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August 15, 2023

To: Members of the Grand Haven Board of Light and Power

From: American Public Power Association (APPA)

Re: Public Power Governance Structures

The American Public Power Association is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. We represent public power before the federal government to protect the interests of the more than 49 million people that public power utilities serve, and the 96,000 people they employ. We advocate and advise on electricity policy, technology, trends, training, and operations.

The Grand Haven Board of Light and Power is a member of the American Public Power Association and is the recipient of one of APPA's highest honors – the Reliable Public Power Provider (RP3) designation - recognizing efficient, safe and reliable electric utilities.

We would like to provide a national perspective on some of the questions that were raised at your August 1 Board Work Session regarding the governance structure of public power utilities.

APPA conducts a Governance Survey every five years. Our survey results show that customer size class (the number of customers served) impacts utility governance models. The smallest customer size class is the only one in which a city council governs the majority of utilities. Sixty-seven percent of the respondents with less than 5,000 customers are governed by city councils compared to only 29% of respondents with greater than 50,000 customers. In the 5,000 – 20,000 customer class, in which the Grand Haven Board of Light and Power falls, 38% are governed by a city council and 61% are governed by a utility board.

While utilities the size of Grand Haven Board of Light and Power are far more likely to be governed by an elected or appointed board, in practice, whether one form of governance structure is more effective ultimately comes down to the experience, knowledge, skills, motivation and accountability of the people involved: members of the governing board and the chief executive.

Evaluating the governance structure best suited for excellence should be based on a series of criteria that capture the most important responsibilities and processes the board needs to address. Does the governance structure:

- permit board members to have a singular focus on their fiduciary duties of overseeing the public power utility?
- provide for autonomous decision-making authority of the board that is equal to and commensurate with its responsibilities for governing the utility?
- encourage the greatest degree of independence in board actions, separating political influences as much as practical and permitting the board to focus on business-based reasoning?

- afford members the time and opportunity sufficient to understand the complex policy issues and operating challenges facing a utility in a changing business environment?
- enable members to focus on establishing strategic direction, priorities, outcomes, and goals specific to the needs of customers-owners and utility?
- provide for the financial stability of the utility, including moving quickly to recover costs, if necessary, to protect the utility's creditworthiness and the investments of bondholders?
- make the utility fully accountable to its customers-owners?

It is worth noting that APPA has no record of any community that has transitioned from a utility board form of governance to a city council form of governance. To the contrary, we have seen an increased number of communities considering the establishment of a utility board due to the increased complexity of the industry. This holds true even for municipal electric utilities that do not own generation.

If there is anything else APPA can do to be of assistance, please let me know.

Sincerely,

A handwritten signature in black ink that reads "Ursula Schryver". The signature is written in a cursive, flowing style.

Ursula Schryver
Vice President, Strategic Member Engagement & Education