



Successful Public Power Campaigns

Despite all the hurdles, many initiatives to form a new public power utility succeed. When a community decides to take control of its energy future and examines public power, it can deliver long-term benefits to its citizens.

Learn from the experiences of other communities that have gone through the process, and the elements that are necessary to lead a successful public power campaign.

Keys to Success

While every municipalization campaign is different, initiatives that result in formation of a new public power utility generally share these elements:

- The city has the legal basis to form the public power system;
- An economic feasibility study shows there would be sufficient savings from the public power operation when compared with continued service from the incumbent utility;
- The community has the political will to see the project through;
- Policymakers and citizens are well informed and understand the benefits of public power;
- The business community or several of its most influential leaders support the effort;
- The city can put together the financial resources for each phase in the process of starting the utility, possibly with the backing of an interested party such as a local industry or a potential attractive wholesale power supplier; and

- The cooperation of the incumbent utility, or failing that, the community resolve to do what it takes to establish the public power utility.

Keeping all key players informed throughout the process is vital. Make citizen education a priority. Involve local businesses and influential members of the community in the conversation. Start early to explain why your community should consider the public power option and do so in a way that resonates with local residents and businesses. Be transparent, and keep the media informed of your goals and process.

Rocking the Boat

You do not have to be completely sold on forming a new public power utility before starting a conversation. Conducting a feasibility study with a qualified, experienced firm will help answer any questions or doubts you may have. Sometimes just going through the evaluation process can improve your community's situation. Public power initiatives often bear fruit even when they do not result in the creation of new utilities, so do not be afraid to rock the boat.

Many communities drop efforts to form a public power utility because the incumbent utility responds to the competitive threat and offers valuable concessions. These may include lower rates, improved service, and higher standards for reliability. Importantly, citizens see that they have negotiating power and alternatives to the incumbent utility.

There are many examples of public power initiatives that did not result in the formation of a new utility, but

nonetheless brought important benefits to the community. Here are a few:



Casselberry wins “favored” status

After two years of failing to negotiate a renewal of its franchise agreement with Progress Energy, the City Council of Casselberry, Florida, voted to begin buyout proceedings in April 2013. The investor-owned utility finally was motivated to make a better deal. In August 2013, the city accepted a new agreement that included a 6 percent franchise fee (the highest in the state); reimbursement of \$1.75 million in expenses incurred while the franchise agreement was in dispute; and a “favored nation” clause entitling the city to a better deal if the utility gives a better one to any other municipality. Casselberry also secured a mandate for a reliability study every five years to evaluate the utility’s service. Progress Energy is required to rectify any identified reliability problems.



Wichita gets rate relief

Faced with rate hikes on top of already high electric rates, Wichita, Kansas, began looking at the public power option. In February 2001, the city released a municipalization feasibility study showing it could save as much as \$654 million in electricity costs over the next 20 years. The feasibility study gave Wichita the leverage it needed: six months later, \$28 million in electric rate relief was headed for Wichita. The rate cut ordered by the Kansas Corporation Commission gave electric utility customers in the city about 85 percent of the rate relief that a consultant’s study said the city could achieve if it were to take over the power system.



Minneapolis scores two clean energy partners

Minneapolis wanted the two investor-owned utilities serving the city, Xcel and CenterPoint, to support the city’s clean energy goals. With both franchise agreements due to expire at the end of 2014, community leaders recognized that to get the investor-owned utilities on board, “the city [was] going to need some leverage and some real power,” according to John Farrell, leader of the group Minneapolis Energy Options. “We [did not] think [the city was] going to have any real power unless they start talking about municipalization.”³³ The strategy worked.

With the leverage provided by evaluating its public power option, Minneapolis forged a strategic partnership with its two incumbent utilities to reduce greenhouse gas emissions 30 percent by 2025, and 80 percent by 2050.

Successful Public Power Initiatives

A total of 50 public power utilities were formed in the last 30 years. Here is a brief summary of how five of these utilities were formed.

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| JEFFERSON COUNTY, WASHINGTON (2013) | 18,000 customers |
| WINTER PARK, FLORIDA (2005) | 13,750 customers |
| HERMISTON, OREGON (2001) | 4,900 customers |
| LONG ISLAND POWER AUTHORITY (1998) | 1,035,000 customers |
| CLYDE, OHIO, LIGHT AND POWER (1989) | 2,600 customers |



Jefferson County negotiates a purchase of the electric system

In November 2008, Jefferson County, Washington, voted 54-46 percent in favor of authorizing the public utility district to become an electric utility. Under state law, public utility districts have the right to use eminent domain to acquire private electric utilities, but Jefferson County’s PUD commissioners were determined to try to negotiate a purchase first, even though Puget Sound Energy was opposed to selling the system.

The first meeting after the vote brought together Puget Sound President and CEO Steve Reynolds and PUD Commissioner Wayne King. When Reynolds started to discuss the cost of a potential condemnation suit, King responded “We had hoped we could sit down and talk about this over a cup of coffee.”

This initial conversation set the tone for the negotiations; a year later, the two sides agreed to a purchase price of \$103 million for the electric system in east Jefferson County. The commission felt the negotiated terms would provide customers a smoother, more efficient and potentially lower transfer cost than if they pursued condemnation.

³³ “Leverage: How a municipalization threat created a unique energy partnership in Minneapolis,” Utility Dive, October 23, 2014.

The new public power utility is bringing more jobs to the county. The PUD already employed eight people to operate its water and sewer systems; operating the electric utility requires another 20-30 full-time employees, including lineworkers, engineers, and office staff. The PUD is committed to running the new utility strictly with its own employees.

Commissioner Barney Burke said, “One thing almost everyone in Jefferson County can agree on is the need for more family-wage jobs.” The new utility jobs boost the local economy by adding such jobs. This economic advantage is boosted by the PUD’s commitment to purchase supplies locally whenever possible. Local hiring also means faster response times in case of an outage, as lineworkers will no longer be based in another county.³⁴



Winter Park chooses to focus on reliability

Winter Park, Florida, formed a public power utility in 2005 after a six-year struggle to take over the electric distribution system. Winter Park’s effort was sparked by persistent problems with Florida Power Corp. City leaders were barraged with complaints about outages. The private utility’s franchise was nearing expiration. The franchise agreement included a clause allowing the city to buy the distribution system at the end of that period. In 2003, residents turned out in droves and voted overwhelmingly—by 69 percent—in favor of the city’s plan to form a municipal electric utility.

The utility began operations in 2005. The city contracted with ENCO Utility Services Inc. of California to operate the utility under a 12-year contract and committed to use all of the revenues from its electricity sales—except for a contribution it has agreed to make to the city’s general fund—for capital improvements. The city committed to undertake a strong program to improve the reliability of electric service, in part by putting a significant portion of the power lines underground.



Hermiston takes control to improve rates, customer service

Hermiston, Oregon, formed a municipal utility in 2001 following a four-year effort that began after the investor-owned utility closed its local customer service

office and citizens experienced a decline in service. Citizens approved a plan to take over the electric distribution system. The investor-owned utility fought Hermiston’s condemnation proceeding, but a court ruled in favor of the city. Subsequently, the utility agreed to sell the system to the city for \$8 million, about twice book value.

The switchover on October 1, 2001, went smoothly for customers and the local newspaper, East Oregonian, which had opposed the formation of the city-owned utility, reversed its stance after the new utility started operations.

Hermiston Energy Services reduced customers’ rates in its first year of operation and the utility’s average rates for both residential and commercial customers remain well below the average rates that its former investor-owned utility charges its customers in Oregon.



Long Island forms one of the largest public power utilities

Long Island Power Authority (LIPA) replaced the investor-owned Long Island Lighting Co. in Nassau and Suffolk counties in New York and now serves well over a million customers. In May 1998, after LIPA purchased the investor-owned utility’s transmission and distribution system, it reduced electric rates across the board by an average of 20 percent.

In addition, LIPA put special attention on the distribution system’s safety and reliability. Employee morale improved dramatically with LIPA’s fresh start due to its nonprofit, public-service outlook and its new emphasis on safety.

LIPA has a special relationship with its business and industrial customers, taking an active role in business and civic organizations. LIPA provides qualified businesses with the opportunity to obtain rate incentives and energy efficiency audits. More than 300 companies have taken advantage of LIPA’s economic development program, creating nearly 50,000 jobs.



Clyde constructs its own distribution system

When Clyde, Ohio, decided to pursue formation of a municipal utility, the initiative was entirely supported by Whirlpool, the town’s largest employer. Citizens of the town of 6,000 voted “yes” in a

³⁴ “Jefferson PUD Electric Service Backgrounder,” May 3, 2010; and “Jefferson PUD Frequently Asked Questions,” January 16, 2012.

referendum and the town borrowed \$11 million to install its own poles, wires, transformers and electric meters to compete head-on with the incumbent utility, Toledo Edison.

Five years after the municipal utility began operations, its electric rates were 30 percent lower than those of the investor-owned utility, and most people in town (except Toledo Edison's employees) had switched to public power. The town succeeded in doing exactly what Toledo Edison said it never could: it created a fully functioning public power utility with significantly lower rates.

Clyde's success has also benefited its neighboring communities that are still served by Toledo Edison. Losing Clyde's customer base motivated the investor-owned utility to do some belt-tightening to ensure it retained its other customers. As cited in 1994 comments to the Federal Energy Regulatory Commission:

"Since losing Clyde [Ohio] retail load, Toledo Edison has entered into dozens of new incentive 'contract' arrangements with many of its industrial, commercial, schools and other governmental customers, providing rate discounts to retain load and encourage new load growth. Since losing Clyde, Toledo Edison has also cut its dividend, cut its internal costs, frozen executive salaries, foregone pre-approved retail rate increases, frozen base rates, implemented new marketing programs, reduced debt, written down or off assets, and announced a general creed that it would do whatever possible to avoid ever again losing a customer due to high rates. These are the appropriate ways to respond to competition..."³⁵

³⁵ FERC Docket RM 94-7-000