



VIEW*S*&VISIONS

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The Reverberations of Change in the Electric Power Industry

Bruce Edelston, Vice President
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Bruce Edelston was appointed vice president, energy policy with Atlanta-based energy provider Southern Company in March 2016. He is responsible for helping the company develop and coordinate a response to policy issues across its various operating companies and subsidiaries and for supporting state and federal policy efforts. He also serves on the boards of the Alliance to Save Energy and the Smart Electric Power Association.

Prior to rejoining Southern Company, he was president of the Energy Policy Group, a consulting firm he founded, and served as executive director of the Coalition for Fair Transmission Policy and as president of the Electric Markets Research Foundation.

Mr. Edelston held various positions at Southern Company, with his last role being director of energy policy. At Southern Company and subsidiary Georgia Power, Edelston was responsible for developing corporate policy positions on industry structure and environmental issues and responding to federal and state legislative and regulatory initiatives.

He previously held several positions at the Edison Electric Institute, Charles River Associates (CRA) International and the Westinghouse Electric Corporation. He holds a B.S. degree in electric engineering/engineering and public policy and an M.S. degree in urban and public affairs, both from Carnegie Mellon University.

There is no doubt that change is occurring rapidly in the electric utility industry. As one of the largest investor-owned gas and electric utilities in the country, staying abreast of change and playing offense has become our number one strategic imperative. But why is change happening so rapidly and how can we best respond? And what are the impacts to suppliers and customers of our business? Of particular interest to this audience is how we generate power in the future – is there hope for coal, and how important is the continuing shale revolution?



Southern Company

To answer these questions, a little history is in order. For most of their existence, electric and gas utilities have been fairly staid, boring companies, with little technological change but continuous growth and demand for power brought on by growth in the economy and the ever-increasing availability and use of appliances, electronics and gadgets. For the most part, we used nuclear and coal to meet growing demand for power through the 1970s and 1980s, mostly because oil and gas were thought back then to be too “valuable” for powering electric generation. However, the price of natural gas began decreasing in the 1990s, due to the so-called “gas bubble” and attitudes began to change. New gas-fired generation became cheaper than the coal and nuclear generating plants many utilities had just recently completed, and competitive forces stranded many coal and nuclear assets.

Yet another change began happening in the early 2000s. For the first time in our history, customer electricity use began to level off and, in some regions, even began to decline. Some of us believed that the lull was only temporary and was a result of a slowing economy. Utilities could no longer count on growth of its load to feed earnings and were (and continue to be) faced with the critical need to develop new sources of revenues if we are to continue to make the industry an attractive investment for shareholders. Fast forwarding to today, we now know that this trend appears to be permanent – the heavy emphasis on energy efficiency over the past few decades appears to be successful. And the economy seems to have permanently



PowerSecure staff inspect a PowerBlock® generation unit in the equipment yard at Aligned Data Center's Plano, Texas facility

changed so that economic growth is no longer directly linked to increased energy use.

And then a revolution began. First was the shale revolution, coming at a time when the greenhouse gas effects of coal began to be heavily scrutinized, and changing the landscape of how we generate power. Southern Company, in 2014, generated 42 percent of its energy from coal and 39 percent from gas. In 2016, the percentages were 31 percent coal and 47 percent gas. The changing economics of gas – mostly purchased from the Marcellus Shale – relative to coal is driving tremendous change.

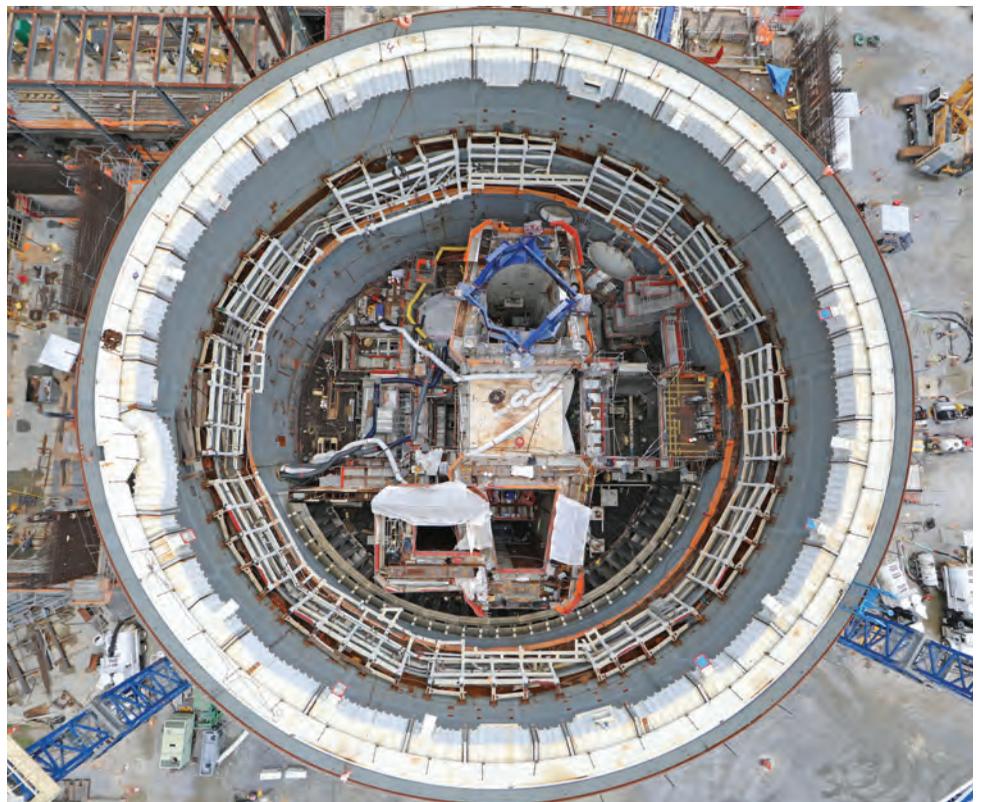
The other revolution affecting our business is technological. Five years ago, solar power was not even a measurable part of the nation's energy mix. But costs of solar panels have come down so far and so fast that solar now makes up about 5 percent of the nation's energy, with wind adding another 5 percent or so. Customers also have new and emerging technologies they can rely on to reduce or shift their energy use – including programmable thermostats that are becoming easier to use and internet-based switches for remotely controlling appliances and lights.

All of these factors are changing the nature of our industry. Southern Company is responding by expanding our strategic focus. Last year, we acquired AGL Resources, the nation's largest national gas distribution company, as well as PowerSecure, a North Carolina company that builds customer-sited back-up and distributed generation as well as provides energy efficiency services. We plan to participate in even more aspects of the customer's overall energy value chain to increase revenue opportunities.

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Renewable energy sources, such as solar, are an increasing part of Southern Company's energy mix



Bird's-eye view of Unit 3 nuclear island under construction at Georgia Power's Plant Vogtle, near Augusta, Georgia



The Critical Need for State Policy Makers to React to Change

Robert S. Kiss
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these additional individuals have health insurance for the first time, but will also benefit as, over time, significant additional funding is provided to our health care industry, which is one of the State's important remaining and ongoing economic sectors.

The fact that these West Virginians are now covered by health insurance will reduce the significant amount of uncompensated care which health care institutions (predominately hospitals) are required to provide. This also should indirectly benefit those who have other types of insurance coverage, such as the Public Employees Insurance Agency or private health insurance.

At the same time, the State of West Virginia saw an expansion of new insureds under the new exchanges established by the Affordable Care Act. But, those numbers of new insureds were small in comparison to the Medicaid expansion numbers.

Major changes at the federal level, which are likely to now occur, depending upon what they are and how they are implemented, could have significant negative fiscal impacts to insureds, state taxpayers and also to the health care industry in the State of West Virginia.

For example, there has already been discussion in some quarters about phasing down the initially promised 90 percent match for costs of that expanded coverage, by block granting the amount of dollars which go to states for Medicaid. This could create tremendous fiscal stress on the State's Medicaid program, necessitating either significant changes in the benefit structure, reductions in reimbursement rates, significant state taxpayer subsidization, or significant decreases in covered populations if the prior expansion is reduced or eliminated. Some projections even indicate that the percentage of the state's health care uninsured will rise from an all-time low of 5 percent to as high as 20 percent.

Once the likely federal changes come into clearer focus, state policy makers will face significant policy decisions, which will have far reaching health care and fiscal implications to the State. ▽



The Reverberations of Change in the Electric Power Industry

Bruce Edelston
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Electrification of the economy, including increased use of electric vehicles on and off roads, also holds promise. On the generation side, we are currently building one of only two new nuclear plants in the country. Future use of coal will likely depend on our ability to capture carbon in an economic manner – something we are working on. In the meantime, shale gas will serve as a bridge to our future, as we adjust to the changing times. And renewables will continue to be an increasing part of the overall energy mix. ▽



Bowles Rice Welcomes Keith Burdette as Business Development Director

Bowles Rice is pleased to welcome Keith Burdette as our first Business Development Director. Keith served as Cabinet Secretary for the West Virginia Department of Commerce during the administration of Governor Earl Ray Tomblin. In that role, he also served as the executive director of the West Virginia Development Office and chairman of the West Virginia Development Authority and the Jobs Investment Trust.

Keith is invaluable in dealing with economic development issues and helping our clients' businesses grow and succeed. ▽