

TELL CITY ELECTRIC DEPARTMENT  
BOARD OF DIRECTORS  
SPECIAL MEETING  
JUNE 16, 2022

The Tell City Electric Department Board of Directors met in special meeting at 4:00 P.M. All members were present. Mr. Land presided.

General Manager Andy Hicks was in attendance as was Paige Schank and Julie Dixon for the Department. Guest, Larry Feltner with The Prime Group, was in attendance for his presentation of the Tell City Electric Cost of Service Study.

The Agenda was presented to the Board in written form. No changes were made. A motion was made by Mr. Daum and seconded by Mr. Malone to approve the Agenda as presented. Motion passed 6-0.

Mr. Land reminded the Board that the cost of service study was performed as requested by the City Council every two to three years and due to the 2022 Budget showing a projected net loss of approximately \$350,000.

Cost of Service Study Results and Presentation – Larry Feltner: Mr. Feltner is the managing partner at the Prime Group LLC. The Prime Group specializes in cost of service, rate design, and depreciation studies. Mr. Feltner started his career at Louisville Gas and Electric in their rate department and has been performing cost of service studies and rate designs for over 30 years.

Mr. Feltner presented his findings. He noted that the cost of service study utilized data for the test year ended December 2021. The test year operating results were adjusted for expected changes called “pro forma adjustments”. These adjustments included items such as, removing the Utility Receipts Tax from all rate classes and adjustments to expenses such as increases in expected purchase power, O&M expenses, health insurance, building maintenance, etc. Pro forma adjustments are the standard approach for the industry in both regulated and non-regulated utilities to allow the test year figures reflective of the expected level of expenses that will be incurred when the rates go into effect.

Mr. Feltner noted that the purpose of the cost of service study is to determine if the revenue generated by each customer class is covering the cost to provide service to the class. The NARUC (National Association of Regulatory Utility Commissions) publishes a document that provides industry standard practice on how to perform cost of service studies. This is the methodology that Mr. Feltner utilized for TCED.

The results of the study concluded that the total rate of return for all rate classes, utilizing the pro forma figures was (5.53%). The revenue requirement calculation determined through utilizing both a rate of return approach and TCED’s most recent budget, that the Department shows a revenue deficiency of \$1.4M annually. The \$1.4M deficiency is based on test year data. Of this revenue deficiency, approximately \$400k is being collected through the current 2022 Power Cost Adjustment (PCA) tracker.

Mr. Feltner showed the Board the calculated customer charge suggested per the study and noted that a customer charge appropriately reflecting the cost of service study results creates less volatility for both the customer and the utility as it allows for lower energy usage rates. This reduces the amount of variations seen from weather impact. An appropriate customer charge benefits low and fixed income customers as they are better able to predict their bill.

Overall, Mr. Feltner suggested the following changes to the TCED rates:

Rate Class			Rates		
Classification	Rate Code	Billing Unit	Present Rate, With Q2 2022 PCA Included	Proposed Rate	Increase (Decrease)
Residential A	A	Customer Chg (per mon)	\$ 18.00	\$ 28.00	\$ 10.00
		Energy Chg (per kWh)	\$ 0.12591	\$ 0.12407	\$ (0.0018)
Commercial B	B	Customer Chg (per mon)	\$ 18.00	\$ 28.00	\$ 10.00
		Energy Chg (per kWh)	\$ 0.12211	\$ 0.11850	\$ (0.0036)
Three Phase F	F	Customer Chg (per mon)	\$ 40.00	\$ 55.00	\$ 15.00
		Energy Chg (per kWh)	\$ 0.11876	\$ 0.13500	\$ 0.0162
Three Phase F1	F1	Customer Chg (per mon)	\$ 40.00	\$ 55.00	\$ 15.00
		Energy Chg (per kWh)	\$ 0.64560	\$ 0.61500	\$ (0.0306)
		Demand Chg (per KVA)	\$ 9.03000	\$ 11.04000	\$ 2.0100
Three Phase Floodwall Pumping	FP	Customer Chg (per mon)	\$ 40.00	\$ 55.00	\$ 15.00
		Energy Chg (per kWh)	\$ 0.58000	\$ 0.57190	\$ (0.0081)
		Demand Chg (per KVA)	\$ 8.87000	\$ 10.74000	\$ 1.8700
Large Power E	E	Customer Chg (per mon)	\$ 350.00	\$ 350.00	\$ -
		Energy Chg (per kWh)	\$ 0.38070	\$ 0.37570	\$ (0.0050)
		Demand Chg (per KVA)	\$ 24.47000	\$ 26.45000	\$ 1.9800
Large Power E2	E2	Customer Chg (per mon)	\$ 1,000.00	\$ 1,000.00	\$ -
		Distrib Demand (per KVA)	\$ 2.50000	\$ 3.00000	\$ 0.5000

It was noted that while the customer charge for but residential and commercial were suggested at \$33-\$35, the proposed rate was \$28. F, F1 and FP classes had a suggested customer charge of \$71-\$72 with a proposed rate of \$55.

Ms. Nance asked if it made sense to split the increase in customer charge over multiple years instead of all at once. It was noted that the past two cost of service studies have suggested customer charges ranging from \$31-\$35 for residential and commercial customers. Therefore, we have in theory been working over the past years to get this charge where it needs to be.

It was discussed that as TCED did not propose a significant increase to the E2 rate class, which has a significant amount of money associated, that there were only a few other rate classes with large enough revenue pools to have an impact.

The Board asked about rate F, which is the class that is a little different than TCED's other rate classes in that it lacks uniform characters across the customers. The Board has to weigh the options of adding a demand to that rate, which could significantly impact the customers who only have seasonal usage throughout the year.

Mr. Feltner's presentation ended at 4:58 P.M.

Mr. Kohnert made a motion, seconded by Mr. Malone at 5:00 P.M. to adjourn to Executive Session to:

Discuss the results of the cost of service study.

The motion passed 6-0.

At 5:45 P.M. Mr. Poole made a motion to adjourn the Executive Session and return to Regular Session. Mr. Daum seconded and the motion passed 6-0.

Resolution R220615A – Revised Rates and Charges for Electric Services: Motion to approve R220615A Adoption of Revised Rates and Charges for Electric Service was made by Mr. Daum and seconded by Mr. Malone. Dependent on council approval, these rates are to be implemented starting for the energy consumption beginning July 1, 2022. The motion passed 6-0.

There being no other business, Mr. Kohnert made a motion at 5:47 P.M. to adjourn. Ms. Nance seconded; the motion passed 6-0.

J.B. Land, Chairman

Bob Kohnert, Secretary

