



SOUTH SAN JOAQUIN
IRRIGATION DISTRICT



Tribal Energy and Economic Development Tribal Utility Formation July 27, 2015

**Indian Pueblo Cultural Center
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Retail Energy Distribution Service

- What is the purpose for becoming a retail energy provider?
- What options are available to meet your goals?
- What are the obstacles that stand in the way of success?



PURPOSE

- It is important to have a clear purpose for initiating the formation of a new retail energy business. This effort will be expensive and time consuming. Before committing the Tribes talent and treasure, it is imperative that the leadership engage the greater community and bring everyone together and get consensus on the purpose.



Regulatory Compact & Monopoly Privilege

- Most consumers are captive customers of an Investor Owned Utility (IOU). The IOU enjoys monopoly protection in exchange for regulatory oversight of the business. IOU's have a guaranteed Rate of Return and in exchange are subject to "Just and Reasonable Rates."
- IOU's sole purpose is to issue debt and extract profits



Home Rule

- Consumer Owned Utilities (COU) operate as non-profit ventures and are regulated by locally elected or appointed decision makers. They live in the service area and are subjected to the rates and reliability of the utility.
- In most cases IOU's and COU's are subject to similar national safety standards and/or State statutes. Public Utility Commissions differ from state to state and may or may not have jurisdiction over newly formed utility.



Benefits of Local Control

- Local accountability and transparency
- Rate design based on local goals and needs
- Economic Development & Job Creation
- Energy Policy decisions made locally
- Price, reliability, service, innovation



Utility Business Models

- Rural Electric Co-ops
- Irrigation Districts
- Municipal Utility (part of or independent of local municipality)
- IOU
- Community Choice Aggregator (CCA)



Fighting the Incumbent

- If you are proposing to acquire the assets of the incumbent utility you will likely have a fight largely over value of the assets.
- Edison Electric Institute: *New Public Power TAKEOVERS: Strategic Resources for Defeating Municipalization*



Issues to Formation

- Inventory & Appraisal
- Labor Issues (Unions oppose Public Power)
- Staffing
- Stranded costs (exit fees)
- Legal costs
- Financing
- Power supply

