



**Make a Friend Today — It's
Later Than You Think ©**

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A famous actress once said, “The best time to make friends is before you need them.”

Some energy companies follow that recommendation. Others don't.

At any given point, the decision to proactively make friends could look like a smart one, or a disastrous one. No one knows when that day of reckoning will come. But each energy company has its day of reckoning, and some have several.

And M&A is only one kind of strategic initiative that requires formal and informal support from stakeholders. “Formal” meaning one or more regulatory bodies are legally required to approve a proposed deal, and “informal” meaning that a proposed deal requires support from other critical stakeholders beyond regulators — including, potentially, shareholders, customers, customer-owners, members, employees, creditors and communities.



Beyond M&A, energy companies require formal and informal support from stakeholders in order to site infrastructure, build assets, increase prices, close plants, reduce the workforce and perform various operational activities that could have an impact on environmental quality and

local quality of life. Internally, a leadership change or a reorganization within an energy company will fail if it does not win the support of employees.

Lessons from Lafayette, Louisiana

But let's stick with M&A. For Lafayette Utilities System (LUS), a locally owned energy company in Louisiana, its choice to fully engage with its customer-owners over a prolonged period of time paid off last year when an investor group's proposal to buy the locally owned utility was withdrawn after facing withering criticism from those who would be most affected by the proposed change in control: LUS' customer-owners.



Source: LUS

Jeffrey Stewart, the interim director of LUS, discussed the failed bid at the American Public Power Association's National Conference this past June.

In a session titled, "Tell Your Story, Save Your Utility," Stewart credited LUS' 70,000 customer-owners with saving the utility from being privatized.

NextGEN Utility Systems, an organization backed by private-equity capital, tried for nearly two years to acquire LUS as a foothold in the southeastern U.S. It planned to use LUS as a vehicle to acquire 50 other locally owned utilities in that region. NextGEN wanted to use those acquisitions to become the same size as Entergy, a four-state electric utility system that serves roughly 2.9 million customers and generates about \$11 billion in annual revenue (see map below).



Source: Public Power Daily

NextGEN had an aggressive campaign to sway local public opinion, but LUS' customer-owners, mindful of the many ways the utility had shown up for them and improved the quality of life in their community, loudly said, "no."

Comments from Customer-Owners Helped Change the Narrative

Jeffrey's presentation at the APPA conference included several supportive comments from members of the community. Because LUS officials could not comment publicly on the privatization proposal, they had to rely on their existing reservoir of goodwill in the community. LUS was not disappointed.

"LUS should never be sold or managed by anyone other than the city," said one customer-owner. Commented another: "Right now LUS is answerable to us, the citizen owners, the citizen shareholders." A third said, "Some big energy corporation is going to be answerable to its shareholders. Who do you think is going to give us better service?" A fourth commenter said it all: "This doesn't pass the smell test."

The Importance of Telling Stories

LUS' customer-owners came through for the organization because LUS had, over time, showed how its actions and activities over time fit into a broader [story](#) about the community, its residents and their quality of life.

I have not worked with LUS, but they are **a great illustration of the importance of communicating with your stakeholders by telling them stories**. As many of you, my readers, know from several previous EEC blogs, like [here](#). And [here](#).

I'm a big believer in telling stories rather than rattling off a list of accomplishments with a string of facts that generally do not engage your customers and other stakeholders. Instead, talking about how people are benefitting from your energy company's investments and programs in their community, and how these have improved their view of your company is much more effective in the long run.

Most of the writing I do for clients is informed, by one degree or another, by the need to connect with the reader by telling them stories. Like [here](#). And [here](#). And [here](#).

The energy business is a complicated one, but that doesn't mean we should not strive to speak about it simply. I am particularly fond of this quote from Albert Einstein — "Everything should be made as simple as possible, but not simpler" — as well as this one from folksinger Woody Guthrie: "Any fool can make something complicated. It takes a genius to make it simple."

LUS Rewarded for Practicing the Golden Rule

Last November, coincidentally as the APPA was holding its annual Customer Connections Conference, a proposal to privatize LUS went down in flames after it didn't receive a single "for" vote by the Lafayette city council. NextGEN immediately dropped its bid. I [blogged](#) about that not long after.

Stewart (right) discussed how LUS' culture of customer services served it well in the battle with NextGEN: The utility's chosen brand attributes were the neighborly, local utility that delivers for the community.



Source: The Acadiana Advocate

To ensure customer-facing employees fulfilled those brand attributes, Stewart said LUS instituted a linemen code of conduct and provided cultural sensitivity training to its customer service agents. Employees had long volunteered in community events and LUS sponsored community events (below). And LUS consistently exceeded customer expectations.



Source: LUS

LUS had for some time been practicing the Golden Rule: Do unto others as you would have them do unto you. That's a Biblical commandment, but it's also one governing the way LUS does business. The Lafayette community, mindful of LUS' commitments and accomplishments, returned the favor by supporting the locally owned energy company when it was in need.

LUS made friends before it needed them, chiefly by providing good service at a fair price and by investing in the community. In these cynical days, it may surprise some that the community repaid years of good citizenship by showing up for LUS in its time of need.
