

Public Power Governance Survey



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Powering Strong Communities



Introduction

In March 2021, the American Public Power Association conducted its 10th Governance Survey. This report summarizes the survey data, presenting information on the type of governing bodies that oversee public power systems, term limits and compensation of governing body members, and the authorities granted to utility governing bodies.

Almost 1,900 publicly owned electric systems in the United States received the survey, and 295 completed survey forms were returned to APPA. Public power systems that sell power primarily at wholesale, such as joint action agencies, were excluded from the survey. Although 295 utilities completed the survey, respondents did not necessarily answer every question.

Profile of Respondents

As shown in Table 1, 82% of respondents serve less than 20,000 customers. Since the composition of survey respondents is heavily weighted toward utilities with a relatively small number of customers, most survey results are presented by customer count.

Table 1. Number of Respondents by Customer Count

Customer Count	Number of Responses	Percent of Respondents
Less than 5,000 customers	145	49%
5,000 to 20,000 customers	98	33%
20,000 to 50,000 customers	34	12%
More than 50,000 customers	18	6%
TOTAL	295	100%

Ninety-four percent of respondents are municipally owned utilities. The other 6% are state-owned utilities or political subdivisions, such as county-wide utilities, public power districts, or public utility districts in Washington, Oregon and Nebraska, and irrigation or utility districts in Arizona and California.

Type of Governing Bodies

The majority of respondents (53%) are governed by a city council, while the remaining 47% are governed by an independent utility board. (The term “city council” includes similar entities such as a county council, town council, borough council or board of selectmen.) Results vary significantly when summarized by customer size class as the smallest customer size class is the only one in which the majority of utilities are governed by a city council. Sixty-seven percent of the respondents with less than 5,000 customers are governed by city councils compared to only 29% of respondents with greater than 50,000 customers.

Independent utility boards that are appointed are more than twice as common as utility boards that are elected. However, almost all public utility districts and public power districts are governed by elected utility boards. Virtually all city councils are elected. Table 2 summarizes survey respondents by customer size class and the by type of governing body which exercises primary control over the utility.

Table 2. Type of Primary Governing Body

Customer Count	Number of Responses	Independent Utility Board		City Council
		Elected	Appointed	
Less than 5,000 customers	144	7%	26%	67%
5,000 to 20,000 customers	94	20%	41%	38%
20,000 to 50,000 customers	34	9%	41%	50%
More than 50,000 customers	17	18%	53%	29%
TOTAL	289	12%	34%	54%

City councils play a large part in determining the makeup of appointed utility boards, as in most cases they either appoint or approve the board. Sixty-one percent of the boards are appointed by the mayor, but the mayor’s choices must be approved by the city council for 80% of utilities. The city council appoints the board jointly with the mayor for 4% of the utilities and on its own for 24% of the utilities.

Eighty-nine percent of utilities with independent utility boards have either residency or service territory requirements, which obligate board members be a resident of the city or a customer of the utility.

Appointed independent utility boards name their own chair in 86% of the utilities, and elected boards name their own chair in 94% of utilities. In regard to city councils, 73% name the mayor as chair, 16% allow the city council to name its own chair, and 6% elect the chair in the general election. Table 3 summarizes this information.

Table 3. How Governing Body Chair is Named

Type of Governing Body	Mayor is the Chair	Chair Named in General Election	Governing Body Names Chair	Chair is Appointed
Elected Utility Board	0%	6%	94%	0%
Appointed Utility Board	3%	7%	86%	4%
City Council	73%	6%	16%	5%

Term Length and Limits

The average term length for governing bodies is 3.9 years. Term lengths range from one to seven years, and nearly 49% of respondents report term lengths of four years. Approximately 88% of the utilities reporting governing body term lengths of more than four years are governed by independent utility boards. Table 4 shows, for each type of governing body, the percent of respondents by length of governing body term.

Table 4. Term Length

Type of Governing Body	Number of Responses	1-3 Years	4 Years	5+ Years
Independent Utility Board	135	32%	26%	42%
City Council	152	28%	68%	3%

Only 12% of electric utilities' governing bodies are subject to term limits. The overwhelming majority of reported term limits were either two or three terms. As shown in Table 5, responses varied significantly by customer count, with utilities with the most customers more likely to have term limits applied to the governing body.

Table 5. Term Limits

Customer Count	Number of Responses	Percent with Term Limits on Governing Body
Less than 5,000 customers	145	5%
5,000 to 20,000 customers	95	14%
20,000 to 50,000 customers	34	21%
More than 50,000 customers	17	41%
TOTAL	292	12%

Citizens Advisory Committee

Twelve percent of respondents also have a separate citizens advisory committee or board that serves in an advisory capacity to the governing body. Utilities governed by city councils are more likely than those governed by independent utility boards to have a citizens advisory board: 22% of utilities governed by a city council reported having a citizens advisory board, compared to 3% of utilities governed by an independent utility board.

The incidence of electric utilities with a citizens advisory board increases by customer count, ranging from 8% of respondents with less than 5,000 customers to 28% of respondents with more than 50,000 customers.

Table 6. Citizens Advisory Board

Customer Count	Number of Responses	Percent with Citizens Advisory Board
Less than 5,000 customers	144	8%
5,000 to 20,000 customers	97	12%
20,000 to 50,000 customers	34	18%
More than 50,000 customers	28	28%

Compensation of Governing Body Members

Overall, 81% of utility governing bodies are paid, and this percentage is roughly the same for both city councils and independent utility boards. The percentage of paid city councils is approximately the same for all utility sizes. For appointed independent utility boards, 92% of smaller utility boards are paid, as compared to 44% for boards of the largest utilities. There is almost no variation by customer count for elected boards, where 86% of members are paid.

Survey respondents reported compensation data on either an annual, monthly or per meeting basis, and all responses were converted to an annual average. Table 7 shows the median compensation for each type of governing body and customer size class.¹ Median compensation generally increases as customer count increases.

Survey respondents were asked whether governing board members were eligible for either the city’s or utility’s medical benefit plans. Governing bodies are eligible for employee benefit plans in 22% of utilities with independent utility boards and 23% of utilities with primary oversight from the city council. The results differ significantly by customer count, with 10% of respondents with less than 5,000 customers offering medical benefits, rising to 50% of respondents with more than 50,000 customers.

Survey respondents were also asked whether governing board members were eligible for retirement benefit plans. Fourteen percent of utilities with independent utility boards and 24% of utilities governed by a city council have governing bodies that are eligible for retirement benefit plans. Governing bodies are eligible for retirement benefits at 17% of utilities with less than 20,000 customers and at 29% of utilities with 20,000 or more customers.

Note that the survey asked only about eligibility for either medical or retirement benefits. It did not ask who was responsible for paying for the benefit plans: the city/utility or the governing board member.

The survey also asked if respondents had reduced compensation for board members due to the coronavirus pandemic. Only five respondents, less than 2%, indicated that compensation had been reduced, and most of those who did reduce compensation didn’t specify the amount.

Table 7. Median Annual Compensation of Governing Body Members

(Number of responses in parentheses)

Customer Count	Independent Utility Board		City Council
	Elected	Appointed	
Less than 5,000 customers	\$1,650 (8)	\$720 (31)	\$2,400 (70)
5,000 to 20,000 customers	5,600 (14)	2,400 (28)	4,800 (22)
20,000 to 50,000 customers	N/A (1)*	3,600 (10)	8,000 (11)
More than 50,000 customers	N/A (3)*	N/A (4)	N/A (3)*
TOTAL	\$3,750 (26)	\$1,200 (73)	\$3,000 (106)

*Note: Medians are not calculated for fewer than five responses.

¹ The median amount represents the middle observation: half of the respondents reported a higher amount, and half reported a lower amount than the median.

Authority of Governing Body

The survey asked respondents to indicate which governing body or individual has final approval for eight specific actions:

1. Setting retail electric rates;
2. Approving the utility budget;
3. Setting salaries of key utility officials;
4. Issuing long-term bonds;
5. Making financial investments for the electric utility;
6. Approving power purchase agreements;
7. Exercising the right of eminent domain; and
8. Hiring and firing utility personnel.

Except for the last function – hiring and firing – the authority for these functions overwhelmingly resides with the city council for utilities under city council control. For utilities under the control of an independent utility board, the results are more mixed. While the independent utility board has authority for five out of the eight functions at a majority of utilities, the city council – either on its own or jointly with the utility board – retains authority for these functions at a significant number of utilities.

The following descriptions and tables summarize the distribution of authority under independent utility boards as the primary governing body and under city councils as the primary governing body.

Independent Utility Board as Primary Governing Body

Approximately 135 utilities reported that an independent utility board is the primary governing body. A majority of these utilities list the independent utility board as retaining final authority for all functions except for issuing long-term bonds (50%), exercising right of eminent domain (47%) and hiring and firing personnel (50%). Utility boards are most likely to have final approval over setting salaries of key utility officials, approving utility budgets, approving power purchase agreements, and making financial investments.

Table 8 summarizes the results by customer count. For each of the eight functions, the table shows the percent of responses indicating power of final approval for: (1) the independent utility board; (2) the city council; and (3) other entities.

Most of the “other” responses shown in Table 8 indicate joint authority between the utility board and the city council. Exceptions include the authority to make financial investments for the utility, which often resides with the financial director, city or town treasurer, or general manager of the utility, and authority to hire and fire, which typically resides with the general manager or the city manager. In addition, authority to set retail rates can reside with the state public utility commission, or with the Tennessee Valley Authority, in the case of TVA distribution systems. For some small systems (mainly in Massachusetts), a town meeting provides the final authority to issue long-term debt and to exercise eminent domain.

Across utilities of all sizes, larger percentages of utilities report that the independent utility board has final approval over salaries, budgets, financial investments and purchased power contracts, and smaller percentages report that the board has approval over issuing long-term bonds, exercising the right of eminent domain, and hiring and firing personnel.

Table 8. Exercise of Specific Authorities for Utilities with Independent Utility Boards as the Primary Governing Body

Authorities	Independent Utility Board	City Council	Other
Less than 5,000 customers			
Set retail electric rates	85%	4%	11%
Approve utility budget	85%	11%	4%
Set salaries of key utility officials	80%	13%	7%
Issue long-term bonds	61%	28%	11%
Make financial investments for utility	87%	7%	6%
Approve purchased power contracts	74%	20%	6%
Exercise right of eminent domain	44%	40%	16%
Hire and fire utility personnel	64%	4%	31%
5,000 to 20,000 customers			
Set retail electric rates	69%	14%	17%
Approve utility budget	78%	11%	11%
Set salaries of key utility officials	86%	10%	4%
Issue long-term bonds	46%	46%	8 %
Make financial investments for utility	74%	9%	17%
Approve purchased power contracts	80%	5%	15%
Exercise right of eminent domain	44%	44%	12%
Hire and fire utility personnel	41%	2%	57%
20,000 to 50,000 customers			
Set retail electric rates	69%	25%	6%
Approve utility budget	87%	13%	0%
Set salaries of key utility officials	88%	0%	12%
Issue long-term bonds	44%	38%	18%
Make financial investments for utility	100%	0%	0%
Approve purchased power contracts	94%	6%	0%
Exercise right of eminent domain	56%	44%	0%
Hire and fire utility personnel	47%	0%	53%
More than 50,000 customers			
Set retail electric rates	62%	38%	0%
Approve utility budget	69%	31%	0%
Set salaries of key utility officials	85%	8%	8%
Issue long-term bonds	38%	38%	24%
Make financial investments for utility	69%	8%	23%
Approve purchased power contracts	77%	8%	15%
Exercise right of eminent domain	54%	31%	15%
Hire and fire utility personnel	46%	0%	54%

City Council as Primary Governing Body

For the 157 utilities reporting that the city council is the primary governing body, 80% or more indicate that the city council has final approval for seven of the eight functions surveyed. The lone exception is hiring and firing utility personnel (47%). For this function, when a city council does not have final approval, in most cases an individual controls these decisions. The utility general manager or the city manager most often have final hiring and firing authority.

As shown in Table 9, there are differences in the city council's authority based on utility size. For example, the proportion of utilities where the city council that maintains authority for hiring and firing decreases as utility size increases. For each of the eight functions, the table shows the percent of responses indicating power of final approval for the city council and other entities.

Table 9. Exercise of Specific Authorities for Utilities with City Councils as the Primary Governing Body

Authorities	City Council	Other
Less than 5,000 customers		
Set retail electric rates	89%	11%
Approve utility budget	95%	5%
Set salaries of key utility officials	88%	12%
Issue long-term bonds	95%	5%
Make financial investments for utility	84%	16%
Approve purchased power contracts	92%	8%
Exercise right of eminent domain	97%	3%
Hire and fire utility personnel	63%	37%
5,000 to 20,000 customers		
Set retail electric rates	78%	22%
Approve utility budget	84%	16%
Set salaries of key utility officials	68%	13%
Issue long-term bonds	86%	14%
Make financial investments for utility	68%	32%
Approve purchased power contracts	92%	8%
Exercise right of eminent domain	94%	6%
Hire and fire utility personnel	27%	73%
20,000 to 50,000 customers		
Set retail electric rates	83%	17%
Approve utility budget	94%	6%
Set salaries of key utility officials	71%	29%
Issue long-term bonds	94%	6%
Make financial investments for utility	82%	18%
Approve purchased power contracts	94%	6%
Exercise right of eminent domain	88%	12%
Hire and fire utility personnel	12%	88%
More than 50,000 customers*		
Set retail electric rates	NA	NA
Approve utility budget	NA	NA
Set salaries of key utility officials	NA	NA
Issue long-term bonds	NA	NA
Make financial investments for utility	NA	NA
Approve purchased power contracts	NA	NA
Exercise right of eminent domain	NA	NA
Hire and fire utility personnel	NA	NA

*Note: Percentages are not calculated for fewer than five responses.

Issuing Bonds and Selling the Utility

Tables 10 and 11 present information on actions required to issue bonds and to sell the utility system. Nineteen percent of responding utilities require a voter referendum to issue bonds, and smaller systems are more likely than large utilities to require a referendum.

Table 10. Referendum Required to Issue Revenue Bonds

Customer Count	Number of Responses	Voter Referendum
Less than 5,000 customers	126	24%
5,000 to 20,000 customers	92	14%
20,000 to 50,000 customers	33	18%
More than 50,000 customers	16	6%
TOTAL	267	19%

Sixty-nine percent of utilities require a voter referendum to sell the utility system. Of those requiring a referendum, 75% require the approval of a simple majority to sell the utility, and 25% require a supermajority.

Eighty percent of utilities require a vote of the governing body to sell the utility. Of those requiring a vote by the governing body, 82% require a simple majority and 18% require a supermajority. A few entities either did not indicate the action needed to sell the utility or said that state action would be required to sell. Many utilities require both a vote of the governing body and a voter referendum to sell the utility.

Table 11. Action Required to Sell the Utility

Customer Count	Number of Responses	Voter Referendum	Vote of the Governing Body	Both
Less than 5,000 customers	94	67%	80%	30%
5,000 to 20,000 customers	77	71%	80%	34%
20,000 to 50,000 customers	25	68%	81%	36%
More than 50,000 customers	13	77%	92%	38%
TOTAL	209	69%	80%	

Aggregation of Demand Response

Utilities were asked if their regulatory body had passed an ordinance concerning the aggregation of distributed energy resources, including demand response, for sale into the wholesale power market. Fifteen percent of utilities have passed such an ordinance. Most of these utilities have less than 20,000 customers.

Payments in Lieu of Taxes

Seventy-eight percent of survey respondents make payments in lieu of taxes to their state or local governments. Payments in lieu of taxes may be called by a different name, such as tax equivalents or transfers to the general fund. Only 69% of utilities with less than 5,000 customers make payments in lieu of taxes, compared to over 83% of utilities with 5,000 customers or more. Eighty-one percent of utilities with independent boards make payments compared to 74% of utilities governed by city councils. Table 12 shows the percent of respondents, by customer count, that make payments in lieu of taxes.

Table 12. Utilities that Make Payments in Lieu of Taxes

Customer Count	Number of Responses	Percent that Make Payments
Less than 5,000 customers	137	69%
5,000 to 20,000 customers	96	83%
20,000 to 50,000 customers	33	91%
More than 50,000 customers	17	88%
TOTAL	283	78%

Table 13 shows, by size and governing body type, the percent of utilities that use a formula to determine the amount of payments in lieu of taxes. Of the utilities that make payments in lieu of taxes, 73% use a formula to determine the amount. Eighty-three percent of utilities governed by a utility board use a formula to determine the amount of payments in lieu of taxes, compared to 62% of utilities governed by a city council.

Table 13. Utilities Using a Formula to Determine Payments in Lieu of Taxes

(Number of Responses in Parentheses)

Customer Count	Primary Governing Body		Total
	Utility Board	City Council	
Less than 5,000 customers	71% (35)	47% (57)	57% (92)
5,000 to 20,000 customers	86% (49)	71% (28)	81% (77)
20,000 to 50,000 customers	92% (13)	88% (17)	90% (30)
More than 50,000 customers	100% (10)	NA (4)*	100% (14)
TOTAL	83% (107)	62% (106)	73% (213)

*Note: Percentages are not calculated for fewer than five responses

More detailed information on payments in lieu of taxes and other payments and contributions is available in Public Power Pays Back. The report includes data on the amount and type of payments and contributions, summaries by customer count and region, and comparisons with investor-owned utilities. The most recent report is available on APPA's website at www.PublicPower.org/Resource/Public-Power-Pays-Back.

Utility Service Outside of Municipal Boundaries

The public power systems that completed APPA’s survey include both municipally owned utilities and other political subdivisions – such as state-owned utilities, public power districts, public utility districts, and municipal utility districts – that provide electric service. Of the 295 respondents, 277 (94%) are municipally owned utilities. These utilities are the basis for information provided in Tables 14 and 15 about service to customers outside of the municipality’s boundaries. Respondents from 184 municipally owned utilities (69%) serve at least some customers located outside the municipality’s boundaries.

The survey asked utilities that serve customers outside of the municipality’s boundaries for an estimate of the percent of total customers residing outside of the boundaries. Table 14 shows that half of utilities that do serve customers outside municipal boundaries only do so for a relatively small number of customers – 5% or less of their total customers. Approximately a quarter of utilities responding to this question reported that more than 20% of customers are outside of the municipal boundaries. Note that 184 utilities replied that they served utilities outside municipal boundaries, but only 152 provided an estimated percent of customers served outside of those boundaries.

Table 14. Customers Outside Municipal Boundaries

Share of Customers Outside Municipal Boundary	Number of Utilities Reporting	Percent of Total Responses
1% or less	38	25.0%
More than 1% and up to 5%	38	25.0%
More than 5% and up to 10%	17	11.2%
More than 10% and up to 20%	21	13.8%
More than 20%	38	25.0%
TOTAL	152	

The survey asked the utilities that have customers outside of the municipality about the relationship between the utility and the customers located outside of the municipality. As shown in Table 15, 6% of these utilities include a representative for customers outside the municipality on the governing body, and 13% make payments in lieu of taxes to jurisdictions outside the municipal boundaries. The pattern is the same for both actions: larger utilities are the most likely to have a governing body representative for customers outside the municipality and are most likely to make payments to jurisdictions outside municipal boundaries.

Table 15. Utilities that Serve Customers Outside Municipal Boundaries

Customer Count	Number that Serve Outside Boundaries	Governing Body Includes a Representative from Outside Municipality	Utility Makes Payments in Lieu of Taxes to Outside Jurisdictions
Less than 5,000 customers	90	0%	6%
5,000 to 20,000 customers	61	7%	17%
20,000 to 50,000 customers	24	13%	38%
More than 50,000 customers	9	33%	22%
TOTAL	184	6%	13%

Finally, the survey asked the 277 municipal electric utilities which other utility services the municipal government provides. As shown in Table 16, water and sewer are the most common utility services provided by the municipal government.

Table 16. Other Utility Services Provided by the Municipal Government

Utility Service	Number that Provide Service	Percent of Municipal Electric Utility Respondents
Water	249	90%
Sewer	228	82%
Wastewater	177	64%
Gas	56	20%
Cable TV	21	8%
Other	59	21%

Respondents included services such as garbage, broadband, telecommunications, internet, sanitation, and storm water in the “other” category.



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