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News Release

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AUB BOARD ACTS ON TVA RATE INCREASE

ATHENS, Tenn. – Directors of the Athens Utilities Board (AUB) at a board meeting last night executed the first reading of a resolution in response to a TVA wholesale rate increase.

The resolution effectively recommends that the Board accept and pass through a TVA increase of seven percent for wholesale power purchased by AUB. A required second reading will take place at AUB's March board meeting.

Earlier this month TVA's board of directors approved the wholesale rate hike. The move will provide some \$300 million in additional revenue for the energy agency in fiscal 2008. TVA says that the increase is necessary to pay for new generation units across the Valley, as demand continues to rise, placing an ever increasing burden on the system.

AUB spokesman Wayne Scarbrough said TVA's wholesale rate hike will increase AUB's cost for purchasing power from TVA by approximately \$2.4 million a year.

"That's a big cost impact on us and, unfortunately, there is no way we can absorb it. The TVA rate hike will affect our customers as well.

"We run lean at AUB. Like most of our customers, we actually are waiting for our income revenue each month in order to turn around and pay our power bill to TVA," Scarbrough said.

AUB officials say they will not add any local rate increase to the TVA wholesale power increase.

"This means that we will not add anything to our bottom line. We won't make more money for AUB even though our customers will pay more for their retail power. We just have to pass through the additional cost to keep our operations whole," Scarbrough said.

AUB's general manager, Eric Newberry, said that AUB is well prepared for that reality.

"In these challenging economic times for everyone, we are proud to say that AUB will not need to add to the local retail rate for its own operations.

"We have been diligent with a strategic plan to keep costs in check to ensure we are able to hold the line on our rates even in the face of continually rising operating costs," Newberry said.

The increase in wholesale rates by the TVA will likely mean an additional \$4 to \$5 per month for the typical AUB residential customer, Scarbrough said.

“The increase in your local power bill will come through the energy charge for kilowatt hours of electricity used,” he said. “Our current residential rate is 6.658 cents per kilowatt hour. Under TVA’s new rate structure, that will go to 7.076 cents per kilowatt hour.”

Newberry said that about 85 cents out of every dollar that AUB’s power division collects goes to TVA to pay for wholesale power that is then distributed to the local utility’s 13,000 power customers.

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