

**A FAIR DEAL:**

# ***SPARKING BENEFICIAL ECONOMIC DEVELOPMENT***

**BY JOHN EGAN,** CONTRIBUTING WRITER





**A**s communities across the U.S. look to rebound their economies, economic development professionals at public power utilities face a fundamentally transformed landscape, with a new set of priorities and challenges and a new sense of urgency.

As public power utilities seek to retain, revive, or attract business customers to their service areas, they are engaging in tried-and-true economic development activities, touting the unique benefits and qualities of the public power model, and working on addressing challenges that might be holding the community back from growth.

## **WORKING ON THE FUNDAMENTALS**

**S**ome economic development professionals interviewed for this story said they would be focusing exclusively on retaining (or reviving) existing commercial and industrial, or C&I, customers in 2021. This logic follows the truism that the least expensive customer to get is the one you already have.

Others said finding creative ways to support ailing or shuttered businesses, while convincing prospective business customers that your community is right for them, is not an “either/or” dilemma. Instead, it’s a two-sided “both/and” challenge. Both need to be done, and with equal urgency.

Having competitive electric prices (including incentive prices for retaining, expanding, or attracting C&I customers) is a necessary first step, said Mike Shook, director of Coffeyville Municipal Light & Power in Kansas. Having a line-extension policy in place also is essential.

High electric reliability, sometimes taken for granted, has emerged as a new “must have” in today’s increasingly competitive economic development game, he commented.

“These days, it’s hard to find a C&I customer that’s not power sensitive,” said Shook, who has worked at Coffeyville for 35 years. “A blip can cost a large nitrogen fertilizer facility or an oil refinery \$1 million in wasted product, and restarting the refinery after that blip can take in excess of eight hours.”

That’s why the Kansas public power utility, which serves about 6,200 customers in a community of just under 10,000 residents, touts its platinum Reliable Public Power Provider, or RP3, designation.

## **DON'T THROW MONEY AT PROSPECTS**

**S**hook has another piece of advice for public power economic development professionals: “You cannot buy a new customer.” That’s a hard lesson drawn from experience. A little more than two decades ago, Amazon came to Coffeyville looking to set up a fulfillment center in the largest unoccupied warehouse in town, which used to house a publisher of comics and children’s books.

The recently vacated warehouse had over 1 million square feet of space. Amazon wanted to turn the lights back on and make it the company’s biggest fulfillment center at the time.

Shook said Coffeyville “provided substantial financial incentives,” including about \$375,000 per year to Amazon, to make the deal. When the incentives ran out, the company did, too, after about 14 years in the space.

“That was an economic development nightmare,” he recalled.

However, Shook said Amazon’s departure triggered a number of positive changes, including:

- Lifting a 12-year electric price freeze;
- Replacing a 30-year-old economic development price plan that included potential for electric curtailments; and
- Revising the utility’s distribution service fee schedule for new C&I businesses. Deep discounts, up to 33%, off the distribution charge were available during the first year of service, followed by four subsequent years of steadily declining distribution charges until the business was fully paying its distribution costs.

“It’s important that utilities don’t cover all of the infrastructure costs to serve new customers,” Shook said. “New customers need to have skin in the game.”

## **SELLING THE COMMUNITY**

**J**ohn Marshall, CEO and co-founder of the Golden Shovel Agency, works with cities, electric cooperatives, and economic development organizations across the country.

A few years ago, Golden Shovel worked with the Greater Fremont Development Council in Nebraska to develop and launch a successful re-branding and economic development campaign for the town.

Fremont's public power utility, the Fremont Department of Utilities, was intimately involved in the campaign, contributing about \$1 million in line-extension credits and discounted electric prices. "If your community's not grow-

ing, it's dying," commented Lottie Mitchell, executive assistant and grant administrator at the city of Fremont.

"For years," she continued, "we were a low-growth utility serving a bedroom community for Omaha, about 30 miles away. But we wanted to rebrand our city and welcome new homes and businesses to our community."

The GFDC identified a housing shortage as a critical limiting factor for economic growth. Over a few years, the group was able to raise several million dollars of investment capital to facilitate the construction of more than 1,000 housing units, including single-family homes, multifamily homes, and senior housing developments. Another 1,000 or so will be built over the next two or three years, said Garry Clark, who served as CEO of GFDC until February 2021.

**"NEW CUSTOMERS NEED TO HAVE SKIN IN THE GAME."**

**MIKE SHOOK**

DIRECTOR  
COFFEYVILLE MUNICIPAL  
LIGHT & POWER, KANSAS

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GOT IN TERMS OF PHYSICAL  
INFRASTRUCTURE, HAVE A  
LONG-TERM PLAN, AND STAY  
IN IT FOR THE LONG HAUL.”**

**STEVE NASBY**

CITY ADMINISTRATOR  
WINDOM, MINNESOTA

The campaign and the housing led to an “explosion” in the community’s agricultural industry, Clark said. “Having enough affordable housing was the deciding issue for us.”

Last year, Costco opened a 400,000-square-foot, \$450 million poultry campus where birds will be hatched, grown, and harvested. The Fremont facility processes about 2 million birds per week, which constitutes about 50% of the chain’s rotisserie chickens sold around the country.

The facility, which employs about 1,200 people, consumes about 10 megawatt-hours of electricity a day. It operates 24 hours a day, five days a week. It generates annual electric sales of \$4 million to \$5 million per year, estimated Troy Schaben, assistant city administrator for the utility, which serves an estimated 12,000 customers in a community of about 27,000 people.

“Landing the Costco facility was the result of a broad, long-term collaborative effort headed by the GFDC,” he continued.

Getting there starts with prospective businesses being able to experience the community — whether in person or remotely.

Golden Shovel started offering virtual tours of a community about four years ago, Marshall said, and the pandemic drove up demand sharply.

For between \$25,000 and \$35,000, the agency can create a virtual walking tour of a community. If a community is just trying to find a new tenant for an existing building, the cost is between \$5,000 and \$10,000.

These tours of buildings and communities have replaced air tickets and hospitality packages as a foundational element of economic development.

“We’re in a new normal now, where there’s less face-to-face interaction and more emphasis on digital,” Marshall said. “Today, social media, your website, and your digital presence are essential tools of economic development. Before, they were just important.”

**PLAYING UP THE  
PUBLIC POWER  
BUSINESS  
MODEL**

**W**hile money plays a role in any economic development package, Shook advised that serious prospects will pay attention to the long-term benefits of what it means to operate in a public power community.

“If you explain the business model of public power, including local control and that margins go back to customers and the community, businesses that buy into that vision will sign on. We give back more to our communities than investor-owned utilities. We make an 8.5% payment in lieu of taxes each year, while the nearby IOU pays a 5% annual franchise fee to cities.”

The public power model also aligns well with a current trend: environmental, social, and governance, or ESG, criteria, which are a cluster of attributes institutions use to guide decision-making about investing in certain companies, industries and, potentially, communities.

“We didn’t get any inquiries about our electric fuel mix five years ago, but today we are,” Shook said. Some businesses are looking for power that is clean as well as reliable. Coffeyville owns two gas-fired power stations, but most of its power comes from the Grand River Dam Authority, which is working to decarbonize its fuel mix.

A public power utility’s fuel mix is a reasonable first-order proxy for some aspects of the “E” in ESG. Other environmental components could include energy (and water) efficiency programs, pollution reduction, and natural resource conservation goals.

Public power’s tradition of community engagement checks the social impact box. Factors that favor public power utilities can also include charitable giving, employee safety, and employee volunteerism.

With regard to governance, public power utilities naturally hit the mark, from local decision-making, having elected or locally appointed board members, and the ability of citizens to attend board meetings. A selling point for public power is that it is accountable to only one group of stakeholders — its community. Not having investors and not being concerned with paying a cash dividend to those investors means public power utilities can focus on running the business in a way that makes the most sense, today and tomorrow, for the community.

## ADDRESSING COMMUNITY CHALLENGES

**A**fter Fremont decided to reinvent itself a few years ago, the town experienced a few bumps in the road. One was a 500-year flood that wiped out a lot of the city's affordable housing. Another was a nationally televised investigative report by Katie Couric, who visited Fremont in 2018 to report on tensions between white residents and the community's rising population of Black and other nonwhite newcomers.

GFDC's Clark, who is Black, found himself stuck in the middle. After the TV special aired in May 2018, he spent the better part of a year meeting with local groups that had sharply different views on nearly everything related to immigration, diversity, and inclusion.

"There was a deep divide within the community on a lot of issues," he recalled. "A lot of people had assumptions that were way off."

He was invited to speak at meetings of the Tea Party Patriots, the Fremont Forum on Diversity and Inclusion, and a youth group at Fremont Public Schools that has a heavy Latino representation.

In mid-2019, he formed an inclusion council, telling residents of all colors and

persuasions, "If you want a Target store to come to Fremont, you have to understand that Target will not come to communities that are not diverse."

Since that imbroglio, Clark said he has spoken to numerous groups around the country — both in person and virtually — that are seeking new ideas about lowering the heat around immigration and inclusion. "It seems like I run to those places where change is needed," he said.

Clark sees economic development as a highly collaborative activity, like playing a team sport. He likens this to when he played guard on his high school and college basketball teams. Every member of the team had a specific role. On any given night, if they all executed, a "W" likely followed.

## FINDING YOUR OWN RECIPE

**T**wo hundred miles north of Fremont, Steve Nasby, city administrator for Windom, Minnesota, considers economic development through a different set of experiences: barbecue sauce and rubs. "I make my own, and there's a lot of experimentation and trial and error," he said. "Too much salt? Not enough brown sugar? Maybe more onion? Be sure to write down what works so you can repeat it in the future. It's no different for economic development."

"There's a recipe, but no cookie-cutter solution," he continued. "Most important, start with what you've got in terms of physical infrastructure, have a long-term plan, and stay in it for the long haul."

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