



# Fact Sheet

## Wholesale Rate Change

TVA is making changes to its electric rates that will promote energy efficiency in homes and businesses, reduce peak power demand and give customers opportunities to save money on their electric bills.

### **Background**

TVA needs to reduce peak power demand and find alternatives to building more expensive power plants.

### **Key Points**

- TVA's costs to generate electricity vary – both by the time of year and the time of day. During the peak periods when consumers use more electricity, TVA has to bring its higher-cost power plants into service.
- If consumers could lower their electric usage during peak periods, TVA would save the money spent on those power plants that are needed only for peak periods. Customers would be rewarded for those savings in the form of lower rates over time.
- TVA's wholesale rate change will more accurately reflect the cost of power based on when electricity is used and provide benefits to those consumers who can alter their electric usage.
- The new rate structure will primarily change how TVA bills the distributors of TVA power. Distributors are currently making individual decisions, within guidelines set by TVA, on rates that will best serve their customers. The new wholesale rates will go into effect with the April 2011 billing month.
- This wholesale rate structure change is designed to be revenue neutral for TVA. TVA and distributors have tried to minimize initial wholesale rate impacts, but there will be some increases and decreases for individual distributors and for consumers - most will probably be within a plus or minus 3 percent annual change.

### **Other information**

#### Two Rate Options for Distributors

- Initially distributors will have two new wholesale rate options to choose from – the Seasonal Demand and Energy rate or the Time-of-Use rate.
- The Seasonal Demand and Energy rate structure features demand charges that vary to reflect seasonal costs. The highest demand charges apply in the summer. Winter, spring and autumn demand charges are slightly lower to reflect lower costs in those months.
- The Time-of-Use rate structure features different prices between seasons and during different times of the day; afternoon in the summer is the highest cost period, early morning in the winter is the second highest cost period, and spring and fall are the lowest cost periods.



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- For both the Seasonal Demand and Energy rate structure and the Time-of-Use rate structure, winter months are December through March; summer months are June through September. April, May, October and November are transition months in which TVA's costs are generally the lowest.
- Distributors are currently making individual decisions on the retail rates that will best serve their customers.

### Rates for Large Commercial and Industrial Customers

- TVA has offered Time-of-Use pricing for some commercial and industrial customers for several years, and those participating customers have helped reduce TVA's peak demand by several hundred megawatts (enough to power a small distributorship). The participating customers have benefited in the form of lower bills, in some cases up to 30 percent. Other commercial and industrial customers have asked for the opportunity to participate in time of use pricing.
- Beginning this October, distributors will have the option to offer large commercial and industrial customers (with demands greater than 1 megawatt) a new Time-of-Use structure. This rate structure is being offered to these customers first because many already have meters in place that can distinguish the time when electricity is consumed.
- This rate structure change is designed to be revenue neutral for TVA. TVA and distributors have tried to minimize initial rate impacts, but there will be some increases and decreases for individual customers - most will probably be within a plus or minus 3 percent annual change.
- This fall, distributors also will have the option to offer customers with demand greater than 5 megawatts the existing firm rate, the new Time-of-Use structure, or a new Seasonal Demand and Energy structure.
- Those businesses and industries that can operate off-peak have opportunities to save money. There could be bill increases for industries that operate primarily in the on-peak periods.
- The same options will be available to the large industrial customers served directly by TVA.

### Fuel Cost Adjustment Change

- As TVA begins the gradual shift toward rates that are more reflective of its costs, monthly FCA amounts will be changing slightly. Beginning with the October billing month, the FCA amount charged in all months will more closely reflect the costs TVA has incurred for fuel and purchased power expenses.
- Consumer FCA charges will be slightly higher in July through September because those are the months when TVA's costs are highest - and slightly lower in other months.



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- In addition, as part of the wholesale rate restructuring, TVA and distributors are proposing to have all of TVA's fuel and purchased power costs be included in the monthly FCA amounts.
- In the past, a portion of TVA's fuel and purchased power costs were included in base rates.
- After the rate change becomes effective in April, consumers will experience higher FCA amounts on their monthly power bills, but those increases will be offset by decreases in the energy charges from the base rates on their bills.
- On an annual basis, these FCA changes will bring no additional revenue to TVA and impose no additional costs for consumers.