Utilities need strategic approach to meeting future challenges, consultant tells APPA audience

Public power utilities need to develop strategies to increase customer satisfaction, increase reliability and decrease the cost of electricity, Rodger Smith, president of Black & Veatch Consulting, told an APPA audience June 20.

Elected officials in cities facing financial pressures may look at utility assets with an eye on selling them, warned Smith. Keep them, he said – they are revenue-producing assets that will enable the city to grow the local economy.

He spoke at a session of the APPA National Conference in Washington and urged public power managers to take a strategic approach to meeting future challenges. President Obama in his State of the Union address earlier this year said, "The future is ours to win. We can't get it standing still." That message, while true, lacked vision, Smith said. The president needs to send a message to the American people like President Kennedy's message in 1961: "We will put a man on the moon before the end of the decade." President Obama's message should have been: "By having the most reliable, most cost-effective energy, we will become the most competitive economy on the planet," Smith said.

Smith listed several "strategic imperatives" for the utility industry to move forward to meet the "most competitive economy" vision. Among them: understand the nexus of water and energy and the nexus of the gas and electric industries. Public power utilities are better situated than investor-owned utilities for recognizing these connections, he said.

The utility industry made bad assumptions about what customers want with the smart grid, Smith said. Customers want only to know how soon power will be back on when the lights go out. "They are less interested in having the utility come to their side of the meter."

Equipment vendors are trying to dictate energy policy, he said. "This is bad." He advised his audience to be skeptical about predictions of rapidly growing adoption of electric vehicles over the next few years. A Chevy Volt costs $46,000 and its battery pack would have to be replaced after four years. Consumers will not be attracted to that economic equation, he said. — JEANNE LABELLA

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