



# PUBLIC POWER FACT SHEET

## What is public power?

Public power utilities are not-for-profit local institutions that provide electricity as an essential public service at a reasonable cost. Public power utilities are supported by customer revenues, not taxes. In fact, public power utilities provide substantial payments in lieu of taxes to state and local governments. In Nebraska, more than \$100 million has been paid to local governments (PILOT, lease payments, transfers).

## Who does public power serve?

- More than 3,000 community-owned electric utilities serve 90 million people across the U.S.
- There are public power utilities in 50 states, but Nebraska is the only state where 100% of the customers receive their electricity from a community-owned utility.

## What are public power's unique benefits?

- **Community-focused.** Public power means that customers have a voice in decisions made by their utility. We are owned and accountable to the people we serve. The governance structure for each utility varies — some are governed by the city council and others are controlled by a utility board whose members may be elected or appointed by the city council or mayor.
- **Low cost.** On a national basis, private power residential customers pay average electricity rates that are about 1.4 cents more per kilowatt hour. Electric rates in Nebraska are highly competitive. Major industries that locate to Nebraska cite low electric rates as a key factor in their location decision (e.g., Monolith's carbon black plant and proposed new headquarters, Costco chicken plant in Fremont).
  - U.S. Energy Information Administration (EIA) rankings of residential rates through 2015 indicate Nebraska has the 10th lowest residential rates in the country. Nebraska residential rates are 16% below the national average, and 31% below the average of states that offer retail choice.
  - Nebraska generation is competitive in the Southwest Power Pool (or it would not be requested by SPP to run). While SPP market prices fluctuate hourly and daily, Nebraska generation resources continue to be competitively priced in the SPP footprint.
- **Reliable.** Community-owned utilities' rates pay for maintenance and reinvestments in important infrastructure needs.
- **Good neighbor.** Community-controlled electric utilities are committed to conservation, environmental stewardship and safety. We work to meet the needs of long-term community goals.
- **Transparency.** Public power systems are subject to sunshine laws (open meetings and public records).



*“Nebraska Public Power’s Competitiveness in the Regional Energy Market” prepared by Ernie Goss, Ph.D. for the Wind is Water Foundation*

Parts of the study are accurate and other parts are inaccurate or at least grossly misleading. The study gives the reader the impression that Nebraska public power entities can save millions by simply retiring existing generation units and relying on the excess reserve capacity in the SPP market. This is based on an analysis of recent SPP integrated market prices driven by low natural gas prices. However, there are several shortcomings in the analysis:

- The study ignores the fact that there is outstanding debt on many of these facilities — investment that would be stranded if the units are simply retired. It is unlikely that anyone would be interested in purchasing any of these units.
- The study seems to accurately acknowledge that the SPP member utilities are required to provide capacity to the market, but the analysis ignores the associated cost of acquiring capacity (either through purchase contracts or building new generation assets) if the existing generation is retired.
- The study assumes a very short-term future view. It does not recognize the significant value that Nebraska’s coal and nuclear generation assets have provided over the years when natural gas prices were quite high. It also does not acknowledge the value that these assets could continue to provide should a scenario occur that would significantly increase natural gas prices. Rather the study assumes that natural gas prices remain low for a fairly long term. The diversity of generation resources has allowed Nebraska utilities to effectively manage price volatility and minimize risk over time.
- The study assumes that retail choice will result in lower rates for ratepayers, but our analysis of the rates in the 17 states that allow retail choice shows that Nebraska residential rates remain significantly lower than those retail choice states.
- The study suggests legislation to provide for retail choice in Nebraska. Among other things, this would require a significant regulatory structure within the Public Service Commission at added cost to the taxpayers, but that is not recognized in the study.