



## Fuel Cost Adjustment Information

### August 2010

For billing periods beginning August 1, 2010, the FCA will change from 0.403 cents per kilowatt-hour to 0.508 cents per kilowatt-hour.

Compared to July, the August FCA amount will increase residential monthly bills between \$1.00 and \$2.00, depending on usage levels.

The increase from July's FCA amount is primarily the result of substantially higher than expected fuel costs for June caused by much higher than normal temperatures.

### What is the Fuel Cost Adjustment?

The Fuel Cost Adjustment (FCA) is the mechanism TVA uses to help recover fluctuating fuel and purchased power costs. The FCA ensures TVA recovers costs as they occur, helping TVA better match its revenues to expenses. Most utilities use similar mechanisms to adjust their rates.

### Why do consumers pay for fuel?

About half of TVA's power supply comes from fossil fuels used to make electricity – coal, oil and natural gas. When the prices of these fuels increase, TVA's costs increase.

### How is the FCA calculated?

The FCA is calculated monthly as generation fuel costs and the cost of power TVA purchases from other suppliers rise and fall. The FCA calculation works by capturing the difference between the amount that TVA forecasts to pay for fuel during a given month and the amount that is collected through rates. This formula has two main components: the first is a forecast of anticipated fuel and purchased power costs; the second is a reconciliation of any fuel costs TVA under or over collected. The FCA is used to determine energy charges that are shown on customer's bills.

[View a brief presentation on the fuel cost adjustment.](#) (PDF, 160kb)

### TVA Fuel Cost Adjustment Changes

Beginning in October, 2009, the fuel cost adjustment mechanism was modified from quarterly to monthly. The table below shows the adjustment mechanism by month since this change.

Month	FCA (¢/kWh)	Percentage Change From Prior Total Rate
<b>2009</b>		

October	-.210	-11%
November	-.309	-1.5%
December	-.662	-5.5%

**2010**

January	-.799	-2.3%
February	-.861	-1.1%
March	-.552	5.3%
April	-.193	5.9%
May	-.131	1.0%
June	0.198	5%
July	0.403	3%
August	0.508	1.5%

The following table shows the increases and decreases in TVA's wholesale Fuel Cost Adjustment mechanism from prior total rate since its implementation in October 2006, the beginning of the 2007 fiscal year. The wholesale FCA amounts reflected below apply to all customers; however the retail FCA value will include additional amounts for distribution costs. The change from prior total wholesale rate in the table is related to TVA's total average rate of all customers; percentage impacts will vary for individual customers based on rate class, usage, and retail amounts.

Month	FCA (¢/kWh)	Percentage Change From Prior Total Rate
<b>2007</b>		
First (Oct-Dec 2006)	0.000	0.0%
Second (Jan-Mar)	0.010	0.2%
Third (Apr-Jun)	0.084	1.3%
Fourth (Jul-Sep)	0.087	0.1%
<b>2008</b>		
First (Oct-Dec 2006)	0.432	6.1%
Second (Jan-Mar)	0.267	-2.8%
Third (Apr-Jun)	0.550	4.9%
Fourth (Jul-Sep)	0.686	2.1%
<b>2009</b>		
First (Oct-Dec 2006)	1.806	16.9%
Second (Jan-Mar)	1.329	-6.0%
Third (Apr-Jun)	.810	-7.0%
Fourth (Jul-Sep)	.526	-4.1%