

Regional Energy Resource Council Minutes December 22, 2017

Tennessee Valley Authority Regional Energy Resource Council December 22, 2017 Webinar Meeting Minutes

The Tennessee Valley Authority (TVA) Regional Energy Resource Council (RERC or Council) convened for a Webinar meeting of its third term at 10:30 a.m. EDT on Friday, December 22, 2017.

Council members attending the webinar:

Wayne Davis, Chair	Michael Butler	Dan Ionel
Wes Kelley	Doug Lawyer	Robert Martineau, Jr.
Peter Mattheis	Jennifer Mundt	Jeremy Nails
Alice Perry	Doug Peters	Stephen Smith
Charles Snavelly	John Warren	Lloyd Webb

Designated Federal Officer: Dr. Joseph Hoagland

Facilitator: Jo Anne Lavender

Appendix A identifies the TVA staff, members of the public, and others who attended the meeting.

Appendix B is the agenda for the meeting.

Copies of the presentations given at the meeting can be found at <http://tva.gov/merc>.

1. Welcome

Dr. Hoagland, TVA Vice President (Enterprise Relations and Innovations) and Dr. Wayne Davis (Chair of the Council) opened the meeting by welcoming everyone. Dr. Davis introduced the two new Council members: Charles Snavelly (Commonwealth of Kentucky) and John Warren (Commonwealth of Virginia).

Mr. Davis indicated that the purpose of the meeting was to complete the advice development process that was initiated by the Council at its meeting on November 29, 2017. The advice concerns the principles that TVA should take into account when designing wholesale rate changes and the mechanisms to use to engage Valley stakeholders when making those changes.

2. Safety Moment, Overview of Agenda, Meeting Protocols and Roll Call

Ms. Lavender, Facilitator, covered these items in her presentation (see Slides 5-7). The webinar was open to the members of the public in listen-only mode. The roll call confirmed that fifteen Council members were present for the meeting.

3. Brief Recap of Ratemaking Basics

Michael Hynes (Director, TVA Rate Design and Administration) provided background information on TVA's rate-setting process and principles. (Slides 8 to 20)

4. RERC Statement and Discussion Questions

Jo Anne Lavender presented to the Council for review and discussion the rate statement that was developed by the Council at its previous meeting on November 29, 2017. This statement was used as a starting point for further discussions in the development of a final statement. Ms. Lavender reminded the Council of TVA's current guiding principles in setting rates, and asked the Council to focus on formulating an advice statement that responds to the following questions:

1. What other principles should TVA consider when designing wholesale rate changes?
2. What mechanisms are useful for TVA to engage Valley stakeholders in the discussion of wholesale rate changes over time?

5. RERC Discussion on Rates

The Council discussed the factors and principles TVA should consider in designing wholesale rate changes and the mechanisms to be used to engage Valley stakeholders. The statement from the November 29, 2017 was used as the baseline statement to launch the discussion. The salient features of this discussion are recounted below.

- Stephen Smith asked as to how much money would be moved into the fixed cost component under TVA's current rate-change proposal. TVA staff responded that using the currently contemplated one-cent basis, the amount moved to the fixed cost component would be approximately \$1.1 billion.
- Mike Butler asked whether TVA looked at data for the last 10 years while conducting its analysis of impacts of the rate proposal. Staff indicated that the analysis was based on a 5 year look-back and that going back 10 years was not

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possible since the structure to perform the calculations did not exist prior to September 2011.

- Mike Butler also asked whether a commodity-based approach to fixed costs could be utilized. Staff responded that its analysis indicates that a 10 percent increase in energy prices would likely have a 1 percent impact on customers.
- Stephen Smith stated that the current process for making rate changes needs greater visibility and that groups such as SACE have had to use the FOIA process to get information from TVA. He urged TVA not to rush the rate-change proposal as the retail component of any rate structure is of paramount importance.
- Charles Snavelly stated that the timing of the current rate-change proposal is appropriate since TVA has been discussing the proposal now for three years. He expressed concern about equating the word “fair” with the “revenue-neutral” aspect of TVA’s rate-change proposal since a “revenue-neutral” proposal could still have disparate impacts.
- Mike Butler indicated that the overall statement appeared fine but we need to make sure that it is properly communicated. He expressed some concern about the sense of urgency associated with TVA’s rate-change proposal.
- Wayne Davis indicated that he was fine with the advice statement but suggested some edits for greater clarity.
- Dan Ionel indicated that one of TVA’s current principles that rates must be both “competitive” and “affordable” may not be entirely consistent.
- Wes Kelley suggested that to better engage stakeholders, we must educate stakeholders on the components of the cost of service and how the components are applied in rate-setting.
- Doug Peters, Jeremy Nails and Bob Martineau recommended that the communication plan to reach stakeholders must be comprehensive to also include the social media aspects.
- Pete Mattheis suggested that while engaging stakeholders, TVA must partner with LPCs, direct-served customers and the Chambers of Commerce. He also made other editorial suggestions to better shape the advice statement.
- Jennifer Mundt and John Warren indicated that they were comfortable with the advice statement.
- Alice Perry stated that she echoed what others had expressed, including the comments made by Wes Kelley about the need to educate stakeholders.
- Doug Peters emphasized the need for a comprehensive communication plan. TVA can address the wholesale aspects of a rate-change proposal but there is a separate process for determining how the wholesale changes would play out at the retail level.

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- Lloyd Webb indicated that this is the first time that the Council has been providing advice on rates. He, therefore, suggested that the introductory paragraph to the rate advice statement be revised to recognize that the use of electricity and consumer preferences are evolving into a new marketplace that makes it necessary that costs be fairly assigned to those receiving the value of the grid and the energy system.

6. Formulation of Advice Statement

Based on discussions among its members, the Council prepared an advice statement for adoption through a formal vote. The final advice statement is included in Appendix C.

Under the RERC Bylaws and Operating Procedures, eleven voting members constitute a quorum for the conduct of business. Participation in the webinar of 15 Council members constituted a forum. The Bylaws also provide that any recommendation by the Council to TVA requires an affirmative vote of at least a simple majority of the total membership present on that date. A roll call vote was taken. The Council adopted the statement in Appendix C by a unanimous vote of all 15 Council members attending the webinar.

Dr. Davis and Dr. Hoagland thanked members for their input and for a great discussion on rate change. The meeting adjourned at 12:00 PM EDT.

Minutes approved:



Wayne T. Davis, Council Chair

Date: 11/26/18

Appendix A
Non-Council Meeting Attendees

TVA Staff
Joe Hoagland Amy Henry Michael Hynes Jo Anne Lavender Khurshid Mehta Barbie Perdue Michael Scalf Liz Upchurch

Members of the Public In Attendance by Webinar
Jonathan Levenshus Scott Banbury Amanda Garcia Bonnie Swinford Don Safer Denielle Garris

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Appendix B Meeting Agenda

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Webinar

Dec 22, 2017, Times are EST		
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) Review Statement formed on Nov 29, 2017 (5 min)	Michael Hynes 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

Appendix C

Advice Statement Developed on December 22, 2017 by the TVA Regional Energy Resource Council (Advice adopted by a unanimous roll call vote)

The Power Industry in the United States has entered a new era where the types of resources that could be considered in any resource decision have increased to include new types of generation. This can result in an impact on rates and as such, rates become a part of the ultimate resource decision. Rates and the cost of electricity are important to all types of electricity users in the Tennessee Valley region. The RERC recognizes that rate changes may need 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 Local Power Companies (LPCs) to work together to develop appropriate retail rate structures.

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 wholesale rate changes are implemented; minimize unintended consequences; ensure transparency and enable stakeholder engagement; consider impacts on innovation; and determine the impact of the rate change on affordability to the communities served.

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

As TVA works on wholesale 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 TVA is addressing and TVA's key audiences.

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- Develop simple, understandable materials that discuss what and why (not specific on rate change but educational).
- Educate stakeholders on the components of cost of service and how this is applied in rate setting.
- Survey and gather data about consumer behavior.
- Have a comprehensive communication plan to reach stakeholders.
- Partner with LPCs, Directly Served Customers 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 and provide timely information to stakeholders.
- Early on, educate media and editorial boards on the issues.