



**Bringing Glasgow the Future... *Faster!***

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September 24, 2020

Mr. Ernie Peterson  
TVA  
6045 Russellville Road  
Bowling Green, KY 42101

RE: Proposed retail rate changes for Glasgow EPB

Dear Ernie:

This letter is written to transmit a rate-change request, of sorts, which was recently enacted by my Board, and also to transmit more formal requests for rate change consideration developed by my staff, which have not been approved by my Board.

Attached as Exhibit A is the conceptual retail rate document which was approved by my Board on September 22. I recognize that you cannot do much in the way of approval, as the proposal only has two numeric components. I know that TVA will have more questions than answers about this rate framework. I tried to get the Board to give us answers to many of the questions that arise when utility rate experts review this proposal, but I was unsuccessful in that pursuit. While there is not enough information here for you to approve or disapprove, any comments on this approach, and any boundaries you can establish, relative to the portions of this narrative that are clear, would surely help my Board understand whether spending more time on this approach has merit. For reference, you can review the video and audio of the meeting and the discussion of this matter at <https://www.youtube.com/watch?v=bMf-Jb1dzL4>.

I realize that the TVA rate staff is overwhelmed with requests from other LPCs. To make the Glasgow EPB budget projections work, and to allow us to pass along the COVID relief 2.5% wholesale rate credit to our customers, we need to implement retail rate tariff changes on January 1, 2021. To that end, we are also asking you to review rate change options developed by my staff. These result from our annual review of overall retail rate effectiveness, and our long-term plan to reach 100% non-volumetric collection of our fixed costs attributable to each customer and class. In the attached documentation, labeled Exhibit B, that normal review and continuation of our march toward non-volumetric status, using the TVA stipulated gradualism principles, is identified as "Option 1."

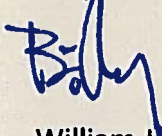


We are also including another retail rate option which was offered to the Board in the above-referenced meeting. This proposal, labeled "Option 2," incorporates the lower customer charge elements of the Exhibit A document, and it uses a declining block architecture to effectuate reliable collection of the fixed costs, while allowing those with very low monthly kWh consumption to be served at a loss, which is offset by higher collection from higher kWh usage customers within the same tariff where the under-collection occurs, thus negating our restrictions on tariff-to-tariff cross subsidy.

We ask that you consider the Exhibit B options, even though they did not get approval from the Board. This request is made in recognition of the calendar, and the looming need to make changes designed to occur on January 1. My Board is scheduled to conduct a Special Meeting on October 20, 2020. While the main objective of this meeting is to conduct a mediation hearing relative to litigation involving the Board, I would like to add a report on your response to the Exhibit A document at that meeting, just to enhance the likelihood of them being ready to take some affirmative action on the January 1 rates during their regular meeting on October 27. Without such action, the EPB customers will not receive the 2.5% credit that TVA is offering in response to the pandemic, and the customers certainly need that benefit!

Thank you for your consideration of this matter.

Respectfully,



William J. Ray PE  
Superintendent

