




A Touchstone Energy® Cooperative 

08/20/08

TVA Announces Major Fuel Cost Increase Electric Bills to Increase October 1

The Tennessee Valley Authority has announced that electric bills for consumers of Duck River Electric Membership Corporation, as well as those for all electric consumers in the Tennessee Valley, will increase effective with meter readings taken on and after October 1, due to a major adjustment in its quarterly Fuel Cost Adjustment and a small base rate increase. The wholesale rate charged to Duck River Electric will increase by 20%, effective October 1, 2008.

For retail consumers of Duck River Electric, the increase will amount to approximately a 15-16 % increase, or an additional \$15 to \$18 per month on the average residential electric bill. The current Fuel Cost Adjustment is \$0.00732 and will rise to \$0.01927 effective October 1.

For several months TVA has indicated that the rising cost of fossil fuels needed to power the majority of its generating plants has been increasing at exceedingly high rates and projected increases in the fuel adjustment clause. TVA has had a mechanism in place to closely monitor its cost of fuel used to generate electricity since October, 2006. On a quarterly basis it adjusts the wholesale rate it charges its distributors, like Duck River Electric, through incremental increases – or decreases – to reflect its actual cost of fuel purchases.

Because approximately 80 cents of each dollar received from Duck River Electric's consumers is paid to TVA for wholesale energy costs, the Fuel Cost

Adjustment amount is passed directly through to consumers and appears as a separate line item on each member's monthly electric bill.

TVA has said that recent increases in the costs of fossil fuels, namely coal, oil and natural gas, are responsible for the announced increase. Coal prices have more than doubled since December 2007 and the price of natural gas is up more than 65%. In addition, the TVA region continues to suffer from drought conditions, causing the replacement of its cheapest form of generation – hydro – with one of the most expensive – energy purchased from other suppliers that is almost always generated from natural gas.

“Duck River Electric continues to monitor electricity prices across the United States and what is happening to fuel costs for TVA and its power distributors in the Tennessee Valley is happening all over the United States as well as all over the world. We are seeing price increases ranging from 19% to 35% for other power generators,” DREMC President and Chief Executive Officer Jim Allison explained.

In commenting on the increase, Allison indicated that once it had learned of the level of increase being contemplated, Duck River Electric officials had encouraged TVA to delay a portion of the increase until after this coming winter in order to ease the impact on consumers. Allison also noted that all of this increase is attributable to increases by TVA, with none of the increase being attributable to increases in the costs charged to consumers by Duck River Electric. “100% of the additional revenues generated by this increase will be forwarded to TVA by Duck River Electric”, said Allison.

“We must realize that energy is a very precious and volatile commodity that we cannot take for granted. We must become more conscious of how we use energy of every source and learn to use it more wisely. Efficient use of energy, and more specifically electricity, is the only way we can have an impact and help control the price we pay today, and in the future,” Allison added. Suggestions for becoming more energy efficient to save electricity and help offset rising energy costs include:

- Set thermostats 2 degrees warmer on summer days.

- Turn off lights, appliances and other home electronics not in use with a power strip.
- Use the “sleep” mode on computers.
- Use the microwave instead of a stove burner or oven for cooking.
- Operate dishwashers and clothes washers only with full loads and after 8 p.m. when TVA’s costs to make electricity are lowest; air dry dishes in the dishwasher.
- Replace incandescent bulbs with compact fluorescents (CFL) – they use 75 percent less energy and usually last 10 times longer.