



NEWS RELEASE

TVA Fuel Cost Adjustment To Reduce Rates Again in April

TVA today announced the second consecutive decrease in its quarterly fuel cost adjustment for billing periods beginning April 1, 2009.

Because the fuel cost adjustment is a per kilowatt-hour charge, amounts that consumers will save depend on the amount of energy they use. While savings will vary across the Tennessee Valley, residential consumers can expect a decrease that ranges from about \$4 to \$9 in their monthly power bills. Retail billing periods for TVA power distributors also vary, so some April bills will include March usage at the lower rate.

Overall, the decrease for the quarter will be about a 7-percent reduction on total average wholesale rates, and is a reduction of almost 40 percent from the current quarter's fuel cost adjustment amount. For the quarter beginning April 1, the fuel cost adjustment will decrease about 0.5 cents per kilowatt-hour, from more than 1.3 cents to 0.8 cents per kilowatt-hour.

"In these economically challenging times, we are especially glad lower fuel costs will provide some relief in power costs to the consumers in the Tennessee Valley," said TVA President and CEO Tom Kilgore. "Unusually cold weather this winter has meant higher consumption of electricity and higher power bills even for people who keep their thermostats low."

Under the fuel cost adjustment, when the price of fuels used to make electricity decreases, the cost of electricity also decreases. Current economic conditions and increased rainfall also contributed to lower fuel and purchased power costs, Kilgore said.

Unfortunately, coal prices have not decreased as rapidly as other fuel prices, preventing TVA's costs from dropping further. About 60 percent of TVA's power supply comes from fossil fuels – primarily coal, along with oil and natural gas.

Like utilities around the country, TVA uses a fuel cost adjustment to recover costs of the fuel to generate electricity and the cost of electricity bought from other suppliers. The adjustment is part of consumers' power bills and goes up or down, depending on those costs.

In fiscal year 2008, approximately 40 percent of TVA's total revenue – \$4.2 billion – was spent on fuel and purchased power. During the first quarter of the current fiscal year, TVA spent \$1.4 billion on fuel and purchased power costs.

TVA is working with local power distributors to develop energy efficiency products to help residents, businesses and large industries in the Valley save energy and money on power costs. In cooperation with participating power distributors, TVA will begin offering new initiatives later this year.

TVA is the nation's largest public power provider and is completely self-financing. TVA provides power to large industries and 158 power distributors that serve approximately 9 million consumers in seven southeastern states. TVA also manages the Tennessee River and its tributaries to provide multiple benefits, including flood damage reduction, navigation, water quality and recreation.

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