

# Florence Energy News



## FREQUENTLY ASKED QUESTIONS & FACTS ABOUT TVA'S FUEL COST ADJUSTMENT

### WHAT IS THE TVA FUEL COST ADJUSTMENT?

The Fuel Cost Adjustment (FCA) is the mechanism TVA uses to help recover largely uncontrollable fuel and purchased power costs. For fuel generation costs a variety of factors affect these costs, including weather and global supply and demand issues.

### WHEN AND WHY DID TVA IMPLEMENT THE FCA?

The FCA was first put in place by TVA in October 2006 after experiencing the spike in fuel costs resulting from the hurricanes in the previous year. Changes in Florence Utilities' accounting and billing software in January 2008 made it necessary to show the FCA charge as a separate line item on the bill. Prior to that time the FCA was incorporated into the base rate.

### HOW DOES THE FCA WORK AND HOW IS IT CALCULATED?

The FCA is a per kilowatt-hour (KWH) charge that is applied to the customer's monthly energy usage as collected from the meter reading.

The FCA is adjusted every three months as generation fuel costs and the costs of power TVA purchases from other suppliers rise and fall. The FCA calculation works by capturing the difference between the amount that TVA forecasts to pay for fuel during a given

quarter and the amount that is collected through rates. This formula has two main components: the first is a forecast of anticipated fuel and purchased power costs; the second is a reconciliation of any generation fuel costs TVA under or over collected.

The adjustment can go up or down depending on quarterly increases or decreases in fuel costs. **One hundred percent (100%) of the FCA collected by Florence Utilities goes to TVA. No portion is retained by Florence Utilities to offset any of our local expenses.**

#### *Example:*

For the period between January 1 and March 31, 2009, the FCA charge is 1.428¢ per KWH. That means a customer using 1000 KWH will have a FCA charge of \$14.28.

**TVA Fuel Cost Adjustment (FCA) Charge  
(1000 KWH X 1.428¢ FCA = \$14.28)**

### WHAT FACTORS AFFECT THE FCA RATE?

Since the FCA is evaluated quarterly, it is subject to change up to four times a year—every January, April, July, and October. The large increase in the FCA in October 2008 (increased from .737¢ in July to 1.942¢ in October) was primarily a result of dramatic increases in the price of coal (roughly 56% of TVA generation is coal fired). Other factors include lack of rain in eastern Tennessee, increases in the price of natural gas, and larger than expected off

system purchases of power.

### WHY DID THE FCA FOR THE BILLING PERIOD IN JANUARY 2009 DECREASE?

As a result of increased rainfall, and moderation in natural gas and coal prices, TVA announced in November that effective January 1, 2009, the FCA would be reduced to 1.428¢. This is roughly a .5¢ decrease which will reduce the average residential bill between \$5.00 and \$7.00 dollars during the months of January, February, and March until the next quarter is evaluated.

### MISCONCEPTIONS ABOUT THE TVA FCA

Our Customer Service Department has received numerous inquiries about the TVA FCA. Many questions have been easily answered; however, we have found there are many misconceptions about the FCA charge. Listed below are examples of the misconceptions, and detailed explanations are provided to help give our customers a better understanding about the TVA FCA.

#### QUESTION 1

Gasoline prices have gone down. Why is the FCA so high? It cannot cost that much to put fuel in the meter reader trucks.

#### EXPLANATION 1

The FCA has nothing to do with the cost of gasoline to fuel City trucks. The FCA is a charge from TVA to reflect unpredicted changes in the fuel necessary to operate the generators. TVA provides us the FCA rate and we send 100% of the monies to TVA. **None of the FCA is used to offset any of Florence Utilities' expenses.**

## MISCONCEPTIONS ABOUT THE TVA FCA (CONTINUED)

### QUESTION 2

Why is the FCA only collected by Florence Utilities? Other power distributors in the area do not show it on their utility bills.

### EXPLANATION 2

All TVA power distributors collect the same FCA that Florence Utilities does. Some distributors just add the FCA to the base rate and show it all as one charge. The accounting software that Florence Utilities uses requires that the FCA be broken out and displayed as a separate line item in order to properly report all FCA monies to TVA.

### QUESTION 3

Who has oversight over TVA and how do we know the FCA charges are necessary?

### EXPLANATION 3

TVA is self regulated by the TVA board and is not subject to review on any state Public Service Commission (PSC). With regard to the FCA amounts, a joint committee of TVA and TVA power distributors meet regularly to review and verify all data used to calculate the FCA. Even with the dramatic increases in rates in the last year, TVA rates are still among the lowest in the country and less than all the investor-owned utilities that border the Alabama service territory.

## WHAT CAN I DO TO LOWER MY ELECTRIC BILL?

Take these simple steps to help save electricity and power costs:

- When it is cool outside, turn down your home's heating system to 68°. Do not pay to keep your furniture warm—lower it even more when no one is home.
- Turn off lights, appliances, and other home electronics with a power bar when not in use.
- 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 last many times longer.

Visit [TVA.com](http://TVA.com) to learn more energy saving steps and take a Home Energy Audit to receive a Free Conservation Kit to help you get started. Consumers can also request a mail-in version by calling toll-free at **1-800-663-1835**.

### MORE INFORMATION ABOUT FCA FROM TVA

In addition to our Customer Service number **760-6512**, TVA has set up a special message line for calls about the FCA. The number is **1-888-289-8409**. Calls are answered by an automated system that explains that you have an option to leave a message with your comments and/or specifically request your call be returned.

# Florence ENERGY

## NEWS YOU CAN USE FROM FLORENCE UTILITIES

Since our Customer Service Department has received numerous calls inquiring about the **TVA Fuel Cost Adjustment (FCA)**, this month's publication contains information about frequently asked questions, facts, and misconceptions about the TVA FCA.

On your utility bill there is a separate line item titled **TVA Fuel Cost Adjustment**. This is the mechanism TVA uses to help recover largely uncontrollable fuel for generation costs and purchased power costs. The adjustment can go up or down depending on quarterly increases or decreases in fuel costs. **One hundred percent (100%) of the FCA collected by Florence Utilities goes to TVA.** No portion is retained by Florence Utilities to offset any of our local expenses.

Please take a moment to read this informative issue we have prepared for our customers to help give you a better understanding and eliminate misconceptions that have surrounded this subject.

[www.florenceutilities.com](http://www.florenceutilities.com)