

Board Member Talking Points
February 2019 APPA Board Meeting

The American Public Power Association held its Board of Directors meeting on February 28, 2019. The meeting followed a very successful Legislative Rally. Over 600 members of the Association gathered in Washington, D.C. on February 25-27 at the historic Mayflower Hotel to consider policy resolutions (available at <https://www.publicpower.org/policy-resolutions>) and visit with federal legislators and administration officials about public power's legislative priorities (infrastructure, municipal bonds, grid security, the federal power program, wholesale electricity markets, and climate change).

This year, we had five specific "asks" at the Rally. First, our utility members asked their representatives in Congress to sign a bipartisan letter supporting tax-exempt financing spearheaded by Reps. Dutch Ruppersberger (D-MD) and Steve Stivers (R-OH). Our goal is to get over 100 members of Congress to sign onto the letter. Second, our utility members asked their representatives to cosponsor legislation by Reps. Ruppersberger and Stivers to restore advance refunding bonds. Third, our utility members asked their representatives to join the House Municipal Finance Caucus. Fourth, the Association asked our utility members to sign a letter to Rep. Anna Eshoo (D-CA) supporting H.R. 530, the Accelerating Wireless Broadband Development by Empowering Local Communities Act of 2019. H.R. 530 would overturn FCC actions asserting authority (which it does not have) over public power pole attachments. We made substantial progress on both fronts. Over 130 public power utilities signed the letter to Rep. Eshoo supporting her bill, and her office included the letter in Rep. Eshoo's press package regarding the bill. Fifth, our utility members asked their representatives to cosponsor H.R. 530.

The Association also presented its Public Service Award to Rep. Greg Walden (R-OR), Ranking Member on the House Energy and Commerce Committee and former chair of that committee. Rep. Walden has been a strong champion for public power utilities in his state and across the nation, and a staunch supporter of the Bonneville Power Administration. Scott Corwin, Executive Director of the Public Power Council, gave the award to Rep. Walden.

Highlights of the Board meeting included:

- Treasurer's Report. Layne Burningham, the Association's Treasurer, reviewed the Association's preliminary year-end 2018 financial results. It was a strong year for the Association financially: for the twelve-month reporting period ending December 31, 2018, total operating revenues were \$21,828,666, while total operating expenses were \$18,611,987. This resulted in net operating income of \$3,216,679 (\$1,912,228 above 2018's budgeted net operating income of \$1,304,451). The Association's year-end operating reserves of \$12,384,664 were above the 35% target of total annual operating expenses (this target will increase to 40% in 2019). At 2018 year-end, the now-frozen defined benefit pension (DBP) plan assets were valued at \$24.3 million. The Association's actuarial firm, Mercer Consulting, estimated that the plan was approximately 102% funded as of December 31, 2018. Mr. Burningham also reported that the Finance and Audit Review Committee had met earlier in the week with the

Association's external auditors, Tate and Tryon, approving that firm's audit plan for the Association's annual financial audits.

- Nominations Committee Report. The Nominations Committee also met during the Rally. Wally Haase, Chair of the Committee, reported that the Committee had voted on a slate of nominees for open Board seats to present to the membership at the annual business meeting to be held during the Association's 2019 National Conference in Austin, Texas, on Tuesday, June 11. He also announced that the Committee had voted to present the candidacy of Colin Hansen, Executive Director of Kansas Municipal Utilities, for the position of Vice-Chair for the Board's consideration at its June meeting.
- Awards Committee Report. Decosta Jenkins, Chair of the Awards Committee, reported on the Committee's deliberations on 2019 Utility and Individual Awards. He presented a slate of proposed awardees for both individual and utility awards to the Board, which the Board voted to approve. These awards will be presented at the National Conference.
- Termination of the Association's DBP Plan. At its October 2018 meeting, the Board had heard from the DBP plan's actuary, Mercer, regarding the possibility of the Association terminating the DBP plan, since it is now fully funded. After that discussion, the Board instructed Association staff to prepare a possible plan termination and transfer strategy for the Board to consider. Staff, with the assistance of the Association's ERISA Counsel, Patrick Allen, therefore prepared such a proposal for the February 2019 meeting, including a proposed amendment to the DBP plan to terminate it, and accompanying resolutions for the Board and Executive Committee approval. Under such a termination, the plan's assets and obligations would be transferred to a reputable insurance institution. Retirees already receiving monthly payments would continue to receive their payments through annuities issued by the chosen insurer. Other plan participants would have the choice of receiving a lump sum, or the benefits due to them under the terms of the DBP plan from that same insurer. After discussion of the proposal and the long-term benefits to both the Association and the plan participants of handing the plan obligations on to a qualified insurance institution, the Board voted to proceed with the DBP plan termination process. The process will likely take 18-24 months to complete, due to the governmental approvals that must be obtained.
- Report on SEPA Trip to England. Jolene Thompson and Andy McMahon reported on their fact-finding mission to England sponsored by the Smart Electric Power Alliance (SEPA). The Association sent Jolene and Andy as its representatives on the trip; four other public power utility representatives attended as well. They learned about the UK electricity market and regulatory scheme, heard about England's plans for EV charging infrastructure, and attended an industry conference in Telford. According to Jolene, they (mostly Andy) spoke to every cab driver, shopkeeper, and passenger on the subway they encountered, to see what they thought about their electricity service. By and large, people had no complaints about their electric utility or bill — in fact most of them did not even know how much they pay for their service. However, they heard many people say, "we should be doing more" to go carbon-free. You can read their blog about the trip at:

<https://www.publicpower.org/index.php/blog/we-need-do-more-lessons-britain>

- Department Reports. The Association's senior staff team took questions on the written department reports included in the Board's meeting materials. They also provided short oral updates on events transpiring since the reports were drafted. Jeff Haas, the Association's Vice President of Membership and Strategic Development, updated the Board on the ongoing due diligence the Association is undertaking to assess whether it should offer an Association health plan as an additional member benefit. There has been considerable interest from utilities large and small in this possible offering; over 110 utilities have entered their employee census data into a survey tool that Mercer, the Association's health insurance consultant, will use to evaluate whether bids should be solicited from health insurance providers. The goal is to present a fully-fleshed out report to the Board on this possible member benefit at the June meeting.
- Strategic Plan Reporting. Staff presented a proposal to revise the method they will use to report to the Board on staff's progress in implementing the 2019 Workplan developed under the 2019-2020 Strategic Plan. In 2016-2018, staff used a detailed Excel spreadsheet to report to the Board and Executive Committee at each meeting on staff's progress on Strategic Plan initiatives. Staff is now proposing to use a PowerPoint-based approach that employs more streamlined reporting and dashboard-style graphics. Meena Dayak, the Association's Vice President of Integrated Media and Communications, presented the new proposed reporting format. The sense of the Board was that staff should use the new format for 2019 reporting.
- Changes to DEED Policy Manual. Mike Hyland, the Association's Senior Vice President of Engineering Services, presented to the Board on proposed policy changes to the DEED policy manual that governs DEED's operations. The proposed updates dealt primarily with expanding the universe of students eligible for grants and scholarships (to include part-time students) and the programs of study they could pursue (to include technical fields as well as academic fields of study). The Board voted to approve the proposed changes.