



Energy Edge

A NEWSLETTER FOR MEMPHIS LIGHT, GAS AND WATER DIVISION GENERAL POWER CUSTOMERS
JUNE 2008

Customers advised to prepare for high utility prices this winter

All market indicators point to increased power, fuel costs

Residents, businesses and institutions hoping for a break in energy costs will be disappointed by federal projections about continued high energy costs this winter. While the September 2008 issue of the U.S. Energy Information Administration's *Short Term Energy Outlook* will contain the most accurate projections for winter energy prices, current natural gas wholesale market prices are at an all-time high, excluding the aftermath of the 2005 hurricanes.

Although MLGW does not foresee any operational rate increases this year, the Purchased Gas Adjustment (PGA) and Fuel Cost Adjustment (FCA) fees are expected to increase, based on current market projections. PGA and FCA fees enable MLGW and TVA to recover or refund fluctuating market costs for natural gas purchases and electric generation, respectively.

TVA's forecast for the next four quarters indicates that the FCA will increase from the current level. (See chart on page 2.) This change is due primarily to TVA planning for sustained drought conditions throughout the Valley, along with overall increases in fuel and purchased power costs relative to the FCA baseline. FCA amounts for the four quarters ahead may decrease if drought conditions across the Tennessee Valley subside. According to reports TVA filed with the Securities and Exchange Commission in May 2008, hydroelectric power—TVA's least expensive form of generation—ran at 44% of normal during their second fiscal quarter, which ended 3/31/08.

"TVA still faces challenges related to fuel, purchased power and reduced hydroelectric generation for the remainder of the year," said TVA President and CEO, Tom Kilgore. "Drought conditions continue to impact our financial results."

"Although rainfall totals for the first six months of the fiscal year were about 80 percent of normal, the amount of water reaching the rivers and reservoirs was less than 50 percent of the normal amount," Kilgore continued. "Reduced hydro generation continues to drive up the total cost of power" since TVA must purchase power (typically at a higher cost) or use more expensive generation to compensate.

MLGW Rates

MLGW's current and historic 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	\$0.423	na
G-7	\$0.445	na
G-8 / G-9	\$0.483	\$0.195
G-10 / G-12	\$0.429	na

Adjustment in \$/Ccf to published natural gas rates for meters read on or after 5/28/08.

Fuel Cost Adjustment (FCA)

TVA Rate Class	MLGW Rate Code	FCA Amount
GSA, Part 1	E-2	\$0.00573
GSA, Part 2	E-2	\$0.00573
GSA, Part 3	E-2	\$0.00565
Residential	E-1	\$0.00580
Outdoor Lighting	E-3	\$0.00580

Adjustment in \$/kWh to all firm kWh, beginning with meters read on 3/28/08 and lasting for three consecutive billing periods.



Important Contact Information

Commercial Resource Center:

Monday-Friday

7:30am-5:00pm Central

Phone: 901-528-4270

Fax: 901-528-4547

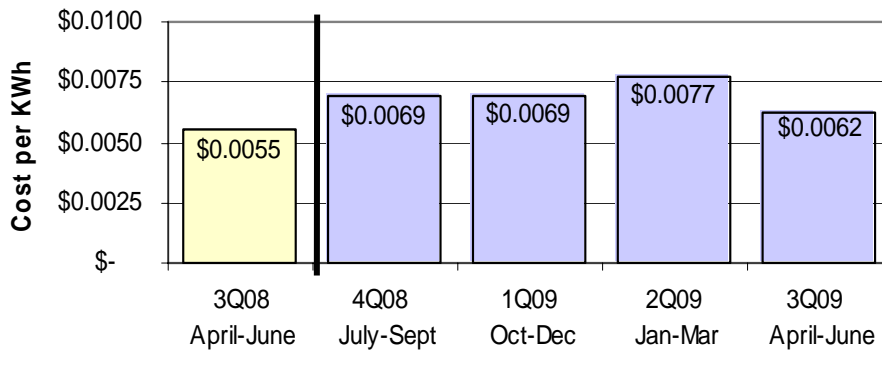
E-mail: crc@mlgw.org

Emergency: 901-528-4465

Outage: 901-544-6500

VIEW YOUR BILL ONLINE AT www.mlgw.com

Total Wholesale Fuel Cost Adjustment Rates Actual and Forecasted



The FCA forecast (blue shaded columns) represents TVA's current expectations and operation conditions and is subject to change at any time. Actual FCA amounts in future quarters are subject to considerable risks and could vary widely from the current forecast. Note that TVA's fiscal year begins in October, so their 4Q08 is July-September 2008. Projected FCA represents TVA's wholesale values, which are modified by MLGW and other utilities at the retail level to account for electric system losses and varying rate classes.

The bottom line: Customers should expect energy costs to remain higher than historic levels. Energy efficiency improvements will have a better return on investment than in previous, low-cost energy years. If not already, energy issues will be important to every level of your organization—from the boardroom to the mechanical room. Contact MLGW's Commercial Resource Center to request energy efficiency information guides or visit www.mlgw.com to utilize our Energy-Saving Tools, including Business Energy Advisor and Business eValuation. Watch for more details in the next issue of *Energy Edge*.

EDI option enables businesses to streamline payment process

MLGW has expanded its payment options for businesses and organizations, adding Electronic Data Interchange (EDI) to help customers streamline their payment processes. MLGW currently accepts EDI payments in the "820" format, and may be able to accept other formats with manual intervention.

EDI enables businesses and organizations to initiate a payment through their bank by sending an EDI payment file containing utility account numbers and payment amounts, as well as other banking details. The customer's bank forwards that file to the Federal Reserve Automated Clearing House, which routes the data and funds to MLGW's bank, which then forwards the EDI file to MLGW's Information Services department to post specific payment amounts to individual utility accounts. While this automated process typically takes one to two business days, it is preferable to wiring a payment to MLGW, where banking fees are involved and delays often occur in identifying which utility accounts are to be paid. For details on paying your MLGW bill with EDI, contact Rick Luton (RLuton@mlgw.org or 901-528-4533) or Ira Carbage (ICarbage@mlgw.org or 901-528-7624).

Please forward this information to your accounts payable staff for consideration.

In addition, EDI customers are encouraged to enroll in eBilling, our optional paperless billing service. eBilling is available for virtually any customer, regardless of payment method. (Customers on MLGW's Master Billing service and large industrial customers who receive a detailed BillGen bill are not eligible for eBilling as their bills are not produced through the standard billing process.) By selecting eBilling, EDI customers are maximizing their use of electronic options to expedite service. More than 2% of MLGW's commercial and industrial customers are taking advantage of eBilling currently. You must be a registered My Account user to enroll in eBilling. For information, visit www.mlgw.com

MLGW distributes Water Quality Report

Watch for MLGW's annual Water Quality Report to be mailed to all water customers in early June. The report shows that MLGW customers enjoy some of the purest drinking water in the nation.

The water quality report is a federally-mandated publication that provides a comprehensive look at the content, origin, treatment and production process of our drinking water. The report will also be posted online at www.mlgw.com

MLGW makes changes to bill format to spotlight key information

Customers will notice a variety of format changes made to their MLGW bill, beginning May 29. The enhancements are designed to increase the user-friendliness of the bill and make it easier to find key information.

Changes to non-residential bills include:

- "Meter Reader on Site" information has been moved to the top section of the bill
- "Next Reading Date" information, in the blue section on page 1, has been highlighted
- "Payments must be received by (date)" line has been added in the blue section
- Bill stub has been reformatted to insert face-forward in the return envelope, creating more space on the back of the bill for contact information.

Residential customers will see additional changes, including an Energy Tip of the Month and a Consumption Summary table printed on page 2 of the bill.

Bredesen launches Energy Policy Task Force to study challenges, opportunities for businesses, government, households

Governor Phil Bredesen recently signed an Executive Order establishing the Governor's Task Force on Energy Policy. The Task Force is charged with developing a state energy plan to help state government lead by example.

Additionally, the group is charged with making recommendations to help Tennessee become a leader in energy efficiency and conservation, use of alternative fuels and renewable energy sources, and the development of clean-energy technology. Signed in March 2008, the Executive Order outlines four key goals and objectives:



1. Opportunities for state government to lead by example in energy efficiency and conservation, with an emphasis on building construction and management and vehicle fleet management;
2. Prospective policies, legislation, regulations or incentives to encourage statewide energy efficiency and conservation in the public and private sectors;
3. Possible public-private partnerships and collaborations to encourage research and development of clean-energy technology and increase economic development potential in the state's energy sector; and
4. Strategies for expanding the use of alternative fuels and renewable energy sources to support the sustainability of Tennessee's environment.

The 17-member task force includes representatives from state government, business and environmental sectors—including two Memphis representatives: MLGW Board Chairperson V. Lynn Evans and homebuilder Phil Chamberlain of Chamberlain & McCreery. Bredesen has confirmed his commitment to the issue by serving as chairman of the task force. To view meeting webcasts and other info, visit:

<http://www.tennesseeanytime.org/energy/>

Memphis in May supports green power

Memphis in May became the first festival in the region to participate in TVA's Green Power Switch program.

Memphis in May sponsored 82,500 kWh of renewable energy, equal to the amount of electricity supplied by MLGW to Tom Lee Park during the month-long festival.

The group's green power support has the same environmental benefit as recycling 4.2 million aluminum cans, or planting 275 acres of trees, or recycling 243 tons of newspaper, or removing 92 cars from the roads for one year! More than 740 tons of carbon dioxide emissions were avoided as a result of the festival's support.



Diane Hampton, executive vice president of Memphis in May International Festival, accepts the Green Power Switch recognition certificate from TVA's Gary Harris and MLGW's Becky Williamson

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