

TVA Total Monthly Fuel Cost

The Tennessee Valley Authority makes electricity used across the seven-state Tennessee Valley region. The electricity is purchased by 155 local power companies and distributed to homes and businesses in their local communities.

In order to provide affordable, reliable electricity, TVA generates power from several sources, including nuclear power plants, coal-fired power plants and natural gas plants. To operate these plants, TVA must buy large amounts of fuel – like uranium, coal and natural gas. TVA also buys some electricity from other suppliers.

Fuel and purchased power costs are TVA's largest single expense, and they are subject to change. They rise and fall with the weather, with global supply and demand, and other factors.

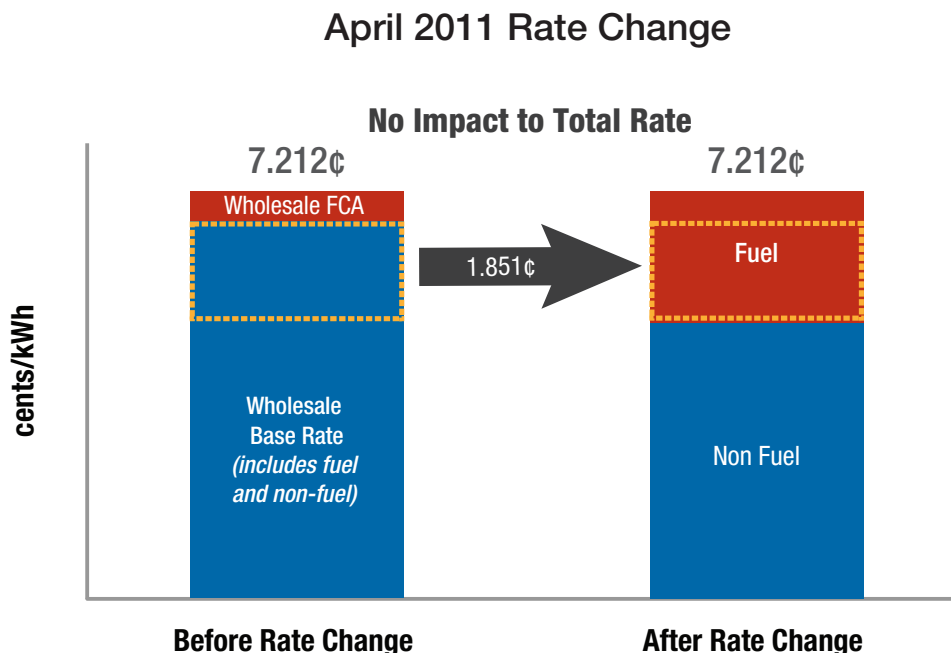
Each local power company lists charges differently on their customers' electric bills. Some show TVA's Total Monthly Fuel Cost. Others don't. But whether a fuel charge is shown separately from the amount of kilowatt-hours used or just rolled into the overall price of electricity for the month, all consumers' bills contain fuel charges for the fuel used to generate electricity. These charges specifically cover fuel costs; they provide no additional funding for TVA or the local power company.

Recent Fuel Charge Changes

In the past, most of TVA's fuel costs were included in the base rate or main part of electric bills – the part that primarily covers the costs of building and operating TVA's power plants and transmission lines. Additional fuel costs were recovered through fuel cost adjustments, which increased or decreased monthly depending on the cost of fuel and purchased power.

Beginning in April 2011, all of TVA's fuel costs are being recovered through the Total Monthly Fuel Cost. Consumers can expect the new Total Monthly Fuel Cost amount on a bill to be larger than the fuel cost adjustment shown in the past – because it now contains both the fuel cost portion from the base rate and the older monthly fuel cost adjustment, too. While the fuel cost component of the bill went up, the base rate portion of the bill went down – by the same amount.

This change does not cost consumers any more money – it is simply moving charges from one portion of their bills to another. This change also does not bring any more revenue to the local power companies or TVA.



How Is the Total Monthly Fuel Cost Calculated?

The Total Monthly Fuel Cost is a variable energy rate that is calculated every month as generation fuel costs and the cost of power that TVA buys from other suppliers rise and fall.

The Total Monthly Fuel Cost can increase or decrease depending on those differences. It is charged on every kilowatt-hour of electricity a consumer uses.

The Total Monthly Fuel Cost has two main components. The first is a forecast of anticipated fuel and purchased power costs; the second is a reconciliation of any costs that TVA over or under collected from prior forecasts.

Before the start of each month, TVA prepares a forecast of fuel and purchased power costs for the coming month. The forecast determines part of the Total Monthly Fuel Cost for the upcoming month.

Following the end of the month, the amount that was collected through the Total Monthly Fuel Cost is reconciled with what should have been collected to cover TVA's actual costs. Any difference is carried forward in future Total Monthly Fuel Cost amounts, ensuring customers pay only the actual fuel and purchased power costs that TVA incurs.

Why did TVA change the fuel charges?

Putting all of the fuel in one category is a clearer and more transparent way to reflect fuel costs. This is part of an overall change in the pricing structure of electricity agreed to by TVA and the local power companies in the region.

Why do consumers pay for fuel?

Most of TVA's power supply comes from fuels used to make electricity – nuclear, coal, oil and natural gas. When the prices of these fuels change – because of weather, the economy and the global supply and demand for fuels – TVA's costs change. Many utilities use similar mechanisms to adjust their rates to reflect changes in their fuel costs.

What can I do to lower my electric bill?

Many local power companies are partnering with TVA to provide the In-Home Energy Evaluation program to help consumers save money on their electric bills and reduce how much power TVA must generate.

You can also take an Online Home Energy Audit at www.energyright.com to receive a Free Conservation Kit. The kits can help save up to 20 percent on annual utility costs if all the audit recommendations are implemented.

Find other energy-saving ideas at www.energyright.com.

**TVA Fiscal Year 2010
Power Supply Mix**

