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Governance in Public Power: The Role of Policymakers in Today's Marketplace

The success of the public power business model depends on utility managers receiving clear guidance from engaged and well-trained governing boards. A high-performing governing board can be one of the utility's most valuable assets. To be successful, these officials must understand their responsibilities, stay current on industry challenges, and serve as ambassadors for public power by promoting the value of living and working in communities that deliver their own utility services.



What Is Governance

Governance refers to the structures and processes that ensure accountability, transparency, responsiveness, stability, equity and inclusiveness, empowerment, and adherence to the rule of law. For public power utilities, governing boards consist of local officials focusing on what matters most: meeting the needs of customers and the community. Board members serve as stewards of all utility functions, including power supply, distribution operations, budgets, rates, capital improvements, finances, customer services, cybersecurity, physical security, and regulatory compliance. The board preserves the benefits delivered by public utilities by ensuring there are resources and direction to address the unique needs of their community. This might include:

- Keeping energy costs low and reliability high
- Meeting customer demands for resilience during extreme weather events or other disturbances, distributed energy resources, EV charging, quicker response times, and instant access to outage and account information
- Prioritizing safety and other areas of regulatory compliance to protect employees, citizens, and the environment
- Attracting businesses and promoting economic development
- Providing transparent communications that meet open records ordinances and reinforce the value of public power

Models Of Governance

Most community-owned utilities are governed by one of two models:

1. Independent Utility Governing Board

The sole responsibility of the independent utility governing board is overseeing utility services, which may include electric, water, waste water, and broadband. Governing board members may be appointed by the mayor or city council, or they may be elected by citizens. Among the nation's 2,000 public power utilities, about 40 percent are independently governed.

2. City Council Governing Board

City Council members are responsible for all municipal activities, including utilities, parks, streets, public transportation, libraries, police, fire, and other city services. Because their responsibilities are so broad, city councils may turn to utility advisory boards for guidance on such issues as rate increases, utility policies, operating and capital budget development, and addressing customer concerns. The advisory board can be a highly beneficial component of the governing process IF roles, responsibilities, and expectations are crystal clear and lines of communication with the city council remain open.

Who Does What

Key to every community utility's success is a clear understanding by all parties of the differences between governance and management. Management takes care of the daily operations. Governing boards are responsible for oversight and planning, to guide but not manage:

- Hiring, oversight, evaluation of CEO
- Financial oversight
- Developing and approving the utility budget
- Setting rates and financial policies for long-term viability
- Reviewing financial indicators and metrics
- Approving large expenditures
- Approving issuance of debt through bonds
- Strategic planning

The same basic principles of governance apply to all organizations. The micromanagement of daily operations by the governing board is a recipe for failure. Governing bodies must empower utility personnel to perform at their best by enabling the utility to adapt to changing industry dynamics and develop long-term plans.

Promoting The Public Power Advantage

Since the first public power systems were formed about 140 years ago, their communities have enjoyed lower rates, greater reliability, local employment, support of local businesses, and reduced local taxes because utility services provide contributions to the city's general fund.

Public power utilities are locally controlled and operated on a not-for-profit basis. Residential customers of public power utilities pay less than customers of investor-owned utilities. Public power utilities also

deliver more reliable electric service. Collectively, public power utilities employ 96,000 people in hometown jobs.

But operating utility services is a complex matter. Among the challenges for public power is paying competitive salaries for highly-skilled workers. Neighboring investor-owned utilities or rural electric cooperatives may offer enticements to take over the delivery of utility services, promising economies of scale and relieving city officials of the “burden” of managing utilities. But “selling out” is short sighted. Through the efforts of the utility governing board and staff, citizens must understand the financial and service quality consequences of relinquishing local control of utility services.

Importance of Good Governance Today

The process of delivering electricity to cities and towns remained largely unchanged for more than a century. But today, governing boards must help utility personnel address a large variety of requirements:

- Deliver environmentally friendly power
- Finance and deploy new technologies and information systems that vastly improve operations and customer service
- Give customers insights into their energy usage and payment options
- Address needs of a number of customer categories (e.g., low income, renters versus homeowners, elderly, English as a second language)
- Comply with expanding state and federal regulations
- Build effective cyber and physical security systems to meet today and tomorrow’s threats
- Protect the core values of public power far into the future
- More reliable service at less cost, good paying local jobs, and channeling significant dollars to support municipal parks, streets, libraries, public safety, and other amenities

Local utility policymakers must contend with accelerating and increasingly turbulent changes to preserve the benefits of public power. But the rewards of this public service far outweigh the costs. And there are a plethora of educational resources available to help independent governing board and city council members be effective stewards of community-owned utilities.

Governing Board Development & Training By Hometown Connections

Hometown Connections works closely with governing bodies, executives, and staff from scores of utilities across the United States with the common goal of strengthening public utilities and the value they bring to their local communities. We help public power governing officials obtain a clear understanding of the industry’s complex technology, regulatory, financial, and human resource issues. Our consultants brief governing officials on industry conditions, best practices for good governance, and how to work with and guide the utility staff. To discuss your utility’s current challenges and how Hometown Connections can help, send an email to info@hometownconnections.com.



Transformational Consulting Solutions for Community-Owned Utilities

By Staff of Hometown Connections, Inc.



“Policymakers Handbook: A Nuts & Bolts Guide To Governance In Public Power”

Written for the American Public Power Association by Steve VanderMeer of Hometown Connections, this publication explains in detail the duties and responsibilities of public power policymakers (board members, council members, commissioners, and trustees). Containing advice and information useful to both new and experienced board members, the handbook covers board and management relations, strategic planning, monitoring utility performance, governance and utility competition, relationships with local governments, and federal issues impacting public power. Available in digital and hard copy format. Order [HERE](#).

