



COMMONWEALTH OF KENTUCKY
OFFICE OF THE ATTORNEY GENERAL

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August 25, 2016

Hon. Jeff Herbert
135 North Public Square
Glasgow, KY 42141

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

Dear Chairperson Redford, Members, and Hon. Jeff Herbert:

As you are likely aware, my office is in receipt of numerous citizen complaints regarding the Glasgow Electric Plant Board's (GEPB) new rate schedule with coincident demand charges and increased customer charges. In response to these complaints, I recently directed my office to initiate an investigation into this matter.

The current municipal rate schedule places an unequal burden on certain segments of Glasgow's customers including the residential and small commercial rate classes. The fixed charges for customers have doubled and, in some instances, tripled. The coincident peak demand charges are so outrageous customers report going to extreme measures to avoid these excess charges, including traveling between work and home five or six times a day to adjust their thermostat or appliances, and elderly customers turning off their air conditioning and staying in their homes, even after temperatures reach 92 degrees; yet, their bills continue to rise.

On August 8, 2016, I outlined these and other concerns in a letter to Glasgow's Congressional Representatives, asking them to work with my office and the TVA to remedy this situation. It has now come to my attention that earlier this week the GEPB directed its superintendent to research and formulate a new rate structure, one that does not collect a mandatory demand charge on the residential or small commercial classes. Although we commend the board's initiative in reviewing Glasgow's rates, we worry that the GEPB employees who drafted the current rate may be more interested in garnering support for the mandatory demand charge than implementing a different structure, evidenced by a recent "survey" conducted by the GEPB.

In an effort to protect the interests of Glasgow residents and ensure added transparency, I have directed my Office of Rate Intervention, under the authority provided in KRS 367.150(8), to intervene in the new rate structure review process.

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In intervening in this matter our interest is in making sure that the new rates conform to long-settled regulatory principles of fairness and reasonableness and do not disproportionately impact customers. While we support GEPB's recognition of customers' requests for rate relief, we also intend to ensure that customers' interests are fairly represented and protected under any rate presented to the board.

The Office of Rate Intervention intends to perform a comprehensive review of any draft proposal and when appropriate, offer meaningful comments to the GEPB for its consideration. If deemed necessary, comments will also be provided to the TVA and its board of directors before their review and approval of municipal electric rates for the City of Glasgow.

The Office of Rate Intervention will be in touch with GEPB to develop a procedural schedule for the analysis and review of documentation necessary to redesign these rates.

Although we understand and agree the customers in Glasgow need rate relief as soon as possible, it is also important that an adequate amount of time and effort go into formulating the new rate structure to make certain no unanticipated consequences occur. We want to ensure the customers in Glasgow can obtain rate relief quickly and in time for winter -- when many may not be able to afford to make adjustments or forgo heat.

Sincerely,



Andy Beshear

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