

The Red, Blue & Green



More \neq Better

The record heat wave of August has done more than kill off our grass and flowers, it has evaporated the shroud which has hidden some of the dirtiest secrets of the energy business. You say you have not noticed this? You will, dear readers, you will.

Before we get too deep into this newsletter, I want to admit that it was heavily influenced by a book by Bill McKibben, *Deep Economy*. It is a fantastic book and is largely responsible for any traces of wisdom that might be found herein.



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On the surface, TVA's philosophy about the energy business, since the mid-70's, has operated on one consistent maxim: All good things come from relentless growth. Over the last couple of years, and in particular over the last month, even TVA has begun to realize that More no longer always equals Better. In fact, More is becoming much more closely aligned with Miserable than Better.

How did we arrive at this point? Well, it took a lot of commitment to the belief that More always brings Better by TVA management

over several decades. They pursued that belief in many, many ways. They started, but then soon killed, a home weatherization program that was doing a great job of helping homes use less energy (Why? Because it was not producing More sales of energy!), they operate a hyper-aggressive industry recruitment program that

has never seen an industry they did not think would look great in any TVA community, but the worst damage has been done by the rate structure they implemented about 15 years ago. Everyone in the energy business knows that power costs more to produce and deliver during certain hours of the day when overall usage peaks. TVA knows that too, but instead of recognizing that reality and creating a rate environment which acknowledges that and charges us proportionately, they use a simple rate that ignores that reality and, instead, sends everyone the message that all energy costs the same thing, no matter when you use it.

So, if you send out the message every month that there is an unlimited supply of electricity and you should use a lot of it and use it whenever you want, what would you guess might happen? That's right! We all started to use a lot more energy. In fact, even with some large industries in Glasgow shutting down and scaling back, we continue to set new record peak electrical demands every year (we set four new all-time records in August alone). Electric power usage has grown so much that TVA is selling more electric power than they can produce. So, what do they do? They go out on the open market and buy more expensive power from their neighbors! That's right, during the peak hours of the day in Glasgow there is a high likelihood that the electricity keeping your air conditioner running is actually coming from KU or LG&E or any of a number of neighboring systems.

So did this shortfall cause TVA to begin questioning if More always leads to Better? Nope. In fact, in the midst of this shortage, TVA is actually offering some large customers an *incentive* to add additional machinery and buy more power (I swear I am not making this up!!) In TVA's world, it makes perfect sense to pay a customer to add electricity demand, then sell that customer power during peak times at a price far lower than their cost of buying that power from others. That is the result of unlimited belief in More always brings Better.

While it may appear that TVA is totally to blame for all of our woes, that is definitely not the case.

There are examples of this faulted dedication to that old belief system in many other segments of our economy. Certain elements of our banking industry have felt that more home construction and speculation is always better too. Heard about the fear in our financial markets due to the sub-prime mortgages and the spiraling examples of folks in default on the payments (these defaults jumped 93% in July compared to July of 2006)? This is just another example of business pursuing More at all costs. In the real world, everyone cannot afford the house they *wish* for. Still, many financial institutions have been lending out money at great risk, counting on the belief that More loans will equal Better profits in all cases. Somehow, no one bothered figuring out where we were going to get the money to pay for all the money we were being offered. That is just as wrong, and just as damaging to our economy, as TVA believing that selling more energy at a cost lower than their cost of buying it, while paying some of us to use more, will result in more prosperity for us all. The actual result is greater cost for most of us in return for savings and increased profit for a few. The folks being hired to build new power plants are not complaining!

You will personally experience this matter on October 1 when TVA's "fuel cost adjustment" mechanism will increase your electric rates by about 5% to help them pay for the increased cost of coal, and other fuels, and the massive cost of the power they have been buying from the neighbors to supply the demand they encouraged us to create, but that they did not have the capacity to produce. In this case More did lead to Better, just not for us, rather, for the stockholders of LG&E and the other companies that sold the power to TVA. Does that make you feel better?

While this 5% increase is only part of their quarterly adjustment pattern, which means it *technically* could go away three months later, the impact on Glasgow's economy is dramatic. In just three months this increase will cost our

community more than \$320,000! While we struggle with trying to save the community \$200,000 per year by not adding cable programming like *The Disney Channel* and *Fox Sports South*, TVA's devotion to More can sweep \$320,000 out of the community in three months without even so much as a thank-you note. These are the kinds of defeats that make the battle hard to continue. No matter how hard we fight for our community's economy, someone bigger and more powerful is always there to squash our efforts.

So, as we wind down the summer which brought us more heat, more energy consumption, more water consumption, more fear of collapse of our financial system, and more realization that our bridges, highways, electric networks, and other crucial infrastructure needs more maintenance, we contemplate whether the road to More can still take us to the land of Better. Do the people of Minneapolis now want more roads which can be named after some fat-cat politician, or would they like to have the money spent for unglamorous maintenance work on existing bridges? Do the people longing for their lost loved ones in collapsed coal mines want us to burn more coal which leads to even more risky mining activity? Do you want to keep paying more for electricity so that TVA can continue to reward some folks for using more energy? Clearly, some of us are learning about the peril of unflagging devotion to More. More does not lead to Better in 2007, and it likely never will again. Since us regular folk are now beginning to understand this, maybe we can start helping our leaders understand this as well. So let me be the first to utter this strange new theory . . . *Less* might actually lead us to Better.

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