a list of what it considered to be the greatest engineering achievements of the 20th century. Among them were the automobile, the airplane, the telephone system, and the Internet. But you know what number one was? The electric system – the supreme engineering achievement of the 20th century.

The guiding philosophy of this century-long engineering project was universal service, which has largely been achieved.

But our challenge in the early 21st century is driving energy efficiency throughout the grid. We've got to accommodate new electricity management technologies and emerging forms of power generation.

And as you're all well aware, designing the right incentives to empower utilities to meet these challenges is fast becoming one of the most critical elements of your job.

We know for example that utilities should be rewarded for meeting demand not only with a new power plant, but also when they discover new efficiencies to achieve the same goal. But how do you do it? How do you design a system that is workable and fair to ratepayers?

We know we can get consumers engaged in energy efficiency and conservation, from time of use pricing, to allowing them to sell power back to the grid, to insulating their homes. But how do we ensure empowering some consumers doesn't inadvertently place more cost burdens on the poor and the elderly?

These questions don't have easy answers.

Already, twenty-five states have issued policies relating to smart grid technology.

This grid modernization effort will take more than a decade to accomplish and this administration understands there is no one-size-fits-all solution.

But we've got to keep working to meld these efforts into a comprehensive national policy strategy.

As you go about your meetings over the coming days, I ask you to always contemplate how your actions are encouraging a more innovative America.

In partnership with federal policymakers, how are we collectively strengthening not only the physical infrastructure, but also our job-creating, innovation infrastructure?

Many of us in this room know the phrase, "It's not your father's Oldsmobile." The

phrase captured the notion that times had changed. The cars of the 50s had evolved into something completely modern – something high-tech and indicative of American ingenuity and progress.

Well, you are presiding over a similar and arguably more fundamental transformation. We no longer have “your father’s communications system” or “your father’s electricity system.” For the benefit of our economy, our environment and our children’s job prospects, we policymakers need to embrace these changes – and help facilitate them.

Those of us at the Commerce Department and across the rest of the Administration look forward to continuing on that journey with you.

Thank you.