



NEWS RELEASE

TVA To Reduce Fuel Cost Adjustment for Third Straight Quarter in July

TVA today announced that the quarterly fuel cost adjustment will decrease for the third straight quarter for billing periods beginning July 1.

This decrease, in addition to reductions on Jan. 1 and April 1, will more than offset the 17-percent FCA increase in October 2008.

Overall, the decrease for the fourth quarter of the 2009 fiscal year will be a 4.1-percent reduction on total average wholesale rates, which is a reduction of approximately 35 percent from the current quarter's fuel cost adjustment amount, bringing it to the lowest level in more than a year.

Because the FCA is a per kilowatt-hour charge, amounts that consumers save will depend on how much energy they use. Savings will vary across the Tennessee Valley, but residential consumers can expect a decrease that ranges from about \$2 to \$5 in their monthly power bills. Retail billing periods for TVA power distributors also vary, so some July bills will include June usage at the lower rate.

"With the reduction in July, we will roll back all of the fuel cost adjustment increase from last fall, which is good news for ratepayers," TVA President and CEO Tom Kilgore said. "Fortunately for all of us, the price of coal and natural gas that are used as fuels in TVA power plants has declined in recent months. In addition, current economic conditions have resulted in lower power sales for TVA and that reduces our fuel and purchased power costs, as well."

For the fourth quarter of FY 2009, which begins July 1, the FCA will be approximately 0.5 cents per kilowatt-hour, down from the current 0.8 cents per kilowatt-hour and last October's 1.8 cents per kilowatt-hour. TVA's fiscal year is Oct. 1 through Sept. 30.

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.

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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