

# TVA's Fuel Cost Adjustment Explained



## Fayetteville Public Utilities

The Tennessee Valley Authority's (TVA) Total Monthly Fuel Cost seems to be the subject of conversation again lately as TVA continues to increase the amount of the monthly charge. Not only is the increasing amount of the Total Monthly Fuel Cost being questioned, so is the purpose of the fuel cost and its affect on our customers.

The Total Monthly Fuel Cost is not unique to Fayetteville Public Utilities and its customers. All distributors of TVA power are charged the monthly fuel cost amount. Some of those distributors have chosen to show the fuel cost amount broken out on monthly utility bills while others have decided to include it in with their monthly total amount charged to customers. Whichever way, the fuel cost is charged by all electric companies who purchase power from TVA. In addition, this is not only a TVA charge. Other power generation plants across the nation have a similar charge to their distributors as well.

The Total Monthly Fuel Cost is not a variable cost associated with "fuel" as most of us think of as "gasoline." The "fuel" referred to in the Total Monthly Fuel Cost is not related to the amount of gasoline used by Fayetteville Public Utilities, the Tennessee Valley Authority, or any other electric system to keep utility vehicles and equipment on the road during a day's work. The fuel charge on the utility bill refers to the resources used by TVA to generate electricity and/or purchase additional energy from other power plants to meet energy demand in the Tennessee Valley.

About 75% 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. This fuel cost increases or decreases monthly, depending on how much TVA pays for fuel and purchased power.

In the past, a portion of TVA's cost of fuel was included in the base rate part of your electric bill – the part that primarily covers TVA's cost of building and operating power plants and transmission lines (fixed portion of the TVA Total Monthly Fuel Cost). The rest of TVA's fuel costs was recovered through the TVA Fuel Cost Adjustment on customer bills (variable portion of the TVA Total Monthly Fuel Cost).

Effective with April 2011 billing, 100% of TVA's fuel costs was included in the TVA Total Monthly Fuel Cost. That means the new TVA Total Monthly Fuel Cost on customer bills was larger than the TVA Fuel Cost Adjustment amount

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in the past – because it contains the fuel costs that had been in the base rate. However, the base rate portion of your bill is correspondingly lower. This change simply moves charges from one portion of your bill to another.

Putting all of the fuel charges in one category is an easier and more transparent way to reflect fuel costs. This change is part of the overall change in the pricing structure of electricity agreed to by TVA and the distributors of power. Fuel costs are a significant component of TVA's overall costs, and the fuel cost part of your bill needed to be changed to be consistent with the overall pricing structure changes.

For August, the variable portion of the TVA Total Monthly Fuel Cost for a residential customer is \$9.53 per 1,000 kilowatt hours of usage. The fixed portion of the TVA Total Monthly Fuel Cost for a residential customer is \$19.82 per 1,000 kilowatt hours of usage. So the total TVA Monthly Fuel Cost for a residential customer in the month of August will be \$29.35 per 1,000 kilowatt hours of usage. For an average residential customer using 1,330 kilowatt hours in August the TVA Total Monthly Fuel Cost will be \$39.04.

It is also important to remember that the fuel cost charge on your electric bill may be different than that of your neighbor's. The Total Monthly Fuel Cost is based on individual consumer's kilowatt hour charges, so this amount does vary from person to person, and from month to month.

TVA makes the electricity used by nearly 9 million consumers across a seven-state region which includes Tennessee, Kentucky, Alabama, Mississippi, Georgia, North Carolina, and Virginia. TVA sells its power to local distributors, including Fayetteville Public Utilities, who in turn sell the power to the homes and businesses in their service areas.

We are all concerned about the cost of our utilities. We have received several calls from our customers in recent weeks who are all concerned about their utility rates and the amount of the fuel cost. The economy has us all looking for ways to adjust our budgets, cut expenses, and be more frugal with our spending. We continue to cut operation costs in spite of the rising costs of materials. Controlling our operational costs has been one of the most important issues we have faced over the past couple of years.

If you have any questions, don't hesitate to call our office at 433-1522. For more information relating to energy saving tips, visit the TVA's energy efficiency website, [www.energyright.com](http://www.energyright.com). The efficiency experts at TVA have compiled a collection of online tools, calculators and articles to help electric consumers make the most of their energy dollars.



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