



Energy Edge

A NEWSLETTER FOR MEMPHIS LIGHT, GAS AND WATER DIVISION COMMERCIAL CUSTOMERS

OCTOBER 2006

MLGW co-hosts customer workshop on energy-efficient lighting

MLGW and Tennessee Tech University will co-sponsor a workshop on Energy-Efficient Commercial and Industrial Lighting on 11/20/06, from 8:00am to 5:00pm.

The one-day workshop is designed to teach facility engineers, plant operators and maintenance staff about the fundamentals of energy-efficient lighting and power factor correction. Discussion topics include lighting terminology, the application and benefits of various lighting sources, lighting controls, optimizing lighting system performance and understanding electric power factor and methods for power factor correction.

The event will be held at MLGW's Training and Development Center, 4949 Raleigh-LaGrange Road. Continental breakfast and lunch will be provided. Registration cost is \$20 per person, payable in advance or at the door. (Please arrive early and be prepared to show photo identification at the security desk in the lobby.)

If you are interested in attending, email Glenn Cunningham at Tennessee Tech, gcunningham@tntech.edu

Electric rate decrease takes effect along with new Fuel Cost Adjustment

Customers may notice a reduction in electric expenses this month, as MLGW implements an electric rate decrease. The new rates took effect with meters read on 9/25/06, the first day of MLGW's October billing cycle.

The rate decrease, which ranged from 3.5% to 4.4% based on customer classification, is the initial step in a two-phase process TVA is using to implement a Fuel Cost Adjustment (FCA). The FCA will fluctuate quarterly based on TVA's forecasted costs for fuel and purchased power. The initial FCA, also effective as of meters read on 9/25/06, is zero. MLGW anticipates that the next quarter will see a positive value assigned to the FCA.

Purchased Gas Adjustment (PGA)

Rate	Consumption	Demand
G-1 residential	\$0.3864	na
G-7	\$0.3504	na
G-8 / G-9	\$0.2918	(\$0.0454)
G-10 / G-12	\$0.3903	na

Adjustment in \$/Ccf to published rates for bills rendered on or after 9/25/2006.

Interesting Webs....



Department of Energy's Energy Information Administration Short-Term Energy Outlook

<http://www.eia.doe.gov/emeu/steo/pub/contents.html>



Important Contact Information:

Commercial Resource Center:
Monday-Friday

7:30am to 5:00pm Central

Phone: 901-528-4270

Fax: 901-528-4547

E-mail: crc@mlgw.org

Emergency: 901-528-4465

Outage: 901-544-6500

For residential customers and commercial customers with electric demand less than 5,000 kW, the FCA charges will be included in the electric charges total, with the FCA per unit amount listed below—as the PGA is currently printed. (See sample bill image below.) For customers with electric demand above 5,000 kW, the FCA

amount and charges will be printed as a separate line item. The FCA does not affect electric demand charges, but will affect flat-rate services, such as MLGW’s Leased Outdoor Lighting.

Previous Balance					\$ 164.95
Payments Received					164.95
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	Readings		Usage	Amount	Total
GAS	9/15/06	8/16/06			
G-1 Residential Gas	1817	1798	19	28.96	
includes Purchased Gas Adjustment of 0.4366000/ccf					28.96
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ELECTRIC	9/15/06	8/16/06			
E-1 Residential Electric	99795	98882	913	71.98	
includes TVA Fuel Cost Adjustment of 0.0000000/kwh					71.98
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WATER	9/15/06	8/16/06			
W-1 Residential Water	508	505	3	4.81	
9.25% Sales Tax					0.44
					5.25
<hr/>					
OTHER MLGW	9/18/06	8/17/06			
Leased Outdoor Lighting				6.71	
includes TVA Fuel Cost Adjustment of 0.0000000 /kwh					6.71
You are billed for Leased Outdoor Lighting service. For maintenance, call 320-1498. For information on this service, call 528-4548.					6.71
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Service:
 Days of Service: 30
 Average Utility Cost per Day: \$ 4.19
 Average Temperature: 79
 Billing Cycle: 16
 Reader on Site: September 15, 2006 09:32:25
 Next Reading Date: October 16, 2006

Contact:
 Non-MLGW: See back of bill.
 New Service Requests, Transfers, Disconnects and Trouble/Maintenance: 820-7878
 Billing Inquiries: 544-MLGW (6549)
 Payment Arrangements and Service Reconnects:
 Hours: Monday – Friday 7AM – 9PM

Pay Online! www.mlgw.com
Pay By Phone! 1-888-589-4868

Due to projected increases in natural gas prices nationwide, MLGW again encourages our customers to be prepared for higher heating bills this winter. For tips on controlling energy costs, visit our website at www.mlgw.com or call 544-MLGW for a brochure.

TVA will notify MLGW of the FCA amount 15 days prior to the start of each new quarter. This information will be published in *Energy Edge*. The FCA fee may also be posted on www.mlgw.com, as the PGA is currently.

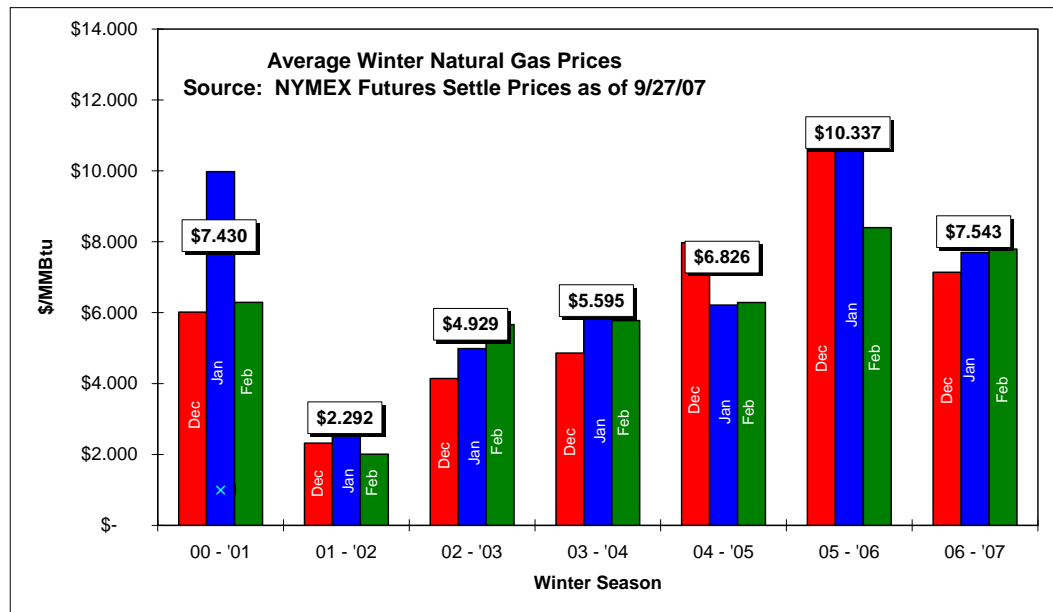
For details about the retail impact of the electric rate decrease, listed by customer classification and electric rate, see the September issue of *Energy Edge*. New rate tariffs will be available on www.mlgw.com soon.

Good news: Natural gas market prices lower than last winter Bad news: Current prices still above many of past six winters

Market wholesale prices for natural gas winter deliveries have fallen substantially during September, to an average of \$7.54 on 9/27/06. The recent drop is welcome news to the nation’s natural gas consumers who

struggled with record high prices last winter. MLGW cautions, however, that current market prices are still higher than they have been for five of the past six winters so consumers should deploy energy efficiency strategies to control costs.

The deregulated natural gas industry has operated in a volatile state for many years, as prices escalated due to



increasing demand, lower well production rates, little exploration activity, weather and other factors—including last summer's hurricanes that destroyed drilling platforms and pipelines in the Gulf of Mexico. As a result, market prices have fluctuated widely, exacerbating the economic impact of utilities' fuel surcharges, such as MLGW's Purchased Gas Adjustment (PGA). The key to understanding the natural gas industry—and forecasting its impact on your utility costs—is to learn about market pricing and follow the market indicators.

NYMEX Indicator

The daily NYMEX continuation chart, which operates as the “Dow Jones Industrial Average” for gas futures contracts, is a good barometer for pricing trends. With the exception of winter 2005-2006, peak natural gas prices on NYMEX have typically been of very short duration.

Daily changes in NYMEX complicate MLGW's efforts to forewarn customers of projected higher or lower prices. Before the recent price drop, MLGW began devising the more severe alert message that printed on customer bills in September. As prices change, the alert messages are revised to reflect the current scenario, yet still remind customers that their utility bills will be relatively high and that they can take steps to control their costs by reducing consumption.

Department of Energy (DOE) Forecast

DOE's Energy Information Administration releases short-term energy outlook reports, providing information on the U.S. gas industry, among other energy sectors. That organization's outlook is currently optimistic, compared to last year's projection of 71% price increases for our region. The next report update is due 10/10/06; see link in Interesting Webs.

MLGW Strategy

To offset some of the uncertainty surrounding gas market prices, MLGW uses a three-part strategy when procuring natural gas. MLGW buys gas from physical suppliers at an index to be determined monthly. MLGW locks in a percentage of the gas cost with NYMEX futures and options financial contracts and leaves one-third of the cost open to market activity. The physical gas supply is delivered to Memphis and hedged financially with NYMEX contracts. This gives MLGW flexibility to get the best possible prices in an industry with increasingly frequent fluctuations in price.

A recent agreement has been struck with the Public Energy Authority of Kentucky (PEAK) to receive discounts on natural gas index prices in exchange for buying predetermined volumes of natural gas. A second agreement is under development with the Tennessee Energy Acquisition Corporation (TEAC). If both agreements are executed, the deals supply approximately 22% of MLGW's gas needs, helping ensure availability of supply while also tempering the economic impact of fluctuations in market prices. These agreements, which are available only to municipal utilities, do not pre-determine the sale price of natural gas. Rather, they determine a set discount that MLGW will receive from the applicable market index price for each month's gas delivery. The end result is a lower per unit price, which benefits MLGW customers in the form of lower PGAs or delayed rate increases.

When to Buy, Where to Store

Approximately 70% of MLGW's winter gas supply is pre-purchased during late summer to capitalize on lower prices. MLGW customer consumption on an average winter day is 280,000 MMBtu. MLGW has a delivered capacity of 478,000 MMBtu, 37% of which is underground storage refilled prior to winter months.

Gas is pulled from storage and delivered to MLGW to offset the need for additional purchases when market prices are high. There is a maximum daily withdrawal level, which prevents MLGW from using all the stored gas to meet peak demand days. MLGW also operates two liquefied natural gas (LNG) facilities for additional storage, to meet the needs of extreme demand during the coldest days when market prices would be the highest and additional supply might not be available from the pipelines. These storage options, however, do not contain enough natural gas to meet the average Memphis daily demand for more than a few days, so they are used as emergency supplements rather than daily sources.

October is National Energy Awareness Month

Now is a great time to:

- **Develop your corporate energy goals.**
- **Review and revise existing energy goals to reflect current opportunities.**
- **Communicate energy goals to employees so they can actively participate.**
- **Encourage employees to practice energy efficiency at home.**
- **Make plans for 2007 energy improvements that will reduce the financial impact of the new TVA Fuel Cost Adjustment (FCA) fee.**
- **Consider energy improvement projects that will qualify for tax incentives under the Energy Policy Act of 2005.**
- **Check operating efficiency of natural gas-fueled equipment and appliances to minimize costs.**

Energy Edge is published by the Economic Development department of Memphis Light, Gas and Water Division. Comments and distribution list changes may be e-mailed to: crc@mlgw.org