

TVA fuel cost adjustment in layman's terms

The Tennessee Valley Authority's fuel cost adjustment (FCA) seems to be the subject of many conversations and the root of some confusion as we try to understand its purpose, meaning and effect on local utility rate payers. I would like to explain what the charge is and how it affects Fayetteville Public Utilities customers.

First, I'd like to explain in simple, layman's terms what the adjustment is NOT. The FCA is not a variable cost associated with "fuel" as most of us think of as "gasoline." The "fuel" referred to in the Fuel Cost Adjustment is not related to the amount of gasoline used by FPU, TVA or any other electric system to keep utility vehicles and equipment on the road during a day's work. Yes, those costs have risen for power companies, just like they have risen for you, but electric companies, including FPU, have been able to make internal shifts and cuts in their operational and maintenance budgets to offset the rising costs of gasoline to keep our company vehicles on the road.

The FCA is, however, a direct adjustment in response to the fuel market as it relates to the fuels and natural resources used to generate the electricity we use. These fuel costs have seen major increases over the past couple of years. Many of these fuels — like natural gas, coal and oil — have been plagued with a weakening economy, supply and demand problems and weather-related issues such as drought and hurricanes that have slowed and even halted energy production for periods of time.

You see, TVA makes the electricity used by nearly 9 million consumers across a seven-state region. TVA sells its power to local distributors like FPU who, in turn, sell the power to the homes and businesses in our local services areas. The FCA is the recovery tool TVA uses to help control a largely uncontrollable fuel and purchased power market.

The FCA is calculated every three months as electric generation fuels and

resources as well as the cost of additional power that TVA purchases from other electric suppliers rise and fall. TVA is like any other business trying to balance a financial budget and the ongoing issues of supply and demand. It forecasts what will be needed for electric generation, but when a volatile fuel market and resource shortage exceed its forecast predictions, TVA now takes more immediate measures to balance the entire operation. These types of changes to TVA's forecasts — the dramatic and volatile changes — affect the way TVA supplies power to the Tennessee Valley and have an adverse effect on the traditional ways we run our business and supply power to the area.



Britt Dye
CEO/General
Manager,
Fayetteville Public
Utilities

When events like Hurricanes Rita and Katrina, Ike and Gustav take a toll on America's oil production industry, regardless of whether we agree with it, the results spread nationwide, not just here in Lincoln County. When we deal with the past spikes in coal and natural gas prices, both of which are used in electric generation, we feel the direct effects. When our state endures a three-year drought that reduces our hydroelectric power production statewide, we feel the effects.

The only difference is that now, since the fuel cost adjustment was established, we see it visibly each month in dollars on our utility bills rather than as a much larger, yearly rate increase from TVA. The monthly charge for the FCA amount was created by TVA to give them a more timely means of recouping the true costs of energy production as the cost of energy rises and falls.

At a time when many of us face new concerns about our monthly expenses, please know that we at FPU share your concerns. We have made numerous in-house budget cuts, put into place the summertime altered work schedule to save on operational costs and vowed to continue

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408 College St. W.
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931-433-1522
Toll-free: 1-800-379-2534

Office Hours:
Monday - Friday
7:30 a.m. - 4:30 p.m.

Dispatch Hours
Seven days a week
7:30 a.m.-10 p.m.
24-hour emergency response

To make doing business with FPU more convenient, we offer the following services:

- energy right*® Programs
- Bank Draft
- Level Billing
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- Security Lights
- Electric and Natural Gas Grills
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Call the FPU Customer Service Department for details at 931-433-1522.

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providing the products and services that give our customers the best value for the rates you pay to FPU.

FPU is part of this community. Rest assured that we will continue doing all that's within our power to provide continuous, quality utility services at the best possible prices. And although the TVA fuel cost adjustment is a pass-through charge on your FPU bill (a charge from TVA to the end-use electric customers), FPU will continue to take the necessary steps locally to lessen the effects of our own operational and maintenance costs. We, too, have experienced drastic increases in the costs of construction and maintenance materials, but for now, we feel that we can control some of those expenses internally.

When the electric industry sees the costs of standard construction materials increase by 36 percent to 142 percent, if those kinds of

increased costs can't be controlled internally, they must be passed on to the consumer who uses the end service provided by the utility.

When coal prices have climbed from \$45 per ton in 2006 to nearly \$140 per ton in 2008, we have serious concerns about the future of power production. Just remember, when it comes to the expenses of daily operations at home to supply power to our customers, FPU is doing all it can to control local costs. As you saw in October 2008 when TVA's base operational rate increased by 3 percent, FPU electric rates remained unchanged. And of the amount you pay for your electricity, approximately 76 cents of every dollar you spend on your electric bill goes directly to TVA for the energy you use.

As we watch for signs of a possible reduction in the fuel costs in relation to power production, we are hopeful for some relief in the next quarter's TVA fuel cost adjustment scheduled for Jan. 1, 2009.

Decorating safely for the holidays

For many people, decorating the Christmas tree is a favorite part of the holidays. Your friends at Fayetteville Public Utilities offer some safety tips to make sure a mishap doesn't spoil your holiday season.

Christmas trees

A real tree can add to the spirit of Christmas by filling your home with beauty and the scent of pine. But a real tree can also pose a fire hazard. Each year, more than 400 residential fires involve Christmas trees, and, tragically, nearly 40 deaths and 100 injuries result from those fires.

- Try to select a fresh tree by looking for one that is green. The needles of pines and spruces should bend and not break and should be hard to pull off the branches. On fir species, a needle pulled from a fresh tree will snap when bent, much like a fresh carrot. Also, look for a trunk sticky with sap.
- Cut off about two inches of the trunk and put the tree in a sturdy, water-holding stand. Keep the stand filled with water so the tree does not dry out quickly.
- Stand your tree away from fireplaces, radiators and other heat sources. Make sure the tree does not block foot traffic or doorways.
- If you use an artificial tree, choose one that has been tested and labeled as fire resistant. Artificial trees with built-in electrical systems should have the Underwriters Laboratory (UL) label.

Tree lights

- Only use indoor lights indoors (and outdoor lights only outdoors). Look for the UL label. Check lights for broken or cracked sockets, frayed or bare wires or loose connections.
- Replace or repair any damaged light sets.
- Also, use no more than three light sets on any one extension cord. Extension cords should be placed against the wall to avoid tripping hazards, but do not run cords under rugs.
- Turn off all lights on trees and decorations when you go to bed or leave the house.

Tree ornaments

- Always practice safety when using a step stool or ladder to reach high places.
- Read labels before you use materials that come in jars, cans and spray cans.
- Never place lighted candles on a tree or near any flammable materials.
- Avoid placing breakable tree ornaments or ones with small, detachable parts on lower branches where small children or pets can reach them.
- Do not hang popcorn chains and candy canes on the tree when small children are present. They may think that other tree ornaments are also edible.

Be safe ... and have a wonderful Christmas and a Happy New Year!

Merry Christmas and Happy New Year!

Please remember that FPU will be closed on Wednesday and Thursday, Dec. 24 and 25, and also on Thursday, Jan. 1, to celebrate the Christmas and New Year's holidays with our families.

For emergency utility assistance or to report an outage or leak, please continue to call 433-1522 as a dispatcher will be on duty.



Fourteen electric crewmen assist in hurricane power restoration

As hurricane season made its seemingly annual visit to the Gulf Coast, electric crews at Fayetteville Public Utilities answered the call for help with restoring electricity to many rural electric cooperative areas in the South.

“When areas are hit by severe storms, many of the neighboring electric cooperatives are willing and able to assist in power restoration,” says Britt Dye, FPU’s CEO/general manager. “Our statewide office, the Tennessee Electric Cooperative Association, coordinates the efforts for the co-op power systems here to assist surrounding states and also within our own state when there is a need.”

Fayetteville Public Utilities was able to send two different crews of electric workers for one week each to areas in Louisiana hit by two hurricanes.

The first FPU crew left for Washington–St. Tammany Electric Cooperative in Franklinton, La., on Sept. 2 following Hurricane Gustav.

Hurricane Gustav pounded the Southern U.S. coastline on Sept. 1, but the Washington–St. Tammany Electric Cooperative area suffered most of its damage from a storm band that struck early the next morning with winds reaching 100 to 115 miles an hour, bringing torrential rains and flooding to much of the same area that was affected by Hurricane Katrina in 2005.

Washington–St. Tammany Electric Cooperative has a total of 49,000 customers, and, at the height of the damage, 58 percent of them were without power.

A total of 400 extra men came from as far away as Nebraska to help restore power. The FPU crew worked alongside with crews from Oklahoma, Kentucky, Arkansas and Missouri. Through joint efforts, power was restored to the Louisiana communities on Sept. 6, and FPU crew members returned home.

“Thanks to the extra crews, we were able to restore power to our customers safely and quickly,” says Ron Fuller, general manager of Washington–St. Tammany Electric. “Their assistance was invaluable.”

The second punch to the Southern U.S. coastline came just days later as Hurricane Ike made its way inland on Sept. 13. Again, Louisiana received storm damage, but most of the hurricane’s force ravaged portions of Texas.



Above are the crew members who worked to restore power in hurricane-ravaged areas. From left, kneeling, are Terry Honea, Rickey Brown, A.J. Russell, Lee Smith and Mike Buntley. Standing: Troy Mitchell, Chris Coble, Dale Moran, Mike Porter, Tim Shelton, Brandon Young, Greg Wicks, Bruce Fears and Lewis Steelman.

A second call for emergency assistance for electric restoration came from TECA, and FPU was able to send a second electric crew to assist. This time the crew traveled to DeRidder, La. in the Beauregard Parish. Beauregard Electric Cooperative Inc. serves seven parishes in the area and has 38,000 customers. Of those customers, approximately 70 percent were without power. After arriving at BECI, FPU and other assisting crews from Tennessee, Mississippi, Georgia and Florida were quickly organized, dispatched and by 6 that night, all but 8,079 customers had power. After nearly a week’s work, only 210 customers remained without power in the BECI area, so FPU’s crew was released and sent on into Texas to assist in restoration efforts there, working in Deep East Texas

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Electric Cooperative's service area. Headquartered in San Augustine, Texas, this co-op serves eight counties with a total of 37,000 customers.

"Sending our employees to other areas to help in power restoration is more than of benefit to the utilities facing the current emergency," says Dye. "It's a benefit to FPU as well. We've seen times past when we have needed outside help from surrounding power systems to recover from ice storms and severe weather. Giving assistance to our neighboring power systems in situations like this is part of the 'cooperative way' of doing business; it builds teamwork and good relations with others. The next time FPU is in need, we know we can count on others to be there for us, our utility and our customers."



While in Louisiana and Texas, FPU crews worked in rough, rural terrain. Hurricanes mangled trees and downed power lines in remote locations where bucket trucks could not travel.

75% *Less Energy Used*



This Christmas give the gift that saves money ... and energy!

Save energy and money with Compact Fluorescent Lighting!

Many of us are buying practical gifts this year for our friends and family. Why not consider the energy-saver CFL bulbs from FPU and The Exchange? They fit perfectly into stockings or under the tree!

Stop by FPU's office at 408 College St. W. Monday through Friday to purchase your CFL bulbs while supplies last.

Exchange



Give the sensible gift

What do you give the people on your gift list who already seem to have everything? *How about a gift certificate from Fayetteville Public Utilities?*

You can purchase a gift certificate from FPU in any amount and apply it to any FPU utility service. Gift certificates from FPU are convenient, sensible gifts for anyone on your shopping list this season.

Come by FPU to purchase your gift certificates today!



Grind a Pine

Recycle your Christmas tree

The employees of Fayetteville Public Utilities will once again be recycling your live Christmas trees into usable mulch in the **Grind a Pine** recycling event. Dates to grind your natural pine (and cedar) Christmas trees are from Dec. 26 until Jan. 9.

Simply bring your cedar and pine Christmas trees to the designated location at the Lincoln County Museum. FPU tree-trimming crews will grind the trees into mulch and leave the mulch at this location. This is a free service to the community, so bring your Christmas tree and take advantage of this convenient recycling project!

You may come back to the museum site with your shovel to collect the mulch by the bagful or truck load. This is a first-come, first-served basis, so check the site regularly if you want to take home the mulch.

To recycle your Christmas tree, please remove all decorations, tree stands and tinsel. This will help reduce pollution of the mulch and prevent damage to FPU equipment.

This free community service and recycling project is co-sponsored by FPU and Keep Fayetteville/Lincoln County Beautiful Inc.

If you have questions, please contact Gina Warren of FPU at 433-1522 or Gail Randolph of Keep Fayette-



FPU tree-trimmer Rickey Darnell helps grind Christmas trees into recycled mulch each year in the Grind a Pine event.

ville/Lincoln County Beautiful Inc. at 433-8208. Please help control our landfill capacity by participating in the **Grind a Pine** project. *Give your Christmas tree a “second life” by turning it into usable mulch for your gardening projects!*

FPU sponsors Harvest of Hope Food Drive

Now through Dec. 31, you can donate canned and nonperishable food items in the Harvest of Hope Food Drive sponsored by Fayetteville Public Utilities. All donations will be given to the Good Samaritan Association of Lincoln County to help feed our neighbors in need.

Each year FPU serves as a drop-off center for those who wish to donate food items for the Good Samaritan assistance program.

“Even though the Good Samaritan receives donations throughout the year from caring citizens, the Harvest of Hope serves as a ‘boost’ during the holiday season to help supply their food banks for the upcoming year,” says Gina Warren, FPU’s public information specialist.



Items may be left at the main FPU office located 408 College St. W. during regular office hours.

Food donations may include nonperishable canned food items such as meats, vegetables, fruits or juices. Boxed or bagged rice, noodles and beans, canned or dry soups and soup mixes are also needed. Dry goods like crackers, oats, packages of Kool-Aid, hot cocoa and coffee will be accepted.

A standard food box will feed a family of four for about four days.

If your group or school would like to participate in the Harvest of Hope program, please contact Gina Warren at FPU at 433-1522, Ext. 166. And if you or someone you know is in need of assistance this year, please contact Good Sam at 433-0260.