



# Energy Edge

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

## Water rate increases 6/26/08; sewer and storm water fees to rise soon

Rate increases for MLGW water, as well as municipal sewer and storm water fees, are slated this summer.

The water increase, approved by the Memphis City Council on 11/20/07 but postponed until now, takes effect with meters read on and after 6/26/08. The impact is outlined below, using the Rate Class noted in the water services line on your MLGW bill.

### WATER RATE INCREASE

effective with meter readings taken on and after 6/26/08

Rate Class	Impact
W-1	14.9%
W-2	14.9%
W-7, W-10	15.0%
W-8, W-11	15.1%
W-9	15.3%
FP	15.2%
W-51	14.9%
W-57	15.2%

New water rates are posted on MLGW's website. To view current and historic rates, go to: [http://mlgw.com/SubView.php?key=comm\\_genrateinfo](http://mlgw.com/SubView.php?key=comm_genrateinfo)

Sewer rates will increase 9.5% for bills produced beginning 8/1/08. In general, the standard rate of \$0.6545 per hundred cubic feet (Ccf) of water consumption will rise to \$0.7166.

The rate increase, detailed in Ordinance 5239, was approved by the

Memphis City Council on 11/20/2007. Remember that sewer charges are based on water consumption, so repairing leaky fixtures and replacing older devices with low-flow options will have a double impact on controlling costs.

In addition, the rate for the City of Memphis Storm Water Enterprise Fund will increase beginning with billed dated 7/31/08. The rate will rise 14.5%, from \$2.88 per SFU to \$3.30. See the May 2006 issue of *Energy Edge* for information on how storm water fees are calculated and administered.

## Bond ratings agencies base strong ratings on MLGW's "stable outlook"

Memphis Light, Gas and Water Division's strong financial fundamentals were recently reaffirmed by Standard & Poor's Rating Services and Fitch Ratings. Citing a stable outlook, S&P upgraded its rating for two MLGW electric system bonds.

S&P raised its standard long-term rating on MLGW's \$16.9

### MLGW Rates

MLGW's current and historic electric, natural gas and water rates are published at [www.mlgw.com](http://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	\$0.584	na
G-7	\$0.500	na
G-8 / G-9	\$0.402	\$0.158
G-10 / G-12	\$0.401	na

Adjustment in \$/Ccf to published natural gas rates for meters read on or after 6/26/08.

### Fuel Cost Adjustment (FCA)

TVA Rate Class	MLGW Rate Code	FCA Amount
GSA, Part 1	E-2	\$0.00715
GSA, Part 2	E-2	\$0.00715
GSA, Part 3	E-2	\$0.00705
Residential	E-1	\$0.00724
Outdoor Lighting	E-3	\$0.00724

Adjustment in \$/kWh to all firm kWh, beginning with meters read on 6/26/08 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](mailto:crc@mlgw.org)

Emergency: 901-528-4465

Outage: 901-544-6500

VIEW YOUR BILL ONLINE AT [www.mlgw.com](http://www.mlgw.com)

million of senior-lien electric system revenue bonds to 'AA+' from 'AA,' and its standard long-term and underlying rating (SPUR) on MLGW's \$1.1 billion of junior-lien electric system revenue bonds to 'AA+' from 'AA-.' Fitch, which also views MLGW's outlook as stable, maintained its rating of 'AA' on both of those bond series.

S&P also assigned its 'AA+' standard long-term rating to MLGW's \$92.4 million subordinate-lien electric system revenue and refunding bonds; Fitch assigned a rating of 'AA' rating to this bond series as well. The opinions of S&P and Fitch are signs of MLGW's financial capability to meet all of its obligations. Credit ratings are used by investors as an indication of the likelihood of receiving their money back in accordance with the terms on which they invested.

"We believe that MLGW will continue to generate sufficient revenues to meet all of its obligations," said S&P credit analyst Theodore Chapman.

According to Fitch, the 'AA' rating reflects MLGW's stability, including its diverse customer base and retail rates that are comparable to other municipal rates in the area. MLGW's water division is one of the few utilities in the world to hold "AAA" bond ratings from both S&P and Moody's Investor Services.

"We are very proud of the credit ratings that MLGW has received over the years," said MLGW President and Chief Executive Officer Jerry R. Collins, Jr.

### **Background on the bonds**

MLGW is the largest three-service public power utility in the United States. As both agencies noted, MLGW purchases its entire power supply from the Tennessee Valley Authority, under a long-term, all requirements contract; therefore it has no power supply responsibility.

In order to lock in low-cost base-load power at a discount for a 15-year period, in 2003 MLGW entered into an electric prepay contract with TVA. Under the contract terms, MLGW receives a fixed credit on its monthly TVA bill, providing annual savings to the electric system of about \$13 million. In order to finance this prepayment, Fitch noted, MLGW issued \$1.5 billion of debt.

Also, Fitch noted, that because of that pre-payment bond issuance, "MLGW's balance sheet debt level appears high (the only other outstanding debt totals less than \$17 million); however, this will be paid down by 2018 and there are no additional debt plans currently anticipated."

Considering the prepay transaction, S&P notes that the Electric Division's financial positions remains strong. Compared to other utilities across the nation, Collins said MLGW has very little debt associated with infrastructure improvement.

## **MLGW's Collins speaks at Chamber's Salute to Existing Business**

MLGW President & CEO Jerry Collins Jr. was the featured speaker at the Memphis Regional Chamber's Salute to Existing Business breakfast, held 5/29/08. In his 15-minute presentation, Collins addressed skyrocketing national energy prices, MLGW's operational costs, customer service goals, available resources for business customers and other topics of interest to MLGW's commercial, industrial and institutional customers. Video of Collin's speech is available at: [http://www.mlgw.com/SubView.php?key=about\\_newsreleases&chunkid=235](http://www.mlgw.com/SubView.php?key=about_newsreleases&chunkid=235)

*"The electric pre-payment bond issuance has saved MLGW customers tens of millions of dollars and will continue to do so for some years into the future," noted MLGW President Jerry Collins Jr.*



## **USA Today reports rising energy costs, revealing scope of national energy issue**

The 6/16/2008 issue of *USA Today* trumpeted the news—electricity prices are going up all across the country as utilities face rising costs for coal, increased costs for construction of new generation plants and other economic challenges driven by the nation's electricity appetite.

In a front-page article, the national newspaper cited that the price of coal, which fuels half of the nation's electric generation plants, has doubled in the past year due to rapidly growing energy use in countries such as China and India. The price of natural gas has increased 50%, based on high U.S. demand—often as a fuel for supplemental electric generation to meet peak loads. Drought conditions in areas across the country have forced electric generators—from California's Pacific Gas & Electric to the Tennessee Valley Authority and beyond—to use costly alternatives to replace dwindling supplies of inexpensive hydroelectric power.

*USA Today* also cited examples of summer rate increases across the nation, including: Potomac Edison (VA), 29%; AmerenEU (MO), 12%; Public Service Company of Oklahoma, 25%; and others with long-term price increases over the next 10 years.

Read the full story at: [http://www.usatoday.com/money/industries/energy/2008-06-15-power-prices-rising\\_N.htm](http://www.usatoday.com/money/industries/energy/2008-06-15-power-prices-rising_N.htm)

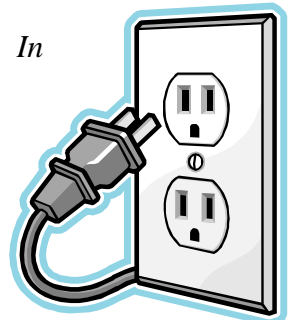
There is good news: MLGW has no plans to increase its operational rates in 2008, nor are there projected increases in the 2009 budget being developed, but customers should expect to see significant changes in TVA's quarterly Fuel Cost Adjustment (FCA) and the monthly Purchased Gas Adjustment (PGA), based on current market conditions.

## **Cut utility expenses by managing plug loads, report advocates**

There is energy waste in every business, whether large or small. Some waste, attributed to plug loads, can be easily eliminated through awareness and simple measures, as E-Source reports in its June 2008 issue of *Energy Managers' Quarterly*. Here's an excerpt:

*Of all non-payroll operating expenses in office buildings, the largest share—almost 30 percent—goes to utility bills. And while building managers have traditionally targeted lighting and HVAC systems as the best way to trim energy consumption, reducing office plug loads has the potential to yield significant savings as well.*

*A plug load is the energy consumed by any electronic device that's plugged into a socket. In offices, this includes computers, copiers, coffeemakers, task lamps, vending machines, refrigerators, and projectors—many of which consume some electricity even in standby mode or when switched off. Because office plug loads account for about one-fifth of an office energy bill—roughly as much as heating, lighting, or air conditioning—there are significant opportunities for energy managers to cut energy consumption, boost the bottom line, and trim corporate greenhouse gas emissions through wise equipment procurement and effective practices.*



Due to the decentralized nature of plug loads, making incremental improvements is often easier and cheaper than making large-scale efficiency upgrades to HVAC and lighting systems—and it often produces a faster payback period. This is especially the case in buildings that are rented or shared, where large-scale infrastructural improvements might not be feasible.

In today’s office, virtually all employees use computers. With active-mode power consumption that can top 100 watts, computer-related plug loads are among the largest electric draws in an office. Additional information technology (IT) loads come from servers, printers, scanners, speakers, and other peripherals. Although IT equipment is often the most obvious energy consumer in an office, there are many more energy hogs that people often forget. A personal space heater, for instance, uses five times more energy per year than a single laptop computer; a break room refrigerator draws 10 times more, and a single soft drink vending machine can consume more than 40 times the energy of that laptop. So while energy managers often focus on the most obvious consumers, it’s sometimes more effective to target a few large items or those that are never turned off—such as routers or large coffeemakers.

The report is available online under the “Customer Direct Energy Technology and Efficiency Reports” link, which is accessible from the My Bills tab when you login to My Account. (Yet another benefit of My Account! Contact MLGW’s Commercial Resource Center for registration assistance if you have 25 or more accounts.) You also can obtain an electronic copy of this *Energy Managers’ Quarterly* newsletter by emailing [CRC@mlgw.org](mailto:CRC@mlgw.org) and requesting “EMQ 2008Q2 Managing Office Plug Loads.”

## MLGW redesigns home page with new links, live outage map

The first step in a long-term redesign initiative for MLGW’s website began in June with the launch of a new, more graphically appealing home page that assembles links to key topics.

**For Your Home** and **For Your Business** links, as well as **My Account** login fields, now grace the home page, streamlining user navigation. Another new feature is the **Outage Map** link, located in the set of quick links below the My Account panel.

The outage map incorporates Google Maps, which uses a zoom application that allows for more specific outage locations. The new map also features a graph that displays an approximate range of the number of customers that are currently experiencing an outage. Click on the affected area and details pop-up, showing the status of the outage, time reported and estimated time of restoration.

Map data is based on reported, known outages. If your facility is affected but your area is not highlighted on the map, report the outage by calling MLGW’s automated Outage Hotline, 544-6500.

Check it out today at [www.mlgw.com](http://www.mlgw.com)

