CONNECTIONS SUMMIT

Laying the Foundation: Defining the Value of Public Power

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Hometown Connections

ELECTRICITIES of NORTH CAROLINA, INC.

Hometown Connections Services

A non-profit utility services organization offering public power utilities guidance and access to quality products/services from a trusted entity with public power's best interests in mind

Management Consulting

- Governance
- Strategic Planning
- Customer Service
- Process Improvement
- Talent Management

Managed Solutions

- Advanced Metering
  - Fully-Managed Solution
  - Data Management
  - Data Analytics
- Cyber Security
  - Assessment
  - Training/Phishing
  - Cyber Roadmap with recommendations and budget

Hometown Connections | Partners

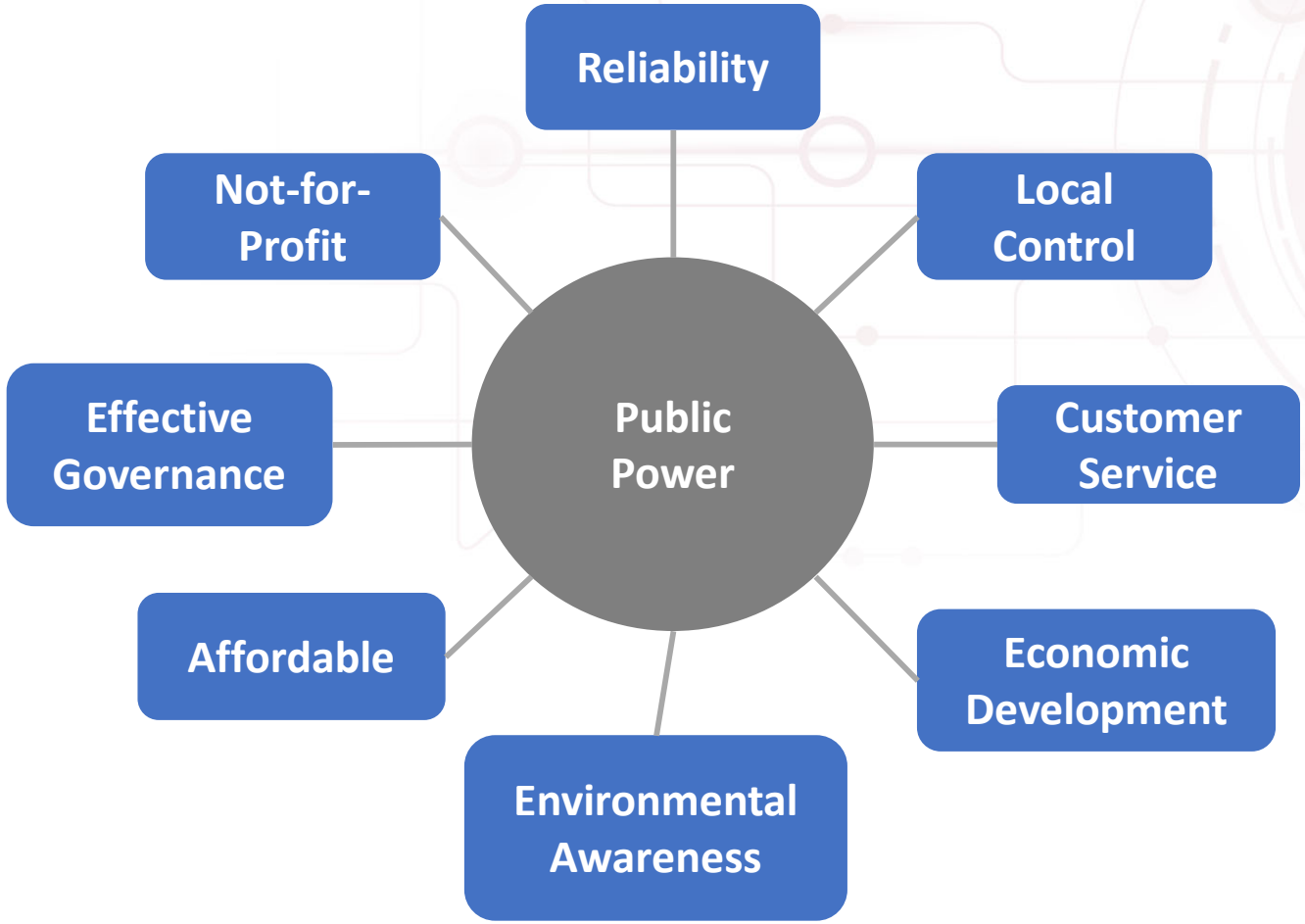
Third-Party Partners

- Operations
- Cybersecurity
- Business Strategy
- Customer Care
- Finance
- Workforce

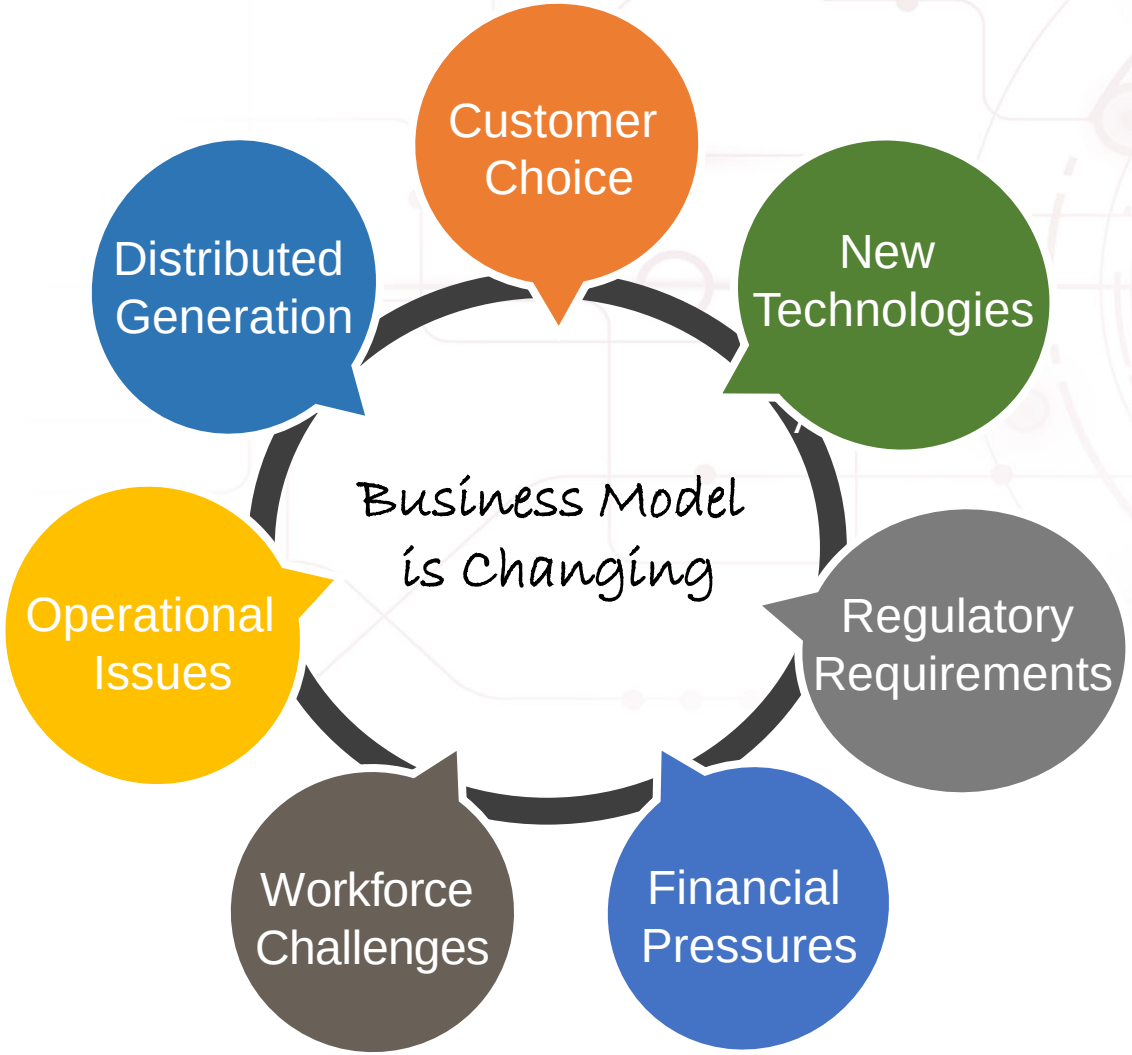
Agenda

- History of Success
- Why Measure the Value of Your Utility?
- Others are Interested: The LUS Example
- Business Case: Structure and Collaboration
- Questions?

Years of Success



Why Measure the Value of Your Utility?



Awareness of Public Power

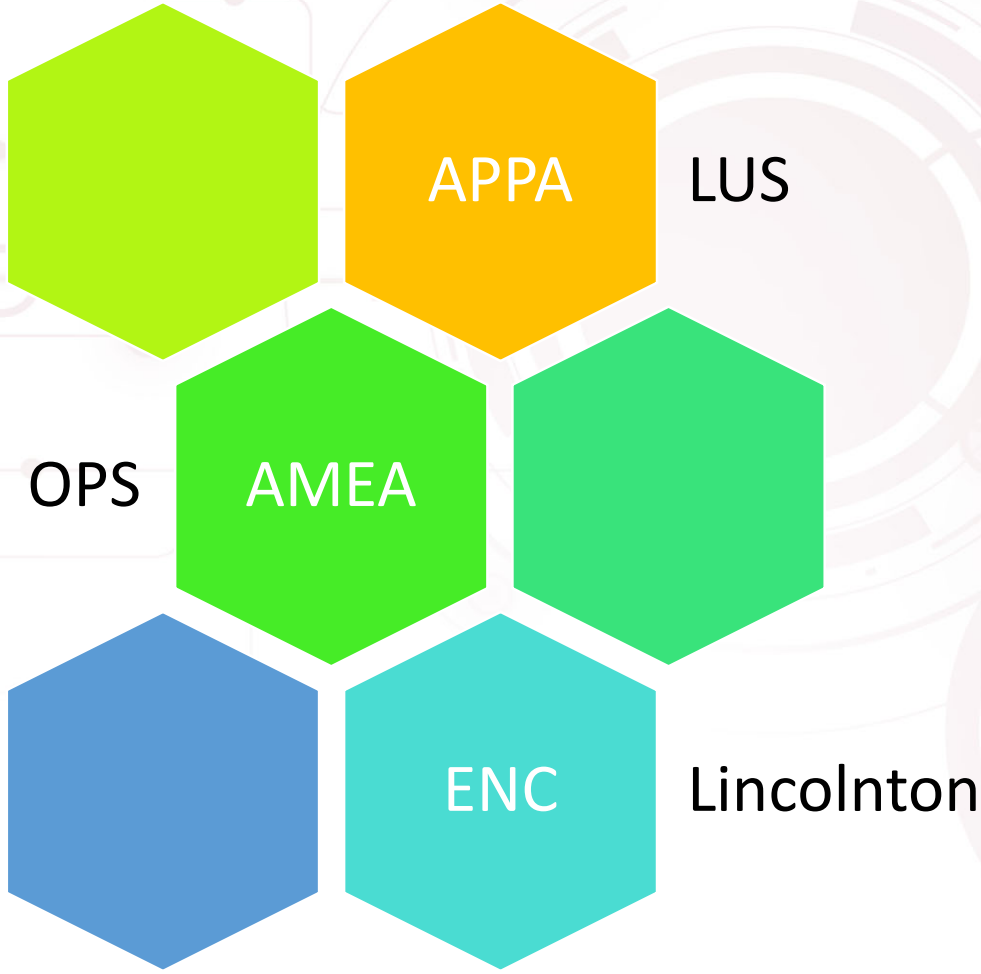
	Correctly identified utility as municipally owned	Find municipal ownership important/valuable
APPA Customer Satisfaction Survey 2015/2016	28.1%	NA
ElectriCities 2019	64.6%	59.4%
Oklahoma Municipal Power Authority 2018	68.4%	60.4%
Brookings Municipal Utilities 2018	96.8%	66.9%
Belmont Light 2017	79.6%	NA
Braintree Electric Light Dept.	86.5%	NA
Grand Haven Board of Light and Power 2018	78.5%	NA
Groton Electric Light Department 2016	78.0%	NA
Marshall Utilities	60.9%	NA
Peabody Municipal Light Plant 2014	70.0%	NA

Source: GreatBlue Research, Inc.

Lafayette Utilities Systems Example

- Provides electric, water, sewer, telecommunications
- Electric revenues: $200M
- Positive Current Situation
- Approached with offer to buy the electric system
- Result: City Council said NO!

Business Case:
A Story of Collaboration



Structure to Measure the Value of Public Power

Value Points:

1. Electric Utility Overview
2. Local Employment
3. High Reliability
4. Lower Rates
5. Local Control
6. The Utility Gives Back

Look to organizations who can support your efforts

- **ElectriCities**
  - Market research
  - Utility research
- **APPA**
  - RP3
  - eRebliability Tracker
- **Hometown Connections**
  - Organization Check Ups
    - New Bern, Gastonia, Newton, Washington
  - Value Assessments

Electric Utility Overview

To start telling your story…

Electric Utility Overview
Questions to consider…

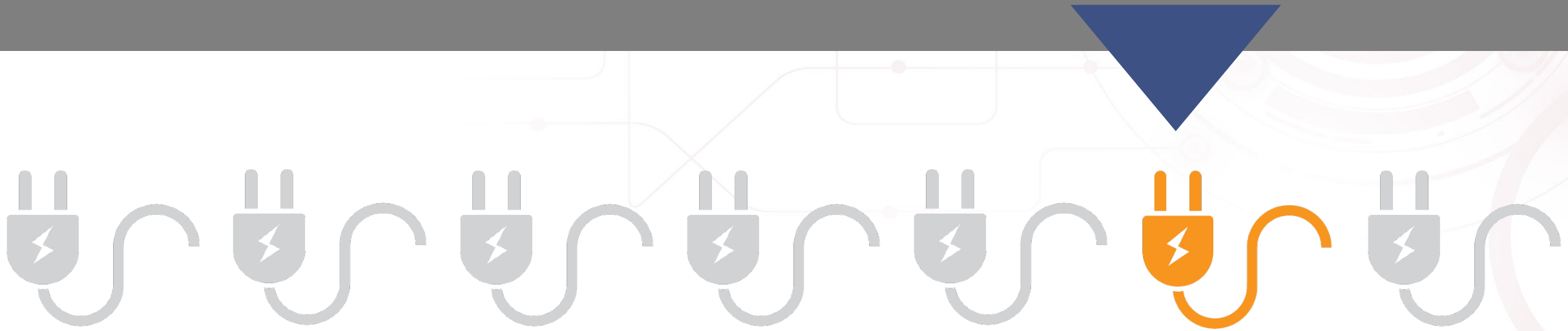
- Is there an understanding in the community of what public power is?
- How long has the utility provided service in your community?
- What benefits/value has it brought to the community?
- How would things be if electric service was provided by Investor Owned Utility (IOU) or Coop?
- Any support from joint action agencies? Impact at the state-level?

WHAT IS PUBLIC POWER?

A PUBLIC POWER UTILITY

- ✓ Brings electricity to homes and businesses
- ✓ May generate and/or buy power
- ✓ Is a not-for-profit entity
- ✓ Is owned by the community
- ✓ Is usually a division of local government
- ✓ Is transparent (subject to sunshine laws)
- ✓ Involves citizens in decision-making

2,011 PUBLIC POWER UTILITIES PROVIDE ELECTRICITY TO 49 MILLION PEOPLE* IN 49 STATES AND 5 U.S. TERRITORIES



1 IN 7 ELECTRICITY CUSTOMERS IN THE U.S. ARE SERVED BY PUBLIC POWER

*Based on U.S. Census Bureau stats of 2.54 people per household/meter

The Value of Public of Power in North Carolina

- 72 public power utilities
- Serve approximately 1.2 million customers
- About 14% of North Carolina's 10.4 million residents

The Value of Public of Power in North Carolina

- **Oldest public power utility in North Carolina: Statesville (1889)**
- **43 of the 71 Utilities are 100 years old or older**
  - Over 100 years you have been serving your communities!
- **What are you doing this year Windsor, Belhaven, Bostic? All of you were formed in 1920.**
  - Celebrate your accomplishments!
- **And heads up Murphy, Black Creek, Hamilton, Walstonburg, Elizabeth City, Laurinburg, Dallas and Pinetops**
  - All of you are turning 100 in the next five years.
  - Now is the time to start planning

Example: Opelika Power Services

The first electric plant in Opelika was a small, privately owned plant built around 1890.

In 1910, the citizens of Opelika issued a bond to build a City Light and Power Plant. The plant was very small, having only 250 kW, while today, the utility peaks at over 80,000 kW.

OPS provides electricity to approx. 13,000 customers.

Recognizing the opportunity to transform the local economy, OPS built a state of the art fiber system to serve Opelika and become Alabama's first G[illegible] city which has since been sold to Point Broadban[illegible]

OPELIKA POWER SERVICES

Local Employment

A portion of every employee's compensation stays in the community.

Local Employment

- **Identify:**
  - Total number of employees
  - Total payroll
  - Employees shared with other utilities
  - Positions
- **Questions to consider:**
  - Any impact on local employment if served by an IOU or Coop?

POWERFUL ECONOMIC ENGINES

Public power utilities employ **93,000** people

and earn **$58 BILLION** in revenue annually

ECONOMIC DEVELOPMENT

NEW BUSINESS TO THE COMMUNITY

BUY LOCAL

Example: OPS is invested in the community and its people

- OPS offers career opportunities to high school and college graduates.
- The electric utility employs 38 members of the community who are dedicated to the electric utility.
- The average salary for an electric utility employee in 2018 was $62,230. Studies indicate that a portion of every employees' pay stays in the local economy through goods and services purchased.
- The employees' salaries contributes an estimated total annual tax revenues (property and sales tax) to the community of $182,668*.

*

High Reliability

Public power is known for its high reliability and fast response rates.

Public Power Equals…

- **Reliability metrics**
  - SAIDI
  - SAIFI

- **APPA eReliability Tracker**
- **RP3**

Example: OPS and High Reliability

Reliability Index	Opelika Power Services	Alabama Average*	National Average*
SAIDI: System average interruption duration index (minutes)	123.9	141.1	136.6
SAIFI: System average interruption frequency index	1.14	1.58	1.22

*without major events

OPS reliability indices are lower than the average for the state of Alabama and the national average.

OPS is certified by the American Public Power Association (APPA) as a RP_3 Platinum provider.

Lower Rates

Public power is affordable

Lower Rates

- **Obtain data to compare electric rates against neighboring**
  - Investor Owned Utilities
  - Cooperatives
  - Residential at average usage
  - Commercial average usage per defined parameters

PUBLIC POWER IS AFFORDABLE

What **residential** customers pay if they are served by:

RURAL ELECTRIC COOPERATIVES

11.6

CENTS PER KILOWATT HOUR

PUBLIC POWER UTILITIES

11.5

CENTS PER KILOWATT HOUR

INVESTOR-OWNED UTILITIES

13.2

CENTS PER KILOWATT HOUR

- ✓ **Only answer to customers**
- ✓ **No profit motives**
- ✓ **Transparent rate setting process**
- ✓ **Help customers use less energy and save on bills**

PUBLIC POWER COSTS LESS

National average retail rates: cents per kilowatt hour

RESIDENTIAL

13.2

INVESTOR-OWNED UTILITIES

11.6

RURAL ELECTRIC COOPERATIVES

11.5

PUBLIC POWER UTILITIES

BUSINESS

9.0

INVESTOR-OWNED UTILITIES

9.0

PUBLIC POWER UTILITIES

8.9

RURAL ELECTRIC COOPERATIVES

OVERALL

10.7

INVESTOR-OWNED UTILITIES

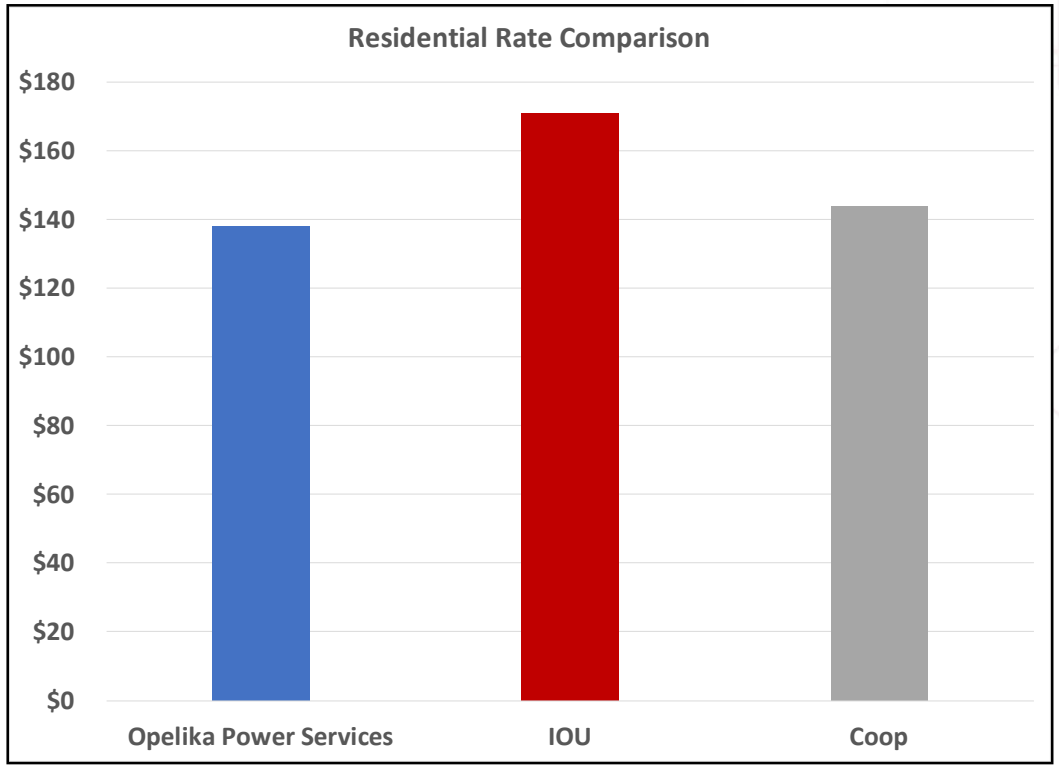
10.3

RURAL ELECTRIC COOPERATIVES

10.1

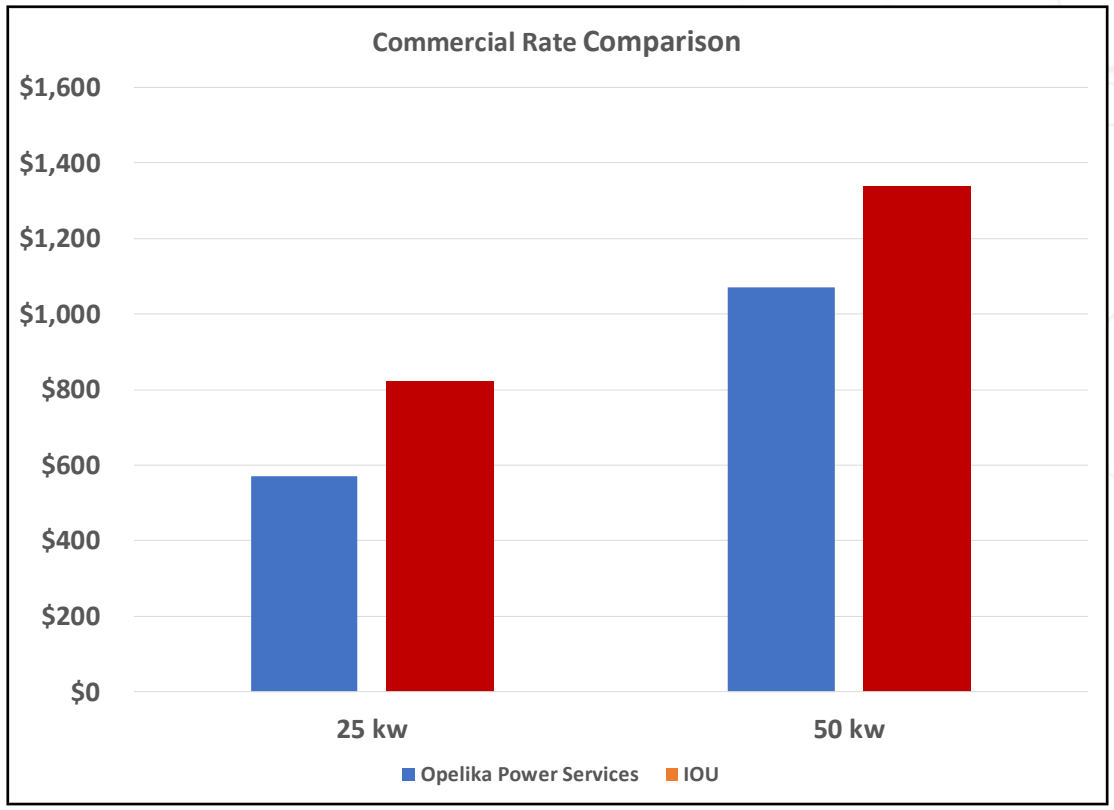
PUBLIC POWER UTILITIES

Example: OPS: Lower rates for residential customers



- OPS' residential customers on average pay $137 per month for their electric bill. While residential customers served by the neighboring IOU and electric cooperative on average pay $171 and $143 respectively per month for their electricity.
- Residential customers in Opelika, on average, pay $34 less per month than residential customers served by the neighboring IOU and $6 less per month than residential customers served by the electric cooperative. On an annual basis, this represents approximately $408 and $72 respectively in savings for Opelika residential customers.
- The utility has 10,780 residential customers. Each customer saves $34 per month, which equates to $366,520 per month or $4,398,240 per year that stays in the pockets of Opelika Power Services' customers

Lower Rates for Commercial customers



- OPS' commercial customers with 25 kw of demand and 5,000 kWh every month, on average pay $572 for their electric bill. While commercial customers with the same demand and usage served by the neighboring IOU on average pay $820.57 per month for their electricity.
- OPS' commercial customers with 50 kw of demand and 8,000 kWh every month, on average pay $1,070 for their electric bill. While commercial customers with the same demand and usage served by the neighboring IOU on average pay $1,330 per month for their electricity.
- Commercial customers in Opelika with a demand of 25 kw and 5,000 kWh, on average, pay $248 less per month than commercial customers served by the neighboring IOU. On an annual basis, this represents approximately $2,976 in savings for Opelika Power Services' commercial customers.
- Commercial customers in Opelika with a demand of 50 kw and 8,000 kWh, on average, pay $260 less per month than commercial customers served by the neighboring IOU. On an annual basis, this represents approximately $3,120 in savings for Opelika Power Services' commercial customers.

Local Control

Decisions are taken at the local level
Consider your governance structure

Local Control: Utility decisions made by your City Council

- OPS is governed by the City Council which is comprised of five elected members and the Mayor.
- These are your neighbors, your colleagues and your friends – and share the same strong commitment to Opelika that you do.





OPELIKA POWER SERVICES

Local Control means better access, better representation & stronger alignment with community values

- Access to the local governing body enables citizens of Opelika to express their concerns and provide feedback.
- Residential, commercial and industrial customers are able to attend the City Council meetings and voice their opinions.
- City Council has a better understanding of local issues and the impact of their decisions in the community.
- Governing boards for investor owned utilities are not local and must juggle shareholder interests with customer interests.

Public Power Gives Back

Financial & in-kind contributions to the community

PUBLIC POWER UTILITIES GIVE BACK

5.6% OF ELECTRIC OPERATING REVENUES TO THEIR COMMUNITIES

PUBLIC POWER GIVES BACK

- ✓ **5.6%** of electric operating revenues to state and local governments
- ✓ Property-like taxes, **payments in lieu of taxes,** general fund transfers, free and reduced cost electric services

Financial Contribution

- Every year, OPS transfers $3 million to the City of Opelika's general fund.
- The $3 million transferred each year is 6.9% of the electric utility's total operating revenue.
- By contrast, the average franchise fees paid by private utilities in Alabama is 3% of gross receipts. 3% of OPS' annual electric revenue equals $1.3 million.

In-kind Electric Service

- OPS provides the electricity to power up the streetlights in Opelika. Utility employees dedicate about 1,000 hours annually to maintaining the streetlights. The free electricity represents an annual savings of $450,000 to the City and the associated labor expenses represent approximately an additional $30,000 in annual savings for the City.
- Every year OPS lights up the community during the holiday season, helping to install and lighting the Christmas decorations. An estimated 300 hours of staff time are required to light up the city. The electric costs of the holiday lights and associated labor hours, represent an annual savings to the City Opelika of almost $24,000 ($15,000 is the cost of the electricity for the holiday lights and $9,000 estimated labor costs).

Overall Savings to the Community

Opelika Power Services Sources of Savings to the Opelika community and customers:	
General Fund Transfer:	$3,000,000
Occupational Tax: ($2,875,991*1.5%)	$43,140
Electric Services provided to the City at no cost to the City:	$465,000
Estimated Labor Cost Savings to the City related to In-kind Services provided by the utility	$43,000
Local Sales and Property Tax: (Alabama Economic Calculator)	$182,668
Rates Savings:	$4,398,240
Total:	**$8,132,048**

- Every year, OPS, as a public power utility, transfers funds to the City of Opelika, supports the City with various services, and strives to provide affordable, safe and reliable electric service to its customers.
- OPS provides an overall savings to the City of Opelika, the community, and customers of over $8 million annually. A significant amount of funding, efforts and service that would be lost if Opelika Power Services was not a public power utility.

JOINT ACTION AGENCIES
BUY POWER & PROVIDE SERVICES
FOR A GROUP OF UTILITIES

ECONOMIES OF SCALE

STRENGTH IN NUMBERS

Example: Benefits of belonging to AMEA

- OPS is a member of the Alabama Municipal Electric Authority (AMEA), which provides access to low cost, reliable wholesale power as well as the resources and expertise of AMEA staff.
- As a member of AMEA, OPS had the opportunity to award four (4) local graduating seniors a scholarship in 2018. Each scholarship is $2,500, totaling $10,000, to support the development of Opelika High School students.

PUBLIC POWER =

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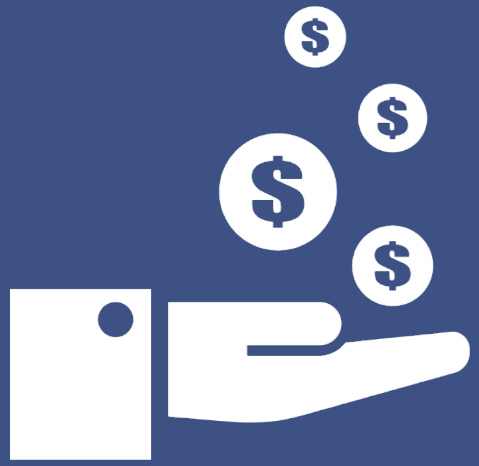

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LOCAL CONTROL

LOW RATES

HIGH RELIABILITY

Takeaways…

- Quantify the value of your local public power utility
- Develop and tell your story
  - Identify key stakeholders and communicate regularly
  - Maintain relationships with the local media
  - Develop online presence
- Keep doing a great job:
  - High reliability
  - Affordable rates
  - Workforce
  - Relationship with governing board

Thank You!

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