

# Countering Change with Change— Adjusting to the New Normal

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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, often “disintermediating” utilities
- “100% green energy” may not mean 100% in every hour, but 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?)
- What makes economic sense for individual retail customers might not add up to a sustainable distribution system, unless someone (why not us?) manages all this 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
- Working together will
  - Reduce costs
  - Speed deployment
  - Result in better solutions than we could come up with individually

# But There Are The Unavoidable Facts...

- You 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
- Consumer appetite for increased utility bills is very limited at best
- *Any* loss of reliability will not go down well



## And BTW, FERC Is Not Helping

- Rulemaking on participation of electricity storage and Distributed Energy Resources (DER) aggregations in RTO-run organized markets started in Nov. 2016 (RM16-23)
- Purpose is to “remove barriers” to participation of electric storage resources and DER aggregations in RTO markets
- Key issue for APPA in its comments: how FERC addresses state and local authority over retail, generation, and local-distribution matters
- APPA urged FERC to adopt state/muni “opt-in/opt out” model for aggregator participation in wholesale markets, but FERC rejected this approach; we have sought rehearing

# Another Example of FERC Jurisdictional Creep into Retail Issues

- Declaratory order on participation of energy efficiency resources (EERs) in wholesale markets (*Advanced Energy Economy*, Docket No. EL17-75)
  - Retail regulators may not bar, restrict, or otherwise condition the participation of EERs in wholesale markets unless the Commission expressly gives the state such authority
  - APPA/EEI/NRECA sought rehearing, which was denied on 4/17/18

# 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
- You need to win customer loyalty and keep it

# Uptick in Sellout Efforts

The Association has updated its sellout prevention resources for 2018--they cover:

- Benefits of public power
- Preventing a sellout attempt from emerging
- Communicating the value of public power
- Anticipating and responding to a sellout threat
- Preparing for a sellout evaluation
- Determining the value of your utility
- Communicating with stakeholders during a sellout evaluation
- Costs and risks of selling your public power utility
- Includes case studies, resources

# 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

**Access our full suite of templates and resources**  
**[www.PublicPower.org](http://www.PublicPower.org)**  
**(Click on Members and Communication Templates)**

**Subscribe to our monthly emails with ideas and**  
**resources for social media content**  
**[Email News@PublicPower.org](mailto:EmailNews@PublicPower.org)**

# 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, and wrap into 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 earlier this week 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>

# You 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

- Collaboration at all levels—among FL public utilities, FMPA, FMEA and APPA-- will help us all move forward—share the learnings!
- 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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