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Energy in Nebraska: The Dual Role of Public Power Boards and the Energy Trends They Face

NPPD, OPPD, and LES

Kenneth Colburn
Principal
Symbiotic Strategies LLC

Nancy L. Seidman
Senior Advisor
The Regulatory Assistance Project (RAP)
Today’s Topics

• Overview of Governance and Fiduciary Responsibility
• Trends Affecting Board Responsibilities
• Exercise / Discussion
• Final Thoughts
What is the Role of a Board?

- Establish direction, goals, and metrics for the organization
- Provide (ensure) the needed resources
- Hire the CEO (who hires the rest)
The Dual Role of Public Power Boards

• Entities usually governed by boards of directors
  - Each director owes a fiduciary duty

• Utilities also generally overseen by regulators

• In public power entities, governance and oversight responsibilities fall to the same individuals!
What Is a “Fiduciary Duty”? 

- Obligation to act in the best interest of another
- Requires a special trust, confidence, and reliance
- Forbids (by law) actions adverse or contrary to the interests of the client, or for one’s own benefit
- Held to high standards of honesty and disclosure
What Are a Director’s Responsibilities?

A director shall undertake a fiduciary:

• Duty of Care
  - Act as a reasonably prudent person would

• Duty of Loyalty
  - Act in the best interests of the corporation, not self

• Duty of Obedience
  - Stay true to the mission, remain faithful to goals

• “Duty of Good Faith” (increasing; now required in some states)
Utility regulators must:

- Balance the public interest,
- The interests of electricity suppliers, and
- The interests of ratepayers

...Through rates and other charges that:
- Are just and reasonable
- Reflect no undue discrimination
- Compensate suppliers for used and useful assets and services
What Are a Regulator’s Responsibilities? (2)

Public power “regulators” also:

- Typically have one employee – the CEO
- Often face “return of capital” issues (like ROI with IOUs, or capital credits for cooperatives)
- Face varying degrees of state regulatory oversight
- Are typically subject to federal requirements (e.g., PURPA)
One More Thing: Who Represents Consumers?

- Most states also have an official “Consumer Advocate” role
  - Office of Consumer Advocate (or Public Counsel, etc.), administratively attached but separate from the PUC
  - Unit of the Attorney General’s Office
  - Citizens’ Utility Board (“CUB”), sometimes private
  - National organization: NASUCA

- Who represents your consumers?
  - “I do; that’s who elected me!”
  - But you’re already “director” and “regulator”…
  - An open, and difficult, question

Their wallets AND their values!
Questions? Quick Comments?
Energy Trends Affecting Nebraska
What’s Happening in Your Industry

- Transforming power sector
- Capitalizing on lower-cost resources
- Adding jobs; economic benefit
- New demands from the financial community (environmental, social, governance)
- Consumers’ desire for cleaner energy
- Improving resiliency and reducing climate impacts in Nebraska
The Evolving Utility  ... Several Daunting Trends!

YESTERDAY
- SAFE
- RELIABLE
- AFFORDABLE

TODAY
- SAFE & SECURE
- RELIABLE & RESILIENT
- AFFORDABLE
- CUSTOMER-FOCUSED
- INCREASINGLY CLEAN

TOMORROW
- SAFE & SECURE
- RELIABLE & RESILIENT
- AFFORDABLE & EQUITABLE
- CUSTOMER-FOCUSED & INTERACTIVE
- CARBON FREE
- SERVICE PLATFORM
- PLATFORM FOR OTHER INFRASTRUCTURE
Disruptive Technologies Transforming Electricity

Source: Chandu Visweswariah, Utopus Insights Inc.
Supply Resources: Which Trend to Bet the Farm On?

It’s now cheaper to build & run renewable generation than to run fossil generation.
And Storage Is Following the Same Trendline

McKinsey: “Will Batteries Disrupt the Utility Industry?”

(Resetting the Cost Base, March 14, 2018)

Partial grid defection likely makes economic sense within a few years; full defection will take longer.

Projected cost of electricity¹

1. Levelized based on upfront capital cost and annual operations over total energy production.
2. Grid-defection economics are estimated based on solar power and storage for a hypothetical Arizona residential customer. Partial grid defection assumes that 10% of power needs will be supplied by the utility grid. Full defection assumes addition of a small generator for backup power.
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<tr>
<th>TODAY’S GRID</th>
<th>TOMORROW’S GRID</th>
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<tr>
<td>Centralized, 1-way</td>
<td>Distributed, omni-directional</td>
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<td>Small-scale uncertainty</td>
<td>Large-scale</td>
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<td>Rate payers</td>
<td>Static planning</td>
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<td>Generation follows load</td>
<td>Load follows generation</td>
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Complete Transformation of the Power Sector!

*Source: Dr. Chandu Visweswariah, IBM Smarter Energy Research Institute, 2017.*
Investor-Owned Utilities’ Carbon Targets

Source: SEPA, 2021
IOU, Public Power, Co-op, & G&T Carbon Targets

Source: SEPA, 2021
US States with 100% Clean Energy Targets

https://www.cesa.org/projects/100-clean-energy-collaborative/
How Does Public Opinion in Nebraska Compare?

- All but 1 state with targets are within 4% of NE
  - RI more, but
  - CT, LA, NM, NV less!
- NE’s % here > than AZ, CA, DE, ME, MI, VA!

Source: RFF, Climate Insights – Opinion in the States, 2020
Age Cohorts Don’t Favor Delaying Action – Younger people want action more
Job Growth Strongly Favors Clean Energy

Figure 32. Electric Power Generation Sector – Employment by Detailed Technology

Energy wages average ~2.2x national median

Wall Street’s View on ESG (Environmental, Social, Governance)

Co-ops & Public Power are rated too, not just IOUs!

BTW, ESG includes DEI today.
To Recap on Trends:

- Transforming power sector (BE, Load Flexibility)
- Capitalizing on lower-cost resources
- Adding jobs; economic benefit
- New demands from the financial community (ESG)
- Consumers’ desire for cleaner energy
- Improving resiliency and reducing climate impacts in Nebraska
“But We Don’t Know How to Do It Fully Yet…”

• Nobody does. Neither did JFK & NASA in May 1961.

• Goethe (edited): “The moment one commits oneself, providence moves too. All sorts of things occur to help that would never otherwise have occurred.”

• “In action, there is learning. You never will know how until you begin.”

• “ASK an engineer => problems. TELL an engineer => solutions.”
Reactions, Discussion & Group Exercise
Consider:
• Risk avoidance / minimization?
• Cost avoidance / minimization?
• Stranded cost avoidance?
• In the best interest of whom?
• Long-term viability?
• Public health and safety?
• Equity and vulnerable populations?
• Jobs and economic wellbeing?
• Consumers’ interests
• Other factors?

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Back to the Role of a Board…

- Establish direction, goals, and metrics
- Ensure resources
- Hire CEO (who hires the rest)

Leadership!
About RAP

The Regulatory Assistance Project (RAP)® is an independent, non-partisan, non-governmental organization dedicated to accelerating the transition to a clean, reliable, and efficient energy future.

Learn more about our work at raponline.org

Contact us at:
kcolburn@symbioticstrategies.com
nseidman@raponline.org