

AMERICAN PUBLIC POWER ASSOCIATION

# "It's Your Future... Lead It!"



**APPA**

*Report of the APPA Task Force on  
Public Power in the 21st Century*



## INTRODUCTION

Public power is nearly as old as the incandescent light bulb, the first publicly owned utility being established in 1882. From small, isolated and self-sufficient entities in existence at the beginning of the 20th century, publicly owned utilities entering the 21st century are an integral and integrated part of our nation's electric utility infrastructure. They have successfully capitalized on new techniques and technologies to provide low-cost, superior service to their communities and citizens. They have consistently served as a benchmark or "yardstick" by which the performance of other utilities has been measured.

Twenty years ago, indeed for the last 100 years, the future of the industry seemed fairly certain, so certain that long-range strategic planning was pervasive. Today, our long range plans tend to be measured in months, not years.

We face many unanswered questions: How fast will deregulation proceed? Will regional transmission organizations promote real wholesale competition? Will publicly owned utilities be able to rely on a stable wholesale market or will they need to play an aggressive role in developing resources to meet the needs of their customers? Will "deregulation" prompt technological breakthroughs? Will new technologies, such as distributed generation, change our core business? How will environmental regulations affect us?

Answering these questions was not the charge given to the APPA task force on Public Power in the 21st Century. Rather, in light of these questions, the task force was asked to look toward our future and offer its best advice on how to prepare for and adapt to the changes it will bring. As this report's title, "It's Your Future ... Lead It!," implies, it is designed to help public power utilities focus on the things they can control and, in the process, define their own future and ensuring their own success.

This task force consisted of 23 public power leaders, and was co-chaired by Glenn Cannon of Waverly, Iowa, and J. V. "Vic" Parrish of Energy Northwest. It placed a premium on brevity and practicality and the final work product reflects that. The task force identified 10 key areas that need to be the focus of management's attention and offered specific recommendations that might be considered to improve performance and prepare not just for survival, but also for success.

Many members of the APPA staff contributed to this final product, drafting the sections, collecting anecdotes and designing the checklists that can be used to diagnose performance and plan for the future. The efforts of the task force and staff were coordinated by Jeff Tarbert, APPA senior vice president.

Former Arizona Congressman Mo Udall once observed that America would prosper if future generations could blend two elements: "change, the ability to adjust things to the special needs of our times; and stability, the good sense to carry forward the old values, which are just as good now as they were 200 years ago." This is sound advice for any institution, including public power. Our longevity is a testament to our ability to change, but the ways we have changed have always reflected that underlying stability of our core values—community service, customer orientation and local control.

So long as public power leaders have the wisdom to carry forward these old, but still contemporary, values as they adapt to changing times, public power's success in the 21st century will be assured. We hope this report and the tools it offers will contribute to that success.



**Alan H. Richardson**  
President & CEO



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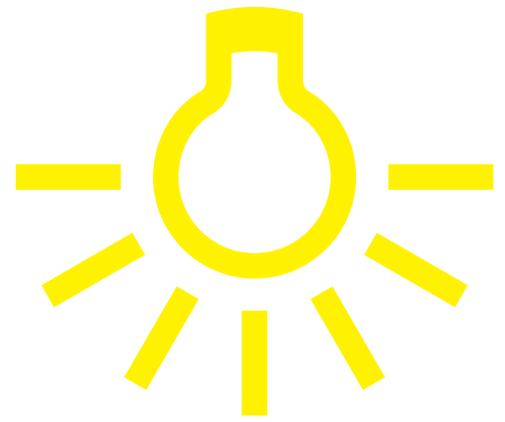
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“I skate to where the puck is going to be...”

..... hockey great Wayne Gretzky, when asked what differentiated his style of play from others in the National Hockey League.

# Executive Summary



*As time and events move on, public power will need to move to where the future will be in order to sustain its leadership role and its competitive advantage in the electric utility industry.*



## **Put communities first**—Knoxville (Tenn.)

Utilities Board employees take care of a two-mile stretch of Middlebrook Pike as part of the Adopt-A-Highway program.

## **Public power has always been an industry leader in critical areas:**

**Customer service** → providing excellent responsiveness to customer/owners

**Reliability** → keeping the lights on better than any segment of the industry

**Price** → providing lower cost service than other utilities

**Community advocacy** → reflecting the values of their communities and the benefits of local ownership

It is increasingly difficult to predict the nature of changes that will affect the electric utility industry. Public power utilities\* must determine how to build on successes and assure a vibrant future in the face of uncertainty.

**“It’s Your Future...Lead It!”** is the report of APPA’s Task Force on Public Power in the 21st Century. The year-long effort involving the work of 23 public power CEOs applies public power’s historical benefits to today’s changing market conditions and offers a practical guide for the future.

**“It’s Your Future...Lead It!”** identifies 10 strategic areas of utility governance, operations and community involvement upon which public power utilities must focus their efforts and exercise leadership for future success.

\* The term “public power utilities” refers to all members of the public power family: municipally owned electric utilities, public utility districts, municipal utility districts, irrigation districts, county- or state-owned utilities and joint action agencies. For purpose of this document, it does not include rural electric cooperatives or federal agencies.

**These 10 recommendations offer sound approaches to the policy direction and management of public power utilities that should be beneficial regardless of the future direction of the electric utility industry.**

**1 Provide superior customer service.**

Use the advantages of local responsiveness and quality service to assure that service levels lead the industry and that public power customers remain loyal in a customer choice market.

**2 Deliver value through power supply management.**

Respond to new opportunities and risks in the wholesale power supply market; achieving independence from supply and price volatility, while assuring economic value for customers.

**3 Focus on distribution performance and opportunity.**

Make efficient and reliable electric distribution system operations the cornerstone of your operations and bring new technology services to customers.

**4 Keep the public in public power.**

Develop and promote public power's distinct role in the industry of putting communities first and demonstrating the value of local ownership and community advocacy.

**5 Optimize community infrastructure.**

Promote public service synergies by integrating utility infrastructure with other community assets to achieve maximum return on public investment, enhance service to customers and serve as a catalyst for technology development in the community.

**6 Lead in environmental stewardship.**

Broaden public power's leadership role in environmental stewardship, both by complying with regulations and by leading community efforts to make energy goals and environmental objectives compatible.

**7 Build consensus through democratic governance.**

Tap the full potential of democratic governance by assuring the process is efficient and embraces all stakeholders.

**8 Promote human resource excellence.**

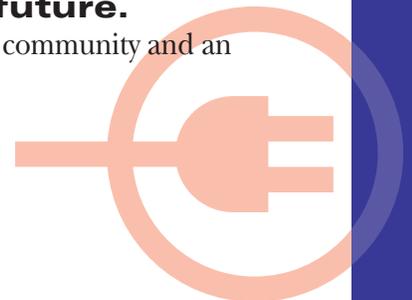
Recognize the overriding role that human resources play in the implementation of successful strategies by investing in human capital.

**9 Engage policymakers through legislative advocacy.**

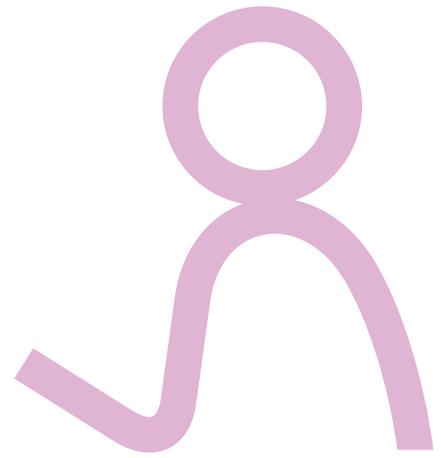
Be a strong and consistent voice at every level of local, state and national policymaking to protect and advance public power interests.

**10 Invest in your technology future.**

Be a technology leader in the community and an innovator in the industry.



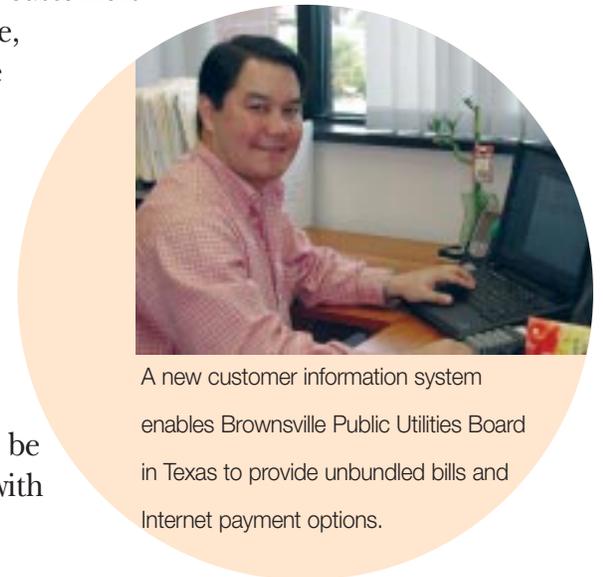
# Provide Superior Customer Service



Superior customer service surpasses customer expectations and builds loyalty with each service transaction. Superior service providers respond to customers' needs, values and concerns and deliver service with competence, compassion and innovation. They build a front line work force committed to customers and an organization that supports excellent service at all times.

Service is your utility's primary mission; satisfaction and loyalty of your customer-owners are your most important assets. But customers are savvier than they used to be and their definition of service excellence has changed as they have become accustomed to doing business with L.L. Bean, Federal Express and other legendary service providers. Your utility's service will be compared with these customer service leaders, not necessarily with other electric providers.

Customer satisfaction is necessary to any successful service enterprise, but satisfaction alone may not build loyalty. Loyalty comes from paying attention to what it takes to keep a customer and then providing it. Every service transaction is an opportunity to strengthen or weaken loyalty. The greatest loyalty is achieved when customers delight in and tell others about their superior service experiences.



A new customer information system enables Brownsville Public Utilities Board in Texas to provide unbundled bills and Internet payment options.

## Local Presence Is an Advantage

Service quality in the electricity business is determined by price, reliability, convenience and personal interaction with the customer. In the new electricity marketplace, your customers may be approached by alternative providers, who promise improved service in power supply arrangements, billing, metering or energy services.

As electricity service is a local business, success depends on understanding and responding to the local customers' needs. Public power puts a name and face on customer service and shuns a monolithic view of the customer. Public power utility personnel are accessible and accountable to the people they serve.

# To achieve superior customer service, you must:

## **Set customer loyalty as the goal.**

Develop an enterprise-wide strategy to build customer loyalty and to ensure that the organization's culture supports superior service.

## **Really listen to your customers.**

Your utility should use surveys, focus groups and other methods to learn more about customers' needs, values and concerns. This includes establishing feedback mechanisms to monitor continuously customers' service experiences.

## **Make service convenient and customized.**

Make it easy for customers to do business with the utility. Use easy-to-understand bills, extended business hours, flexible due dates, electronic bills and multiple payment options. Support community values by providing demand-side management and energy-efficiency programs, multilingual services, low-income energy assistance and other customer-responsive programs.

## **Hire caring, flexible, responsive front line people.**

Every employee-customer contact defines your service quality. Strive for one-touch problem-solving with a front-line staff that is fully supported by office technology and fully trained on the utility's products and services. Focus on operational efficiency and high employee morale. Satisfied employees are more likely to offer superior customer care.

## **Invest in customer information systems.**

Customer information systems, call-handling systems and enterprise-wide databases improve employee efficiency and provide a uniform view of the customer across the utility.

## **Market your utility's superior service.**

Talk about your superior service and customer-responsiveness at every opportunity. Disseminate messages on your superior service, performance results and the benefits of living and working in a public power community. More sophisticated marketing efforts can promote specific products and services to targeted audiences.

## **Develop a key accounts program.**

It costs less to retain an existing customer than to recruit a new one. Segment your customers into groupings based on size, needs or interests. Find out what your key commercial and industrial customers need and meet those needs. Offer power quality, demand-side management, alternative pricing structures, special communications during outages and other customer-focused programs.

## **Network with other utilities.**

The best way to solve service problems and to learn about best practices is to ask other public power utilities. Service-oriented managers are often excited about helping their colleagues become better service providers. Talk to other public power leaders and participate in state and national meetings.

# Deliver Value Through Power Supply Management

For most public power utilities, bulk power supply is the largest determinant of electricity rates. Electric restructuring has brought unprecedented price volatility to wholesale markets and raised new concerns about bulk power reliability, driven largely by congestion on the transmission grid. With these new risks come new opportunities, as well as the

obligation to rethink the assumptions that underlie the public power not-for-profit business model.



McMinville (Tenn.) Electric System installed 11 two-megawatt diesel generators to meet peaking needs in the Tennessee Valley.

## Don't Rest or Hunker Down

With the financial implosion of privately owned companies like Enron and Pacific Gas & Electric, and the likelihood of a shakeout among privately owned energy companies over the next decade, public power utilities may be tempted to respond by resting on our laurels (because we look great by way of comparison) or hunkering down to insulate our systems from the changing bulk power market (to avoid the next debacle). Both responses are misguided. Excellence in power supply is achieved by recognizing the new opportunities and risks you face, while transforming public power's traditional values of reliability, low rates and customer value for the new century.

# To assure value, manage risk and control costs in power supply, you must:

## **Diversify your power supply portfolio.**

Avoid placing all your bets on a single type of generation, whether measured by ownership, fuel source or location. That way, a single event, such as a natural gas price spike, won't put your utility or your ratepayers at risk. A strategy of ownership and purchases will allow you to benchmark one source against the others—for cost, reliability and social/environmental benefits.

## **Pool your operations and risks.**

Hundreds of APPA members participate in joint action power supply agencies to gain economies of scale that small municipal utilities would otherwise find unattainable. Participating in the bulk power market is not going to get simpler. If you don't have full-time power marketers or risk managers in-house, you need to sign up with a joint action agency or public power-oriented power marketer that does.

## **Know what your customers value most.**

Most large retail customers are more sensitive to reliability (power quality and curtailments) than to price. Many large customers are equally concerned about what their competitors pay. Tailor your bulk power supply portfolio to match the business risks that your retail customers perceive. Or, issue an RFP to fill these needs on a special contract basis.

## **Watch your credit rating to keep your cost of capital down.**

Public power utilities have a well-deserved reputation for being low risk. You have a responsibility to your consumers and to other public power utilities to maintain that trust. The very fact that we don't undertake speculative ventures, putting our ratepayers at risk, makes us attractive. You may want to consider using taxable debt for some projects to enhance your operational flexibility.

## **Go long on your generation reserve margin.**

In today's price-spike-prone bulk power market, experience has shown that being a bit long on capacity during peak load periods is far more prudent than being short. To balance capacity against economics, make sure your utility is ready to build or buy capacity when the price is right.

## **Don't forget transmission.**

Public power utilities are finding new ways to participate in—and benefit from—regional transmission organizations, not just as customers, but as owners of transmission that benefit from a secure revenue stream that hedges the risks of being a transmission customer. Plus, ownership of facilities configured to meet the needs of your utility enhances delivery reliability.

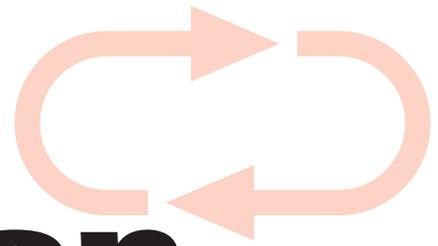
## **Hedge your risk, don't speculate on it.**

Utilities face immense pressure to keep costs down, so it's tempting to rely heavily on spot markets. These uncovered positions expose you to price volatility. Pursue options to assure your customers don't face sticker shock when they open their monthly bills. Long-term contracts are one mechanism, but don't ignore financial instruments, such as weather derivatives, that accomplish the same result, often at lower cost, with greater flexibility.

## **Keep at least one eye on the long term.**

Be strategic when the rest of the world is obsessed with tomorrow's market and the earnings statement for the next quarter. We were here long before our competitors. We'll be here long after they're gone.

# Focus On Distribution Performance & Opportunity



Distribution systems are the common thread among all public power utilities. This last leg in the delivery of electricity is the most visible aspect of utility operations and represents a significant opportunity to enhance service. Public power's excellent reputation for service has been built on the performance of distribution systems in delivering energy in a reliable, safe and cost-effective manner.

As communities grow and implement technological changes, end-use consumers rely even more on the instantaneous delivery of electricity. As increased reliability is now demanded and expected by the end user, public power has risen to meet these community demands. Your distribution system is a key asset in the local infrastructure. As town councils and city boards review their community growth plan, your electric distribution utility may lead the way to a comprehensive, well-designed program for economic growth.



A new SCADA system enabled Anaheim Utilities in California to enhance its load management program.

## Deliver Power in a Safe, Cost-Effective Manner

Notwithstanding the need to upgrade facilities, cost control has never been more crucial. While utilities are unbundling their costs of providing service, every decision to expand and upgrade the distribution system encounters an increased emphasis on safety and cost-efficient delivery of electricity. Utilities must plan, build and maintain their systems to meet the energy needs of all consumers, with a focus on safety and security—for both the public and employees. The events of Sept. 11, 2001 heightened these concerns. The safe operation of electric systems is a crucial part of a secure environment.

# To assure optimal performance of electric distribution systems in the future, you must:

## **Meet reliability requirements.**

Broaden understanding, data collection and implementation of reliability-based operational methods in order to meet the ever-growing demand for near 100 percent reliable electric service. Utilities must measure and account for the reliability of the service they provide.

## **Take the lead in infrastructure development.**

Promote local infrastructure improvements so your community can keep pace with technology. Implement a well-defined, community-wide plan that accounts for the evolving needs of a digital economy.

## **Provide efficient, economical delivery of service.**

Differentiate yourself from the competition through the efficient delivery of power that reflects customers' interests in cost, reliability and aesthetics. Continue to seek the most economical method of electricity delivery, regardless of power supply.

## **Provide local control of power supply.**

Assure an adequate supply of electricity to the community, whether acquired via distributed generation, renewable energy, or central station generation. As issues outside the control of local officials affect service on the distribution system, public power utilities must help communities control their energy future by hedging against high costs and unreliable supply through distributed generation and other local means.

## **Serve customers through preparedness.**

Adopt contingency plans for disasters or other interruptions and assure that needed equipment and supplies are on hand, or readily available, so that service can be restored quickly.

## **Keep an eye on safety.**

Electrons must be delivered from generator to meter in a safe manner. Safety must be a continuous utility-wide effort that encompasses staff education, employee wellness programs, incentives for improvement and community information.

## **Provide customer-side assistance.**

Help consumers reduce their end-use requirements. This will pay off in enhanced customer satisfaction when power costs rise or supplies are constrained.

## **Secure product delivery.**

Provide uninterrupted service, secure from outside physical or cyber influence. Participate in mutual aid groups to supply third-party assistance during emergency situations.

## **Stay in shape.**

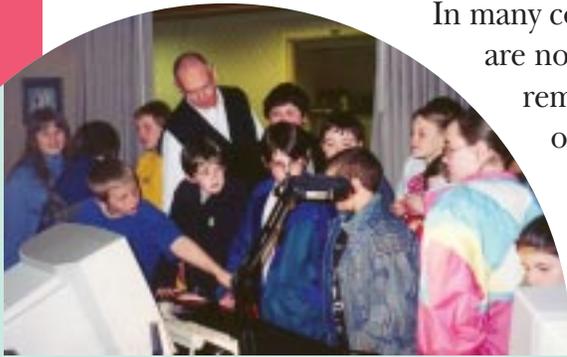
Don't allow your distribution system and other assets to become antiquated and run down. Allocating sufficient resources to the proper maintenance of this important infrastructure asset is vital. Utility vehicles should be well maintained, personnel should be well dressed and buildings should reflect the utility's pride of its role in the community.

# Keep the Public in Public Power



Public power utilities serve an important and distinct role in the electric utility industry and in their own communities. They are not-for-profit, community-owned institutions, subject to local oversight and control, providing a service that is crucial to the community's economic health and quality of life.

Policymakers, staff and citizen-owners must ensure that their electric utility acts on behalf of the community and maintains its distinction as a citizen-driven institution. This requires an educated, active, and supportive citizenry that recognizes public power's role in the community and actively takes part in its continuation.



Systems Operator Jim Rozell explained Richmond (Ind.) Power & Light's SCADA system to schoolchildren who visited as part of the Partners-in-Education program.

In many communities, consumers are now five or six generations removed from the creation of their public power utility and the inception of electricity service. Making public power values and attributes relevant to their lives is more challenging than in the past, as is communicating about public power distinctions to diverse and information-overloaded audiences.

## Public Power Must Differentiate Itself

Emphasizing the “public” in public power, and heralding public power's unique attributes, will become increasingly important as the marketplace continues to evolve. Public opinion polls have consistently illustrated that electricity customers, those with and without community-owned electric utilities, are very supportive of the concept of public power. But these polls have also demonstrated that many public power customers are unaware that their utility is community-owned and locally controlled.

If public power does not define and assert itself in relation to the 21st century—in its own communities and to national audiences—then its value will diminish, opening up opportunities for other electricity suppliers in a customer choice environment. Public power must demonstrate its public ownership and local control values on a daily basis so there is no misunderstanding about its benefits and uniqueness within the electric utility industry.

# To keep the public in public power, you must:

## **Advocate for consumers.**

Be consumer and community advocates in word and deed by: holding down electricity costs; protecting the environment, and the health and safety of consumers and their communities; providing superior customer service; and speaking up for the public interest at the local, state and federal levels.

## **Involve your customers.**

Assure that open forums and other means of two-way communication allow for broad-based dialogue and decision making on community issues, such as rates and power supply. These might include citizen advisory boards and task forces, town hall meetings, ballot initiatives, or board meeting participation.

## **Reach out to the community.**

Improve your community through service programs and projects with employee-wide involvement. Demonstrate a deep commitment to the community.

## **Educate your entire community.**

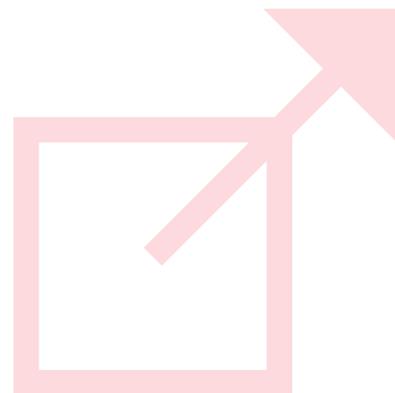
Educate citizens about utility services and energy issues and how to participate in the decision-making process. A variety of media targeted to a diverse public, using print, audiovisual and electronic tools, possibly in more than one language, should be part of each utility's tool kit. School children—the consumers and voters of tomorrow—are a key audience for information about energy supplies, efficiency, the environment and local ownership.

## **Quantify and communicate benefits.**

Constantly articulate the history, mission and values of public power and quantify its benefits to all customers and the community, including information about payments in lieu of taxes and shared-service efficiencies. Every communication provides an opportunity for a message about your utility, from the logo on your vehicles, to your customer newsletter, to each employee's interaction with a customer.

## **Fight for local control.**

Individually and collectively, your utility must work to prevent state or national incursions against public power's local control by assertively demonstrating and communicating your story to these audiences, with your local policy board playing a front-line role. Hold state/federal policymaker tours of your utility; write letters about utility operations and how you conduct business; and regularly visit your state capital and Washington, D.C.



# Optimize Community Infrastructure

Public power utilities were created to provide essential services to their communities. Today, these utilities deliver electricity to every home, business and organization through a complex infrastructure of poles, wires, computers and electronic equipment.

This utility infrastructure represents a unique local asset. It must be maintained and improved to assure that utility operations deliver the highest quality and most advanced energy services to customers. This infrastructure may also be used to assist in the provision of other local services and expanded to bring needed, new services to your community.



Grant County (Wash.) Public Utility District's fiber optic network will cover 60,000 strand-miles.

## Capitalize on Synergies

In addition to their electric system, many communities have infrastructures in place to deliver water, wastewater, natural gas, and broadband. Communities must also provide for other services, including police, fire, schools, libraries and general government operations, that depend on the local infrastructure for efficient functioning.

Maintaining the viability of your electric infrastructure to maximize utility operations and core service delivery is your first priority. To keep pace with developing community needs and to integrate the value of your public power utility throughout more of your community, your utility should evaluate its operations to determine if you are making the best use of your infrastructure potential. You can then determine whether coordination or shared services with other community infrastructures would lead to staffing or technology efficiencies. You should also analyze whether new or expanded services, such as telecommunications, could be better delivered through your electric infrastructure.

# To optimize community infrastructure, you must:

## **Analyze expansion opportunities.**

Consider the potential for service enhancements and cost savings by examining the operation of water/wastewater systems, delivery of natural gas or propane, solid waste pickup, streetlight maintenance, signal light maintenance, cogeneration or distributed generation operations, provision of heating/cooling districts, or other infrastructure-based services.

## **Expand your communications reach.**

If your utility has installed sophisticated communication systems to improve electric utility operations, you should also examine the advantages of providing high-speed data/voice networks for city or county facilities (such as police/fire stations; schools, universities and hospitals; centers of government and associated city/county service facilities), and providing community broadband services that satisfy the voice, video, or data requirements of the community.

## **Explore dark fiber.**

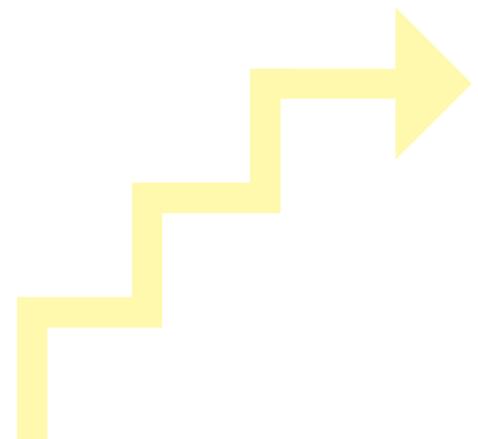
Dark fiber (inoperable fiber optic cable awaiting customer installation of signal equipment) leasing is another way to stimulate communications competition or spur improvement to your community's communication system. These fibers may be leased to government entities, schools, businesses, industry and telecom providers.

## **Look for partnerships.**

Look for savings through sharing or aggregation with neighboring public power utilities of back-office systems and technical support that improve overall services and speed implementation of new technologies, including billing systems and advanced meter reading applications.

## **Keep your employees current.**

Continue training current employees. Explore joint employment of specialists with other utilities to keep pace with technologies, increase customer service options, and decrease dependence on outside contractors.



# Lead In Environmental Stewardship

Utility operations affect the natural environment. Environmental impacts include air emissions, water use and discharges into waterways, and even disposal of streetlight bulbs and coal ash.

For the last two decades, the U.S. Environmental Protection Agency's primary focus was on Clean Air Act compliance and reductions in nitrogen oxide, sulfur dioxide, and other precursors of ground level ozone or smog. In the 21st century, environmental concerns will increasingly shift to controlling greenhouse gases, air toxics and restrictions on water usage. These issues will not only affect utility operations, but are also key considerations for communities concerned about health, environment and quality-of-life.



The Deerhaven Generating Station, owned by Gainesville Regional Utilities in Florida, is equipped with controls to prevent formation of nitrogen oxide when burning natural gas or oil.

## Involve the Community

Public power utilities approach environmental issues differently than other entities. Your customers may have heightened environmental expectations and anticipate that utility decisions reflect community values.

As the level of public environmental awareness becomes more sophisticated and new technologies disclose the presence of toxic or other harmful substances in the air and water, public power utilities must address community environmental concerns and take a leadership role in environmental protection.

Public power's environmental stewardship responsibility comes with regulatory burdens. Local officials must weigh energy needs, reliability and conflicting environmental demands. While public power utilities must pay special attention to growing compliance requirements and increasing environmental expectations, their success in balancing these requirements and expectations will provide a significant competitive advantage in a market where customers value these attributes.

# To assure a leadership role in environmental stewardship and compliance, you must:

## **Know the law.**

Understand and remain current on all local, state and federal environmental laws and use sound environmental management techniques to assure compliance.

## **Operate in an environmentally sound manner.**

Assure all utility operations meet environmental standards.

## **Use self-evaluation.**

Conduct regular environmental self-evaluations to reduce liability of environmental risks and identify new pollution prevention opportunities.

## **Hire experts.**

Employ, retain or share technically qualified staff (which may include certified environmental and chemical engineers), assure that they are regularly trained and updated, and cooperate with joint action agencies or local associations if resources are limited.

## **Demonstrate environmental leadership.**

Take the lead in programs, such as conservation, green power, landfill gas, and pollution mitigation efforts, that showcase the utility as an environmental leader in your community.

## **Demonstrate community leadership.**

Involve all community stakeholders in environmental planning and decisions that take into account local community needs and expectations for environmental stewardship. Provide energy and environmental information to schools and community groups.



A volunteer for the Re-Leaf Program worked with sixth graders from Smith Street School in Uniondale, N.Y., to plant red maple shade trees. The program is supported in part by Long Island Power Authority.



# Build Consensus Through Democratic Governance



## Public Participation is a Competitive Advantage

Public participation in public power governance, including decisions on budgets, rates, facility siting, power supply, reliability and customer service, is a core public power attribute. It also distinguishes public power from competitors.

Public involvement in policy decisions assures utility services are in tune with the needs of your customers and responsive to the values of your community. Democratic governance fosters a stronger bond, and therefore greater loyalty, between public power utilities and their customers than that of private utilities.

Effective democratic governance depends on participation by committed and informed elected and appointed officials; adherence to governance processes that comply with the law and are responsive to changing market conditions; and assurance that public interests are heard and taken into account.

In public power communities decisions on vital services that affect every home and business are made through local democratic processes. This form of local governance takes place at the ballot box and by participation in city council and utility board meetings, public hearings, citizen advisory committees, task forces and other public forums.

Public power governance structures take several forms: elected city councils, elected utility boards and appointed utility boards. Their common trait is decision-making in open deliberations by citizens who are directly accountable to customers.



To cultivate openness, guest trustees are regularly invited to meet with the Light and Power Board of Trustees in Waverly, Iowa.

# To assure effective governance, you must:

## **Inform the public.**

Use community networks (service clubs and other civic groups) to educate citizens about the value of their public power utility and how to participate in its governance.

## **Attract quality volunteers.**

Assure individuals appointed to public power boards have the time, background and commitment to make effective contributions to utility governance.

## **Educate policymakers.**

Provide sufficient orientation, information and education to permit board and council members to perform their jobs competently. Particularly in communities with term limits, ready information on roles, responsibilities, issues, the value of the utility, and utility performance will help new policymakers hit the ground running.

## **Follow the law.**

Assure governing bodies meet legal requirements and adhere to utility policies and procedures, including: open meetings and records laws, audit and purchasing requirements, conflict-of-interest statutes, meetings procedures and utility policies.

## **Know your roles and operate efficiently.**

Assure boards and councils understand their roles and responsibilities (and how they differ from management's) and regularly examine procedures to assure governing boards are operating efficiently.

## **Run good meetings.**

Board and council meetings must be run effectively and efficiently, streamlining processes to avoid unnecessary burdens on the public's and policymaker's time.

## **Reconsider governance options.**

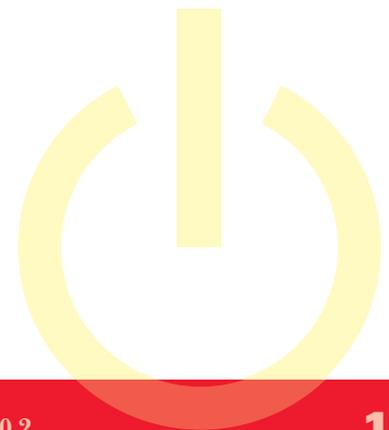
Review governance structures for ways to improve the speed and agility of decision-making. It is important to keep government in the sunshine, but it is equally important to make decisions quickly and act in a manner that does not bring competitive harm to your utility.

## **Educate your public.**

Be sure the public is aware of the unique qualities of local ownership, understands the value of the utility asset, knows about its direct and indirect contributions to the community, is informed about issues facing the utility, and knows how to participate in the decision-making process.

## **Develop a robust public participation process.**

Guarantee the public has every opportunity to participate in the utility governance process by assuring meetings are accessible, held at times convenient for the public, and provide for regular public comment. Public participation must be a formal part of decision-making, and board and council members must solicit public input formally and informally.



# Promote Human Resource Excellence



Organizations are successful when they provide the best customer service. Whether customers define this service in terms of price, reliability, successful human interactions, values embraced by the organization, or other intangibles, only one factor ultimately makes it happen: people.

People make organizations successful, but not just any people. Employees must be committed to your utility's goals; motivated to achieve those goals; deliver superior service; have access to the best technology and be trained to use it; paid competitively; offered incentives to excel; and work in a culture that brings out their best performance.

Human resource policies and programs are important to any organization, but are particularly important for public power utilities, many of which are small and rely heavily on the contributions of each employee. Each employee contact with a customer defines the organization in that customer's eyes.



At a public power utility, it is important for the general manager to communicate openly and frequently with employees and the public, says Phyllis E. Currie, general manager of Pasadena Water & Power Department in California.

## The Employment Market Is Changing

Historically, public power utilities have employed home-grown workers to deliver quality service. In the new business environment, however, public power's competitive advantage will depend on attracting, compensating and training people with both traditional and new skills in a much more competitive and diverse employment market. Particularly for public power utilities, the value of diversity cannot be underestimated as customers expect the utility, which they own, to be mindful of their differences and better serve their specific needs.

While most public power utilities recognize that employees are the key component in their success, many find it challenging to implement human resource policies and practices that keep pace with changing conditions. Add to this the fact that baby boomers are retiring, the work force is becoming more diverse, and employees' values are changing, and it is clear that traditional approaches may no longer be effective.

# To achieve human resource excellence, you must:

## **Establish sound HR policies.**

Set organization and human resource policies (at the board and senior management levels) that reflect the important contributions of people to the utility's success.

## **Pay at the market.**

Assure compensation plans (salary, benefits and bonuses) match or exceed the market for the job classification. Don't set policies that provide average compensation and expect superior services.

## **Look for alternative compensation solutions.**

If establishing competitive compensation is not immediately possible, offer other job satisfaction enhancements, such as better benefits, greater educational opportunities, increased authority for decision making, or more opportunities for advancement.

## **Diversify your work force.**

Educate employees on the benefits of work force diversity. Establish strategies and practices to recruit and retain a work force that reflects the diversity of the community you serve.

## **Establish a succession plan.**

Plan for position vacancies and new skills needed so there are seamless transitions in key employee areas.

## **Employ technology.**

Invest in technology that enables employees to do their jobs more efficiently and expands their skill levels.

## **Educate your staff.**

Budget for and require training or professional education for every employee and encourage them to participate in state and national public power events.

## **Teach employees about public power.**

Orient employees to the philosophy and benefits of public power so they reflect public power values in dealings with customers and the community.

## **Share skills.**

Where specialized skills are needed but hard to get, set up cooperative arrangements with other utilities or joint action agencies and state associations.

## **Take a leadership role.**

Know your staff, communicate with them, budget for needed human resource enhancements, and exercise the political will to champion these improvements.



# Engage Policymakers Through Legislative Advocacy

Public power utilities are affected by decisions made by local boards and commissions, city councils, state legislatures and agencies, federal and state courts, Congress and federal agencies. To provide essential services, a utility must navigate a myriad of evolving policies related to water, land use, wildlife management, clean air, telecommunications service, delivery of electricity, natural gas and water, and other issues. Staying on top or ahead of policy changes is essential to placing your utility in a proactive posture.

Effective legislative activism and policy advocacy at all levels of government is a challenge, but being personally engaged in advocacy is a key to long-term planning, continued local control, maintaining options, and averting mandates.



Bryan, Ohio, Mayor Doug Johnson (right) and others from Ohio's public power communities met with Sen. Mike DeWine, R-Ohio, during APPA's annual Legislative Rally in 2002.

## Use Power Wisely

Whether we are talking about local, state or federal efforts, public power has the building blocks for effective advocacy. We span the nation, so our reach and influence can be expansive. We are highly visible, serving a critical public purpose that requires attention from lawmakers. And, we have grass roots power: the opportunity to activate utility officials, customers, mayors and other elected officials in our advocacy efforts.

Public power utilities must maintain an active presence in local public affairs, at state legislatures, in Congress and federal agencies, and in judicial proceedings. The task is large, but even the smallest system can leverage its resources, working through business and customer connections, city and county associations, joint action agencies and state associations, APPA and other national associations.

# To lead in legislative activism and policy advocacy, you must:

## **Prioritize policy concerns.**

Balance limited resources against your list of needs. Stay attuned to the needs of key customers.

## **Stay informed.**

Review APPA publications as well as those of state public power associations, the National Conference of State Legislatures, the National League of Cities, state leagues of cities, U.S. Conference of Mayors and others. Talk to staff of state and national associations who are involved in advocacy issues on a daily basis.

## **Research and understand legislators' and regulators' interests.**

Recognize the party affiliations, committee assignments, and political priorities of your local and federal elected and appointed officials.

## **Visit your legislators and regulators.**

Make regular contact with members of Congress and their staffs, state legislators, and state and federal agency and commission officials through visits, letters and phone calls. Do this not only during times of trouble, but on a constant basis to ensure a good working relationship, understanding of your issues, and recognition of your needs.

## **Invite your legislators and regulators home.**

Engage lawmakers and policymakers at local, state and federal levels in hometown events that showcase your utility.

## **Engage in judicial forums.**

Working with APPA, state associations and your own counsel, participate in judicial proceedings on issues that affect you.

## **Connect your message with the media.**

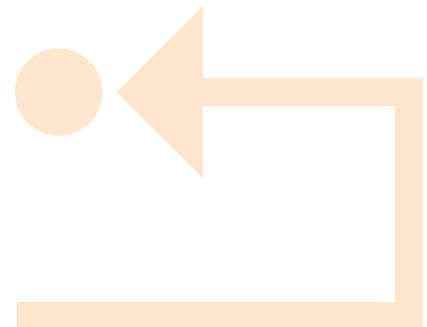
Make your case to the local and national media through op-eds, letters and special events.

## **Join with others through grass roots efforts.**

Take advantage of public power's greatest tool by joining mayors, local elected officials and other public power utilities to influence state and national lawmakers.

## **Participate in the political action committees.**

Issues raised by public power utilities must compete with viewpoints presented by investor-owned utilities and others who raise considerable campaign money for elected officials. Public power officials should strongly consider participating in this aspect of the political process by supporting PAC efforts.



# Invest In Your Technology Future

In existence for more than 120 years, public power today is the choice of 2,000 communities and more than 40 million customers throughout the United States. Although the common thread is electricity, public power utilities have also taken a leadership role in moving their communities into the future by pursuing cutting-edge technology and innovation as an integral part of energy delivery and community growth.

Today's public power employees serve as information sources to their communities in a variety of technology fields: environmental stewardship, high-speed Internet capability, safety, and community technology development.

## Pursue Innovation

Public power utilities must invest in asset improvement, research and development, and the technological skill development of quality employees. An electric utility's survival parallels the commitment of the local community to its technological future.

This investment principle is embodied in public power's commitment to invest in innovative solutions to energy delivery, to participate and invest in community technology development, and assure that the information super highway comes right down main street.



Burlington Electric Department in Vermont has been an industry leader in biomass gasification technology. The utility's McNeil Generating Station can convert wood chips, sawdust, switch grass and other biomass materials into gas for power generation.

# To sustain the tradition of technology leadership into the 21st century, you must:

## **Lead technology growth.**

Assume a leadership role in innovation and community technology development.

## **Grow community experts.**

Help employees become information experts on safety, energy savings, high-tech capabilities and other topics.

## **Commit to R&D.**

Maintain your leadership in making technology breakthroughs and providing innovative services by reinvesting a portion of resources every year into research and development.

## **Lead technology education.**

Be the local leader in technology education by coordinating with the school system or conducting classes for the community on the Internet, purchasing computer systems, developing and maintaining home networks, and more.

## **Lead in environmental technology.**

Be the leader in designing, piloting and installing environmentally conscious technologies and programs, as consumer electrical demands and community environmental imperatives continue to grow.

## **Invest in appropriate technology.**

Respond to community opinion by investing in existing, yet underused, technologies in renewable energy, pollution prevention, recycling and demand-reducing equipment.



Customers of Murray City Power in Utah can pay electric bills online thanks to a new system installed by the utility.



## CONCLUSION

The themes and recommendations in this report were developed over a year's time by a team of 23 public power chief executives. As public power utilities vary in size, customer composition and structure, not all recommendations apply evenly to every utility.

This report is intended to be a living document. The body of the report can be used for the on going education or orientation of employees, boards and citizens. The report's checklists may be employed as management tools for periodic self-evaluation. The report's case studies (provided on compact disc and on APPA's Web site) are intended to be a regularly refreshed resource, searchable on the Web site, for good examples of successful public power programs.

Even if public power utilities implemented most of this report's suggestions, the changing electricity market demands that each utility constantly reevaluates its strategies on how best to meet customers' changing needs.

Finally, task force members want to convey these last thoughts:

**No matter what your utility's successes to date, the old ways of doing business will not be sufficient for the future.**

**Public power utilities must change, never forsaking traditional values but making the most of their unique characteristics to enhance their competitive position in the new market.**

**With or without restructuring and deregulation, public power utilities will continue to lead the industry by acting in the best interests of their customers and reflecting the needs of the communities they serve.**

APPA Task Force  
"Public Power in the 21st Century"  
June 2002

## **APPA Task Force Members Public Power in the 21st Century**

In July 2001, APPA board Chairman Mike Browder appointed a task force of public power leaders to provide direction and oversee development of this report. The task force, co-chaired by Glenn Cannon of Waverly, Iowa, and Vic Parrish of Richland, Wash., met on two occasions and otherwise participated by phone, fax and e-mail.

Task force members who contributed to this report included:

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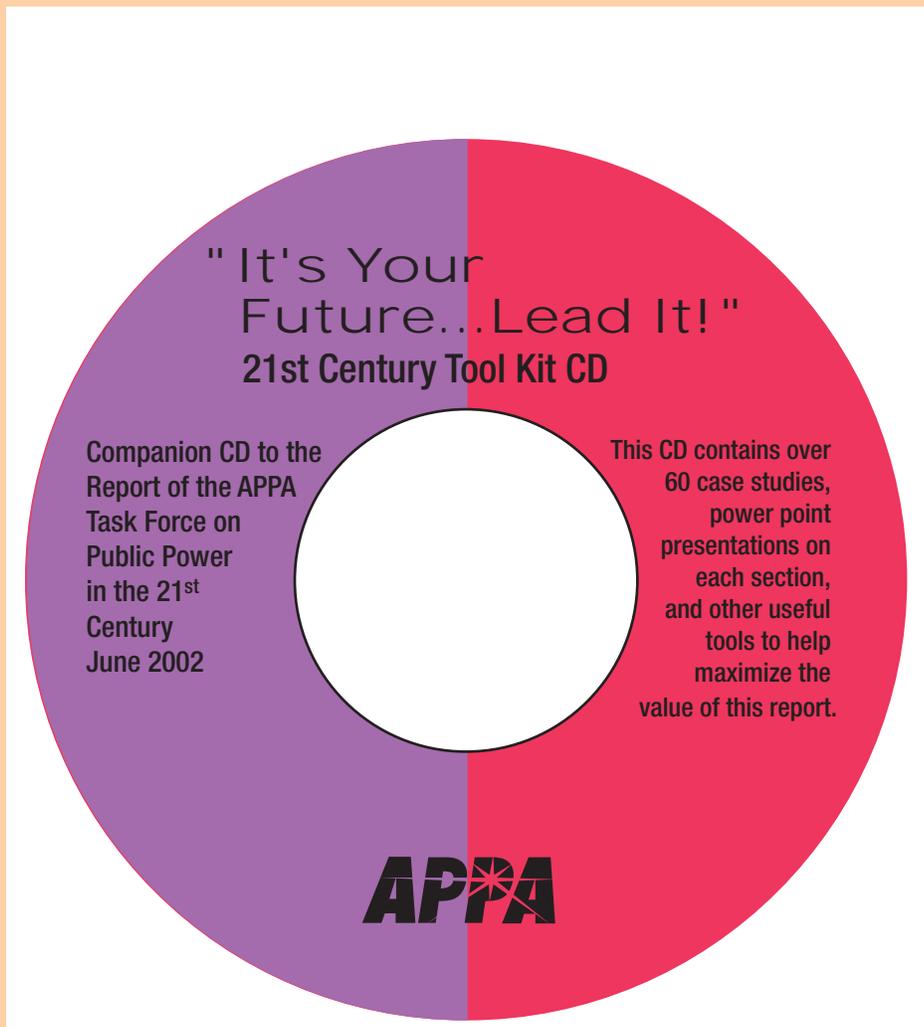
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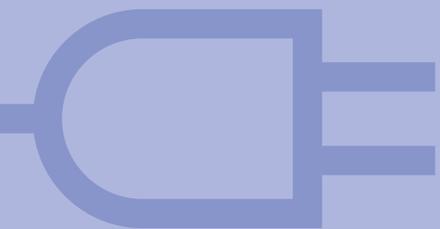
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