

Glasgow EPB Advisory Council, June 15 Meeting Minutes

The second meeting of the Glasgow Electric Plant Board (EPB) Advisory Council was held at 5 p.m., Jun 15, 2017, at the T.J. Samson Health Pavilion, 312 North L Rogers Wells Blvd., Glasgow, Kentucky.

The meeting was called to order shortly after 5 p.m. by facilitator John Sterling, Senior Director of Research and Advisory Services for the Smart Electric Power Alliance (SEPA), and was recorded by K Kaufmann, SEPA Communications Manager..

Present at the meeting were Advisory Council members Candy Wethington, Debbie Biggers, John Bowles, Joe Downing, James Estes, Owen Lambert and Sherri Myers. (Council member Christine Bennett was absent.)

Also present were Michael Hynes, Director of Rate Design and Administration, Tennessee Valley Authority (TVA); Kent Chandler, Assistant Attorney General, and Rebecca Goodman, Executive Director, both from the Office of Rate Intervention, Kentucky Office of the Attorney General; and James Gardner, former chair, Kentucky Public Service Commission.

John Sterling started the meeting by setting out the agenda, beginning with the introduction of Council members. He then recapped key points from the May 11 Advisory Council meeting, including the ground rules for the session and the Council's discussions on possible recommendations for changes to current Glasgow EPB rates, focusing on predictability and a tiered customer charge. This was followed by a discussion of the specific charges TVA applies to GEPB and examples from historic bills.

NOTE: Minutes and slide decks from the May 11 Advisory Council meeting, as well as slide decks from the June 15 meeting are available on request from K Kaufmann, kkaufmann@sepapower.org.

Michael Hynes of TVA then gave a presentation focused on the relationship between the rates TVA charges the EPB and the residential retail rates the EPB charges its customers. He noted the three-year process that preceded the introduction of the EPB's Infotricity and Alternative rates. He also explained the reason for EPB's slightly higher demand and energy charges for its customers compared to what TVA charges EPB. The main factor, he said, is the power loss that may occur as electricity voltage is stepped down from TVA's transmission lines to Glasgow EPB's local distribution system. Lastly, Mr. Hynes provided an overview of the TVA cost of service study for EPB.

Rebecca Goldman of the Office of Rate Intervention then spoke, touching first on the mission and background of the office, intervening in both utility and insurance rates. As an example, she referred to the recent settlement the Office participated in, related to the rate case for Louisville Gas & Electric Company and Kentucky Utilities. She also provided background on how the Office of Rate Intervention was contacted by some Glasgow EPB customers raising concerns about the impact of the utility's rates and the resulting process through which the Office of the Attorney General made a proposal for a critical peak pricing (CPP) rate structure.

Kent Chandler followed Goodman with a more detailed explanation of the CPP rate proposal and some of the potential benefits and caveats:

- It was modeled on a similar rate introduced by the Sacramento Municipal Utility District, which did a study on the impact of different approaches to CPP pricing -- opt-in/opt-out, and with and without customers receiving monitors to help them reduce energy use.
- In designing rate change, the “pace of change” or gradualism should be considered -- that is, phasing changes in over a period of time. In terms of moving toward rates based on cost of service, CPP could be one way of doing this. The need for effective education on how to respond to price signals in rates was also raised.
- The CPP rate could provide predictability and stability of rates. Customers would not find out about the peak retroactively. They would know ahead of time when and for how long a peak would occur, and what they would be charged for any energy they used during that time. A CPP rate could also allow the utility to spread out its recovery of TVA demand charges.
- Rate making is part art, part science, and no rate structure, however carefully designed, will be perfect. What works in one part of the country, or for one utility, might not work elsewhere. Similarly, devising a rate that exactly reflects cost of service may be difficult. The challenge for the Glasgow EPB and the Advisory Council is finding rate structures that work for customers here.
- No other utility in Kentucky is charging its residential customers a demand charge. Some small pilots have been offered, but thus far, only a handful of customers have signed up for them.

Chandler concluded by citing Bonbright's principles as a good guide for evaluating rates. The criteria include: cost causation (cost of service), affordability, rate stability and predictability, revenue stability for utilities, conservation and efficient use of electricity, fairness of cost apportionment, simplicity, and freedom from controversy as to proper interpretation.

Jim Gardner, former chairman of the Kentucky Public Service Commission, spoke briefly on how the work of the Advisory Council and community concerns about Glasgow EPB rate changes reflect larger, national trends. The nature of the electricity system is changing, he said, from a one-way system with largely centralized generation, to a two-way, distributed system -- driven by technology and customer demand for more choice and control in energy services. How these changes should be reflected in utility rate design is a very complicated and complex issue that is being debated not only in Glasgow, Gardner said, but at the state level in Kentucky and across the country, and he applauded the Council's efforts.

John Sterling then facilitated a short discussion among the council members about their reactions to the information that had been presented thus far at the meeting, and how it might be used to further develop the potential recommendations from the Council's previous meeting.

The discussion again focused on various approaches to improving the predictability of peak events and hypothetical examples of the dollars-and-cents impacts EPB customers might see with different approaches. In particular, Sterling laid out a comparison of EPA's Infotricity and a hypothetical CPP-type rate.

Also discussed were the idea of a tiered customer charge and making the Glasgow EPB's Alternative rate plan a default choice for customers, with Infotricity as an opt-in choice. Again the need for better education to help customers understand how to conserve energy while maintaining personal comfort and well-being was raised.

However, a few Council members said, they would need more time to consider the large amount of information they had been given at this meeting before finalizing any recommendations for the EPB. Consequently, a third meeting was set for 5 p.m., June 27, at the Mary Wood Weldon Memorial Library, 1530 S. Green St., Glasgow, Kentucky.

Sterling adjourned the session at about 7:45 p.m.