



Hickman-Fulton Counties RECC

A Touchstone Energy® Cooperative 

Fuel Cost Adjustment Information

January 2011

For billing periods beginning January 1, 2011, the FCA will change from the current amount of 0.476 cents per kilowatt-hour to 0.548 cents per kilowatt-hour.

Compared with December, the January FCA amount will increase residential monthly bills between \$0.50 and \$1.50, depending on usage levels.

TVA's sales are expected to increase in January, compared to December, primarily because of colder weather. This would cause TVA to use more fuel to generate the power needed in the region, resulting in higher fuel costs.

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.

TVA Fuel Cost Adjustment Changes

The following table documents the increases and decreases in TVA's wholesale fuel cost adjustment. The most recent year is shown first, followed by the history of the fuel cost adjustment since it was begun in October 2006, the beginning of the 2007 fiscal year. In October 2009, the fuel cost adjustment was changed from quarterly to monthly.

The wholesale fuel cost adjustment amounts reflected below apply to all customers; however the retail fuel cost adjustment value will include additional amounts for distribution costs. The change from the 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)	Impact of FCA Changes from Prior Total Rate
Fiscal Year 2011		
October 2010	1.127	6.4%
November 2010	0.735	-5.0%
December 2010	0.476	-3.5%
January 2011	0.548	1%
Fiscal Year 2010		
October 2009	-.210	-11%
November 2009	-.309	-1.5%
December 2009	-.662	-5.5%
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%
September	0.659	2.1%

Fiscal Year 2009

First (Oct-Dec 2008)	1.806	16.9%
Second (Jan-Mar)	1.329	-6.0%
Third (Apr-Jun)	.810	-7.0%
Fourth (Jul-Sep)	.526	-4.1%

Fiscal Year 2008

First (Oct-Dec 2007)	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%

Fiscal Year 2007

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%