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BRMEMC has experienced an unusually high volume of member questions and complaints with regard to the Customer Charge, the EMC's fixed-cost component of its electric rate. In an effort to determine what impacts the charge has, and identify optimal methods that better explain the charge, we have compiled research evaluating the fixed cost portion of other LPC/Distributor's bills, and have rank ordered BRMEMC's customer charge in relation to all other TVA LPC's/Distributors as well as several Georgia EMC's. Following is a summary of this research.

Customer Charge – Who has one, and who does not?

The term Customer Charge is one that has been misunderstood in the BRMEMC service area since we began to break this charge out on customer bills back in January of 2009. We have had almost daily calls and questions from member-customers who do not understand why the charge is there, what the money is used for, or when the charge was added. The fact is that BRMEMC's Customer Charge has been included in our rate for decades (since at least 1976). Truth is, we never really heard anything about this charge until, in an effort to be more transparent with our members, we began to break out the charge separately on our customer bills. BRMEMC's current residential Customer Charge is \$18.13 per month.

For several years BRMEMC has been attempting to explain this charge to our member-customers through written communication both in our magazine and online (website), as well as through direct discussion with members either on the phone, in person, or at the Annual Meeting. Following is an excerpt of what we have had posted on our website for several years:

What is the Customer Charge on the BRMEMC electric bill?

All BRMEMC electric rates, as defined in our currently effective rate schedules as approved by TVA, are made up of primarily two components; the fixed customer charge and the energy charge. The fixed customer charge is one way for us to recover our fixed costs such as; the cost of constructing our electric infrastructure, installing meters, reading the meters each month, billing the members, collecting payments each month, and paying taxes, insurance, etc. The customer charge helps BRMEMC keep the cost of constructing infrastructure and operating our business fair for all customers.

The second component of the rate is the energy charge (kilowatt-hour charge), which can be looked at as a variable cost recovery charge. Customers who use larger amounts of energy pay for this variable cost through the energy charge portion of the rate.

BRMEMC has different customer charge amounts assigned to different classes of customers. For example, all residential customers pay the same customer charge, while others in the commercial or industrial classes pay different amounts based on their individual class of service. Customer charges are determined through a "cost of service" study. BRMEMC adjusts its customer charge rates as needed based on information provided from that study which evaluates the fixed-cost expense required to serve each meter by class. In BRMEMC's service territory the base residential customer charge is currently set at \$18.13, while the general power and small commercial class (GSA1) is currently set at \$19.73. These rates are authorized and detailed in TVA's RS and GSA rate schedules. BRMEMC simply follows the approved rate design and charges each metered account the appropriate customer charge, based on the type of service.



BLUE RIDGE MOUNTAIN EMC CUSTOMER CHARGE EXPLAINED

All electric utilities charge a fixed monthly charge although they may have a different name for this charge (i.e. Fixed Service Charge, Monthly Facilities Charge, etc.) and many other electric utilities don't itemize this charge on the monthly bill.

The Customer Charge is a term that is used in the official TVA rate schedules and has been approved by TVA for many years. We inquired as to other acceptable terminology that is currently in use or may be used by others, and Mike Arthur, TVA Customer Service Manager, suggested that other terms could be submitted for approval including (but not limited to) Base (or Basic) Charge, Access Charge, Facility Charge, Service Charge, etc. He stated that he doubted TVA would resist a change in the terminology, especially since BRMEMC is one of the few LPC's/Distributors that breaks this charge out on monthly statements. Mr. Arthur also checked with a few other LPC's/Distributors, particularly those with territory in NC and GA, and determined that BRMEMC is the only one that breaks out this charge of that group. He stated that he is not aware of any TVA LPC/Distributor who does not have a fixed-cost Customer Charge included in their rate schedules. TVA is the nation's largest public power provider serving over 9 million people in seven States.

In researching the practices of others in the industry, a few examples stand out. **Florida Power & Light (owned by NextEra Energy)**, on their website, clearly describes the components of their residential bill which includes a "*Customer Charge*". Their explanation of this charge is that it is, "*A fixed monthly amount to cover the cost of the meter, billing and providing customer service. It is applicable whether or not electricity is used in a given month.*" This charge, currently \$7.57, is also broken out separately on their customer bills; however, it bears noting that they also break out a number of other charges including base energy, environmental, capacity payment, storm-related, fuel, and other charges, some of which are embedded in BRMEMC's total Customer Charge. FP&L's parent company, NextEra Energy, is the nation's second-largest investor-owned electric utility.

Similarly, on the residential rate schedules published online for **Duke Energy's North Carolina Territory** there is included a "*Basic Facilities Charge per month*" of \$11.80 which does not appear to be broken out separately on the customer bill. Remember that Duke Energy is now the largest investor-owned electric utility in the US. Georgia Power's (**owned by Southern Company**) bill only breaks out the overall "Current Service" cost for the month, but then adds other costs like environmental compliance, nuclear construction cost recovery, fuel and other charges separately. Within Georgia Power's filed Residential Service Schedule "R-21" tariff there is a "*Basic Service Charge*" listed of \$10.00, which is the equivalent of BRMEMC's Customer Charge. The Southern Company is the nation's fourth largest investor-owned utility. Finally, **Dominion Resources**, the nation's third largest investor-owned electric utility, does not break out their fixed-cost component on their customer bills, but one can view their filed rate tariffs online and see contemplated therein the "*Basic Customer Charge*" of \$11.05 per billing month.

In summary, the nation's four largest investor-owned electric utilities, as well as the nation's largest public power utility all have a residential customer charge of some sort, yet few of these actually break the charge out separately on customer bills. We were unable to find any electric utility that does not have some sort of fixed-cost recovery mechanism embedded in their residential rate schedules.



BLUE RIDGE MOUNTAIN EMC CUSTOMER CHARGE EXPLAINED

Customer Charge – Comparison

Since BRMEMC is a 100% all-requirements distributor of TVA power, we thought it appropriate to begin our comparisons with regard to customer charge amounts between the 155 TVA distributors. When comparing rates between these different distributors, it is important to note that municipal distributors tend to have lower customer charges compared to Co-op distributors. Generally, this can be explained by noting customer densities and industrial to residential customer ratios. In effect, municipal distributors tend to have higher customer densities, and thus their fixed cost recovery rates can be held lower than what Co-op’s, which are mostly rural and low-density, can offer. Similarly, municipal distributors also tend to have a much higher percentage of large commercial and industrial customers who purchase much higher volumes of energy and generate greater overall income for the distributor. Attached is a summary of the customer charges charged by each TVA LPC:

Figure 1: TVA Local Power Company (LPC) Customer Charge Comparison – Lowest to Highest

Lowest to Highest Bid			
	6.78		13.70
	6.88		13.86
	7.00		13.98
	7.24		14.43
	7.86		14.51
	8.09		14.52
	8.19		14.58
	8.37		14.51
	8.42		15.00
	8.81		15.00
	8.82		15.11
	8.87		15.11
	8.70		15.20
	8.78		15.22
	8.88		15.29
	8.99		15.32
	9.33		15.50
	9.83		15.88
	9.86		15.71
	10.00		15.75
	10.00		15.75
	10.10		15.81
	10.11		15.93
	10.18		16.18
	10.27		16.20
	10.81		16.24
	10.77		16.29
	11.00		16.30
	11.10		16.34
	11.11		16.34
	11.11		16.55
	11.11		16.47
	11.23		16.88
	11.42		17.09
	11.49		17.11
	11.50		17.29
	11.50		17.36
	11.81		17.45
	11.83		17.76
	11.71		17.80
	11.72		18.80
	11.76		18.00
	11.83	Blue Ridge Mountain EMC	18.13
	11.97		18.40
	12.00		18.50
	12.00		18.50
	12.00		18.50
	12.00		18.51
	12.00		18.95
	12.11		19.40
	12.11		19.46
	12.11		19.50
	12.15		19.75
	12.23		19.80
	12.30		20.00
	12.36		20.15
	12.36		20.40
	12.36		20.91
	12.45		21.10
	12.50		21.50
	12.50		21.94
	12.51		22.00
	12.54		22.00
	12.86		22.00
	12.75		22.11
	12.76		22.33
	13.00		22.60
	13.00		22.55
	13.26		23.29
	13.29		24.51
	13.31		25.00
	13.34		24.00
	13.42		24.34
	13.46		24.40
	13.55		25.00
	13.59		

NOTE: Privileged and confidential information has been removed from this chart, as BRMEMC does not have expressed written permission to release this data.

Note: Data is current as of the October 1, 2015 rate actions



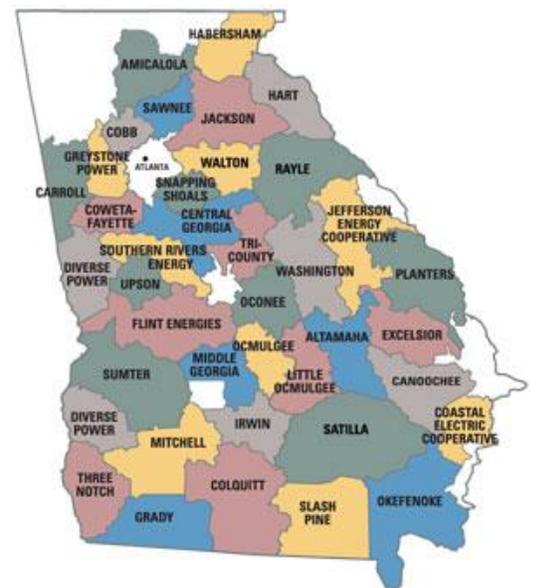
BLUE RIDGE MOUNTAIN EMC CUSTOMER CHARGE EXPLAINED

The data (above) shows that among all TVA LPC's (both municipal and Cooperative) the average customer charge is \$14.71 per month, with a minimum of \$4.78 and a maximum of \$29.00. Analysis of TVA-served electric Cooperatives shows the average to be \$18.41 with a minimum of \$10.14 and a maximum of \$29.00. The summary of this data demonstrates that among TVA-supplied Cooperatives, BRMEMC's customer charge is below the average at \$18.13.

When evaluating the EMC's across the State of Georgia, one immediately sees that the same trend is apparent outside of the TVA-served territory with regard to the fixed-cost recovery component of electric bills. There are currently 42 electric cooperatives operating in the State of Georgia. Three of these, Blue Ridge Mountain EMC, Tri-State EMC and North Georgia EMC, are TVA-all requirements customers, and are not subject to filing rate schedules or tariffs with the Georgia Public Service Commission. The other 39 file rate tariffs with the PSC that are public information and can be viewed online. Even the most cursory look at these rates shows a clear utilization of some kind of fixed-cost recovery component embedded in each EMC's bill. We have been unable to quantify how many of these also break out their fixed-cost recover charges separately on their customer bills, but anecdotal information leads us to believe that few break this charge out separately. Below is a list of Georgia EMC's, their fixed-cost recovery methodology, and the amount of their fixed-cost recovery charge:

Figure 2: Residential Fixed-Cost Recovery Component of Georgia Cooperatives

Georgia EMC	Fixed-Cost Terminology	Amount
Altamaha EMC	Facilities Charge	\$17.50
Amicalola EMC	Service Charge	\$19.00
Canoochee EMC	Service Charge	\$15.00
Carroll EMC	Service Charge	\$30.00
Central Georgia EMC	Service Charge	\$19.00
Coastal EMC	Customer Charge	\$13.50
Cobb EMC	Service Charge (Standard)	\$21.00
Colquitt EMC	Service Charge	\$10.00
Coweta-Fayette EMC	Service Charge	\$20.00
Diverse Power	Base Charge	\$20.00
Excelsior EMC	Base Charge	\$16.00
Flint Energies	Basic Monthly Service Charge	\$24.00
Grady EMC	Customer Charge	\$11.00
GreyStone Power	Service Charge	\$11.75
Habersham EMC	Service Charge (Standard)	\$25.00
Hart EMC	Service Charge	\$15.00
Irwin EMC	Customer Charge	\$20.00
Jackson EMC	Service Charge (Standard)	\$13.00
Jefferson Energy	Customer Charge	\$20.00
Little Ocmulgee	Service Charge	\$15.00
Middle Georgia EMC	Facilities Charge	\$15.00
Mitchell EMC	Facilities Charge	\$12.50





BLUE RIDGE MOUNTAIN EMC CUSTOMER CHARGE EXPLAINED

Ocmulgee EMC	Service Charge	\$10.00
Oconee EMC	Service Charge	\$18.00
Okefenoke REMC	Basic Facility Charge	\$20.00
Pataula EMC	Facility Charge	\$8.00
Planters EMC	Service Charge	\$28.00
Rayle EMC	Service Charge	\$17.50
Satilla EMC	Service Charge	\$15.00
Sawnee EMC	Base Charge (Standard)	\$18.85
Slash Pine EMC	Service Charge	\$11.00
Snapping Shoals EMC	Base Charge	\$20.00
Southern Rivers Energy	Customer Charge	\$27.50
Sumter EMC	Service Charge	\$15.00
Three Notch EMC	Service Charge	\$9.00
Tri-County EMC	Minimum Monthly Charge	\$27.00
Upton EMC	Customer Charge	\$20.00
Walton EMC	Service Charge	\$19.00
Washington EMC	Base Charge	\$19.50

Currently effective rates published online & with Georgia PSC as of Sept. 2015

*NOTE: Highlighted rows are those EMC's geographically closest to BRMEMC

The data (above) shows that among all Georgia Cooperatives (with the exception of the three TVA-served) the average customer charge is \$17.61 per month, with a minimum of \$8.00 and a maximum of \$30.00. BRMEMC's Customer Charge, at \$18.13 ranks slightly above the median (\$18.00) for this group.

Customer Charge – Why so different?

Member/Customers might be curious as to why there is such variation in the fixed-cost recovery portion of electric bills both across the TVA-served area, and across the State of Georgia. After all, there is quite a bit of variance between the minimums and maximums in either group. Each electric distributor has a its own way of designing rates that allow for recovery of operational costs, and most optimize rates according to specific differences in their service territories. For example, distributors who have more “peaky” weather conditions will often opt for a higher customer charge in an effort to reduce volatility in cash flows month to month. Another factor that tends to impact rates is the seasonality of customers. Those distributors with more stable customer usage, which translates to higher per customer kilowatt-hour sales, will usually have a lower fixed-cost recovery charge. Similarly, distributors that have higher concentrations of industrial and large commercial customers tend to be able to reduce their fixed-cost recovery since these types of distributors tend to operate with higher margins than those that are primarily residential. Finally, customer density plays a key role in determining fixed-cost rates. Distributors with higher customer densities in terms of customers per mile of line tend to have a lower fixed-cost recovery charge, since they have more customers available to pay for each mile of line than a more sparsely populated region.



BLUE RIDGE MOUNTAIN EMC CUSTOMER CHARGE EXPLAINED

In Blue Ridge Mountain EMC's case, we have several key factors working against us. We have a very "peaky" weather pattern that is growing more so each year. We have many seasonal customers and very low average kilowatt-hour consumption per customer. BRMEMC's average kilowatt-hour sales per residential customer is 897 kilowatt-hours, which puts BRMEMC in the lowest quartile among TVA-served distributors. We are a largely residential distributor with an increasing yet small base of large commercial and industrial customers. BRMEMC also has one of the lowest customer densities in the region at 8.2 customers per mile. The average customer density for Investor-Owned Utilities is 34 per mile, and the average for Municipal systems is 48 per mile. Bringing this closer to home, Georgia Power has 32.52 customers per mile of line, each of whom pays a fixed-cost charge on their electric bill. If one were to compare the Georgia Power Basic Service Charge of \$10.00 to BRMEMC's \$18.13 using each company's average customer density, one can clearly see that Georgia Power generates \$325 per mile of line per month from their fixed-cost recovery mechanism while BRMEMC generates \$149 per mile per month in fixed-cost recovery (customer charge). It bears noting that the cost to build a mile of electric distribution line is certainly at least as expensive in BRMEMC's territory as it is in Georgia Power's territory. *

BRMEMC without a Customer Charge

Some members have suggested that BRMEMC should do away with the Customer Charge entirely and simply roll all of the EMC's cost recovery into a kilowatt-hour rate. The most basic reason that we do not do this is that this would create a discriminatory rate for customers within the same rate class, something TVA simply will not allow. TVA's definition of a discriminatory rate is one wherein a single customer is disproportionately charged for a portion of the fixed-cost to serve another customer. If all costs were rolled into kilowatt-hour sales then member-customers who use more kilowatt-hours each month would unfairly and disproportionately be burdened with paying a greater share of the operational costs of the Cooperative. Customer charges in the TVA system are not arbitrary and must be justified by a regularly updated cost-of-service study that accurately reflects the individual costs associated with serving each meter by rate class. In the TVA area each customer is billed in exactly the same way within each customer class, creating a non-discriminatory service design.

Conclusion

BRMEMC has made significant efforts to inform its member-customers about the Customer Charge and why we must have it. BRMEMC has conducted regular cost-of-service studies that tell us what it costs our company to provide electric service to each customer by rate class, and we have selected Customer Charges that we believe both fairly and equitably assigns costs to each member-customer. We have tried to increase transparency in our rates with our member-customers by breaking this charge out on our customer bills, and we have done so even when most others in the electric industry do not. Our rates are justifiable, conservative and are certainly well within the averages found in other electric distribution providers both in the TVA area, across Georgia, and among the largest private (IOU) providers. BRMEMC cannot change impacts from the weather, our customer density, or the seasonality in usage among our customers, but what we can do, and always strive to do, is create rates that are fair and non-discriminatorily assigned to each customer according to that customer's true cost to serve. We welcome continued debate and discussion in this matter, and will continue to work to inform our membership on this issue.

*Source: NRECA, EIA 2010 data, and Georgia Power online information