



Media Contact:  
Wayne Scarbrough  
(423) 745-4501 ext. 212  
wscarbrough@aub.org

## **News Release**

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### **AUB APPROVES RATE DECREASE EFFECTIVE OCTOBER 1**

ATHENS, Tenn. – Directors of the Athens Utilities Board (AUB) at a called board meeting on September 19 unanimously approved a reduction in power rates effective October 1.

The move comes in the wake of a TVA wholesale rate decrease, which lowers AUB's monthly bill to TVA. About 85 cents out of every dollar AUB collects through power bills goes to TVA to pay for wholesale energy.

The decrease in AUB's retail rates will reduce the average retail customer's bill by three to four dollars a month, said AUB spokesman Wayne Scarbrough.

"Most everyone remembers that TVA raised wholesale rates a couple of times in the past year and AUB had to pass those increases through. Now, we're happy to say that we're passing the recent TVA rate decrease through as well," Scarbrough said.

AUB had the option not to pass the rate decrease through and to retain the savings to shore up cash reserves, Scarbrough said.

"The TVA decrease applies to wholesale rates to distributors such as AUB. Some TVA distributors are electing to keep their retail rates where they are and to use the savings in wholesale costs to bolster their reserves for capital projects or other purposes," he said. "That is certainly understandable depending on the fiscal needs of individual systems."

AUB, however, chose to pass the savings along to customers based on commitments to ratepayers and because the utility's operating strategy in recent years has allowed them to maintain a sound fiscal stance, said AUB General Manager Eric Newberry.

"We still need to build our reserves and we will continue to work to that end, but we can and should pass these savings along at this point," he said. "It's the right thing to do."

Scarbrough said that the decrease in local power bills will come through the energy charge for kilowatt hours of electricity used.

"Our current residential rate is 6.745 cents per kilowatt hour. As of October, that will drop to 6.464 cents per kilowatt hour," he said.

"Obviously, a decrease is good news," Newberry said. "Moreover, it looks as though this winter we may see some relief in energy prices overall versus last winter.

"Last year at this time we were warning customers that both power and natural gas prices were going up dramatically. This year we have a power rate decrease coming in October and AUB has

made some good strategic natural gas purchases that should help us keep gas rates in check as well, barring another hurricane Katrina or Rita,” he said.

Another coming change in TVA’s rate structure will involve quarterly adjustments to rates based on TVA’s cost to purchase fuel—such as coal and natural gas—and to generate power.

Beginning in October, a Fuel Cost Adjustment (FCA) will be part of AUB’s wholesale bill from TVA. TVA has announced that the FCA for October will be zero. After that, each quarter could see a rate adjustment up or down and AUB rates will follow that adjustment.

“If TVA’s cost of fuel and generation goes up notably, the quarterly FCA will bump the rates up a bit. If their cost falls, the FCA will lower rates,” Newberry said. “It will work very similar to our monthly natural gas adjustment based on our wholesale cost of gas.”

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