

Distributors Are Exploring Rate Hike

The TVA Board approved a 7 percent increase in its wholesale power rates at their February 15 meeting that will go into effect April 1. Mixed with a quarterly fuel adjustment charge of a half penny per kilowatt hour, the total impact on its more than 8 million consumers across seven states will amount to about 12% more per month.

TVA said this latest increase will raise \$300 million that it will apply to a \$1 billion capital expansion program in fiscal 2008. The rate hike marks TVA's first since a 9.95% increase in April 2006.

As it stands, the average TVA residential customer will be paying between \$6 and \$12 more a month, based on consumption of 1,310 kilowatt hours. TVA says it's not alone in the decision to raise rates based on a growing consumer demand. Other utilities around the country are doing likewise.

In addition to the TVA increase, power distributors (the municipal electric systems and membership corporations that buy and resale power from TVA) are absorbing the news and calculating local impact to their customers. Several distributors have already announced separate increases or are considering one to make infrastructure improvements in their system.