

Policy Advisory Group Report

Members

- Dan Arnholt
- Bruce Buchanan
- Jim Cherry
- Kent Chism
- Brian Furrer
- Brett Glick
- Tom McKinney
- Greg Orschel
- Stan Ortman
- Phil Ramsey
- Jim Straeter
- Hal Truax
- Steve Wallpe

Energy Policy Advisory Group

The energy policy advisory group met on March 30 to continue development of a strategy to address concerns over high demand charges for agriculture, as well as how to get more access to the grid for renewable energy.

The PAG reviewed an analysis of an electric utility bill for a grain drying system to better understand the rate structure. Key components of an electricity bill include:

- **Demand charge** - a charge for the peak demand of energy for a short period of time, usually 15 or 30 minutes. Demand charges are used to pay for the infrastructure needed to provide the peak energy consumption attributable to a customer.
- **Demand ratchet** - a minimum demand charge that is paid for a 12-month period, based upon the highest demand for the year.
- **kW** - kilowatts used.
- **kWh** - kilowatts used in an hour.
- **kWh cost** - the cost of the coal or other fuel source used to produce the electricity consumed.
- **Load factor** - the percentage of time you use the energy. Higher load factors generally have a lower kWh charge.
- **Peak rates** - customers are charged a higher kWh charge at daily peak times, such as 4-8 p.m., or reduced rates when seasonal peaks are lower, such as in the fall.

The demand for energy is not consistent amongst customers. Demand for each customer is aggregated so that the utility can determine the capacity it must maintain to meet the needs of customers in each part of its territory. Because customers are put into rate classes, there is averaging of the costs that any customer who is in the rate class will pay.

Following review of the analysis of an electric bill, the PAG members agreed on several key concepts:

- There are fixed costs that a utility must be able to recover.
- Demand charges are one method that a utility can use to recover those costs.
- Consumers have not been well educated regarding demand charges.
- Alternative billing methods should be explored that treat both electric consumers and utilities fairly.
- Overall electricity consumption might be reduced with a switch to a billing system that focuses on cost recovery, as identified through a higher kWh charge, as compared to the use of demand charges.

The PAG discussed the development of new three-phase rates by several utilities. Those rates often have a minimum monthly service charge and kWh charges based upon level of electricity consumed.

After discussing billing, the PAG turned its attention to developing a strategy to work with REMCs and the investor owned utilities regarding demand charge concerns and access for renewable energy. It was noted that the driver for this issue is generally tied to grain drying and handling and not irrigation. This information forms the basis of the expected work by the PAG for the next year.

Goals:

- Consistency between utilities in how demand charged is explained.
- Strategy to move forward in a collaborative way.

Two main issues:

- Demand charges:
 - Alternative rates to demand charges.
 - Utilities educating customers regarding their demand charge rates.
- Access for renewables:
 - How do we make customer-generated renewables work as part of the system?
 - Where is it useful in the system?
 - What is fair compensation?
 - What is a fair charge to a renewable producer for connection to the grid?
 - Are there partnership models that make sense?

The PAG also discussed education of farmers regarding demand charges and how to limit them.

Education:

- Farm Bureau include information in programming.
- Partner with REMCs to hold forums to discuss rates and demand charges.
- Urge farmers to have rate analysis done where multiple rate structures exist to determine which is the best fit for them.
- Have PAG members serve as panelists at the Indiana Electric Cooperatives annual meeting to discuss farmer concerns and needs.
- Work with ag media to help educate farmers on how to reduce demand charges.

The PAG also reviewed existing energy policy sections to reformat into a *we support/we oppose* format. In addition, recommended revisions were made to remove redundant information or policy that is no longer needed. Those recommendations will be forwarded to the resolutions committee. The PAG also identified policy section 503.08, energy deregulation, as one it would like to study more in-depth in the future.

Questions regarding the activities of the energy PAG can be directed to one of the group members or to [Justin Schneider](#), 317-692-7835, the Farm Bureau staff member facilitating the group.