

**Talking Points
Fuel Costs in Customer Bills
February 2011**

- TVA is changing the way it accounts for fuel costs in its wholesale electricity price. Previously, fuel appeared in two categories; most was included in the base rate, but some was recovered in the monthly “fuel cost adjustment.”
- Beginning in April, all fuel will be included in a single fuel charge category, which will change monthly, depending on the costs of fuel, purchased power and related items.
- This is not a rate increase. It’s merely a change in TVA’s pricing structure.
- The fuel charge will be separate from the “base rate,” which will no longer contain any fuel costs and will remain constant unless altered by the TVA board of directors.
- The “fuel charge” and the “base rate” will be separate parts of TVA’s wholesale price of electricity. (The “rate” is only part of the price. The fuel charge is not a “rate.”)
- Beginning April 1, the fuel charge part of TVA’s wholesale price will be called TVA’s Total Monthly Fuel Cost.
- On customer bills, this change will lower the “base rate” amount. The new “total monthly fuel cost” will be larger than the “fuel cost adjustment” segment of earlier bills. That’s because fuel costs that were included in the “base rate” are being moved to the “total monthly fuel cost” category. This shift will not alter the total amount of the bill.
- The “fuel cost adjustment” has been a good transition to the “total monthly fuel cost.” It showed how fuel prices, which affect electricity production costs, can fluctuate from month to month. Putting all fuel costs into one category, however, is a more efficient way of accounting for this major cost component in making electricity.
- TVA and the distributors of TVA power have agreed to modify the overall pricing structure of electricity to more closely reflect the changing cost of generating electricity. This will send “price signals” to consumers, who can respond by shifting usage patterns and by using electricity more efficiently -- which saves money for consumers and utilities and helps keep prices down.

(Note: Not all power distributors itemize the TVA wholesale charges on bills sent to their retail customers. Those consumers will likely see no changes on their retail power bills.)

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