

Public Power

No Need to Fix What's Not Broken

By Rick Nelson, General Manager



This is a busy year at the Legislature. Several bills have been introduced that may have a big impact on you, the electric customer (and bill payer). As often is the case, there seems to be someone who wants to see change for the sake of change.

Some bills in the Legislature would lend you to think that having a choice for your electric supplier would be a good thing. Another proposed “unbundling” your bill so you get a detailed breakdown, and can see what the energy itself costs versus the costs of delivering it to you.

Let's start with the notion of giving customers a choice in electric suppliers. It may sound good on first blush, but it sure doesn't hold up when you look at the details and at what happened in other states that have tried it.

Turns out, the private power companies and a load of for-profit speculators show up looking to skim the cream, the larger customers that are most profitable to serve, and don't care a hoot about rural and small town customers. Strip those good accounts away from the PPD and watch the bills go up if you're one of the remaining accounts trying to shoulder all that overhead -- an ordinary consumer, small business, or farmer rancher.

Nebraska has always enjoyed some of the lowest rates in the country because we are the only state where 100% of the electric utilities are locally owned and locally controlled by the customers rather than absentee investors or foreign speculators.

In Nebraska, thanks to being 100% public power, a system about the size of Custer PPD doesn't have to send quarterly checks for hundreds of thousands of dollars out of state and raise rates or cut service to meet the quota.

The rates stay low and the money stays here. Let's not mess with that. It's not broken and does not need to be fixed.

The idea of providing more detailed breakouts on your monthly bill has some advantages but it also adds to our cost for what appears to be only marginally useful for a handful of customers.

Transparency is a good thing. It's one of the principles I practice from not only in this column but also on my radio shows. I'm not afraid of sharing what we do in the boardroom every month on the radio show or in this column for that matter, but until there's a clear and urgent need to spend all the money it's going to take to re-do our billing system. Let's not be wasteful.

The idea behind unbundling is something we are doing anyway, without being prodded to by the Legislature. We're doing it because it is smart and right and the most fair given changes coming to the industry.

Here's the backstory. Your monthly bill consists of basically three components: the cost of the energy itself, the cost of delivering it, and various fees and taxes where applicable.

Custer PPD, like just about every other utility in the good ol' USA, has for decades recovered some of our delivery cost through the kilowatt hour rate we charge for the energy itself.

That didn't matter much as long as we always sold enough energy to cover costs. What has changed is that more and more utilities around the country are now buying their electricity not just from major, traditional suppliers like NPPD, but also now more from people who have installed wind or solar units on their property and who sometimes have extra energy to sell.

When we reduce the amount of electricity we're selling because someone else on the system is now also selling it, we have to make sure that we receive enough money to pay for the cost of the delivery system itself, since for decades we had customarily recovered some of those delivery costs in the kWh rate. But, sell fewer kWhs, and you've got to make up the difference somehow because the poles and wire still need attention, the trucks still need gas, and the employees still need groceries.

What we are going to do in 2017 is leave our kWh rate alone but increase the fixed charge by \$4.75 a month for residential customers. The fixed charge is what helps pay for the poles, wire, and the infrastructure, regardless of how much electricity is sold on those wires or by whom.

That increase will give us the added revenue we need to keep pace with rising costs and the demands of a growing system. Doing it this way will help us prepare for the day when we may be wheeling more power generated by smaller wind and solar units scattered throughout the area we serve – and making sure that everyone pays a fair share.

In some states the failure to make these adjustments has led to a back door gimme in which ordinary folks, including in particular older and less well off folks, are in effect paying a subsidy hidden in the rate structure to affluent folks who can afford to add a \$30,000 or \$100,000 solar unit to their house and have enough political clout to talk the Legislature into making everybody else help pay for it.

For the average customer of Custer PPD, that \$4.75 is about exactly what increasing costs would have been anyway, but moving it to the fixed payment instead of putting it in the kWh rate. This will give us a head start in terms of making sure we keep things as fair as humanly possible as these other changes begin to unfold over time.

The thing about public power is that it makes Nebraska completely different from other states (in a good way!) and so we need to make sure that any change comes carefully and thoughtfully; and, is driven by what actually works here in Nebraska rather than by what works or might work in theory anywhere else.

A side note to the reference of bills in the Legislature. The bills that were in committee dealing with choice and unbundling have been killed by the committee this year, however, once an idea is planted it will be a continuing battle in Lincoln.