

# Industry Updates

August 2015



## POWER PARTNERS

NEWS

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### President's Message

On August 21st, 2015, the Tennessee Valley Authority board will vote on a wholesale rate increase. If passed, the new rates would become effective October 1, 2015. Unfortunately, Gibson Electric Membership Corporation cannot absorb this increased cost and must pass it through to our member-owners. The TVA change could result in an increase of 1.5 percent at the retail level.


TVA may also decide to measure and bill Gibson EMC for the cooperative's peak demand between 1 p.m. and 7 p.m. from April through October; and between 4 a.m. and 10 a.m. from November through March. If TVA makes this change, we will follow this same process and schedule in billing you, our GSA2 (50 kW - 999 kW) and GSA3 (above 1,000 kW - 5,000 kW) members.

While we regret that you will be affected by these TVA changes, we want you to know that Gibson EMC has not increased its distribution rates since April 2009. Seventy-eight cents of every dollar you pay to Gibson EMC goes to TVA to pay for wholesale power costs; and your Gibson EMC board, management and employees work diligently to efficiently manage the remaining 22 cents in an effort to provide you with affordable and reliable service. We partner with other electric distribution systems to encourage TVA to also control its costs and minimize rate increases.

We also call on our legislators to take responsible action on energy issues, rising costs and environmental concerns. Finally, we strive to provide you with helpful information about how you can most efficiently use energy and save money on your company's electric bill. As always, we encourage you to call or email us if you have a question or need assistance. We sincerely appreciate your support and your business.



**Gibson Electric  
Membership Corporation**

® Your Touchstone Energy® Cooperative 



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## Strategic Pricing Plan

In 2011, TVA implemented its first pricing structure change in nearly 20 years. The change marked the beginning of a longer process by taking a first step toward rates that better reflect how the cost of generating power fluctuates depending on the time of day and year.

We are now in the next phase of that process – developing the Strategic Pricing Plan (SPP). The objectives of the SPP are two-fold: first, to provide more clarity on TVA's long-term direction for rates; and second, to define the next structural changes that will move us down that path. Recognizing these objectives would take time to accomplish and that TVA's industrial rates needed immediate attention, TVA and its customers began implementing a number of economic growth actions in 2013. These actions have improved our industrial competitiveness and helped the Valley retain and attract industry, investment and jobs.

### The Process

Using a transparent and collaborative approach, the SPP is being developed and vetted in partnership with local power companies (LPCs); the Tennessee Valley Public Power Association (TVPPA), a non-profit, regional service organization representing the interests of the consumer-owned electric utilities; and the Tennessee Valley Industrial Committee (TVIC), a trade organization representing directly served customers. Ultimately, the SPP will set a clear, long-term direction for fair and competitive rates that benefit the 9 million power consumers across the Valley.

"Over the past 18 months, TVA employees from Industrial Marketing and Services, Pricing and Contracts, and Customer Delivery have met with our customers to discuss TVA's long-term rate direction," said Dan Pratt, vice president of Pricing and Contracts. "Customer input has been factored into the process at every step. It's our hope that, at the end of the day, we not only have the best rate design we can – but that our customers feel like they were an integral part of the process." The SPP will help improve TVA's rate structure using planned, incremental rate changes consistent with TVA's long-term direction.

It is designed to be:

- Flexible for changing markets
- Sustainable for the most efficient use of TVA's resources
- Consistent to more accurately reflect the cost to produce power
- Predictable to drive customer investment confidence

To ensure rates remain affordable, competitive and non-discriminatory, the SPP process included a cost of service study that looked at the underlying costs to serve different customer classes and provided an independent assessment of TVA's competitiveness across all rate classes.

### Where we are now

Currently, TVA and LPCs are working together on what the final rate design will entail. Proposed solutions are consistent with the founding objectives of the SPP and, in partnership with our customers, our mission of service to the Valley.

TVA will bring a recommended long-term plan before the TVA board for a vote on August 21, 2015. If approved, the plan will be effective on Oct. 1, 2015.

**"Energy Right Solutions for Business (ERSB) still has \$6 million available for commercial projects!"**

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**TVA**