Challenges and Opportunities for Public Power Utilities: Six Big Issues

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APPA Members

• 1,400+ public power utilities
• Retail service in 49 states
• Very large to very small systems
• Median size: 1,977 meters
• 14.4% of all sales to electric consumers
• We are strongest when we work together!
Public Power Is Entering a Time of Great Change

Four factors driving this change:

• Evolving customer preferences
• New technologies
• Increasing regulation
• Utility workforce issues
APPAs Strategic Plan 2016-2018

• Undertaken to help members address evolving customer preferences, new technologies, increasing regulation, workforce challenges

• Planning process started in fall 2014; board approved plan June 2015

• Executive summary at PublicPower.org (under About)--full version for members only

• Workplan and Year 1 budget approved fall 2015; now implementing Year 1 (2016) program, finalizing Year 2 (2017) work plan, budget
Purpose Statement

APPA partners with its members to promote public power, helping community-owned utilities deliver superior services through joint advocacy, education and collaboration.
Vision Statement

Shaping the future of public power to drive a new era of community-owned electric service.
Six External Strategic Initiatives—The 6 Big Issues

- Communicate the value of public power
- Address technological change and increasing customer expectations: we call this “Public Power Forward”
- Address adverse impacts of federal regulation
- Improve physical preparedness/reliability, cyber & physical security
- Focus on research and development
- Help meet utility workforce challenges
Communicate the Value of Public Power

Help public power utilities and their associations tell the public power story to communities and customers, local/state/federal policy makers and “influencers” to “build the brand”

Emphasize our strong points:
• Service-oriented
• Customer-owned
• Not-for-profit
Communication Tools

- Improve APPA’s brand, website and media presence to raise public power’s national profile
- Develop turnkey resources for members to use—templates, content & tools, social media feeds (2017 pilots)
- Educate members on how to communicate the value of public power to their retail customers, policy makers, key influencers (including media)
We Have a Good Story to Tell

- Community-owned: sole mission is to create value for the citizen-owners
- Local control and decision-making that reflects the community’s needs and values
- Not-for-profit: no separate class of shareholders to satisfy
- Low-cost structure: access to lower-cost financing, strong credit ratings
Are We Telling Our Story?

• You may think your community knows who you are and what you do—after all, you live there and have been doing it for years!
• But you cannot hide your light under a bushel (pun fully intended)
• You must get out in the community, tell them what you do for them, and find out what they think of your service
• If you have an image issue, must work to address it now, before it becomes a problem
Survey Says We Can Do Better at Telling Our Story!

- APPA surveyed 1,600 public power retail customers using Great Blue between December 2015 and January 2016.
- Most customers do not know what public power is or what it means for them.
- Only 1 in 5 customers under 55 knows that their utility is community-owned and not-for-profit!
- At least 30 percent of public power customers think their utility is driven by a profit motive and up to 28 percent think their utility is privately owned.
What If Your Story Needs Some Work? Warning Signs…

- Electric rates are higher compared to your neighbors
- Reliability is an issue—is the system being properly maintained?
- Not paying the salaries needed to attract/keep employees with the required skills
- Not keeping up with current technology
- Political shift—policy makers (and competitors) see $$$ to be made from privatization
Change Your Story Line (a/k/a The Best Defense Is a Good Offense....)

• If your utility has issues like this, develop a strategy to address them now
• Do an organizational check-up to benchmark your utility operations and find out where you have gaps
• Develop a strategic plan to remedy the gaps you find and execute on that plan; it takes time but keep at it
APPA Has Tools To Help

- APPA Publications—including “Public Power for Your Community” which discusses benefits of public power
- APPA PILOT Survey and Guide
- APPA Salary Surveys
- APPA Academy offerings (webinar or on-site)
- Think about applying for Reliable Public Power Provider (RP3) Designation (peer review of operations); even if you don’t get the designation, you get valuable feedback
- Hometown Connections products and services
Have a Communications Strategy

• Celebrate Public Power Week October 2-8 (and the other 51!)
• Use social media—meet your younger customers
• Build alliances with local community and business groups; establish key accounts programs
• Use your employees as ambassadors—they can tell your story to their friends, families, neighbors
• Build/maintain good relationships with elected officials at all levels (before you need them!)
• Tout long-term benefits of a public power utility—an economic boon to your community
APPAs Communications Resources for Members

• APPA website has a page for Public Education Materials with a wealth of resources on many topics of interest; check it out: http://publicpower.org/Programs/Landing.cfm?ItemNumber=45936&navItemNumber=37527

• Check out our Facebook page at https://www.facebook.com/americanpublicpower; we periodically post resources there you can use (like the APPA electronic Holiday greeting!); APPA is also on Twitter and Instagram

• Can tailor items for your community/state/region
Public Power Week, Oct 2–8

Bill stuffers, videos, and more — download, personalize, share!

www.PublicPower.org/PublicPowerWeek
Why Public Power Forward?

• Traditionally, utilities have stayed on their side of the meter, selling power and sending bills

• Retail electric customers now have more choices made possible by new technologies

• New entrants are here—as both competitors and potential partners in providing services

• Public power utilities should be the service provider of choice for our communities; we are well suited for this role, given our community orientation and not-for-profit mission
Public Power Forward Summits

• APPA held first summit in Oct 2015 with industry, public power and government speakers and workshops

• Designed to educate public power utilities on these issues; get their insights and provide direction to APPA on next steps, needed advocacy and tools

• Second summit scheduled for November 17-18 in Arlington; info at http://www.publicpower.org/Events/Landing.cfm?ItemNumber=44241
Public Power Forward: APPA Member Toolbox

• Policy research and analysis for members: what are DOE, states, other utilities/sectors doing on distributed generation (DG), demand response (DR), energy efficiency (EE) (together, DER)

• Provide options/case studies/best practices

• Advocacy: ensure policymakers and thought leaders understand public power’s views

• Communication toolkits: to educate member communities and retail customers on these issues
Check Out These Resources

- Public Power Forward page on the APPA website has a variety of resources--check it out at http://www.publicpower.org/Topics/Landing.cfm?ItemNumber=45624; resources include:
  - August 26 APPA comments filed with Federal Trade Commission on roof-top solar issues
  - APPA’s Roadmap to the SEPA 51st State - Phase II
  - Spreadsheet model that helps assess impact of DERs on utility rates and revenues
  - Infographic: “10 Things to Consider Before You Go Solar”
Members must decide when/how to revise rate structures, services and operations to:

- offer their retail customers more options such as DG (including solar PV—community and rooftop), DR (including storage), and EE
- modernize utility operations; add new loads (electric vehicles, for example)
- Ensure interests of all customers protected when doing this
You Will Be on the Front Lines

• These are retail service issues, and they are not easy

• Participate through your state associations in state legislative/regulatory proceedings on DG, DR, EE, etc. (even if you are not regulated)—if you are not at lunch, you are lunch!

• Help APPA help you keep these issues from getting any more “federalized”

• But most important, get ahead of your customers, figure out the services they will want, and get in front of them so they value you—after all, they own you!
Increased Federal Regulation: Key Issues

- Continued access to tax-exempt financing
- Environmental regulation, including EPA’s CPP
- FERC rules and tariffs: RTO-run centralized wholesale markets, NERC reliability standards
- Pending federal energy legislation
- Avoiding “federalization” of DG
- Protection of PMAs and TVA
The “Advocacy Ecosystem”

• To deal with these complex and important issues, public power has to work together

• Individual public power utilities, state/regional public power associations, and APPA must all work together to make sure public power’s views are heard at all levels:
  – Congress and federal executive departments/offices, independent agencies
  – State legislatures and agencies
  – PMAs
  – RTOs
Municipal Bonds “On The Menu” for Tax Reform

- Obama Administration continues to attack bonds (surtax proposal, increased SEC enforcement, proposed “political subdivision” rules)
- House Republicans considering tax on municipal bond interest as part of tax reform blueprint
- Reps. Hultgren (R-IL) and Ruppersberger (D-MD) sent a letter to House leadership signed by 124 members supporting current tax treatment
- They formed the Municipal Finance Caucus on March 1; APPA is recruiting House members to join; election season is good time to ask!
Current Status of the Clean Power Plan (CPP) in One Slide

- Limited action in Congress on CPP this year – mostly oversight hearings and letters to the Environmental Protection Agency (EPA)
- *En banc* oral argument held 9/27 before the D.C. Circuit; Supreme Court stay remains in effect
- EPA’s Clean Energy Incentive Program (CEIP) published in the Federal Register on 6/30, with comments due on 11/1; APPA working with members on comments
- EPA cannot issue a final federal plan while the stay is in place but may provide “guidance”
So What to Do Now?

• Some states have stopped work on CPP compliance; others moving ahead
• APPA worked with Lincoln Electric System to develop modelling tool members can use to assess CPP compliance scenarios
• Given change in Supreme Court personnel, all bets are off on CPP reversal/affirmance
• CPP itself might not survive, but prudent to assume that some sort of CO2 regulation (or equivalent) will happen, and to take steps to prepare (“no regrets” strategy)
FERC and Wholesale Markets

• APPA has worked to protect rights of public power utilities in Eastern RTOs to “self supply”—use their owned and contracted for generation resources to serve their loads, despite increasingly onerous RTO mandatory capacity market rules
• Results have been mixed, but entire mandatory capacity market regime is under extreme stress due to low gas prices, cheap renewables
• APPA has worked with Western members to unify, push common positions in EIM/Western RTO discussions; learn from Eastern market mistakes!
Pending Energy Legislation

- H.R. 8 – North American Energy Security and Infrastructure Act—passed the House in 12/15 by vote of 249 to 174 (largely partisan vote)
- S. 2012 – The Energy Policy Modernization Act – passed the Senate in 4/16 by vote of 85-12 (bipartisan)
- House and Senate have voted to go to conference, named their conferees; conferees held first hearing (all conferee statements); staff negotiations underway
- Not many legislative days left, and much to do (like funding the government’s operations!)
APPA Priorities in Energy Legislation

- Hydropower licensing reform
- FERC reliability review of major legislation
- Interstate natural gas pipeline permitting reform
- Energy efficiency
- Mandatory capacity markets (no to performance requirements, yes to right to self-supply)
- Vegetation management on federal lands
- Remove language on electromagnetic pulses and geomagnetic disturbances (EMP/GMD)
- Remove problematic language on community solar, combined heat and power (see next slide)
Avoid “Federalization” of DG

- APPA opposes “federalization” of DG rate design, interconnection standards and other distribution-related matters; should be state/local decisions
- APPA urging energy bill conferees to drop language imposing unnecessary “must-consider” requirements under Sec. 111 of the Public Utility Regulatory Policies Act to promote community solar and directing DOE to create model interconnection guidelines for combined heat and power resources
- These provisions are unnecessary given existing federal/state interconnection standards
Protection of the PMAs

- No language in the President’s Fiscal Year 2017 budget proposing to sell TVA (finally!)
- Army Corps of Engineers, Bureau of Reclamation, and other project beneficiaries trying to impose inappropriate costs on PMA power customers—cross subsidy to other project purposes
- APPA helped head off Corps’ attempt to incorrectly assign additional costs to hydropower customers in SEPA’s Cumberland River System
- APPA working to ensure hydropower customers are not saddled with additional costs in Water Resources Development Act (WRDA)
But Just When You Thought It Was Safe To Get Back in the Water…

- *Draft Task Force Report on Federal Energy Management* of by the Secretary of Energy’s Advisory Board (SEAB report) became public at beginning of October

- SEAB Report effectively reiterates the recommendations to change the mission and operations of the PMAs in the 2012 “Chu Memo”

- PMA customer community (APPA, NRECA, PPC) has pushed back strongly; goal is to get Secretary Moniz to go on record as not intending to pursue this report recommendation
Cyber & Physical Preparedness

- Help members develop “all-hazards” approach to disaster preparation and response
- Show federal policymakers public power’s commitment to security and mutual aid
- Strengthen government/industry partnerships
- Minimize new federal regulation (!)
Public Power Ready

- Webpage to share with customers
- Mutual Aid video
- Tips and tools
- Emergency Twitter feed

www.PublicPower.org/Ready
Cyber Security Not Just for “Big Guys”

- Larger electric utilities subject to mandatory Critical Infrastructure Protection (CIP) standards; implemented CIP Ver. 5 on 7/1/16
- But every utility should be practicing basic cyber security hygiene and securing physical facilities as appropriate
- Cyber hackers are targeting local governments with “ransomware” attacks, demanding payment in bitcoin; small communities like Plainfield, NJ, Ilion, NY, Melrose, MA (police department!) have been hit; Lansing Power and Light also a victim
But It Gets Worse: Ukrainian Cyber Attack

- This was a distribution level event that caused power outages, damaged control system equipment and delayed response and recovery
- Any utility not following basic cyber security practices is at risk of a similar cyber attack
What Can You Do to Address Cyber and Physical Security?

• APPA has resources available to help:
  – Cyber Security Essentials Primer (helps policy makers and lay persons understand the issue)
  – Physical Security Guide in development
  – Grid security webinar series ongoing
  – Tabletop (simulation) exercises
  – Hometown partnership with N-Dimension (can do cybersecurity audits of your utility)
  – New 3 year DOE-APPA cooperative agreement will give APPA up to $7.5 million to help members address security issues
More Things You Can Do

• Sign up for alerts from the Electricity Information Sharing and Analysis Center (E-ISAC); contact operations@esisac.com, go to www.esisac.com, or call the 24-hour hotline at 404-446-9780 and press 2
• If you encounter difficulties signing up, contact Nathan Mitchell at APPA (nmitchell@publicpower.org)
• APPA will not disseminate sensitive information via list serves or other media, but will point to the E-ISAC portal
Why You Need To Sign Up for the E-ISAC Portal…

• Internet of Things (IoT) Distributed Denial of service (DDos) attack—whitepaper is posted at https://www.eisac.com/api/documents/5365/public download

• Utilities need to examine their Internet-facing systems to ensure:
  – Internet-facing devices are inventoried and examined for vulnerabilities;
  – Internet-facing devices have sufficient business justification for being publicly exposed;
  – Utility systems that are exposed to the Internet have adequate protections in place to prevent the exploit described in the paper.
Research & Development

*Develop new tools and techniques APPA members can use to better serve retail customers through APPA’s R&D program*

DEED: Demonstration of Energy and Efficiency Developments

- 35 years old in 2015
- **Over 900** members—20% add-on to APPA dues
- Can apply for grants for innovative utility research projects *(up to $125,000)* and scholarships
- Training tools and manuals
- Sharing of research projects, best practices
DEED and You…

• Think of DEED for collaboration and co-funding of innovative projects
• Use a DEED scholarship to put a college student to work over the summer--take some items off your utility’s ‘to-do’ list!
• Use new technologies to reduce losses and improve service (LED street lighting and energy efficient distribution transformers to name two)
• Educate consumers about energy efficient motors, efficient lighting technologies, etc.
• Gain recognition for innovative developments through DEED awards
Workforce Planning

APPA researching/sharing best practices to help members recruit and retain employees

• Help members advocate for competitive salaries and benefits
• Address retiring baby boomer workforce (highest % of any major U.S. industry)
• Attract and retain talent to compete in tech-savvy world
• Build workforce to reflect increased diversity in communities
Ongoing Work on Workforce Issues

• Concentrating on four areas
  – Recruitment and retention
  – Succession planning and staff development
  – Workforce diversity; and
  – Sound human resource policies

• White papers, blog posts, articles for members on the need for competitive pay, succession planning, and best HR practices

• Workforce sessions at 2016 APPA conferences

• Networking events at conferences for women, new managers, millennials
Next Steps on Strategic Planning

- 2017 work plan just approved at APPA October Board meeting
- Applying “lessons learned” from year one, and accounting for changed circumstances that require 2017 “mid-course” corrections (like DOE-APPA cooperative agreement!)
- Now working on 2017 budget; once approved, will move on to year two implementation
- Rinse, Lather, Repeat for year 3 in 2017!
The Public Power Advantage

Public power has a great opportunity if we stay true to our ideals and roots while adapting our mindsets and services to this new era.