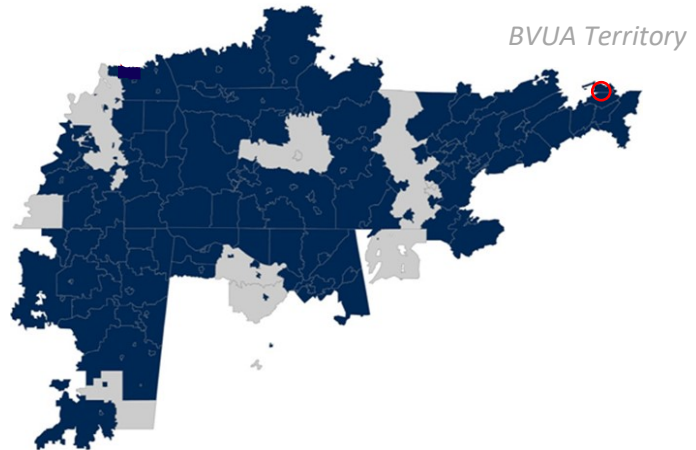


Expected vs. Actual Outcomes in Power Supply Alternative: A Case Study of Bristol Virginia Utility Authority

Bristol Virginia Utility Authority (BVUA) is uniquely positioned geographically to be able to connect with other energy providers at minimal expense. Such was the case in 1997 when BVUA left the TVA system and entered into a power contract with Cinergy for 7 years, followed by a 3-year power contract arrangement with AEP. In 2008, BVUA returned to the TVA system after the experience with other power providers brought a new appreciation for the stability of rates and reliability, as well as the additional benefits associated with being an energy customer of TVA.

BVUA is now a 20-year partner with TVA and will likely be one of the first LPCs across the Valley to leverage the power supply Flexibility Option within the Long-Term Partnership Agreement. Today, BVUA is a vocal proponent of the sustainable value that public power delivers to LPC customers in the territory.



Key considerations/observations: Anticipated benefits and actual outcomes

Low Rate Attraction

- Due to an overly aggressive offer by Cinergy, BVUA departed the TVA system and joined Cinergy in 1997, resulting in a near-term 15% retail rate decrease and significant upgrades to facilities and equipment.

Unsustainable Rate Levels

- Following the 7-year Cinergy contract, BVUA went to market with an RFP for energy in 2004 and selected AEP for a 3-year contract. The end of the Cinergy deal resulted in BVUA experiencing an 81.8% increase in wholesale power costs and its customers dealing with a retail rate increase of 43.8% (on average).

Rate Stability and more

- BVUA engaged TVA in discussions in early 2006 and returned to the TVA system on January 1, 2008 with a 20-year contract that provided for a 5 year notice after 15 years. BVUA paid TVA a reintegration fee to cover their portion of the costs of TVA's generating plants needed to supply reliable power to BVUA.
- Upon return to the TVA system, BVUA and TVA immediately partnered to enhance community involvement through various economic development efforts and elevated community presence and support.

Lessons Learned

- The wholesale power market can be extremely volatile, leaving customers vulnerable to significant rate fluctuations.
- Customers value rate consistency over short term savings followed by steep rate increases.
- Additional mission-driven services provided by TVA are extremely valuable to all members of the community.
- Transmission infrastructure and reliability are highly valued by customers. One example representing this value remains memorable in the Bristol community even today. During a major snowstorm in 1998, BVUA customers waited three or more freezing weeks for power to be restored, while their neighbors served by TVA – some on the other side of the their street – were restored within three days.