



May 21, 2020

Governor Andy Beshear
 700 Capitol Avenue, Suite 100
 Frankfort, KY 40601

Governor Beshear,

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PUBLIC SERVICE
 COMMISSION

We, the undersigned managers of Kentucky’s TVA-regulated local power companies (KY TVA LPCs), would like to express our concerns regarding your recent Executive Order 2020-323, dated May 8, 2020 (the Order). Specifically, we are concerned of provision #6, “Suspension of utility disconnection”.

Collectively, the KY TVA LPCs serve a population of almost half a million citizens over 21 western and southcentral Kentucky counties. All 15 KY TVA LPCs have voluntarily agreed to follow the Kentucky Public Service Commission’s (PSC) order in Case No. 2020-00085, whereby the PSC ordered the suspension of disconnection for non-payment and the waiver of assessment of late payment penalties. We agreed that in the current environment, it was the right thing to do.

Beyond the legal question of whether your office has the legal authority to supersede the regulatory authority of a federal agency, we have real concerns about the Order. They are:

- The open-ended nature of the Order,
- The financial toll the Order may have on our utilities and
- The financial hardships the Order will have on some of our most vulnerable customers and members.

OPEN-ENDED NATURE

The language in the Order states that the disconnection due to non-payment and waiver of assessment of late fees shall apply “...for the duration of the State of Emergency under Executive Order 2020-215.” As your office has laid out a phased plan to restart Kentucky’s economy, there is no stated plan or set of parameters for the lifting of the State of Emergency for utilities to understand and plan accordingly. It is not inconceivable that while Kentucky gets back to work, the State of Emergency stays open “just in case there’s a resurgence of the virus”.

While the suspension of disconnection and waiver of late fees made sense in the early days of the pandemic, the Order has us concerned that utilities are being targeted for an open-ended “payment holiday”. We can’t manage our utilities with this much uncertainty. The phased action to reopening of the economy, coupled with federal enhanced unemployment benefits, stimulus payments, Payroll Protection loans, LIHEAP funding and extensions, and other targeted assistance makes us feel like relief and assistance are widely available and lessens the need for suspending disconnects and waiving late fees. Your leadership to hire additional Labor Cabinet personnel to process unemployment claims is one example of how obstacles to aid are being removed.

For perspective to counter the open-ended nature we find ourselves in, in a recent survey 85% of TVA’s LPCs operating in other states responded that they are or are planning to return to residential disconnection between May and June. This data indicates our Kentucky residents will end up with larger past due balances to pay than other nearby states.

FINANCIAL TOLL ON UTILITIES

We recognize that utilities are not unique in experiencing financial hardships during this pandemic. We see and hear it in our communities. We all are experiencing a significant loss of electric load/sales. That loss of load means fewer dollars available to cover operating and maintenance expenses, debt service, and capital expenditures. Compounding this loss of sales revenue is the Order’s impact on cash flow from suspended disconnections, and miscellaneous revenue from late fees. We are required to pay our monthly wholesale power invoice and depend on these revenues to meet that obligation.

FINANCIAL HARDSHIPS ON CUSTOMERS AND MEMBERS

The policy of suspending disconnection and waiving the assessment of late fees seems well-intended. Surely vulnerable customers and members will be aided in this Order. And for a while, especially before federal assistance was in place, that was the case. However, the longer the Order stays in place, the more other unintended consequences begin to surface. We’re seeing some of those now.

One of the unintended consequences is lost opportunity. For all of our utilities, there is a segment of the residential customer and membership base who do not engage with the utility and/or seek out available assistance programs until we’re at the doorstep for disconnection. While the LIHEAP program qualifications have been relaxed and the program extended and funded through June, the Order’s effect on that population will be a missed opportunity to use federal dollars available to help because the motivation through disconnection isn’t available.

Another unintended consequence is the size of customers’ and members’ accumulated unpaid balances during the period of suspended disconnection. We are all committed to offering generous and flexible repayment terms when we come out of this. However, for some rate payers, their balance of unpaid bills is going to feel like an unsurmountable mountain. As we move forward, we’re concerned that high bills from summer cooling or winter heating, coupled with payment arrangements on unpaid

bills from the suspension of disconnects, will be too much. Better to start working things out now than pushing the pain to later.

A final unintended consequence to consider is loss recovery. All of the KY TVA LPCs are not-for-profit utilities serving our customers and members. We do not have shareholders to be responsive to; there are no faceless investors which could be targeted to "absorb" any losses. Losses we incur stemming from the Order may very well have to be recovered through our entire customer base/membership. If that is the case, who have we helped?

We appreciate you considering the concerns we've expressed in this letter. Please feel free to reach out to any of us at our utilities if you wish to discuss further.

Kentucky Strong!

Respectfully,



Kent Rudd
General Manager
Benton Electric System



Mark Iverson
General Manager
Bowling Green Municipal Utilities



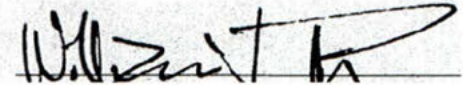
Bill Border
General Manager
Franklin Electric Plant Board



Luke Craddock
General Manager
Fulton Electric System



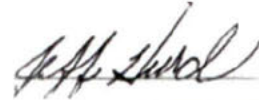
Daniel Rodamaker
President & CEO
Gibson Electric Membership Corp.



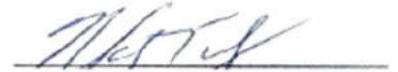
William Ray
Superintendent
Glasgow Electric Plant Board



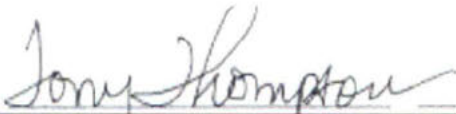
Rex Coffey
General Manager
Hickman Electric Plant Board



Jeff Hurd
General Manager
Hopkinsville Electric System



Marty Ivy
General Superintendent
Mayfield Electric & Water System



Tony Thompson
General Manager
Murray Electric System




Alan Gates
President & CEO
Pennyrile Rural Electric Cooperative Corp.



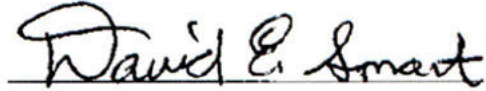
Dale Vowell
General Manager
Russellville Electric Board



Paul Thompson
Executive VP & GM
Tri-Country Electric Membership Corp.



Dewayne McDonald
President & CEO
Warren Rural Electric Cooperative Corp.



David Smart
President & CEO
West KY Rural Electric Cooperative Corp

cc: **Mr. Kent Chandler, Executive Director, Kentucky Public Service Commission**
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Ms. Jennifer Brogdon, Director of Regulatory Assurance – TVA
Mr. Ernie Peterson, Kentucky Customer Service Manager – TVA
Ms. Annette DuPont-Ewing, Executive Director of Kentucky Municipal Utilities Association
Mr. Chris Perry, CEO & President of Kentucky Electric Cooperatives