Energy Edge

A NEWSLETTER FOR MEMPHIS LIGHT, GAS AND WATER DIVISION COMMERCIAL CUSTOMERS
AUGUST 2006

Minor changes enhance contact info on MLGW bills to streamline interaction

MLGW recently tweaked its bill format for general power (non-residential) customers to add organization names and phone numbers next to charges for non-utility services. This change, while minor in appearance, enables customers to identify the appropriate party and phone number when inquiring about sewer, storm water, solid waste, fire protection and other municipal service fees that are included in their MLGW bill.

MLGW provides billing services for entities such as the City of Memphis, Shelby County and surrounding municipalities as a courtesy. This practice minimizes billing and programming costs for service providers and reduces the number of individual bills customers receive and pay.

TVA Board approves rate decrease, plus introduction of fuel cost adjustment

TVA's Board of Directors authorized a dual-pronged approach to electric rates at its 7/28/06 meeting. The federal agency reduced its wholesale electric rates while simultaneously instituting a fuel cost adjustment (FCA) charge that will fluctuate quarterly.

MLGW will reduce its retail electric rates in response to TVA's rate decrease, although calculations to determine the exact impact on individual rate tariffs have not been finalized.

The rate changes will be enacted beginning with cycle 1 meter readings on 9/25/06, the start of MLGW's October revenue month, to coincide with the 10/1/06 start of TVA's fiscal year. The FCA rate for the initial quarter will be zero; it will be adjusted in late December to affect bills for the January revenue month. Although there will be no dollars associated with the FCA for October-December utility bills, MLGW will begin itemizing the fee as a line item on bills to familiarize customers with the charge.

The FCA will function like MLGW's existing Purchased Gas Adjustment (PGA) fee for natural gas customers, except the FCA will change quarterly while the PGA varies monthly.

Purchased Gas Adjustment (PGA)

Rate	Consumption	Demand
G-1 residential	$0.4366	na
G-7	$0.4785	na
G-8 / G-9	$0.4597	($0.0599)
G-10 / G-12	$0.4992	na

Adjustment in $/Ccf to published rates for bills rendered on or after 8/24/2006.

Interesting Webs....

Despite slow start, NOAA predicts active hurricane season:
http://www.noaanews.noaa.gov/stories2006/s2678.htm

TVA newsroom:
http://www.tva.gov/news/index.htm

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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

The FCA will pass along increases or decreases in fuel and purchased power costs to end-use customers on a more frequent and real-time basis than is feasible through less frequent adjustments to the electric base rates, according to TVA. Much of the justification for TVA's last two rate increases, in 10/05 and 4/06, was tied to the rising cost of fuel and purchased power. The decrease in the base electric rate will offset some of the impact of those two rate increases. TVA reports that fuel and purchased power costs increased 37 percent, or $621 million, in the first nine months of the current fiscal year, compared to the same period in the prior fiscal year.

TVA, a federal agency, is the nation's largest public power provider and is completely self-financed with revenues of $7.8 billion in 2005. TVA provides power to large industries and 158 power distributors that serve approximately 8.6 million consumers in seven southeastern states.

Memphian nominated to fill remaining vacancy on TVA Board

Bishop William H. Graves, former MLGW Commissioner, has been nominated by President Bush to fill the final vacancy on TVA's newly restructured, nine-member Board. If confirmed by the Senate, Graves would become the first Memphian and first West Tennessean in the organization's seven-decade history. As TVA's largest customer, MLGW has lobbied heavily over the years for representation from this region. Graves would fill the remainder of a five-year term that expires in 5/07.

MLGW Board approves long-term natural gas contract for $57 million savings over 20 years

The MLGW Board of Commissioners approved a long-term agreement that will allow the utility to purchase a portion of the utility's natural gas supply at a discounted rate. The move is expected to save MLGW $2.85 million a year. The discount will be passed along to customers either in the form of lower Purchased Gas Adjustment (PGA) rates or delayed rate increases. The Memphis City Council must now approve the agreement, specifically as it relates to the 20-year term.

"This agreement is one of many ways MLGW is working to ensure that our customers have some of the lowest rates possible at a time when natural gas prices are rising nationwide," said MLGW President and CEO Joseph Lee.

The agreement is with the Tennessee Energy Acquisition Corporation (TEAC). The deal, if approved by the City Council, will last for 20 years and will allow MLGW to buy natural gas at a fixed discounted rate. About 12.7 percent of MLGW's natural gas needs will come from this agreement.

"I am excited about this arrangement because it is a guaranteed discount for our customers, and we will save MLGW about $57 million over the life of the agreement. We will continue to seek other innovative initiatives to ensure the rates our customers pay remain among the lowest in the nation," Lee said.

Discount agreements like these are available only to municipal utilities. There have been only seven such transactions since 2005. If the City Council approves the agreement, the first contract purchase could be made as early as November 2006, pending full execution of the TEAC transaction.

Emphasize impending economic losses, not efficiency, to justify energy-saving project funding

An interesting article in the 8/06 issue of *Energy & Power Management* suggests that energy improvement projects which focus on the impending losses from not acting may be more successful in getting funding than those that focus on future savings. This philosophy may add the right twist to your budget preparations for 2007. Read the article at: http://www.energyandpowermanagement.com/CDA/Articles/Column/b3c8890348ccc010VgnVCM100000f932a8c0

Building baseline defined for Federal energy tax incentives

The following information is excerpted from E-Source, an energy information company whose members include utilities, energy service providers and large C&I customers.

Q: What's the baseline from which energy savings are measured for the purpose of claiming the U.S. Energy Policy Act (EPACT 2005) commercial building tax deduction?

A: The baseline from which energy savings are measured for the EPACT 2005 commercial building tax deduction is defined as the amount of energy that a building would use if it complied with the April 2001 version of ASHRAE Standard 90.1 (the American Society of Heating, Refrigerating, and Air-Conditioning Engineers "Energy Standard for Buildings Except Low-Rise Residential Buildings"), which excludes Appendix G. Energy savings must be quantified for a particular building by a qualified professional using one of the software tools pre-approved by the U.S. Department of Energy, as posted at www.eere.energy.gov/buildings/info/tax_credit_2006.html.

To put this question in context, EPACT 2005 allows for a total deduction of up to $1.80 per square foot ($ft^2$) for the total installed cost of improvements made constructing or retrofitting a commercial building to use at least 50 percent less energy than the baseline. Deductions are allowed for improvements in three different categories: heating, cooling, ventilation, and water heating; interior lighting; and building envelope. A partial tax deduction of up to $0.60/$ft^2$ is also available for measures that both reduce energy use by at least 50 percent within any one category while also reducing the total building energy use by at least 16.67 percent. Additional stipulations apply to specific lighting applications. A building that simply complies with ASHRAE 90.1-2001 does not qualify for the tax deduction. Furthermore, the tax deduction can only be given for improvements made to conditioned space (unconditioned basements, for example, don't qualify) that are put in service between January 1, 2006, and December 31, 2007.

Even if a local jurisdiction has building codes based on standards stricter than ASHRAE 90.1-2001 (such as 90.1-2004), 90.1-2001 is still applicable as the baseline for the purposes of the tax deduction. In that circumstance, the building owner will likely have a smaller incremental cost to meet the 50 percent reductions goal required for the tax deduction because of investments that will already have to be made to satisfy local codes.

For information about the EPACT commercial building tax deduction, see previous issues of ***Energy Edge*** and visit www.energytaxincentives.org/tiap-commercial-bldgs.html, www.lightingtaxdeduction.org, and www.efficientbuildings.org.

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