



Regional Energy Resource Council (RERC)

December 22, 2017
Webinar





Meeting Purpose

- Recap the November 29, 2017 RERC Meeting
- Review the advice statement developed
- Complete the advice development process begun on November 29 with an RERC vote

About Today's Meeting

- This a Webinar Meeting.
- **Members of the public** attending this session are in listen-only mode.
- **RERC Members** can mute and unmute themselves to be able to speak. Please keep your phone muted until you wish to speak.
- RERC Members please mute your computer's audio to avoid sound duplication.
- A Roll Call will be used to gather comments from RERC Members.
- Meeting Materials and Minutes will be posted on the TVA website.
- Questions or comments from the general public will not be accepted during the webinar; however, written comments are welcomed.
 - Send RERC comments to: baperdue@tva.gov
- RERC website: www.tva.gov/RERC

RERC Meeting Protocols

Agenda

- ◆ Agenda prepared and approved by the Designated Federal Officer (DFO) in consultation with Council Chair
- ◆ Agenda distributed to Council and published in the Federal Register prior to each meeting
- ◆ Topics may be submitted to the DFO by any member of the Council, or non-members, including members of the public

Meeting Minutes

- ◆ DFO will ensure that minutes are prepared for each meeting, approved by the Chair, and made available to Council members

Voting

- ◆ Any member of the Council may make a motion for a vote
- ◆ Recommendations to TVA Board shall require an affirmative vote of at least a simple majority of the total Council members present on that date
- ◆ Council members may include minority or dissenting views

Discussion

- ◆ DFO (or his designee) will facilitate and ensure good order during all open discussions
- ◆ Only one speaker or attendee is permitted to comment at a time
- ◆ To be recognized by the Chair (or meeting facilitator) in order to provide comment, please turn your name card on its side

Term 3 RERC Members – Roll Call

Michael Butler

Tennessee Wildlife Federation

Wayne Davis*

University of Tennessee

Rodney Goodman

Habitat for Humanity

Dan Ionel

University of Kentucky

Wes Kelley

Huntsville Utilities

Doug Lawyer

Knoxville Chamber

Robert Martineau, Jr.

State of Tennessee

Peter J. Mattheis

Tennessee Valley Industrial Committee

Jennifer Mundt

State of North Carolina

Jeremy Nails

Morgan County Economic Development
Association

Alice Perry

State of Mississippi

Doug Peters

Tennessee Valley Public Power Association

Derwin Sisnett

Gestalt Community Schools

Stephen Smith

Southern Alliance for Clean Energy

Charles Snavely

Commonwealth of Kentucky

John Warren

Commonwealth of Virginia

Lloyd Webb

Olin Chlor Alkali

Susan R. Williams

SRW & Associates

* RERC Chair

Agenda – December 22, 2017

10:30 - 10:35	Welcome Meeting Purpose	DFO Joe Hoagland, RERC Chair Wayne Davis
10:35 -10:40	Webinar Mechanics RERC Roll Call	Jo Anne Lavender, Facilitator
10:40 – 10:55	Brief Recap of Materials (10 min)	Michael Hynes
	Review Statement formed on Nov 29, 2017 (5 min)	Jo Anne Lavender
10:55– 11:05	Clarifying Questions	Jo Anne Lavender and Council
11:05 – 11:25	Roll Call Roundtable Discussion	Jo Anne Lavender and Council
11:25 – 11:30	Roll Call Vote and Wrap Up	Jo Anne Lavender and Council



TVA Rates – Rates 101

Michael Hynes
Director, Rate Design and Administration

Energy, Environment & Economic Development



We deliver power at the **lowest feasible cost**, and we are working to make power rates better for all our customers while keeping TVA electricity safe and reliable.



TVA's mission of service includes being **stewards of the region's natural resources and its public lands and waters.**



TVA's **reliable, low-cost** electricity helps the region recruit industry and keeps power bills lower for the region's homes, businesses and industry.

TVA & Rate Related Responsibilities

***Wholesale and
retail rate
authority
established within
the Power
Contract***

1

LPC Standards Service – 154 Local Power Companies (residential, small commercial and industrial)

2

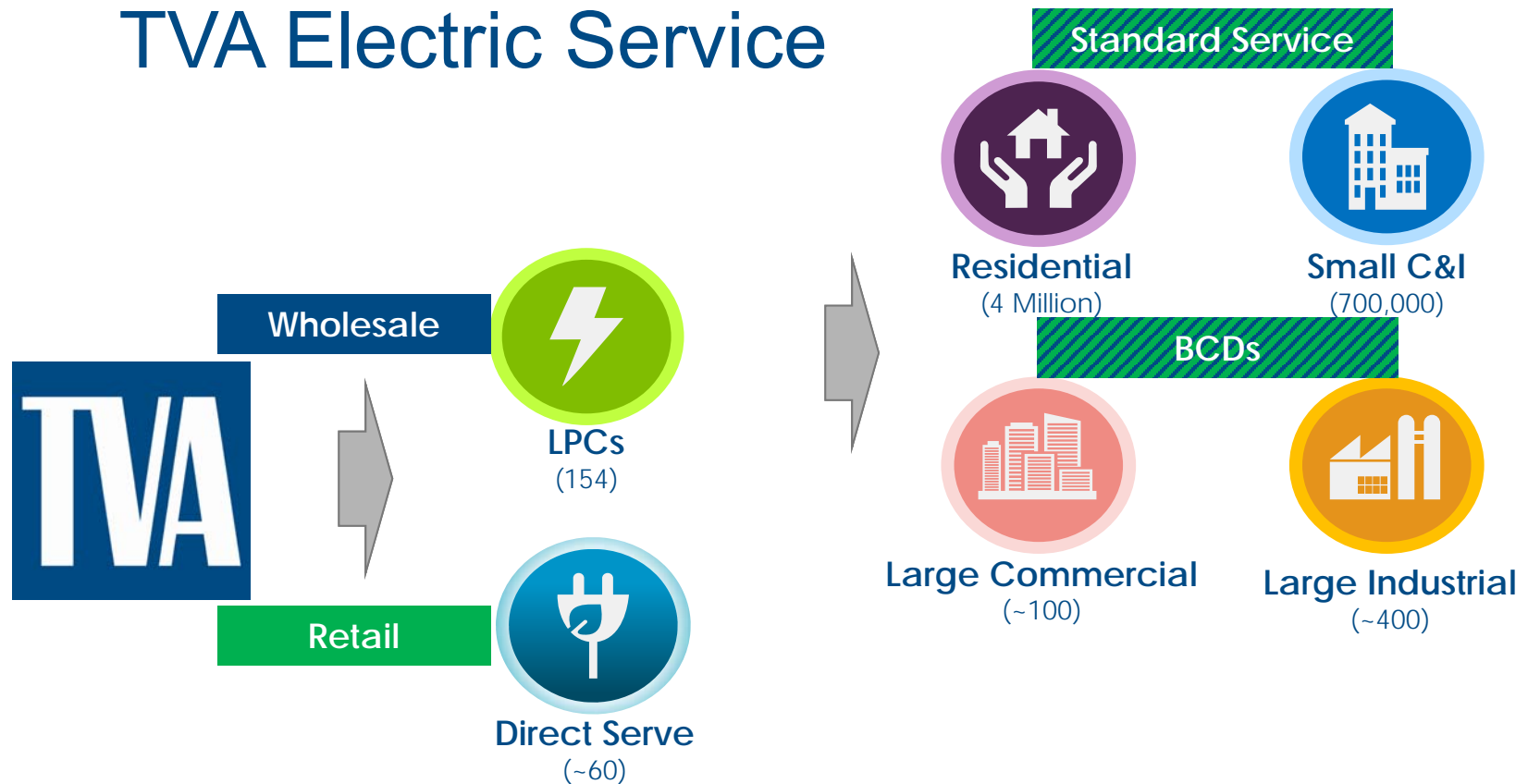
Directly Served Customers - ~60 direct serve customers (large manufacturing, federal and commercial)

3

Retail Rate Regulator – according to TVA Board approved process

- Retail rate approver for 150 LPCs
- Non-discriminatory oversight for 4 LPCs

TVA Electric Service



TVA provides wholesale service to LPCs who in turn provide retail service to their customers.
TVA provides retail service to direct serve customers.



Changing Rates – Why, How, What ?

Customer Preferences Are Changing



ELECTRIC

$$12k = 0$$

miles/yr.

Gallons
of gas



GAS

$$12k / 20 = 600$$

miles/yr.

approx.
MPG

Gallons
of gas

California Gas Tax = **39.5** (¢/g)

CONTRIBUTION TO ROAD FUND	
ELECTRIC	$0 \times 39.5(\text{¢/g}) = \$0.00/\text{yr.}$
GAS	$600 \times 39.5(\text{¢/g}) = \$237.00/\text{yr.}$

Absence of changes in pricing results in unintended consequences.

Electric Customer Preferences Are Changing



- Committed to 100% renewable electricity
- 87 companies to date



Stated Renewable Energy Goals

- Publicly stated renewable energy goals, but not RE100 commitment



- Committed to accelerating procurement of wind and utility-scale solar energy
- 160+ members



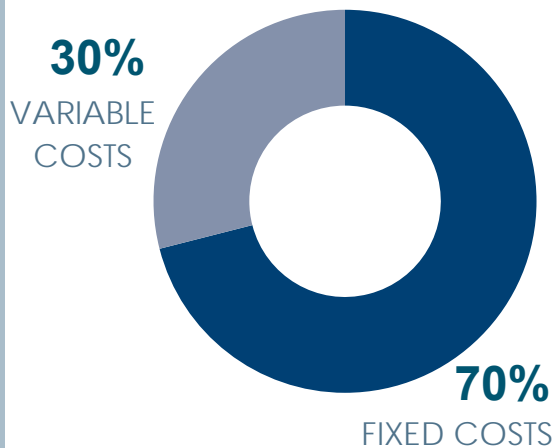
- Goal of growing corporate demand for renewables
- 58 signatures to date



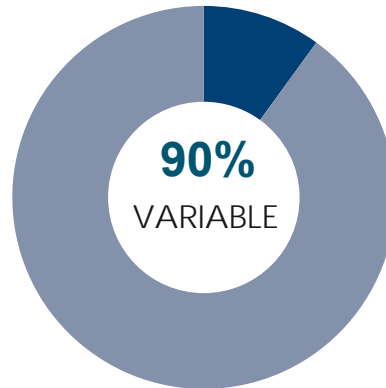
Pricing changes are necessary to enable Participants without adversely impacting Non-participants

How – Improvements in Pricing

Cost to Serve a Residential Customer



What a Residential Customer Pays



Future:
Pricing That Better
Reflects Costs



Managed, incremental improvements over time

New Pricing Reflecting the Value of the Grid

***TVA's grid
strengthens the
communities we
serve***

99.999%

Highly reliable and resilient, delivering energy with 99.999% reliability.



Fuels modern life, from lighting to air conditioning to computers.



Keeps the Valley's economy working, allowing factories, office buildings and small businesses to thrive, which means a higher standard of living.



Enables customer renewable solutions with reliable on-demand access to grid services.

More Accurate, Modern Pricing



Keeps rates low



Ensures fairness in rates



Brings more bill stability



Allows companies and consumers to make more informed investment decisions

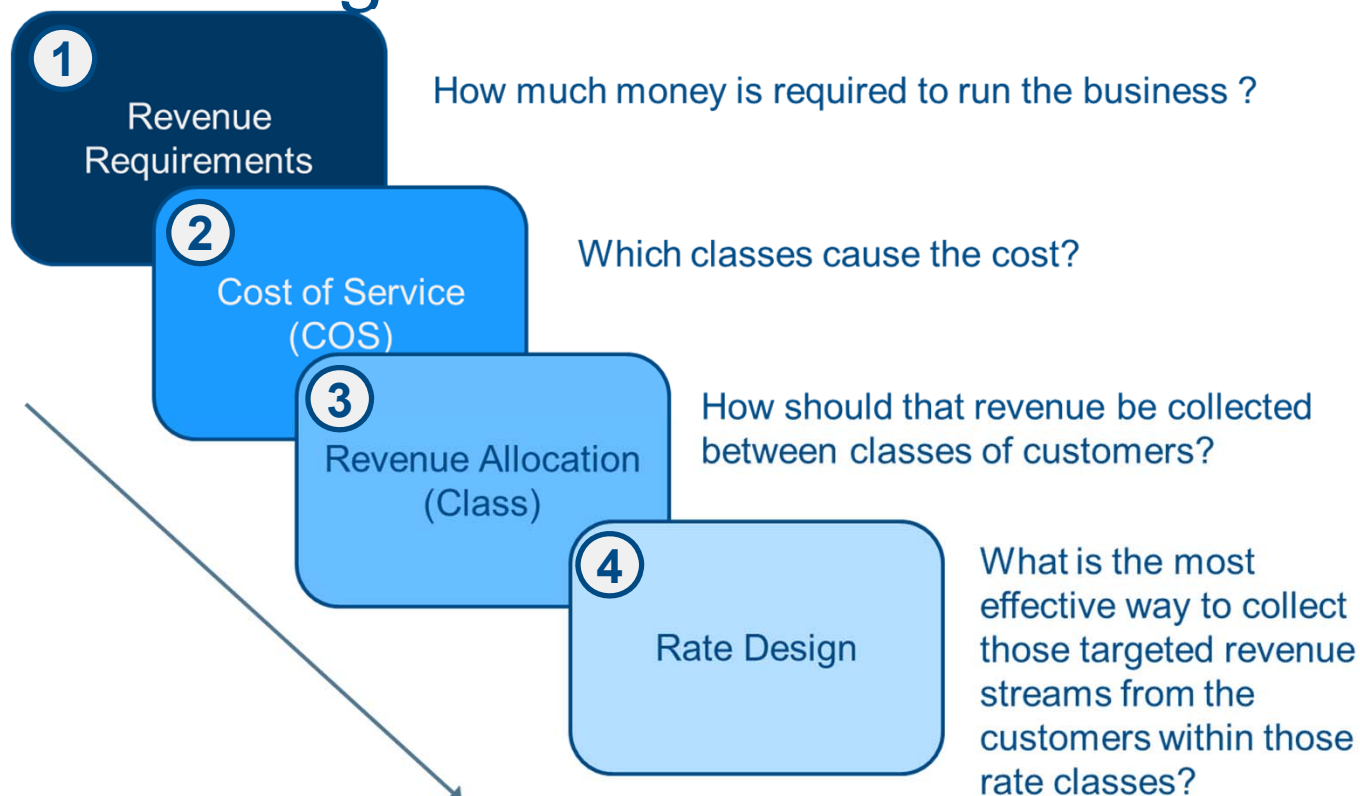


Better reflects the value of the grid



Stimulates economic growth

Rate Making Process



TVA follows an industry standard approach to rate making.

Rate Design Guiding Principles

4

Rate Design



Rates must cover costs



Rates track Cost of Service



Rates must send Pricing Signals



Rates must balance precision with simplicity



Rates must be stable



Rates must be competitive & affordable

GUIDING PRINCIPLES

“The guiding principles developed for the 2011 rate change (amended to include a principle dealing with rate competitiveness) continue to inform the 2015 rate change”

These guiding principles are true at wholesale & retail

Cost of Service Fiscal Year 2013

A Summary of Wholesale Cost of Service Methodologies and Results

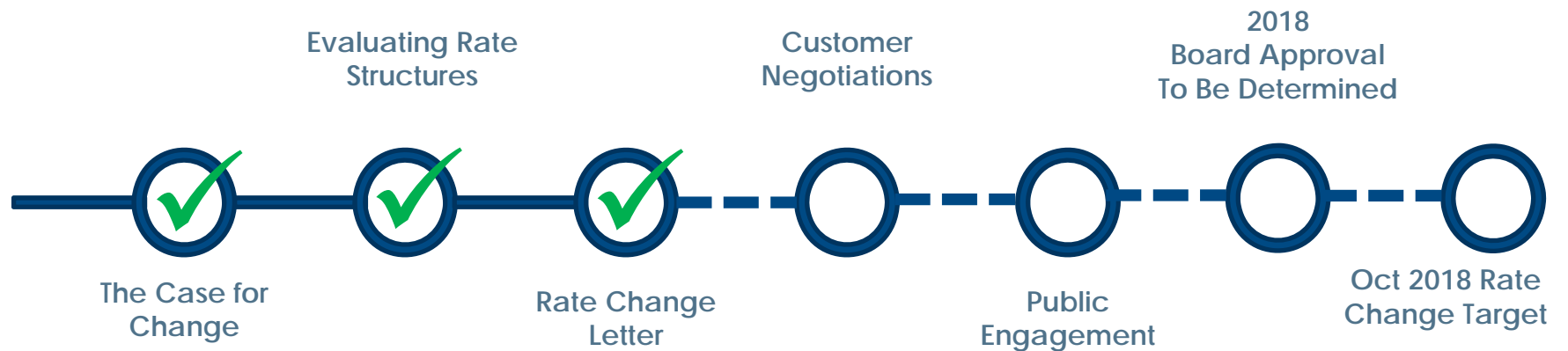
October 31, 2014

TVA & our customers have developed principles to guide the transition with balance

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Path Forward





RERC Advice



Review RERC Statement from November 29, 2017 (page 1 of 3)

Rates and the cost of electricity are important to all types of electricity users in the Tennessee Valley region. The RERC recognizes that the use of electricity and consumer preferences are evolving into a new marketplace and that rate changes may be needed to be part of the evolution to fairly assign costs to those receiving the value of the grid and energy system. TVA strives to deliver power at the lowest feasible cost and develops rates that adhere to a set of guiding principles. The RERC encourages TVA and LPCs to work together to develop appropriate retail rate structures.

Review RERC Statement from November 29, 2017 (page 2 of 3)

TVA's current guiding principles are:

- Rates must cover costs;
- Rates track cost of service;
- Rates must send pricing signals;
- Rates must balance precision with simplicity;
- Rates must be stable;
- Rates must be competitive and affordable;
- The above principles are intended to support fair allocation of costs.

The RERC further encourages TVA to modify the principles to: increase clarity; improve clear communication of the problem being addressed and better describe intended outcomes and the process by which rate changes are implemented; minimize unintended consequences; emphasize transparency and increase stakeholder engagement; consider impacts on innovation; and consider the relative sense of affordability.

Clear and simple communication will help Valley Stakeholders better understand what TVA is doing, and why they are doing it.

Review RERC Statement from November 29, 2017 (page 3 of 3)

As TVA works on rate changes in the short and longer term, TVA has opportunity to improve stakeholder engagement through a variety of mechanisms:

- Clearly define the problem that you are addressing and your key audiences
- Develop simple, understandable materials that discuss what and why (not specific on rate change but educational)
- Separate the narrative of transmission from energy consumption and emphasize the revenue neutral aspect.
- Survey and gather data about consumer behavior.
- Utilize radio, television, and open meetings to reach people.
- Partner with LPCs and Chambers of Commerce to communicate to local stakeholders.
- Recognize there is a broader set of stakeholders who may have an interest in the process.
- Early on, educate media and editorial boards on the issues.



RERC Q&A – Clarifying Questions

RERC Individual Comments / Alphabetical Order:

Discussion Question: What are your views of the existing statement?

Michael Butler

Tennessee Wildlife Federation

Wayne Davis*

University of Tennessee

Rodney Goodman

Habitat for Humanity

Dan Ionel

University of Kentucky

Wes Kelley

Huntsville Utilities

Doug Lawyer

Knoxville Chamber

Robert Martineau, Jr.

State of Tennessee

Peter J. Mattheis

Tennessee Valley Industrial Committee

Jennifer Mundt

State of North Carolina

Jeremy Nails

Morgan County Economic Development
Association

Alice Perry

State of Mississippi

Doug Peters

Tennessee Valley Public Power Association

Derwin Sisnett

Gestalt Community Schools

Stephen Smith

Southern Alliance for Clean Energy

Charles Snaveley

Commonwealth of Kentucky

John Warren

Commonwealth of Virginia

Lloyd Webb

Olin Chlor Alkali

Susan R. Williams

SRW & Associates

* RERC Chair

RERC Roll Call Vote / Alphabetical Order:

Vote 'Yes' to adopt statement; Vote 'No' if not in support of adopting statement

Michael Butler

Tennessee Wildlife Federation

Wayne Davis*

University of Tennessee

Rodney Goodman

Habitat for Humanity

Dan Ionel

University of Kentucky

Wes Kelley

Huntsville Utilities

Doug Lawyer

Knoxville Chamber

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Commonwealth of Virginia

Lloyd Webb

Olin Chlor Alkali

Susan R. Williams

SRW & Associates

* RERC Chair

Where to Submit Public Comments to the RERC

RERC Comments:

Email: baperdue@tva.gov

U.S. Mail:

Barbie Perdue
Tennessee Valley Authority
400 West Summit Hill Drive, WT-9 C,
Knoxville, Tennessee 37902

On-line:

http://www.tva.com/lerc/lerc_members.htm



Wrap Up and Adjourn
