



COMMONWEALTH OF KENTUCKY  
OFFICE OF THE ATTORNEY GENERAL

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September 27, 2016

Norma Redford, Chairperson  
Glasgow Electric Plant Board  
100 Mallory Drive  
Glasgow, KY 42141

Dear Chairman Redford, Board Members and Glasgow residents:

Over the past few months my office has investigated the mandatory rate structure put in place by the Glasgow Electric Plant Board (GEPB) on January 1, 2016. This unacceptable and punitive rate structure is unlike any other mandatory rate structure currently used, and for good reason. We are aware of customers whose lives have been completely disrupted by the constant, repeated declarations of successive peak days. We are aware of customers who forego a hot lunch, make their children sit in the dark, leave home to seek out relief, or who turn the air conditioning off on 90 degree days to avoid these excessive charges. We are equally concerned with GEPB's massive increase in fixed customer charges and the pace at which these dramatic changes were foisted upon the residential and small commercial classes.

The infotricity rate structure is certainly a game changer for the people of Glasgow and there is no doubt the residents are the losers. The GEPB has lost sight of its role as a municipal utility. Although owned and supported by its residents, many of its recent decisions make GEPB appear out of touch with its customers. In a recent meeting between my staff and representatives of GEPB, a well-organized, grass roots group of varying backgrounds and education was dismissed and demonized, although many of their grievances are more than justified. The complaints we have received through email, letters, phone calls and face-to-face discussions were also described as "not statistically significant" to justify our investigation.

In the course of this investigation my office discovered operational and business practices that also cause us significant concern, not the least of which is a lack of transparency. One of the most troubling concerns is the allocation of costs. In a review of GEPB's power contracts with TVA, we discovered a document meant to correct a long standing comingling of funds between the Electric Division and the Broadband Internet Division to the tune of \$2.6M. That certainly

calls into question other allocations that are necessary to set GEPB rates. We are extremely concerned that GEPB's reaction to those cross-subsidizations was that "[W]e can simply start charging the electric division more..." (Memorandum to GEP Board Members, 5/22/2015).

As to the original rate design proposed, TVA informed GEPB "...that they felt the potential large bill increases, for those customers we are presently losing money on, would surely result in legal action against us..." And, according to GEPB, TVA noted, "When that happens you will need TVA's rate staff to be able to testify that we support your rate design. If you insist on sticking with your more aggressive design, we will not be there for you." (Memorandum to GEP Board Members, 1/23/2015) Many changes TVA strongly advocated are the same we are advocating today - including the critical principle of "gradualism" or pace of change GEPB's response to TVA's suggestion it implement changes gradually was that its customers "...would rather pursue these changes immediately, rather than use a phased in approach." (Letter from Mike R. Hynes to William Ray, 2/23/2015) We believe it is now apparent many of your customers do not agree.

We have been presented with the rate designs you have been shown today for your consideration, and we believe that the board should not adopt any of them. The proposed rate designs have significant shortfalls, not the least of which is that none of them provide rate relief to many of the folks most affected by the infotricity rate. Furthermore, by making it optional few people will switch to it. What our office is proposing is a new standard rate, not an inferior optional rate.

A standard rate with a with a Critical Peak Pricing (CPP) element alleviates many of the issues with the punitive Coincident Peak Demand (CPD) charge of the infotricity rate (CPD is backwards looking, causes many "false alarms", and has incredibly high kW charges for one short time period). By implementing a rate with a CPP element, customers will know exactly what hours they will be charged the increased rate. The increased rate will be far less than the CPD charge but spread out over multiple hours so that a single hour of high consumption followed by 3-4 hours of lower consumption can still lead to lower bills for demand. Additionally, the number of CPP days each summer is capped so there is not the opportunity for 8-15 "false alarm" days each month as there is under the infotricity rate. By having a standard rate with CPP, many of the goals of GEPB can be met while balancing the interests of all residential and small commercial customers. Rate structures with CPP are widely adopted in the US, among various states and climates, and have been studied extensively, particularly in the fashion they are presented to you today.

There is an opportunity here in Glasgow for the GEPB and its customers to work together to address the interests of all. This is not an opportunity to demonize folks who disagree with you about rates. Folks who are against the infotricity rate have valid arguments and they are not a

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hate group. Furthermore, there is no evidence that Mr. Ray or the GEPB are pocketing or stealing money. Now is the time to work together, not against each other to come to a final rate structure that works for everyone. We urge you to take the time and effort to consider our proposed rate, or one like it. Please, listen to the community, study the alternatives, and get back to your stated mission of providing the highest quality services at costs which make them practical and improve the standard of living for all of the people of Glasgow.

Sincerely,

A handwritten signature in cursive script that reads "Andy Beshear". The signature is written in black ink and is centered on the page.

Andy Beshear