



## 10 Common False Charges

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### CHARGE: **Public power's time has passed.**

Not true. Public power utilities continue to be strong and successful competitors to IOUs because they continue to provide reliable, efficient service to their customers at the lowest possible cost, even in this time of industry change. Priority issues for the electric industry include investment in utility infrastructure, power supply options, environmental protection decisions, and ensuring the reliability and security of the transmission grid and other electric infrastructure. As they face these challenges, public power utilities' special relationship with their customers helps them set a course that best serves their communities' interests.

Public power utilities make good business decisions every day, as reflected by their solid credit ratings from the three major national credit rating companies, Fitch Ratings, Moody's Investors Service, and Standard & Poor's. All three companies consistently rate public power utilities higher, on average, than they rate IOUs. Management is one of the most important rating criteria for public power utilities.

2

### CHARGE: **Public power means more bureaucracy and less protection for consumers.**

In fact, with the increase in mergers and consolidations among IOUs, public power utilities actually provide *more* protection to consumers. Citizens direct the activities of the public power utility through the utility's governing board, which is made up of elected or appointed officials. In addition, many public power utilities appoint citizen panels to advise them on services, reliability, rates and other issues. Questions are answered and decisions are made publicly. Citizens have access to all meetings and records and, if they disapprove, they can vote the elected officials out of office.

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### CHARGE: **Public power utilities are not large enough or sophisticated enough to deliver excellent service.**

This statement is not true. Public power utilities get high marks for customer satisfaction because their focus is always on service to the customer, rather than profits. Service quality is not compromised by mandates from a company headquartered hundreds of miles away, which may result in staff reductions, closed service centers, deferred maintenance, or delayed tree trimming. Public power utilities match local service needs with local resources.

3

### CHARGE: **Public power utilities do not have the resources to provide reliable power in the event of a major storm or outage.**

Actually, public power utilities have a strong reliability record because they focus on core operations and take care of their own assets. Public power utilities can respond quickly to emergencies because local crews live in the community, are accountable to local officials and have intimate, expert knowledge of the electric distribution system. In the event of a major outage, public power utilities can get help from crews from other utilities through mutual aid programs.

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### CHARGE: **Blanket statements that public power costs less are simply not true.**

Statements about public power's rates being lower are true. Year after year, for over 50 years, data from the U.S. Department of Energy demonstrate that IOUs, on average, charge more for electricity than public power utilities. In 2010, residential customers of IOUs paid average rates that were 13 percent above those paid by customers of public power utilities.

# STRAIGHT ANSWERS

6

**CHARGE:**  
**Utility businesses are always most efficient when operated on a larger scale.**

This statement is false. Electricity distribution, as opposed to large-scale generation and high-voltage transmission, is local. Public power utilities keep costs down through local scrutiny of operations. With their local presence they are more responsive to customers' needs. They use strategic partnerships and joint action with other public power agencies in power supply activities to obtain the advantages of size without taking on the disadvantages of merging into larger, more bureaucratic institutions. Municipal utilities also can provide their own advantage of community economies in billing, metering, 24-hour emergency call centers, and other customer service operations when they provide more than just electric service to homes and businesses.

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**CHARGE:**  
**Public power utilities do not pay taxes or franchise fees.**

In fact, public power utilities make as large or *larger* financial contributions to state and local governments, on average, than do the IOUs. Public power utilities contribute to local governments through payments in lieu of taxes, transfers to the general fund, and free or reduced-cost services to the local government. The level of support and how the dividend is returned to the community is a local decision and another advantage of the local control of public power.

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**CHARGE:**  
**A new public power utility would not have the money and the expertise to hire and manage skilled crews, buy and maintain equipment, and provide a call center and billing service.**

This statement is incorrect. Public power utilities have electric revenues to pay for these expenses, just as the IOUs do. They purchase trucks and equipment from the same suppliers as IOUs and recruit skilled managers and other employees from the same pool of qualified electricity industry professionals as IOUs. In fact, many public power management employees began their careers working in the distribution or power supply departments of IOUs.

10

**CHARGE:**  
**Municipalization efforts, for the most part, are overwhelmingly unsuccessful and those that succeed may take many years.**

This is not true. The number of new systems formed is noteworthy – 17 in the last 10 years, 29 in the last 20 years and 65 in the last 30 years. The end results are communities that have achieved substantial benefits, including lower rates and better service. Many public power utilities were able to form in just a year or two, and in some cases the transition price was negotiated amicably. A few of the most hard-fought municipalization campaigns took eight to ten years to complete: however the average is four to six years.

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**CHARGE:**  
**Municipalization is an expensive and risky proposition.**

The debt required for the acquisition of utility assets can be substantial, but that does not mean it is not a good investment, especially if the asset will provide net benefits for many decades. And the debt is not paid back in a single year by current customers; rather, funds for repayment of the debt are collected from utility customers over many years. IOUs – who regularly issue debt to undertake major infrastructure projects – repay debt obligations in the same way, collecting the necessary funds via customers' electric bills. However, public power customers are assured that the capital investments are for the benefit of their own community, while IOU customers may be paying for projects that primarily benefit customers in another part of the state or region.