**Talking Points on Financial Impacts of U.S Arctic Blast on Public Power Utilities**

**Key Talking Points**

* Now that public power utilities have weathered the actual storm, APPA wants to make sure impacted utilities and their customers have the resources they need to handle the financial aftermath.
* APPA strongly encourages a review to investigate what went wrong, what went right, and what we can do to do better in the future.
* One key takeaway will likely be the importance of a robust and diverse generation resource mix.

*Background*

* For electric utilities—including not-for-profit public power utilities—Winter Storm Uri and the arctic blast it created posed significant challenges.
  + Coldest three-day stretch on record. This stretch didn’t just break records, it shattered them (per WFAA Dallas):
    - Feb. 14 the low was 9° in Dallas, which shattered the old record of 15° set in 1936.
    - Feb. 15 the low was 4°, which shattered the old record of 15° set in 1909.
    - Feb. 16 the low was -2°, which shattered the old record of 12° set in 1903.
* Extraordinary weather created a “triple whammy” for utilities:
  + The cold weather drove high demand for natural gas and electricity.
  + Generation in many cases was constrained due to natural gas well and pipeline freezes, wind turbine freezes, the wind not blowing, coal pile freezes, and freezes at power plants themselves, although much of the freezing occurred in Texas rather than in SPP and MISO. Nuclear and hydropower were functioning as far as we understand at this point, but we are aware of one nuclear plant that tripped off in Texas due to the effects of extreme cold on the non-nuclear side of the plant. Solar is not a major part of the energy mix but was unavailable in some cases because of the lack of sun or snow/freeze on solar panels. Diesel “peaking” “generators functioned well and were able to aid grid stability.
  + Spiking natural gas prices soared, contributing to extremely high wholesale energy market prices in ERCOT, SPP, MISO, and even other regions.

*What are the financial impacts on public power?*

* First, it’s worth noting that public power’s customers really are the utility. They have no shareholders or equity investors, so any impact will be borne by customers.
* Some members of the public power community—particularly joint action agencies, which serve power public power utilities—have reported spending more than their entire 2021 budget for natural gas within days.
* Similarly, public power utilities who buy power on the wholesale market were forced to pay high prices to obtain power to serve customers.
* Not all public power utilities were negatively impacted financially.

*What is the outlook?*

* Impacted public power utilities are looking at high bills coming due for fuel and power. They have no choice but to pay.
* Unless relief comes, these high costs will need to be shouldered—eventually—by customers and baked into electric rates.
* This event underscores the importance of electric utilities embracing a diverse, robust resource mix.
* This situation also underscores the benefits of utilities owning and operating their own generation resources.
  + We need access to comparable incentives for developing renewables and nuclear, we are effectively not given that option.

*What can be done?*

* [APPA and APGA asked President Biden to take action by capping the price of natural gas](https://www.publicpower.org/system/files/documents/APPA-APGA%20Letter%20to%20President%20Biden.pdf).
* [APPA and APGA asked FERC and DOE to investigate the cause of high natural gas prices during Uri](https://www.publicpower.org/system/files/documents/APPA-APGA%20FERC%20letter.pdf).
* We are working with our members to determine longer-term advocacy priorities, including—but not limited to—legislative action.