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Bill Young

Harriman Utility Board

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TVA SET TO INCREASE WHOLESALE POWER RATES TO DISTRIBUTORS

by
Bill Young
Utility Finance Consultant

The Tennessee Valley Authority will decide at its August 2003 board meeting on changes to the wholesale power rate — the rate charged to power distributors. TVA says increased revenues are necessary because of the need for TVA facilities to come into further compliance with federal Clean Air Act standards. Rate changes would become effective October 1, 2003.

The current plan is to increase rates that affect residential and some commercial and industrial customers by approximately eight percent, while decreasing rates to certain commercial and industrial customers by two percent. Which customers would receive rate decreases will be determined by their Standard Industrial Classification (SIC) codes, which are set by the U.S. Department of Labor. Only certain SIC codes would receive a decrease. Under the current plan, city-owned facilities, such as schools, libraries, and water and sewer plants, would not qualify for a decrease but would be subject to an eight percent increase in the wholesale rate.

Several alternative plans have been put forth by TVA power distributors, including one that would bring schools and other similar public entities under the same classification as the SIC codes receiving the rate decrease. Also, a plan has been suggested to hold commercial and industrial rates the same as they are currently (instead of lowering them) and to increase all others by five percent.

The final TVA plan will not been known until after the August board meeting. And, remember, this is a change in the rates to distributors. They can choose to pass along some or none of the increase, or they can add an additional increase of their own within certain rate parameters. The greatest likelihood is that distributors will change their rates to match the TVA changes and pass these costs on to their customers.

What does this mean to you as a decision maker in your city? Many cities currently are, or soon will be, involved in the budget making process for the 2003-04 fiscal year. It would appear that electric utility billings for city facilities will increase. Cities that operate schools, water and sewer plants, and other large electrical use facilities will need to anticipate these rising costs in their new
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**MTAS OFFICES**

**Knoxville (Headquarters)**  
Phone: (865) 974-0411  
Fax: (865) 974-0423

**Johnson City**  
Phone: (423) 854-9882  
Fax: (423) 854-9223

**Nashville**  
Phone: (615) 532-6827  
Fax (615) 532-4963

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