



THE RATE CHANGE PROPOSAL AND REPORTING CHANGES

UTA Fall Conference

October 16, 2009

Kerry Roach

TVA Strategy, Pricing & Contracts



Rate Change

- What is a Rate Change?
 - General or major change to the SCHEDULE OF RATES AND CHARGES
 - Reallocation to reflect cost of service to distributors and directly served customers or distributor's resale customers
 - Designed to be generally revenue neutral to TVA
- Is there a defined process?
 - Yes, process is defined in the TERMS AND CONDITIONS of the power contracts under the heading Change of section entitled Adjustment and Change of Wholesale Rate and Resale Rates

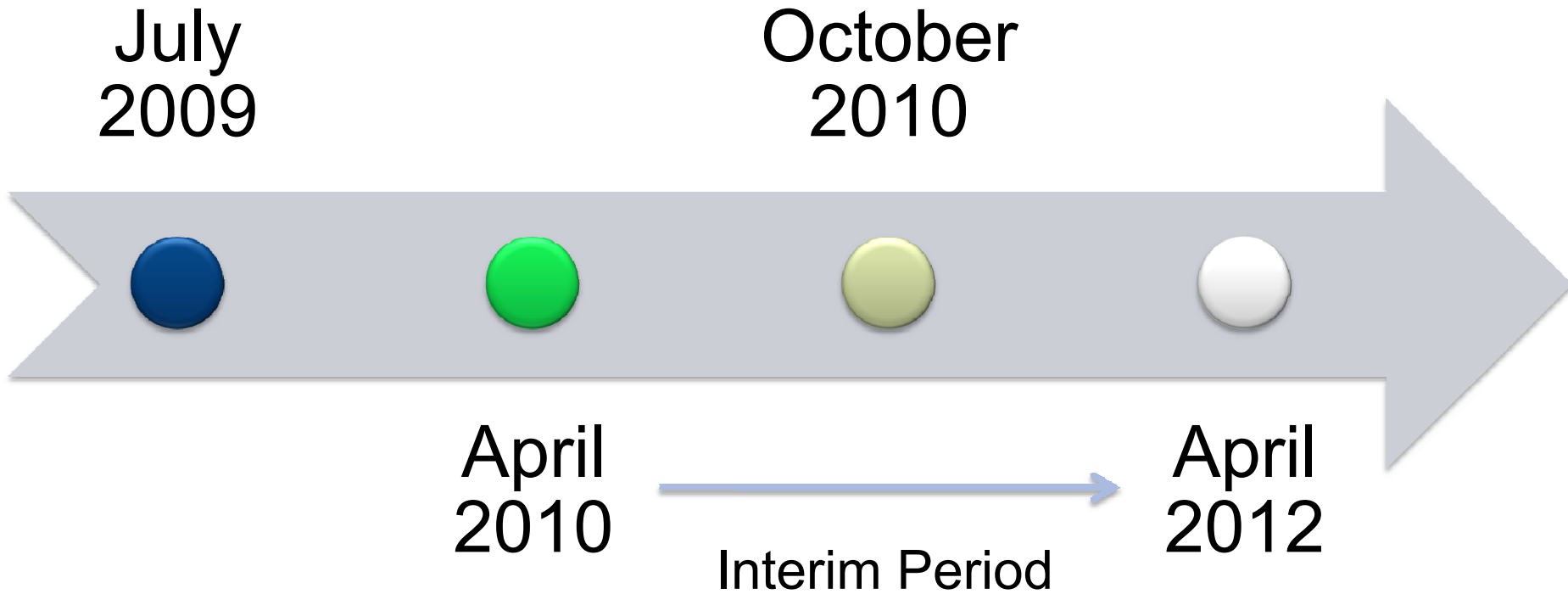


Rate Change Process

- Request by either TVA or the Distributor
 - Request usually in the form of a letter to either party to start the process
- Discussion and negotiation by the parties
 - Discussion period for a least 180 days following notice
 - Historically, period is usually longer than 180 days
- Implementation of changes
 - Agreements which amend the power contract are developed to implement changes that were discussed
 - Notice is sent by TVA to place changes in effect upon not less than 30 days' notice



Rate Change Timeline





JULY 2009 PROPOSAL

- Wholesale Options during Interim Period
 - Choice of “Nearly Flat Time of Use” (Schedule WS–TOU) or “Nearly Flat Demand and Energy” (Schedule WS–DE)
- Transition all distributors to Wholesale TOU
 - Distributors choosing Schedule WS–DE will change to Schedule WS–TOU no later than the end of the Interim Period (April 2012)
- Final End-Use True-up
 - All distributor wholesale billing will be moved to a calendar month basis with implementation of rate change
 - Distribution loss true-up will end



Wholesale Schedule WS-TOU Option 1

- Standard Service

- Wholesale demand (60 minute) will be billed on a seasonal basis
 - Summer period (June – September)
 - Winter period (December – March)
 - Transition period (April, May October, November)
- Wholesale energy will be billed on a seasonal and TOU basis
 - Onpeak hours
 - Winter – 4 AM to 10 AM CST, M-F
 - Summer -12 PM to 8 PM CDT, M-F
 - Offpeak hours – remaining hours in Winter, Summer periods and all hours in Transition + Federal holidays



Wholesale Schedule WS-TOU Option 1

- Standard Service
 - Demand Charge
 - Summer - \$7.80
 - Winter - \$7.10
 - Transition - \$7.10

 - Energy Charge – Non-Fuel and Fuel Components
 - Non-Fuel
 - Summer - Onpeak 3.613 cents
Offpeak 2.513 cents
 - Winter – Onpeak 3.013 cents
Offpeak 2.513 cents
 - Transition – All hours 2.513 cents



Wholesale Schedule WS-DE Option 2

- Standard Service
 - Wholesale demand (60 minute) and energy will be billed on a season basis
 - Summer period (June – September)
 - Winter period (December – March)
 - Transition period (April, May October, November)
- Option 2 will expire September 30, 2012



Wholesale Schedule WS-DE Option 2

- Standard Service
 - Demand Charge
 - Summer - \$7.80
 - Winter - \$7.10
 - Transition - \$7.10

 - Energy Charge – Non-Fuel and Fuel Components
 - Non-Fuel
 - Summer - 2.663 cents
 - Winter - 2.663 cents
 - Transition - 2.663 cents



Wholesale Schedule WS-TOU & DE

- TOU Service – Customers Contracts >5MW
 - Similar to Wholesale End-Use Schedule, charges will be based on retail demand and energy billing quantities
 - Similar to Wholesale End-Use Schedule, there is General Power Service and Manufacturing Service
 - Unlike present Wholesale End-Use, TVA will read all meters and determine the wholesale charges for demand and energy for this group of customers on a calendar month basis
 - Administrative Charge of \$350/customer and Offpeak Hours Use of Demand Adjustment
 - Distributors can choose to have entire load billed under standard service in lieu of TVA reading meters and determining wholesale use based on those readings



Wholesale Schedule WS-TOU & DE

- TOU Service – Customers Contracts >5 MW
 - Retail demand (30 minute) and energy will be billed on a seasonal basis and TOU basis
 - Summer period (June – September)
 - Winter period (December – March)
 - Transition period (April, May October, November)
 - Onpeak hours
 - Winter – 4 AM to 10 AM CST, M-F
 - Summer -12 PM to 8 PM CDT, M-F
 - Offpeak hours – remaining hours in Winter, Summer periods and all hours in Transition + Federal holidays



Wholesale Schedule WS-TOU & DE

- Wholesale Adjustments
 - Adjustment 1 – Adjustment Addendum
 - Base rate fuel broken out and adjusted with FCA
 - Adjustment 2 – Hydro Allocation
 - Credit or debit amount will remain constant for a 12 month period beginning Oct 1 of each year
 - Adjusted annually based on 12 months prior (ending June 30) distributor sales to residential and under 5 MW customers
 - Adjustment 3 – Minimum bill pass-through



Proposed Retail Schedules

- Default retail rate schedules
 - Residential and GSA
 - Designs are currently under discussion between TVA and distributors. Many scenarios are being considered including the ability of a distributor designing their own
 - All designs will require agreement and approval by TVA before implementation
 - Current GSB and above & MSB and above
 - TVA is proposing that the default rate for greater than 5 MW be the Time Differentiated Hours Use of Demand Rate.
 - TDHUD is currently being offered as an optional schedule



Schedules As Proposed – July 2009

- Residential Rate – Schedule RS
 - Seasonal Energy Rate corresponding to wholesale seasonal periods
- TOU Residential Rate – Schedule TRS
 - Seasonal Energy Rate corresponding to wholesale seasonal periods
 - Onpeak and Offpeak periods corresponding to wholesale TOU periods in WS - TOU



Schedules As Proposed – July 2009

- **General Power Rate – Schedule GSA**
 - Three parts like current GSA Rates with seasonal energy and demand charges corresponding to wholesale seasonal periods
 - Contract requirement change to customer with demand requirements greater than 1MW
- **TOU General Power Rate – Schedule TGSA**
 - Old TGSA (1992) schedules will be replaced
 - Same as GSA above with the addition of Onpeak and Offpeak periods corresponding to wholesale TOU periods in WS – TOU
- **Outdoor Lighting Rate – Schedule LS**
 - Energy charges based on seasonal periods



Schedules As Proposed – July 2009

- General Power and Manufacturing Service Rates
 - Contract demand requirements for B, C, & D match those currently used
 - Demand and energy billed on seasonal and TOU periods with a HUD debit or credit applicable in the Summer, Winter, and Transition periods based on highest metered demand hours of use and the ratio of offpeak energy to total energy
 - TVA will generate a Power Billing Summary and Billing Information Exchange (BIX) file for each of these customers since reading of these meters required for wholesale billing



Current Retail Data Reporting

- Electricity Sales Statistics (ESS)
 - Summary by Coding Classification (TV1)
 - Sales Tax Summary
 - Large Consumer Report (TV0)
 - Residential Frequency (TV3)
 - GSA/TGSA Part 1 Frequency (TV3)
 - Itemized Statements for >5 MW
 - Prior month(s) over/under billing adjustments (TVA & TVB)
 - Enhanced Growth Credit
 - Small Manufacturing Credit
 - Green Power Switch Blocks
 - End Use Proration Report



New ESS Retail Data Reporting

- Electricity Sales Statistics (ESS)
 - Monthly reporting for ESS will continue with proposed changes
 - Class Code format will change to 3 digits
 - Data file will change from positional to XML
 - Report Files (RPT) will be eliminated
 - Data files will include data presently being collected and information in the RPT files
 - New data file formats for SMC and EGC



Credit Reporting

- Schedule 1 retail reporting will end
- SMC and EGC reporting through ESS
- New End-Use Billing System (EBS) reporting
 - Green Power Generation
 - Generation Partners
 - Green Power Blocks



Credit Reporting

- Credit data must be submitted by the 20th of each month to be included on the following wholesale invoice
- Example – retail credits provided in March must be submitted by April 20th to be included on the April wholesale invoice
- Credits not submitted by the 20th will be included on the following month's invoice