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## MUNICIPAL (PUBLIC) POWER

### **Description:**

A municipal power provider is one that purchases electricity in bulk from a power producer and/or generates electric power at a municipally owned power plant. The municipal provider sells the electric power service to the end-users (homeowners, businesses, public buildings, community organizations, etc.) and maintains the distribution network to these customers. For many cities and towns, public power represents both an ideal of local people working together to meet local needs, and the many revenue, environmental, and quality-of-life benefits inherent in local control of the power system. A municipal power distribution system supports a community's livability status. In particular, (1) the lower electricity rates increase the ability of older people and younger people with disabilities to affordably age in place in their own homes, (2) local employment opportunities support community stability, and (3) efficiency through the integration of all utility operations helps sustain a community's viability over time.

The process of forming a municipal power utility typically includes the following elements: a feasibility study, legal analysis, facilities valuation, consumer educational campaign, citizen referendum, price negotiation and/or condemnation proceedings, petition to the New York State Public Service Commission, power supply arrangements, and start-up operations. The American Public Power Association provides information and materials for municipalities interested in pursuing public ownership of their local distribution system.

New York State has a long history of municipally instituted public power systems, and usage has grown over time. Many cities and towns in New York State, such as Tupper Lake, Fairport, and Westfield, began generating their own electricity to power streetlamps, as well as some homes and businesses, at the turn of the 20<sup>th</sup> century. The Village of Fairport's electric utility began operating a small steam generator to power 12 streetlights and 40 homes—today, the Fairport system serves 15,000 customers over 27 square miles. Similarly, four rural electric cooperatives were formed in the 1940's to establish electric service in areas of the State not yet serviced by surrounding utilities.

In 1931, a commission established to study the hydroelectric potential of the St. Lawrence River called for the creation of an Authority to build generating facilities on the river. On April 27 of that year, Governor Franklin D. Roosevelt signed the Public Power Authority Act into law "to give back to the people the waterpower which is theirs," forming the New York Power Authority (NYPA). Even as work on the St. Lawrence River project proceeded, the New York Power Authority prepared for an even more complex power project, to be located on the lower Niagara River, about five miles downstream from Niagara Falls. Congress passed the Niagara

Redevelopment Act in 1957, paving the way for the Power Authority to obtain a license and begin construction on the Niagara Power Project to fully develop the United States' share of the Niagara River's hydropower potential.

The 1957 Niagara Redevelopment Act also gives "preference power" to municipal and rural electric cooperative systems in New York and bordering states, which is 50 per cent of the Niagara Project's capacity. The low cost hydropower from the Niagara Power Project and the St. Lawrence River is delivered and sold to existing municipal power providers throughout the state, at a greatly reduced cost than they would otherwise be able to generate or purchase.

Municipal power providers that have been established following the Niagara Power Project have predominantly done so as an alternative to Investor Owned Utilities. For example, Messina Electric was formed in 1981 to create a local commitment to low rates, reliability, and environmentalism. Today, the majority of municipal power providers in New York State purchase all or a substantial portion of their power from the New York Power Authority. Only four public power utilities in the State generate their own power supply to augment the low-cost hydropower received from NYPA—Jamestown Board of Public Utilities, Green Island Power Authority, and two plants on Long Island. Other municipalities, whose need extends beyond their NYPA allocation, supplement their supply through a contract with the New York Municipal Power Agency (NYMPA), which is a joint action agency made up of 31 municipal utilities from around the State that purchases power on behalf of its members through the New York Independent System Operator (NYISO).

### **Benefits:**

The benefits of municipally owned power often depend on the way the community has structured that particular system, as a public power utility is owned by, and accountable to every citizen of the municipality. For many, the benefits for families, businesses, and community organizations include:

- Lower electricity rates.
- Equal or greater reliability of services.
- Responsiveness to customer concerns.
- Emphasis on long-term community goals.
- Quick response from crews located in the community, which is especially beneficial for frail older adults, younger individuals with disabilities, and those who rely on home health care.
- Revenues that stay within the community.
- Local employment opportunities.

- Access to tax exempt financing for capital projects.
- Opportunity for efficiency through integrated utility operations (e.g. electric, water, sewer, garbage, cable, telecommunications, gas).
- Local control over special programs (energy conservation, rate relief for certain customer classes).

**Impediments or barriers to development or implementation:**

- *Market and price fluctuations:* A municipality looking to form a public electric utility is not currently able to access low-cost hydropower through the New York Power Authority, as NYPA's power capacity has been allocated through long-term contracts with existing utilities. Thus, municipalities would need to purchase their power on the open electricity market through NYISO or on a contract with NYMPA. Purchasing power through this competitive process is subject to market fluctuations, and prices cannot be guaranteed.
- *Exit fees:* The Public Service Commission (PSC) established Rule 52 in 1998 to determine monetary exit fees to compensate utilities for the portions of their distribution networks that are being bypassed due to municipalization. Under the Rule 52 formula, an exit fee is equal to (1) the net present value of 'the revenues the utility would have received from departing customers located in the municipality that is exiting from the utility's network' had those customers continued to take retail service from the utility, (2) plus the value of the distribution and street lighting plant that will be taken, (3) minus the costs the utility will avoid by not serving the departing customers, (4) minus revenues the utility will receive by selling the capacity and energy that is no longer needed by departing customers to other customers. However, according to the PSC, the process of municipalization can be regarded as economic only if it produces net savings even after payment of the exit fee.

**Resource—examples:**

- Messina, New York:  
<http://www.med.massena.ny.us/>.
- Fairport, New York:  
[http://www.village.fairport.ny.us/Fairport\\_ElectricWater.cfm](http://www.village.fairport.ny.us/Fairport_ElectricWater.cfm).

**Resource- written and web:**

- American Public Power Association: <http://www.appanet.org/>.
- New York Power Authority: <http://www.nypa.gov/default.htm>.
- Municipal Electric Utilities Association of New York State:  
<http://www.meua.org/>.

- New York Independent System Operator: <http://www.nyiso.com/public/index.jsp>.
- New York Municipal Power Agency. <http://nympa.org/>.
- NYS Public Service Commission: <http://www.dps.ny.gov/>.