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Dear KUB Commissioners,

I'm writing today to express my concern over the dramatic increase in KUB's Basic Service fee on your customers' residential electric bill. Since 2010, this fee has increased nearly 300% from \$6.09 to \$17.50 at present. It is my understanding that this fee is scheduled to increase even more with an additional \$3.00 over the next 24 months, meaning families like mine will pay over \$20 a month before we even flip on the first switch. This will be an increase of over 335% in ten years.

I'm unaware of reasons that would necessitate such a dramatic increase in these charges. Increasing the "fixed" fee has a number of very important negative financial consequences for customers, particularly low income and lower electricity users like senior citizens. Increasing the fixed fee also negatively impacts the economics for energy efficiency investments and financially hurts those who invest in customer owned solar power systems and other forms of distributed generation. KUB has been a leader in promoting Green Energy and Energy Efficiency over the years, and it is unfortunate that there has not been more public discussion on negative impacts of these fees.

It is timely to have this discussion now because these rate design issues can be changed. Additionally, TVA is currently moving to add "fixed" charges to the wholesale rate it charges KUB with what they are calling a "grid access fee". These changes by TVA may compel KUB to increase their charges even further, perpetuating these problematic fixed fees every month. While the details of the new, additional fees are not yet public, I fear they will likely accelerate this negative trend for customers. TVA's plan to continue its annual increase to the customers' base electric rate coupled with increasing mandatory fixed fees, will result in KUB passing the burden through to its electric customers.

I'm requesting that this Board take the following actions:

1. Freeze the current plan to further increase Basic Service charge for KUB's electric customers.
2. Ask staff to engage with KUB stakeholders and other interested parties to more fully understand and balance the financial needs of KUB and the unintended consequences of excessive mandatory fixed fees.
3. Consider reducing current electric Basic Service fee after completing a Cost of Service Study that properly allocates cost to customer class and sends the proper economic signals to customers.

4. Request KUB staff oppose TVA's efforts to use wholesale fixed charges, or "grid access fees" to undermine customer efforts save money with energy efficiency and customer owned generation.

It is my hope and understanding that the negative impacts of the excessive fixed fees were an unintended consequence, not an intentional policy move by KUB's leadership to discourage your customer's ability to manage their bills through energy efficiency, lower energy use and self-generation. I have included a hard copy of the Executive Summary and a link to a report "Caught in a Fix" that discusses the negative impacts to your customers: <http://www.synapse-energy.com/sites/default/files/Caught-in-a-Fix.pdf>

In closing, I want share a comment from another electric customer who has spoken out against excessive fixed cost, "When has it ever been the right of a company under any ethical business practices to penalize their customers for being efficient, conservative and environmentally responsible? Where is the incentive to spend hard-earned money to improve your appliances, or better insulate your home or more efficiently set your thermostats or air conditioning not to be wasteful, trying to conserve energy for the next generation - when you will allow the utility company to just turn around and now charge an additional fee to offset your savings?"

I believe that most Tennesseans, and I know my membership wants a "clean bill", free of mandatory fixed fees. Our polling shows over 80% of Tennesseans want a clean bill free of excessive mandatory fixed fees. I know for a fact that my membership is strongly opposed to these fees.

Thank you for your consideration of our request.

Stephen A. Smith, DVM
Executive Director