



Chapter 3

Preventing a Sellout Attempt from Emerging

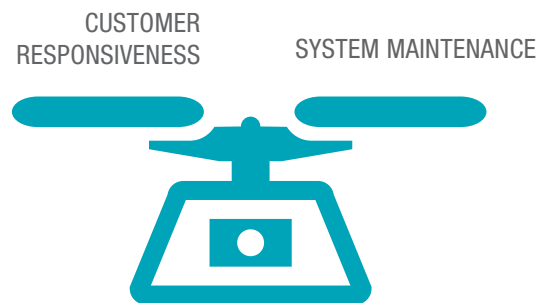
The best defense against a sellout attempt is a well-run utility and customer-owners who understand the value of public power ownership.

One survey examined the history of public power utilities in Minnesota over 100 years, looking at why some public power communities sold their utility, and what happened in other communities that evaluated selling and chose to retain public ownership. The report found:

The overriding conclusion from reading the accounts of these past buyout discussions is that there is no silver bullet or sophisticated public relations effort that prevented the sales of these municipal electric utilities. Municipals that consistently do a good job by responding to their customers and maintaining their systems have very little to fear from the buyout threat.²⁰

Before a buyout offer or the idea of a sellout ever emerges, run your utility as effectively as possible. Identify your utility's strengths and weaknesses and recognize the warning signs that a buyout offer or sellout campaign may emerge. Follow through on plans to mitigate those problems and develop a communication campaign to build knowledge and goodwill in your community. If you face a sellout or buyout attempt, it is vital that citizens understand the value and benefits the community receives from your utility.

Lessening Buyout Threats



Operating a Successful Public Power Utility

Public power utilities offer competitive rates, high reliability, local control, public ownership and accountability, and responsive customer service to the communities they serve.

While public power utilities vary—in size, structure, resources, customer composition, community priorities and more—several key areas are important to public power's success. The relative importance of each of these areas will vary from utility to utility, and will likely evolve over time to meet changing needs, so it is important to reevaluate your utility's operations and strategies regularly to ensure they align with your community's short- and long-term goals.

²⁰ "A Brief History of the Sales of Municipal Electric Utilities in Minnesota," Minnesota Municipal Utilities Association, 2011.

10 Keys to Success



Provide superior customer service.

Use the advantages of local responsiveness and quality service to assure that your service levels lead the industry. Continually communicate with customers to ensure they remain loyal.



Deliver value through power supply management.

Understand power supply options and work to increase supply diversity and limit price volatility, while assuring economic value for customers.



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.



Keep the public in public power.

Promote public power's distinct role in the community. Demonstrate the benefits of local ownership and community advocacy, and continually communicate the value of public power to your customer-owners. Beyond keeping the lights on, make sure your customers know about everything else you do to support the community.



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.



Lead in environmental stewardship and compliance.

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



Build consensus through democratic governance.

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



Promote human resource excellence.

Recognize the overriding role that human resources play in the implementation of successful strategies by investing in your human capital and making your utility an employer of choice in your community.



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.



Invest in your technology future.

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

Know Your Value

Have a general understanding of the value your utility provides to the community before a sellout question arises and communicate this value to the community.

The “value” of your utility to the community is much more than the price tag that someone would attach to your poles and wires. It is the cumulative (often intangible) benefits your utility brings.

Refer to Chapter 2 on the Benefits of Public Power; all of these benefits are part of your value. (Even if every item on the list doesn’t apply to your utility—for instance, if your rates are higher than some of your neighboring utilities, or you do not have an economic development program—there are many more benefits that public power utilities provide that should be factored into your overall value).

Determining Your Value

When determining your value, it may help to make a list of all the benefits your utility offers your community. Possible benefits to consider:

- Financial support for local government**
The dollar value of any payments in lieu of taxes or transfers to the general fund
- In-kind contributions**
The dollar value of all the other ways your utility supports the local government and community; e.g., free or discounted services; maintaining streetlights; hanging signs, banners or holiday lights around town, etc.
- Savings through more efficient municipal operations**
The savings you help the city achieve because the utility is a municipal department; e.g., shared (more efficient) metering or billing operations; shared personnel; shared office space, etc.
- Lower rates**
The sum of all the money everyone in your community (residential and business customers) saves on their electric bills because your rates are lower than nearby investor-owned or electric cooperative utilities
- Local employment**
The sum of all the wages, salaries and benefits you pay your employees who live in the community. Take into account the multiplier effect, which shows that each dollar of your employee’s paychecks will circulate through the local economy four to five times.
- Supporting local business**
The dollar value of all the goods and services the utility purchases from local companies, or value of the utility’s business to local financial institutions
- Community sponsorships and engagement**
The value of all your community sponsorships, in-kind contributions (e.g., assistance with stadium or special event lighting) and other community activities
- Energy efficiency and customer programs**
The dollar value of the total amount of energy saved by members of your community through utility energy-efficiency programs; or the value of other utility programs that help your customers
- Economic development**
If your utility helped attract new business to your community or helped existing businesses expand, you can take credit for the economic impact those businesses have on your community.

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The Rest of the Equation

Do not forget the intangibles. You may not be able to put a price tag on these benefits, but that doesn't make them any less real.

- Local control**
Your utility has heightened accountability and transparency; supports local priorities; and the benefits of ownership
- Reliability**
The combination of public power's focus on core functions, local operations, and extensive mutual aid networks means public power utilities are more reliable than private utilities
- Customer service**
With their community-focus and greater accountability, public power utilities prioritize customer service in a way that private utilities rarely do
- Community improvements**
Utility participation in community events and investments in reliability, infrastructure and local priorities enhance local quality of life



MORE INFORMATION

Refer to Chapter 2 for more information on the quantitative and intangible benefits of public power that contribute to your overall value.

Communicate Your Value

It is not enough for you to know the value of your utility: your stakeholders need to know as well. Ensuring your stakeholders know the value of your utility can help prevent a sellout/takeover attempt from emerging and can boost the goodwill needed to defend your utility if the situation arises.

Communicating the value of your utility must be an ongoing effort. The individuals making up your stakeholder groups are constantly in flux, and those individuals will not always be paying attention. You need to make the information easily accessible to them—and available when they are ready to hear it—which means constant communication.

Who Are Your Stakeholders?

- Board members & city leadership
- Employees
- Customers (residential and commercial)
- Media

