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News Release

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TVA FUEL COST ADJUSTMENT FOR FIRST QTR 2007 ADDS LITTLE TO AUB BILLS

ATHENS, Tenn. – Last summer TVA announced the implementation of a quarterly Fuel Cost Adjustment, or FCA. The FCA allows TVA to recover costs that vary with swings in the cost of fuel to make power, such as coal and natural gas, as well as the costs to purchase power on the open market.

AUB spokesman Wayne Scarbrough said that the FCA for the first quarter of 2007 for residential customers will be .011 cents, which means the per-kilowatt hour charge for AUB electricity will go from 6.464 cents to 6.475 cents. The new rate will take effect January 1.

“For the average residential customer using about 1,200 kilowatt hours of electricity a month, this means roughly an additional 13 cents a month,” Scarbrough said.

The rate will remain at 6.475 cents per kilowatt hour until at least April 1, when the second-quarter FCA will take effect. Thereafter, Scarbrough said, TVA will issue an FCA each quarter that can either raise or lower the energy rate for consumers.

Scarbrough said that implementation of an FCA should help TVA’s base energy rates remain stable in the coming years.

“The primary reason for the large TVA rate hikes last year was the cost of fuel, such as coal and natural gas, and the cost of energy TVA buys on the wholesale market to meet peak demands in the valley,” Scarbrough said. “Having an FCA will allow TVA to make smaller adjustments quarterly as fuel costs go up or down instead of chasing large cost swings with delayed rate adjustments.”

Scarbrough added that FCA clauses are a common and well-accepted method across the utility industry for recovering fuel and purchased energy costs.

“These fuel costs are largely uncontrollable locally. They are dictated by global markets and the events that drive them, such as weather, as was the case last year when hurricanes Katrina and Rita drove prices up in the natural gas market,” he said.

Utilities throughout the Southeast already use FCA mechanisms to recover these costs. Entergy, Southern Company, Progress Energy, Duke Energy, American Electric Power, Cinergy, Kentucky Utilities and Louisville Gas & Electric all have some type of FCA.