



Energy Edge

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

EPA seeks water efficiency leaders for national recognition

EPA is accepting nominations for the 2008 Water Efficiency Leader Awards to recognize organizations and individuals who demonstrate outstanding leadership and innovation in water efficiency. Winners will be chosen by a panel of national water experts and based on three criteria: leadership, innovation, and water saved. Nominations are being accepted until 8/29/2008.

The Water Efficiency Leader Awards promote a nationwide ethic of water efficiency, which is critical to helping our growing economy and improving our quality of life. The importance of water efficiency is also exemplified by WaterSense, a partnership program started by EPA in 2006 to educate American consumers on making smart water choices that save money, water and energy, and maintain high environmental standards without compromising performance.

More information on Water Efficiency Leader Awards is available at <http://www.epa.gov/water/wel>

MLGW meets challenge of rising U.S. energy costs

For the last decade, customers across the nation—including MLGW customers—have felt the sting of rising heating costs as the price for residential U.S. natural gas has nearly doubled. According to the Energy Information Administration's (EIA), short-term energy outlook report in May, the price was expected to increase this year from an annual average wholesale price on the Gulf Coast of \$7.17 per thousand cubic feet (Mcf) in 2007, to an average of about \$9.70 per Mcf, before leveling off at about \$9.40 per Mcf in 2009.

Until the last couple of years, the costs for other forms of energy have remained relatively stable. However, in the past year, coal has doubled in price, which impacts the cost of electricity produced from coal-fired plants. Since 60 percent of TVA's power is generated at its 11 fossil fuel facilities, rising coal costs will be passed on to local customers via a TVA fuel cost adjustment (FCA) mechanism implemented in 2006 that allows TVA to automatically adjust rates according to fluctuations in

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	\$0.5840	na
G-7	\$0.4980	na
G-8 / G-9	\$0.4140	\$0.1200
G-10 / G-12	\$0.4940	na

Adjustment in \$/Ccf to published natural gas rates for meters read on or after 7/28/08.

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 6/28/08 and lasting for three consecutive billing periods.



Important Contact Information

Commercial Resource Center:

Monday-Friday

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VIEW YOUR BILL ONLINE AT www.mlgw.com

fuel and purchased power costs. Tennessee Valley residents and businesses have already experienced escalating electricity costs due to several TVA rate hikes in 2005, 2006 and 2008.

The trend in rising energy costs is undeniable and seemingly unending. Customers nationwide are being encouraged to brace themselves for skyrocketing summer and winter energy costs. But weather and many other factors will ultimately determine the local impact.

Although MLGW cannot control the price of energy supplies, the utility works diligently to reduce the impact of rising power costs in the following ways:

- Obtaining discounted supplies of electricity and natural gas through long-term prepayment contracts;
- Utilizing strategic purchases of natural gas; with price protection through a combination of futures, options and market pricing;
- Participating in efforts to help shape the direction of federal and state electric restructuring to ensure continued access to reliable, low-cost electricity supplies.

While no one, including MLGW, can control wholesale energy costs or weather conditions that influence energy consumption, a lot can be done to reduce the financial impact on businesses, organizations and households. In the midst of record-breaking spikes in virtually all forms of energy, MLGW customers must be equipped with information needed to weather a volatile energy climate for the foreseeable future. To help businesses save on energy, the following tools are available online at www.mlgw.com:

- Business Energy Advisor: Information on a wide variety of energy-consuming equipment and building components that will help you keep your facilities running at peak efficiency.
- ENERGYsmart Library: Online source for information about energy topics and technologies to help you learn more about the energy used in your business.
- Business eValuation: Do-it-yourself energy audit tool for small- and mid-size businesses.
- Learn about additional energy tips and tools online at www.mlgw.com, or by contacting MLGW's Commercial Resource Center.

Due to these ongoing efforts, MLGW has made a noticeable positive impact on local energy costs. A survey conducted by Jacksonville Energy Authority in 2008 revealed that MLGW's residential customers pay some of the lowest electric rates in the nation, based on analysis of rates from 55 public and private utilities. As we face the future, rest assured that MLGW will continue to find ways to minimize energy costs but, even in the best of situations, prices will be higher than in previous years.

MLGW begins budget preparation for 2009 operations

No MLGW operational increases projected; but FCA and PGA expected to fluctuate widely

In July, MLGW managers began the budget process for 2009 operations, which begin January 1. At this point, there are no MLGW operational rate increases planned for 2009. However, TVA's quarterly fuel cost adjustment (FCA) and the monthly purchased gas adjustment (PGA) are expected to fluctuate significantly as national energy prices continue to rise, forcing an increase in variable fuel costs that must be recovered from the end-use customer through these pricing mechanisms.

MLGW's operations account for approximately 20% of every energy dollar you pay. Those funds are used for the design, construction and maintenance of electric and gas lines, meter reading, billing, customer service, labor and other activities to serve MLGW's 420,000 customers. The remaining 80% of your energy dollar represents the cost of electricity and natural gas purchased by MLGW and used by customers, including the actual commodity charge and associated FCA and PGA. While MLGW maintains tight control of its operating budget to contain the 20%, it is the 80% factor that varies dramatically based on energy supply, demand, weather and other factors.

It is impossible to accurately predict the cost of electricity and natural gas in such a volatile U.S. energy market—but MLGW realizes this is vital information for businesses and organizations currently preparing their own operating budgets. As such, MLGW forecasts a 5% to 7% rise in electric costs for the average business in 2009. If your organization uses electricity-intensive processes for manufacturing or other heavy load operations, it would be wise to double those cost projections. Natural gas costs are expected to be extremely high, based on current market conditions. All natural gas pricing forecasts at this point indicate a cost increase of 30% to 40%. Keep in mind these percentages are only estimates based on current market indicators, so actual costs could vary substantially with weather conditions, fuel supplies and other factors.

MLGW's budget process spans several months, as the budget is reviewed internally by MLGW executives, where initial cost-cutting measures are implemented. A preliminary review of the budget will be given to MLGW's Board of Commissioners on 10/2/08, with final approval slated for 10/16/08. The Memphis City Council will receive their initial briefing on 10/9/08, followed by a final decision at their 11/18/08 meeting. Watch future issues of *Energy Edge* for updates on budget issues.

MLGW adjusts meter reading dates to improve efficiency

MLGW is moving the times at which we read certain commercial and industrial meters to improve our meter reading process efficiency and billing processes. During this time, customers may notice billing periods are one to seven days longer or shorter as we make necessary changes. Once the process is completed, billing period lengths will return to normal ranges. Please contact MLGW's Commercial Resource Center if you have any questions.

At halfway point, 2008 is the ninth warmest year on record

The first half of 2008 ranks as the ninth warmest on record, according to global statistics released by the National Climatic Data Center (NCDC). With La Niña conditions depressing sea surface temperatures for much of the beginning of this year, scientist did not expect 2008 to break any temperature records, but the La Niña event has now passed, and warmer ocean temperatures are expected for the remainder of the year.



The NCDC, a part of the National Oceanic and Atmospheric Administration (NOAA), ranks global land temperatures for the first half of the year as the eighth warmest on record, while global ocean temperatures are the tenth warmest on record. For the first half of 2008, global temperatures are 0.79°F above the mean temperature for the 20th century, while the record for the first half of a year was set a decade ago, at 1.15°F above the 20th-century mean. See the NOAA news release at http://www.noaanews.noaa.gov/stories2008/20080716_globe.html and the NCDC's global analysis for June at <http://www.ncdc.noaa.gov/oa/climate/research/2008/jun/global.html>

New EPA guide to help businesses confront Climate Challenge

The U.S. Environmental Protection Agency (EPA) has released a new resource, *A Business Guide to U.S. EPA Climate Partnership Programs*, for businesses committed to addressing the risks and opportunities associated with climate change. The guide features profiles on 35 EPA climate-change related partnership programs, as well as a handy table so companies can look up programs most appropriate for their industry and business objectives. Each program profile defines the environmental value delivered by the program and the business case for participating, such as cost savings, operational efficiency, reduced business risk, new or expanded markets, enhanced reputation and brand protection.

The guide also describes the benefits of partnering with EPA, such as environmental performance benchmarking, public recognition, professional training and networking, and preparation for regulatory developments. There are currently more than 13,000 firms and other organizations participating in EPA climate-related partnership programs. Through participation, members are investing in energy efficiency, clean energy supply, and other practices and technologies for mitigating climate risks.

EPA developed the guide in collaboration with Businesses for Social Responsibility (BSR), a nonprofit business association. *A Business Guide to U.S. EPA Climate Partnership Programs* can be downloaded at <http://www.epa.gov/partners>

Energy Edge is published by the Commercial & Industrial Customer Care department of Memphis Light, Gas and Water Division. Comments and distribution list changes may be e-mailed to: CRC@mlgw.org