



Fact Sheet

Wholesale Rate Options

The TVA board of directors in April 2012 approved new options for seasonal and time-of-use wholesale rates for local power companies in the region. The options offer local power companies the opportunity to choose the best rate plan for their systems and to offer incentives for their customers to use more energy during off-peak periods.

Background

The cost of providing power goes up during peak use times when demand for electricity is highest — particularly in the summer and winter seasons and during certain parts of the day. Costs go up when TVA exceeds its baseload power capacity – the most economical power – and must rely on more expensive generation sources.

To help align power prices with actual generation costs, TVA is transitioning to rates that are more reflective of these changes in costs.

Key Points

- TVA has worked with local power companies to design additional wholesale rate options to provide flexibility for local power companies while reinforcing the need to align power rates with time and seasonal cost variations.
- TVA's costs to generate electricity vary – both by the time of year and the time of day. During peak periods when consumers use more electricity, TVA has to bring its higher-cost power plants into service.
- Finding ways to lower peak demand on the power system will reduce the need for expensive new power plants and keep costs lower for everyone.

Other information

- Beginning in October 2012, local power companies will have these rate options:
 - **Time of Use** – This rate, designed and offered to local power companies since April 2011, reflects both seasonal and time-of-day cost variations.
 - **Time of Use alternative** – This rate reflects both seasonal and time-of-day cost variations, offering stronger price signals to manage energy use.
 - **Seasonal Demand and Energy Option** – This rate reflects only seasonal cost variations.
- The new rate options are designed to be revenue neutral for TVA and local power companies.