



Energy Edge

A NEWSLETTER FOR MEMPHIS LIGHT, GAS AND WATER DIVISION GENERAL POWER CUSTOMERS

OCTOBER 2007

MLGW presents 2008 budget to Board

Budget calls for increases in gas, water rates; one-year decrease in electric rates

On 10/11/07, utility leaders presented the MLGW Board of Commissioners with a proposed \$1.7 billion operating budget for 2008. The proposal includes increases in gas and water division budgets to meet overall operating expenses. The proposal also includes a one-year decrease in electric rates, based on warmer than normal weather that increased electric sales.

By law, MLGW must operate its three utility divisions separately, with distinct rate structures. The 2008 natural gas operating budget will rise approximately 7%, while the water budget increases approximately 15%.

These statistics, however, do not reflect the impact on MLGW's electric, natural gas and water rates for individual Rate Classes. The impact of specific retail rates will be part of the final budget review process with the Board and Memphis City Council. (MLGW releases an approximate financial impact for the average residential customer, but similar estimates are difficult to make for MLGW's commercial, industrial and institutional customers due to rate complexity and diverse customer operations.)

This is the first rate increase proposed by MLGW in four years. The proposal also features a rate structure that will minimize the Purchased Gas Adjustment (PGA) component of the bill and align gas rates to encourage conservation.

“Approximately 80 percent of a customer’s electric and gas bill is passed directly to TVA and natural gas suppliers. What we are working on is (budgetary adjustments for) the 20 percent that MLGW has control over,” noted Jerry Collins, MLGW’s Interim Chief Utility Officer. “While this budget does call for a modest increase in natural gas and water rates and a small decrease in electric rates, it will ensure that we are able to continue to provide quality, reliable services to our customers at the lowest possible cost.”

MLGW Rates

MLGW's electric, natural gas and water rates are published at www.mlgw.com, along with updated Purchased Gas Adjustment and Fuel Cost Adjustment rates.

Purchased Gas Adjustment (PGA)

MLGW Rate	Consumption	Demand
G-1 residential	\$0.2051	na
G-7	\$0.2198	na
G-8 / G-9	\$0.2710	(\$0.0357)
G-10 / G-12	\$0.2691	na

Adjustment in \$/Ccf to published natural gas rates for meters read on or after 9/25/07.

Fuel Cost Adjustment (FCA)

TVA Rate Class	MLGW Rate Code	FCA Amount
GSA, Part 1	E-2	\$0.00450
GSA, Part 2	E-2	\$0.00450
GSA, Part 3	E-2	\$0.00444
Residential	E-1	\$0.00456
Outdoor Lighting	E-3	\$0.00456

Adjustment in \$/kWh to all firm kWh, beginning with meters read on 9/25/07 and lasting for three consecutive billing periods.



Important Contact Information

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Outage: 901-544-6500

Highlights of the budget include:

- \$106.3 million in capital investment, including upgrades to a North Memphis substation and construction of three new electric substations to serve growing needs in Lakeland and Collierville, installation of emergency generation at Shaw Pumping Station, seismic improvements at Sheahan Pumping State.
- Reduction of the growth rate of core operating and maintenance expenses.
- Elimination of unnecessary overtime.
- Reduction of part-time and temporary employees.
- Development of a new energy conservation and weatherization program.

MLGW's Board of Commissioners will vote on the budget at its next meeting, scheduled for 10/18/07. The budget then moves to the City Council's MLGW Committee for review before presentation to the entire Council, which has final approval.

TVA reveals plans for potential 2008 electric rate increase

In late September, TVA officials disclosed the potential for a single-digit electric rate increase in 2008. TVA has not determined the amount of the increase, which requires approval by the federal power generator's nine-member Board. Media reports across the region indicate that the increase could be 6%-8% and would likely occur in April 2008. Watch future issues of *Energy Edge* for more information.

Rate increases provide new justification for energy management

No one likes to hear that prices are increasing, even if the impact is just a few dollars per month on a household bill. For MLGW's commercial and industrial customers, plans for MLGW and TVA rate increases provide further justification to explore energy efficiency opportunities.

Across the nation, electric generators have adopted energy conservation as the "fourth fuel" in their generation mix. By focusing efforts on creating awareness among end users to use less energy, utilities can avoid capital investment to build new generation capacity. Energy conservation—called it energy management or energy efficiency, if you prefer—offers the same opportunities for businesses and organizations. Think of it as an additional funding source, since every kWh or Ccf saved represents budget dollars unspent. By diverting funds into energy management, rather than utility expenses, studies have shown that companies also can increase profitability, boost productivity and raise employee morale.

Although MLGW does not own generation capacity, the utility recognizes the positive impact of energy efficiency on customers, transmission and distribution systems, and energy suppliers. MLGW encourages customers to consider energy efficiency opportunities as a way to minimize the impact of rate increases. Start with employee awareness campaigns focused on office thermostat settings, space heaters, fans, desk lights and office equipment operation, especially devices left on overnight. Look for water leaks and obvious air sealing issues. Once those low-cost measures are corrected, investigate opportunities that have longer payback periods, such as lighting retrofit, equipment replacement and building envelope improvements. Benchmark your local facilities with other company operations and share success stories. Remember that federal tax incentives for non-residential buildings have been extended to cover qualified improvements made through 12/31/2008. (See the January 2007 issue of *Energy Edge* for details.)

There is no way to avoid energy price increases, but you can minimize their impact on your budget. Visit www.mlgw.com to conduct a Business eValuation audit and read the Business Energy Advisor content for operations and purchasing tips. If you prefer printed material, contact MLGW's Commercial Resource Center to request a copy of "Low Cost/No Cost Ways to Save Energy Dollars: A Brief Guide for the Small Business." These resources can help you develop an energy management plan to cut energy use.

Green power continues to shine as customer enrollment grows

Rhodes College faculty/staff enroll for 75 blocks of green power;

Remote Backup Systems becomes first local business to sponsor 100% green power

MLGW customer enrollment in TVA's Green Power Switch program continues to climb. As of 9/30/07, there were 699 customers enrolled, sponsoring the generation of 5,713,200 kilowatt hours (kWh) of green power annually. That's enough to meet the annual electric needs of 381 average households in Shelby County.

Businesses and organizations represent 52% of the local green power commitment, while accounting for just 4% of enrolled customers. There are now 27 business locations enrolled in Green Power Switch in Shelby County.



In August, Rhodes College launched a campaign to boost green power awareness and enrollment among faculty and staff. The brainchild of the college's facility management staff, the internal campaign garnered 32 new supporters and 75 blocks of green power—equal to 135,000 kWh annually. Rhodes College itself is a strong Green Power Switch sponsor, enrolled at a level high enough to qualify also as an EPA Green Power Partner.

In September, Remote Backup Systems Inc, a developer and global distributor of client and server software to deploy Internet-based online backup service, became the first local business to sponsor enough green power to meet its annual electric usage. Headquartered in Collierville, Remote Backup Systems' commitment results in the generation of 81,000 kWh of renewable energy annually—enough to power 5.4 average homes each year.

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