

Looking Forward (and Back?) into Public Power's Future

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Change—The New Normal

- Across the country, we see rapid changes in our industry:
 - New technologies
 - New competitors
 - New ways of living
 - New customer choices and expectations
- **“Business as usual” will not be enough in this new environment; we need to anticipate what customer needs/wants will be and move first to supply them**
 - *“I skate to where the puck is going to be, not to where it has been.”*
Wayne Gretzky

Electric Utility Industry Outlook—

- Lack of clarity in federal energy policies—some states are stepping into the breach
- More distributed generation (DG)
- Expanded use of new technologies: storage, Electric Vehicles (EVs), smart meters/grid
- Increasing industry complexity—many new players (can be partners or competitors)
- Flat (or even declining) load growth in most regions due to increased energy efficiency (EE) and demand response (DR)—but EV & electrification push could offset?



Electricity Utility Industry Outlook (cont'd)

- Customer expectations are increasing; lower tolerance for outages
- Need for new investment to make grid smarter
- Cyber/physical security concerns must be addressed or we will face the consequences
- Workforce turnover is an issue
- Low level of knowledge by public and many policy makers of how we do what we do—leads to unrealistic expectations



What More and More Customers Will Want (Commercial and Industrial)

- Industrial and commercial customers increasingly want green/sustainable energy to meet corporate goals
- Following the lead of Apple, Google, Facebook, Walmart
- They are entering into direct contracts with suppliers and aggregating their loads to buy renewable power supplies, “disintermediating” utilities that cannot do this
- “100% green energy” often does not mean 100% in every hour (rather 100% on an annual basis)—so who deals with the variability issue?

What Some Retail Customers Already Want (and More Will Want in the Future)

- Increasingly, retail customers want to:
 - Use technology to control their electric usage
 - Tell Siri or Alexa to pay their electric bill
 - Invest in their own onsite power and storage facilities, so they never experience an outage
 - Sell excess power to each other (using blockchain?)
- But what makes economic sense for individual retail customers might not add up to a sustainable distribution system, unless someone (customer-owned utilities?) manages it to maximize benefits for **all** customers

What We Need to Do to Respond?

- Public power utilities have to up our game — we need to work together to anticipate and manage this change, provide these retail-level services, and if need be, partner with third parties with the necessary products and skills
- PMAs can help with this transition through their policies
- Working together will
 - Reduce costs
 - Speed deployment
 - Result in better solutions than we could come up with individually

But There Are The Unavoidable Facts...

- Utilities will need transmission and distribution (and storage?) to support more two-way system operations; the grid will need substantial investment (not to mention cyber/physical security!), and the costs must be recovered
- We already have substantial investments in long-lived wholesale generation assets, as well as power supply contracts
- Consumer appetite for increased utility bills is very limited at best
- *Any* loss of reliability will not go down well

So How Can Public Power Keep Up?

- We must recalibrate our thinking
- We need to redefine our relationships with our retail customers, thinking beyond just “keeping the lights on and the beer cold”
- Can no longer stay in our “comfort zone”--on our side of the meter, providing basic electric service and sending bills; we must diversify the menu of products and services and tell our customers who we are!

Why Tell Our Customers Who We Are?

- Our research shows most public power retail customers under age 55 do not know their utility is community-owned and not-for-profit!
- Competition is all around — public power business model is under threat by both traditional and new competitors
- Customers want convenience and one-stop shopping for their energy needs
- We need to win customer loyalty and keep it

Another Reason to Tell Our Customers Who We Are

- Public power utilities (indeed, all utilities) have work forces with large baby boomer populations, and many employees at all levels (management, crafts, etc.) are retiring or will soon
- We need to tell our story of the good work we do in our communities so we can inspire people to come join us!
- Good opportunity to recruit, retain and promote utility workforces that look like the communities we serve—our populations are changing and we need to reflect that

Communicating the Value of Public Power in Your Communities--2017 Pilots

- Ten APPA member utilities across the country participated in a year-long pilot project
- We worked with these members to gauge their communication needs
- We developed customizable tools and templates for their use; participants field tested the resources
- Utility liaisons spent 4–8 hours a month with us
- Rolling out resources to all members in 2018

2018 “Raising Awareness” Campaign

- Later this year, we are launching a national campaign to raise awareness of public power
- It will be focused on helping our member utilities reach their retail customers, raising their profiles in their respective communities
- Will leverage social media and other low-cost ways to get the public power message out
- Working on the specific messages and tools now; will roll out later in the year, including during Public Power Week (October 7-13, 2018)

But We Need to Do More Than Just Get Their Attention--We Need to Be Prepared to...

- Develop new rate designs to meet increased levels of DERs and avoid subsidization across customer classes
- Handle flat and even decreasing demand for electricity from traditional loads
- Help retail customers manage their usage through energy efficiency, demand response
- Develop and support new loads—e.g., electric vehicles
- Incorporate storage to support increased use of renewables and better align demand and supply (EVs? Even the humble water heater?!)

Public Power Forward

- To help our member utilities across the country deal with these changes, the Association developed its “Public Power Forward” strategic initiative
- Our Goal: Make public power utilities the *trusted energy advisors* in their communities
- As public power utilities, we have some built-in advantages:
 - Community owned and controlled
 - Not-for-profit--no separate class of shareholders that must be “fed”
- But we need to capitalize on our strengths, and be nimble about it

Public Power Forward: Association Member Toolbox

- Policy research and analysis for members: what are DOE, states, other utilities/sectors doing on DG, DR, EE
- Provide options/case studies/best (and not-so-best) practices; share the lessons learned!
- Make sure federal and state policymakers and thought leaders understand public power's views
- Communication toolkits: to educate member communities and retail customers on these issues

The Value of the Distribution Grid

- Public power communities are sitting on a valuable resource—their distribution grids
- New technologies and use cases mean that the community can use their grids to innovate, providing new services, “smartening up” existing city services
- We just released a new paper yesterday on the Value of the Distribution Grid, available on our website
- But to realize the grid’s value, the public power utility’s governing body needs to understand it is a valuable resource; they must maintain and upgrade it and ensure it is paid for by all who benefit from it

Public Power Forward 2018 Summit

November 12-13, Austin, TX

- Latest in a continuing series of Summits we have held on these issues
- Opportunity to hear what other public power utilities are doing to provide new products and services to their members
- Hear what has worked and what has not
- <https://www.publicpower.org/event/public-power-forward-summit>

Each Public Power Utility Must Decide How and When to Engage

Public power utilities must decide when/how to revise their rates, services and operations to:

- Offer retail customers options such as green power, DG, DR (including storage), and EE
- Modernize utility operations; add new loads (electric vehicles, for example)
- Make sure interests of **all** customers are protected when doing this
- Different utilities will likely move at different rates—we reflect the values of our communities

Moving Public Power Forward Through Collaboration and Innovation

- Collaboration and innovation—among public power utilities, joint action agencies, state/regional/national associations, PMAs-- will move us forward; share the learning!
- We need to demonstrate our *continuing* value to the communities we serve (remember, memories are short!)
- Public power has a great opportunity *if we stay true to our to our ideals and roots* while adapting our mindsets and services to this new era!



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