PUBLIC POWER AS AN ENERGY CAREER PATH: DOING WELL WHILE DOING SOME GOOD TOO

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Graduating in times like these can be intimidating; seems like choices are few—try to join the 1% or demonstrate with the 99%?

But if you look more closely, there are ways to carve out a meaningful career path that hews to a middle way; enabling you to do well (so long as you don’t crave the trappings of the 1%) while doing some good too.

I am hear to talk about one such career path, which I stumbled on early in my legal career.
Our nation’s electric utilities come in three flavors:

- Investor-owned (usually publicly-traded): management must balance need to provide quarterly dividend and keep stock price up with serving utility customers at reasonable rates (200 or so)
- Rural electric co-ops: owned directly by customers they serve (900 or so)
- Public power systems owned by units of state or local government—responsible to the voters/customers (2000 or so)
Public power systems and co-ops are not-for-profit: so they can concentrate on the sole mission of providing reliable utility service to customers at the lowest reasonable cost consistent with good environmental stewardship.

Since they are owned directly or indirectly (via medium of government) by customers they serve no split incentive between shareholders and customers.
When IOUs propose to install smart meters, many customers presume utility is doing it to increase investment in rate base and thus their profits from providing service.

When co-ops/public power systems propose a smart meter installation, that is not an issue; the utility will not make money off the installation, so discussion can move to the merits of the installation (will it improve service? Will it save customers money over time?)
My Career Path

- Started out as an associate in a large corporate law firm with no career plan; but gravitated to the energy practice
- Became familiar with the industry; the firm was representing IOUs, but I found out that public power systems existed, watched them in action, and decided they were taking the right policy positions for the right reasons (consumers would benefit)
- So moved to a small boutique firm that represented consumer owned utilities
Eventually was recruited to join the American Public Power Association as its General Counsel and SVP of Policy Analysis in 2004

APPA is the national trade association of public power systems; I represent the members’ interests before administrative agencies in Washington and assist in analysis of legislation before Congress

Not a registered lobbyist, but I am a “hobbyist”
An independent agency, the Federal Energy Regulatory Commission (FERC) regulates wholesale electricity sales and transmission of electricity in interstate commerce under the Federal Power Act.

State public utility commissions (like the California Public Utilities Commission) regulate retail sales and local distribution of electricity.
Three basic components

- Electric generation (powered by nuclear, coal, natural gas, wind, solar, geothermal, etc.) (and more recently, Energy Efficiency and Demand Response)
- Higher Voltage Transmission facilities (across states and regions) (think interstate highways)
- Lower Voltage Distribution facilities (think service and residential roads)

Traditionally utilities owned and operated all three to provide retail service to customers (“bundled” service); rates were based on the costs incurred
Starting in the mid-1990s, a movement to “deregulate” electricity at retail level started right here in CA—idea was to allow customers to choose their own power supplier (while using local utility wires) to increase competition and decrease costs.

IOUs were “unbundled”– they sold off their generation (to independent companies or unregulated affiliates) and the new owners sold the power at “market-based rates”
In many regions of the country, the utilities’ transmission facilities were turned over to “Regional Transmission Organizations” or “Independent System Operators” (RTOs/ISOs) to operate: California has the CAISO.

About 30 states implemented some form of retail access; Enron was deeply involved in lobbying for such laws in many states, arguing that consumers would benefit from “customer choice”
Public power systems and co-ops, being locally-owned and controlled, did not unbundle; they still are committed to providing service to all in their service areas at the lowest reasonable cost.

We believe this model works well for our customers, given the very substantial investment in long-lived assets (generation and transmission) needed to ensure service, and the not-for-profit nature of our service.
The California Electricity Crisis of 2000 exposed the shortcomings of the new market model, and in particular the susceptibility of power markets to manipulation in the absence of adequate regulation.

But it was impossible in most cases to “rebundle,” so about 2/3 of the nation now has restructured power markets with market priced generation, RTOs/ISOs and retail choice (at least in theory).
APPA’s members starting in 2004 became concerned with the direction of restructured wholesale power markets; prices were increasing, while promised benefits (more suppliers coming into the market, for example) were not occurring.

Started the Electric Market Reform Initiative (EMRI) to first study and then recommend changes to wholesale power markets operated by RTOs/ISOs (www.publicpower.org)
RTOs/ISOs now run a variety of centralized power markets for different products (spot power, ancillary services, right to call on generation units 2-3 years into the future (capacity)

- Markets have limited number of participants, repeated auctions, locational pricing (higher prices in constrained portions of the system), and single clearing price

- Supported by economic theory, but results are suboptimal to say the least
APPA’s Competitive Market Plan

- APPA has proposed reforms to such markets to try to better balance the interests of consumers and generators/asset owners.
- Fighting an uphill battle because incumbent generators are making much money in these markets, and wield considerable power when it comes to setting market rules.
- FERC is supposed to regulate, but often defers to the RTOs (who in turn defer to the asset owners).
The Challenge of the Next Few Years

- Economy coming out of recession: increased demand may follow
- New EPA regulations requiring many coal-fired generators to retire or retrofit: how will they be replaced and with what?
- Ramp up of renewable portfolio standards will create new strains on the system and need for new infrastructure
- All this will require more money, which is in short supply
Many professionals in our industry are baby boomers and will be retiring in coming years.

Creates the need for newly-minted professionals to enter the industry and help develop the next set of solutions and regulatory rules to help navigate this transition.

Which means there might be a place for you in our industry, and particularly in the public power/co-op segment.