



# UNDERSTANDING PUBLIC POWER

*A Focus on People, Not Profit*





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**WHAT IS PUBLIC POWER?**

More than 2,000 cities and towns in the United States light up their homes, businesses and streets with public power—electricity that comes from a community-owned and operated utility.

Public power utilities are like our public schools and libraries: a division of local government, owned by the community, run by boards of local officials accountable to the citizens. Cities and towns own most public power utilities, but many are owned by counties, public utility districts, or states.

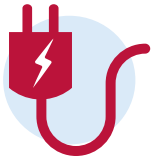
While each public power utility is different, reflecting its hometown characteristics and values, all have a common purpose: providing customers in the community with safe, reliable, not-for-profit electricity at a reasonable price while protecting the environment.

Public power today is an important American institution. From small towns to big cities, wherever public power exists, it is an expression of the American ideal of local people working together to meet local needs. It is a manifestation of local control.

**WHO DOES PUBLIC POWER SERVE?**

- More than 2,000 community-owned electric utilities serve more than 49 million people.<sup>1</sup>
- Public power utilities serve small communities, including Bostic, N.C. and Hobgood, N.C., and large cities, including Los Angeles, San Antonio, Nashville, Orlando and Seattle.
- Public power serves customers in 49 states—all but Hawaii—and five U.S. territories.
- Three million businesses receive their power from a publicly owned electric utility.

<sup>1</sup> Based on U.S. Census Bureau statistics of 2.43 people per household/meter



**A PUBLIC POWER UTILITY:**

1. Is owned by the community
2. Brings electricity to homes and businesses
3. Involves citizens in decision-making
4. Is transparent (subject to Sunshine Laws)
5. Is a not-for-profit entity
6. Is usually a division of local government
7. May generate and/or buy power

3 TYPES OF ELECTRIC UTILITIES



PUBLIC POWER UTILITIES



RURAL ELECTRIC COOPERATIVES



INVESTOR-OWNED UTILITIES

BUSINESS MODEL	Not for profit, Community-owned	Not for profit, Member-owned	For profit, Shareholder owned
FEDERAL ENERGY REGULATORY COMMISSION JURISDICTIONS	Only for interstate transmission	Only for interstate transmission	For wholesale rates
REGULATED BY STATE PUBLIC UTILITY COMMISSION	Very limited instances	Some	All
GOVERNED BY	Elected/appointed boards, mayors, city council members and citizens	Member-elected boards	Private boards
FINANCIAL CONTRIBUTION TO LOCAL GOVERNMENT	Exempt from most taxes; instead make payments in lieu of taxes or transfers to the general fund	May neither pay taxes nor other contributions to local government	Pay taxes to local government
CAN RAISE FUNDS THROUGH	Tax-exempt municipal bonds	Loans from the Department of Agriculture's Rural Utilities Service or cooperative or private lenders	Stock issue or corporate debt

DEFINING THE UTILITY OWNERSHIP STRUCTURES



Public power utilities are entities of local or state government. The public power business model is based on public ownership and local control, a not-for-profit motive and focus on its customers. Because they are public entities, public power utilities can raise funds for capital improvement projects by issuing tax-exempt bonds. Public power utilities do not pay federal income taxes or most state taxes, but they support the local government through payments in lieu of taxes or transfers to the general fund.



Electric cooperatives are private, not-for-profit businesses. They are owned by their consumer-members, who elect governing board members and are required to return any excess revenue (above what is needed for operating costs) to their members. The local government and broader community generally have no involvement in the governance of the utility. Electric cooperatives can raise funds through loans offered by the Department of Agriculture's Rural Utilities Service or cooperative and private lenders. Most electric cooperatives are exempt from federal income tax, and may pay neither taxes nor payments-in-lieu-of-taxes to support the local government.



Investor-owned utilities are private, for-profit enterprises. They are owned by investors or shareholders, who generally are not customers of the utility or members of the community, and their primary motivation is to increase the value to shareholders. As private businesses, they raise capital by issuing stock or corporate debt. Investor-owned utilities pay taxes to local governments, but customers have no voice in the operation of the utility.

FIVE ELEMENTS OF PUBLIC POWER BUSINESS MODEL

While each community-owned utility is unique, all public power utilities share five characteristics that define the public power business model:



PUBLIC OWNERSHIP



LOCAL CONTROL



NONPROFIT OPERATIONS



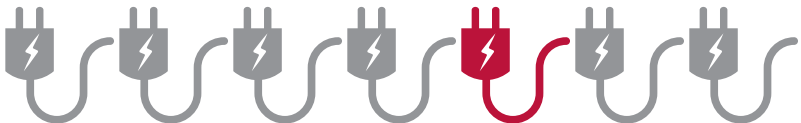
LOW-COST STRUCTURE



CUSTOMER-FOCUSED

1 IN 7

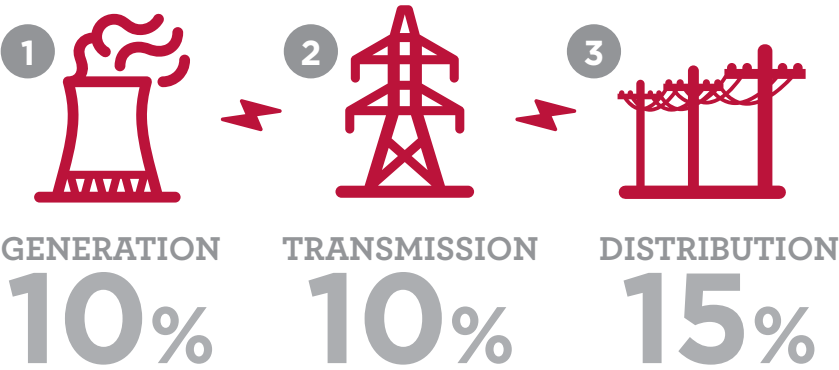
ELECTRICITY CUSTOMERS IN THE U.S. ARE SERVED BY PUBLIC POWER



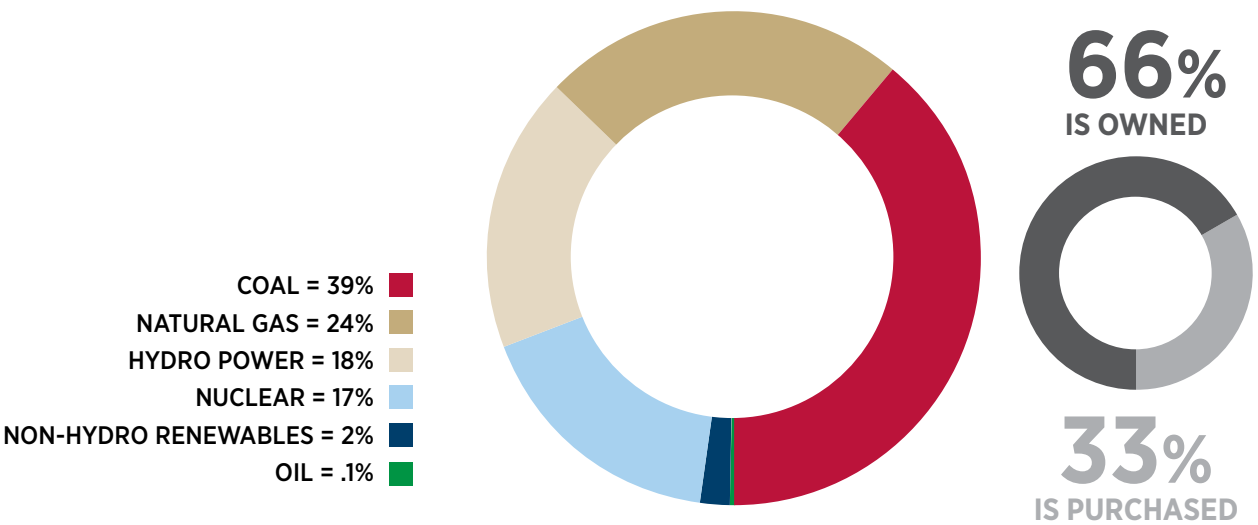


# WHERE DOES PUBLIC POWER’S ENERGY COME FROM?

Three core functions of public power’s share of the U.S. electricity market<sup>2</sup>



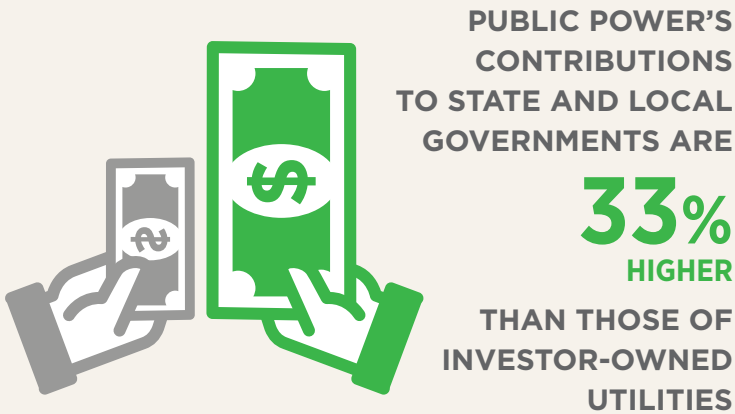
Electricity used by public power is generated from<sup>2</sup>



<sup>2</sup> Energy Information Administration Form: EIA-860, 2017 (2015 data)

# WHY DOES LOCAL CONTROL MATTER?

- Increased transparency and accountability give customers more input in how the utility is run—and ensures the utility is working for the community’s best interest.
- Support for local government, through direct financial contributions and in-kind contributions, means lower taxes, more robust community services, and the community is a better place to live.
- Efficient operations, through integration with other municipal operations, reinforces the support for local government.
- The utility can support local priorities, reflecting on the values and choices of the community.



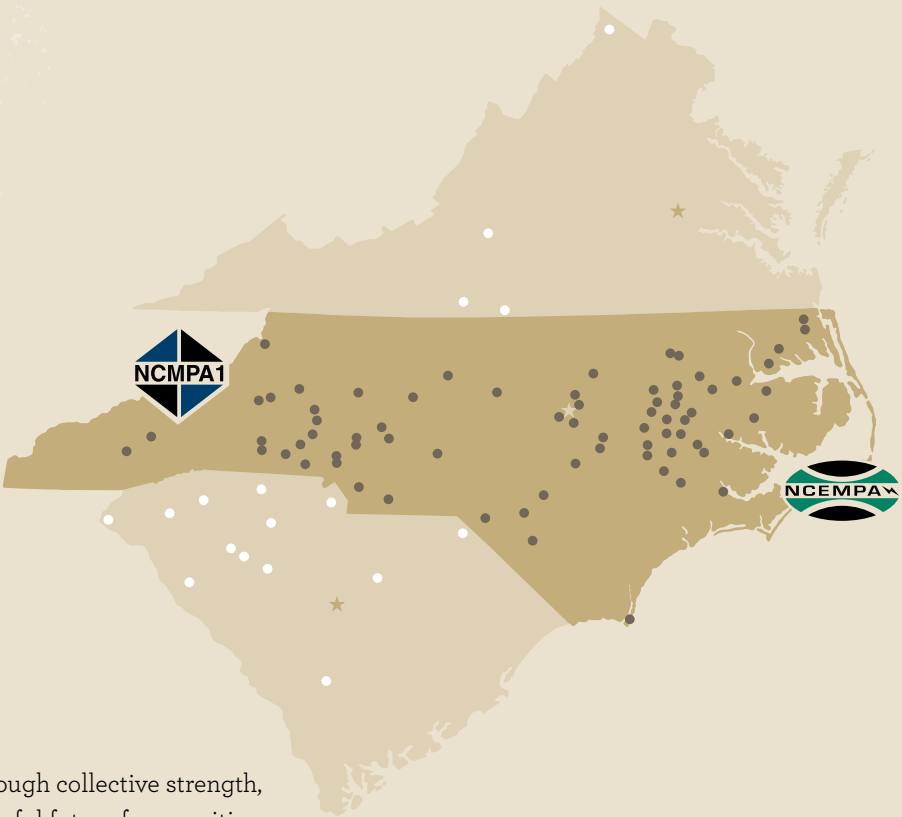
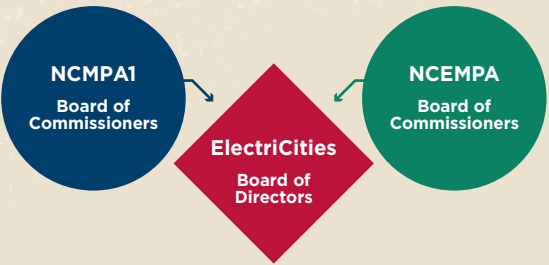
In contrast, customers of a private utility have little, if any, influence over or access to the company’s CEO or other top officers or board members. The typical investor-owned utility has a large service territory and will likely have its headquarters located far away; board meetings are conducted in private, and decisions are made behind closed doors. While the boards of rural electric cooperatives are elected by their member-owners, their meetings are not public, and turnout for electric cooperative board elections is low (even compared to off-year and municipal elections), suggesting cooperative members may feel disengaged from their utility or do not understand their rights and responsibilities in its governance.<sup>3</sup>

<sup>3</sup> Institute for Local Self-Reliance, “Just How Democratic are Rural Electric Cooperatives?” 01.13.2016



CUSTOMERS OF A PRIVATE UTILITY HAVE LITTLE INFLUENCE





PURPOSE

Delivering value to public power communities through collective strength, wisdom and action while promoting a more successful future for our citizens.

WHAT IS A JOINT ACTION AGENCY?

Joint action agencies like the N.C. Eastern Municipal Power Agency (NCEMPA) and N.C. Municipal Power Agency 1 (NCMPA1), which are both managed by ElectriCities, are membership organizations formed by groups of local community-owned utilities. These agencies, often authorized by state legislation, are governed by boards comprised of member representatives. These agencies buy or generate power and provide other services for their constituent utilities. With the combined leverage and purchasing power they get from representing multiple utilities, these agencies give their members the advantage of economies of scale and allow public power utilities to exercise strength in numbers.



1.2 MILLION PEOPLE  
NC Public Power illuminates the homes and workplaces of more than 1.2 million people

NCMPA1		NCEMPA		NON-POWER AGENCY	ASSOCIATE MEMBERS	
Albemarle, N.C.	Lexington, N.C.	Apex, N.C.	Laurinburg, N.C.	Concord, N.C.	Abbeville, S.C.	Gaffney, S.C.
Bostic, N.C.	Lincolnton, N.C.	Ayden, N.C.	Louisburg, N.C.	Dallas, N.C.	Bamberg, S.C.	Greer, S.C.
Cherryville, N.C.	Maiden, N.C.	Belhaven, N.C.	Lumberton, N.C.	Enfield, N.C.	Bedford, Va.	Laurens, S.C.
Cornelius, N.C.	Monroe, N.C.	Benson, N.C.	New Bern, N.C.	Fayetteville PWC	Bennettsville, S.C.	Martinsville, Va.
Drexel, N.C.	Morganton, N.C.	Clayton, N.C.	Pikeville, N.C.	Forest City, N.C.	Camden, S.C.	Newberry, S.C.
Gastonia, N.C.	Newton, N.C.	Edenton, N.C.	Red Springs, N.C.	Fountain, N.C.	Clinton, S.C.	North Carolina State Univ.
Granite Falls, N.C.	Pineville, N.C.	Elizabeth City, N.C.	Robersonville, N.C.	Kings Mountain, N.C.	Danville, Va.	Rock Hill, S.C.
High Point, N.C.	Shelby, N.C.	Farmville, N.C.	Rocky Mount, N.C.	Macclesfield, N.C.	Easley, S.C.	UNC-Chapel Hill
Huntersville, N.C.	Statesville, N.C.	Fremont, N.C.	Scotland Neck, N.C.	New River Light & Power	East Carolina Univ.	Union, S.C.
Landis, N.C.		Greenville Utilities	Selma, N.C.	Pinetops, N.C.	Elizabeth City State Univ.	Western Carolina Univ.
		Commission	Smithfield, N.C.	Sharpsburg, N.C.	Front Royal, Va.	Westminster, S.C.
		Hamilton, N.C.	Southport, N.C.	Stantonsburg, N.C.		
		Hertford, N.C.	Tarboro, N.C.	Walstonburg, N.C.		
		Hobgood, N.C.	Wake Forest, N.C.	Waynesville, N.C.		
		Hookerton, N.C.	Washington, N.C.	Windsor, N.C.		
		Kinston, N.C.	Wilson, N.C.	Winterville, N.C.		
		La Grange, N.C.				

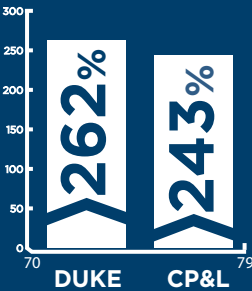


ELECTRIC ACT OF 1965

Proposed legislation sparks the state’s public power communities to form the North Carolina Municipally Owned Electric Systems Association. Three years later, the association becomes ElectriCities.

POOR RELIABILITY & RISING COSTS CREATED A DIRE SITUATION

- Energy demands begin to outpace supply
  - Rationing of power predicted
  - Electric costs steadily begin increasing
- Cities feared negative impact on economic development
- Wholesale rates became volatile and unpredictable
- Energy rates skyrocketed across the country
- CP&L wholesale rates increased 243 percent from 1970-’79 in eastern N.C.
- Duke wholesale rates increased 262 percent from 1970-’79 in western N.C.



1975 & 1977



Amendments to the North Carolina Constitution help establish the Power Agencies, enabling public power communities to jointly build generation and partner with private utilities.

1976



**POWER AGENCIES**  
North Carolina Municipal Power Agencies 1, 2 and 3 form.

1978



Power Agencies enter into agreements with Duke and CP&L to purchase power plant ownership shares.

1979



Three Mile Island nuclear accident prompts regulations that lead to significantly higher-than-projected prices for nuclear energy. Ownership costs skyrocket for Catawba Nuclear Station in the west and Shearon Harris Nuclear Power Plant in the east.

1981



NCMPA2 and NCMPA3 combine to form North Carolina Eastern Municipal Power Agency (NCEMPA).

1984



- ElectriCities is incorporated.
- Emergency Assistance Program begins, creating a way for members to assist each other in emergencies.

1990



Federal Power Act provides opportunities for NCMPA1 and NCEMPA to reduce wholesale power supply costs.

2015



NCEMPA reaches agreement to sell its electric generation assets to Duke Energy Progress, lowering wholesale power supply costs and citizens’ electric utility bills. Total savings to customers in first year = \$132 million.

19



North Carolina Municipal Power Agency Number 1 (NCMPA1) = 19 cities and towns in piedmont and Western North Carolina

32



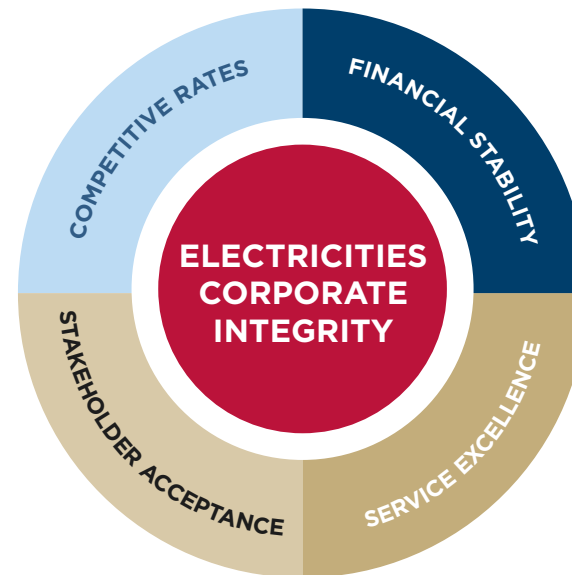
North Carolina Eastern Municipal Power Agency (NCEMPA) = 32 cities and towns in Eastern North Carolina



## STRATEGIC PLAN

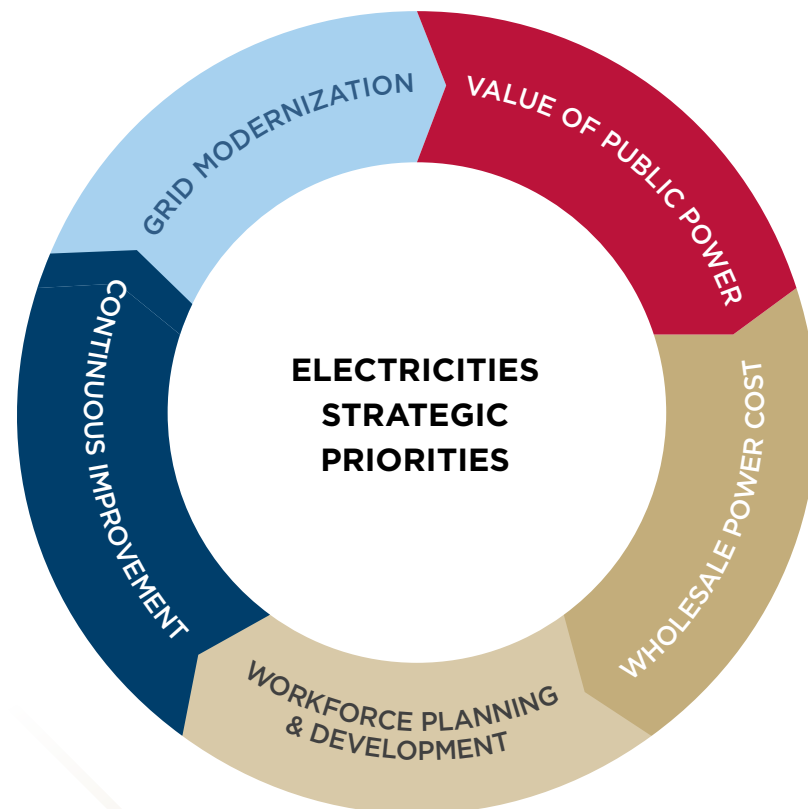
### Guiding Principles

These guiding principles keep the organization focused as we address industry issues over time.



### Strategic Priorities

- Communicate the value of electric system ownership to key stakeholders
- Provide competitive and stable wholesale electric rates that meet the power supply needs of Power Agency members
- Promote a workforce plan to attract, develop, and retain the necessary human talent to provide safe, reliable power and lead public power forward
- Constantly review and enhance all aspects of public power; focus on cost reduction and increased efficiencies in current and future operations
- Promote investment in public power communities' electric distribution systems and in technology to ensure safety and reliability, and exceed customer expectations



## PUBLIC POWER RELIABILITY

- Industry data shows that ElectriCities' communities provide more reliable power and restore power more quickly than investor-owned utilities
- Economists estimate the value of this increased reliability to the customers is between \$25-\$30 million per year<sup>4</sup>

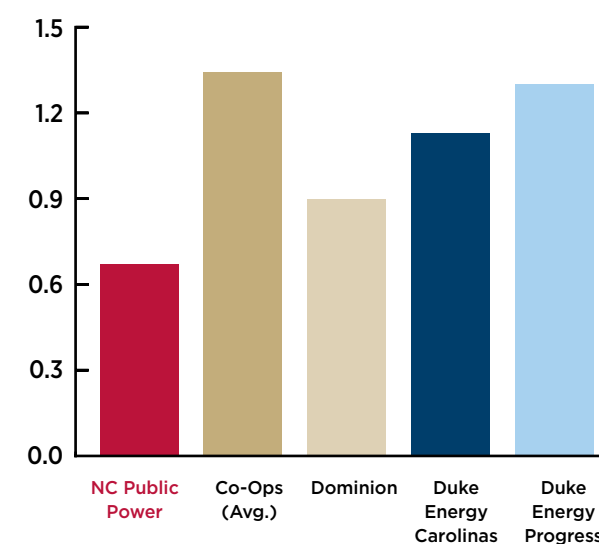
## BENEFITS OF PUBLIC POWER

- Economic development advantages to recruit new business and industry
- Local decision-making
- Open meetings and citizen input
- Affordable rates
- Highly reliable service
- Local, hometown service
- Local jobs and investment in community

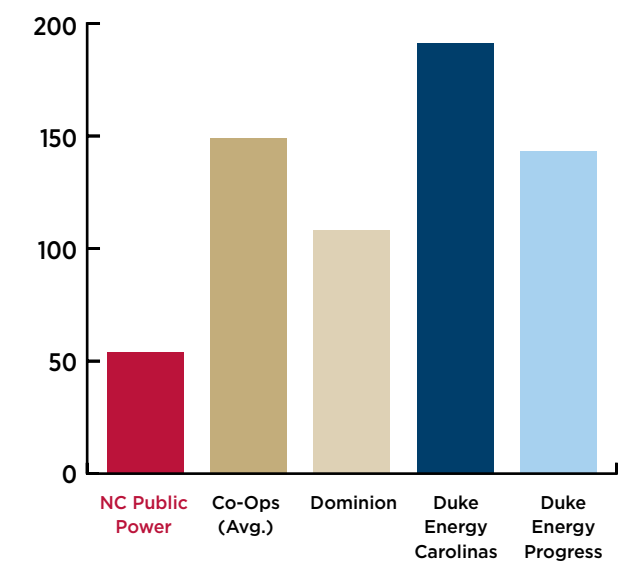
# \$25-\$30M

PER YEAR INCREASED RELIABILITY<sup>4</sup>

### 2017 Average Outages Per Year<sup>5</sup>



### 2017 Average Outage Time Per Customer<sup>5</sup> (Minutes)



<sup>4</sup>Source: Berkeley Lab, Energy Analysis and Environmental Impacts Division

<sup>5</sup>Sources: Customer Average Interruption Duration Index (CAIDI); System Average Interruption Duration Index (SAIDI); System Average Interruption Frequency Index (SAIFI). Note: Not all utilities are calculating reliability indices using IEEE-1366 standards.



## About ElectriCities of North Carolina

ElectriCities is the energy behind public power. For more than 50 years, ElectriCities has helped North Carolina public power communities provide safe, reliable, and affordable power to their customers. ElectriCities members serve more than 1.2 million people in North Carolina public power communities, including 32 members of the N.C. Eastern Municipal Power Agency (NCEMPA) and 19 members of N.C. Municipal Power Agency 1 (NCMPA1). Learn more about the benefits of public power at [www.electricities.com](http://www.electricities.com).



*The energy behind public power*

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