

## Cost of service on the forefront in early 2008

By the time you read this story, the Tennessee Valley Authority board will have put into place the wholesale rate increase of 7 percent as well as the second quarterly fuel cost adjustment of 0.589 cents per kilowatt hour, both of which become effective April 2008. TVA has increased rates and, at the same time, Fayetteville Public Utilities has increased its local electric rate by 2 percent, effective this month.

Shortly after electric rates were addressed, the natural gas market dictated a 5.8-percent increase in March for local gas rates.

In this issue, I hope to address many of our cost-of-service concerns and give you an update report on where FPU is headed in all areas of utility service and cost controls.

We have known for some time that our electric rates were soon to be impacted by many factors that play into providing the standard of service we do in the Tennessee Valley.

This, coupled with the volatility of the natural gas market, has positioned FPU to increase rates for both energies.

We have watched as gas prices have increased repeatedly over the past few months with no relief in sight. Based on our February and March market costs for purchasing natural gas, the latest cost is well above what we can sustain at FPU with our current rates.

The last time FPU increased gas rates was October 2005. At that time, gas rates increased by 17.7 percent. Since then, our gas rates have decreased six times, giving some relief.

FPU has put into place local controls to help better manage the fluctuating adjustments that occur each month with natural gas market costs. These controls include purchasing natural gas for storage at the best available market cost in

the off-season and locking in prices for future months when the market allows.

FPU's local gas rates have not changed since February 2007 due to the use of these cost-control tactics. We have used our storage gas for the past few months to offset market increases, but the last increase in fuel costs is greater than we can offset with our storage amounts.

If the market pricing of natural gas continues to increase at this pace, FPU will have to address the local gas rate again.

In the same respect, we find that working with TVA on a combination of solutions provides the best answers for our electric rates as well.

For every electric dollar you spend, 75 cents goes to pay for the power we purchase from TVA. What's left funds the operation of your local electric utility. It is this amount that helps us provide the level of service you've enjoyed for many years.

**Why are the electric rate adjustments necessary?** In recent months, both TVA and FPU have been concerned with the fast pace of customer growth and the increased demand for energy. Customer growth is certainly welcome. It shows that our communities are growing and prospering. However, to keep pace with such growth, service providers like TVA and FPU face power supply concerns. In looking at state and local community growth trends, it is predicted that even more power will be needed to supply our needs for years to come. Because TVA's current generating facilities cannot meet the present demand for energy, it must purchase power from other generation and transmission companies. This purchased power is extremely expensive, so to meet the Valley's energy demands and

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avoid the high cost of purchased power, TVA has put these plans in place to address the issue:

First, TVA is adding new generation. It will be completing the second unit at Watts Bar Nuclear Plant in Spring City, Tenn., by 2013. When completed, the nuclear unit will provide 1,180 megawatts of electricity, or enough to power about 650,000 Valley homes.

TVA explains that completing Watts Bar Unit 2 puts an existing asset to work for TVA customers and provides a clean, safe and reliable source of affordable power. TVA's studies show that completing this unit is the best option to help meet the region's growing power needs.

We continue to feel the effects of last summer's drought as TVA's hydro generation decreased and left the agency looking at other avenues of power supply. Hydro generation has long been a staple of TVA's power grid. Even with recent rainfall, we could feel the effects from the drought for quite some time.

The Valley's overall demand for electricity is growing by nearly 2 percent a year, so TVA is stepping up its energy-conservation and demand-reduction efforts to help offset the growth as well as completing the nuclear unit. TVA is also making a commitment to providing renewable power through its own Green Power Switch program although renewables alone cannot provide enough energy to meet the growing demand for energy.

**Aside from TVA, what is driving FPU's local electric rate adjustment?**

On the homefront, FPU has also experienced a growing demand for power, water and sewer services. And while we continue upgrading our aging distribution systems, we, too, are facing additional costs directly related to providing quality and reliable service to Fayetteville and Lincoln County. In fact, from December 2006 to December 2007, FPU reported 153 new electric services added to its grid.

Last year, we announced plans to upgrade the Park City substation to

become the area's fourth delivery of TVA's 161-kilovolt (kv) power and to provide enhanced system reliability to the area. This southern area of our county is where most of the residential growth has occurred over recent years, and in order to meet the needs of our customers, we must supply additional power to prevent service interruptions and problems with power quality.

In agreement with TVA, we project that the station will be complete by 2009 and will provide 161/13 kv to Park City and surrounding residents whose power is supplied by the existing 46 kv station.

Other electric department upgrades include the most recent in the Coldwater Creek area. The existing 7,200-volt power line has been upgraded to carry 14,400 volts to the community. During this 26-mile line conversion, approximately 100 poles were changed, 150 transformers were replaced and much of the single-phase line was upgraded to carry three-phase power.

Part of this electric load, once supplied by the Elk River substation, is now delivered by the McBurg substation, which is one of the three current TVA power delivery points for the county.

This line conversion in Coldwater began in early 2008 and should be complete this month, weather permitting.

Our right-of-way maintenance program continues to make progress by clearing the electric lines of vegetation and further reducing power outages. Our 2007 year-end report shows that FPU customers experienced an average power outage duration of 1.27 hours per customer. Our combined five-year average is 1.29 hours per customer. An outage duration of five hours per customer is set by our national electric organization as being an acceptable standard of service. FPU service is well above national standards of performance.

**How are the water and sewer department upgrades progressing?**

Minor improvements have already begun in our water and sewer departments as the Laten Bottom and Tanyard Basin equipment is replaced to provide better service and enhance facility operation.

More will be reported on the progress of these upgrades as the approved grant monies are received and system rehabilitation work begins on our sewer system.

**How will FPU's cable TV service be affected with the proposed national digital upgrade?**

The FPU telecom department prepares a plan of action under the Federal Communications Commission proposal of upgrading all television, satellite and cable signals to digital frequencies by February 2009. Although FPU already faces rising costs of cable programming, changes in technology and the local challenges of being a confined service territory, we have fared very well with customer growth for both the cable TV and the high-speed Internet services.

Currently, FPU's telecom department is studying the feasibility of offering Voice Over IP (phone service with your FPU Internet connection) and other options that could soon change your cable TV and Internet service.

**What other changes are in store for FPU customers?**

In efforts to offer even more efficient customer service, FPU will be contracting with National Information Solutions Cooperative this spring. If all of our expectations are met, you will see improvements on your monthly billing statements, making them easier to read and understand. This system will also help streamline some of the billing and customer service functions of daily operations, making the procedures faster and more convenient for you and FPU employees.

At the time of this publication, the new billing format was not yet complete; however, we expect to debut our new bill design later this spring.

As you see, FPU has many opportunities and challenges ahead of us with system growth and improvements. As we work toward reaching these goals and accomplishing our work plans, we will do all within our power to control costs without affecting the quality of customer service you receive from us.

As always, our commitment to you is to provide the safest, most reliable service at the *lowest possible cost*.



# FPU celebrates five years of utility consolidation

The old saying, “Time flies when you’re having fun,” probably never considered how fast time flies when you’re working hard to reach a goal, too.

It’s been five years since Fayetteville Public Utilities was created by the consolidation of the Fayetteville Electric System, Fayetteville Gas System and the Fayetteville Water & Sewer System. Since that time, all of us at FPU have worked hard to continue being a leader in our community as well as a leader in the utility industry.

FPU remains one of the few examples of successful multi-service utility consolidation in the Southeast.

All of us have worked hard to make FPU what it is today, but we also recognize that if it weren’t for customers like you who have stood by us and shown us your patience and understanding as we made the necessary adjustments, we would not be where we are today.

We hope that over the past five years, all our customers have benefited in some way from the creation of FPU. Each day we strive to make doing business with us safer, more convenient and more cost-effective. We equally hope that you consider doing business with FPU more of a “choice” rather than a “requirement.”

The past five years have shown us, as employees and board directors of FPU, that we can reach our goals. We can tackle any hurdle. And we can accomplish anything set before us as long as people like you, your family and your neighbors put their trust and support in us.

As we celebrate five years of FPU, we celebrate it together. We celebrate as one utility offering you natural gas, water, sewer, electricity, cable TV and Internet

services. We’re proud to be your multi-service provider, and we’re proud to be a part of your lives.



## Free energy conservation kits

For a limited time, TVA will mail an energy conservation kit to you when you complete a do-it-yourself energy audit.

According to the U.S. Department of Energy, demand for electricity nationally will increase by 40 percent during the next 22 years. As the economy expands, the need for power grows right along with it.

For electric utilities like FPU that have experienced overall load growth of slightly more than 2 percent, we take seriously our responsibility of maintaining a safe, reliable and affordable supply of power. We are working hard to implement a strategy that meets your needs with the right mix of renewable energy and new technologies for electricity generation involving clean coal, nuclear and natural gas.

Despite these advancements, conservation must be a part of any successful strategy to meet growing demand. In an effort to provide our customers with the tools needed to reduce energy consumption, Fayetteville Public Utilities and the Tennessee Valley Authority have implemented a conservation promotion.

Just complete our Home e-Valuation mail-in energy audit or Energy Depot for Homes Profile online audit and TVA will send you an energy conservation kit filled with items to help you save energy and reduce your electric bill. You’ll also receive a free energy audit report to help you understand where your home is wasting energy — and how you can fix those expensive leaks.

The energy conservation kit includes two compact fluorescent light bulbs, outlet and light switch gaskets, a filter whistle, two faucet aerators, a hot water temperature gauge, home thermometer and “How to Save” brochure. Visit [www.energyright.com](http://www.energyright.com) to complete the survey online or request a mail survey.

You may also call the *energy right*® Help Line at 1-800-663-1835.

# Backflow prevention — safeguard your water supply



*When you turn on a household tap for a glass of drinking water, do you stop to wonder if it is safe to drink and not contaminated?*

Most of us never give it much thought when, in reality, we should.

The employees of Fayetteville Public Utilities work hard each day to ensure the safety, quality and plentiful supply of your public water. But did you know that something as simple as using a hose attachment sprayer to spread weed killer on your lawn this spring could cause an accidental contamination of our water supply?

Water backflow, defined as unwanted substances or water flowing back into the potable water distribution system, can introduce everything from sewage to pesticides into drinking water.

More water utilities are cracking down on the improper use and installation of backflow devices — and with good justification. Hundreds of people could be sickened or even killed because of backflow. Safety codes regarding the proper use and correct installation of backflow prevention devices are becoming more stringent.

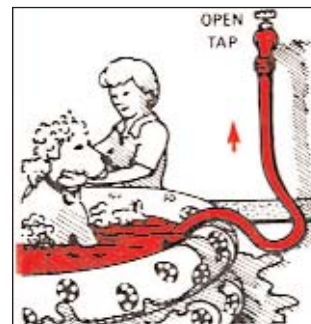
Many conditions may cause backflow. Primarily, it is caused by the loss of pressure and, subsequently, a reverse flow of water. In an unprotected system, the water can then backflow and come in contact with a potable water system. This point is commonly referred to as a cross-connection.

“The cross-connection is the point where two systems interconnect,” says Tommy Hopson, FPU’s cross-connection control inspector. “For example, you have the water supply, and an irrigation system. At the point where these two systems join is what’s called a cross connection. It’s where contaminant may enter the drinking water supply accidentally if proper procedures aren’t taken.”

There are two types of cross-connection: direct and indirect. “If I am installing an irrigation system and hook it to the water supply or the main, that is a direct cross-connection,” says Hopson. “A garden hose, however, is an example of an indirect cross-connection. Normally it isn’t a risk, but it can be if left in a puddle of muddy water, a swimming pool or some kind of herbicide or chemical-spraying apparatus.”

Backpressure and backsiphonage can occur separately, or they may occur at the same time. Backflow prevention devices are built to handle one or both of these conditions. Backsiphonage is the most common type of backflow. The unwanted reverse flow of water can be caused in several ways, but the most common culprit is due to a loss of pressure in the supply main. This creates suction back to the main, causing backsiphonage.

A drop in your water pressure is not uncommon. In fact, changes in water pressure can occur when a fire hydrant is turned on to battle a nearby blaze. Or when there’s a break in FPU’s main water line, backpressure can occur before our crews can repair the leak.



“Backpressure can also be caused by a pump located downstream of the device,” says Hopson. “The most common type of backpressure in an irrigation system is caused simply by an elevation change. If I take a pipe and run it uphill, the elevation will cause an increase in backpressure. Or, it can be caused at the cross-connection at the customer’s pressurized system. When the pressure at the supply point becomes lower than where the water exits, backflow will most likely occur.”

“Backpressure is caused by a greater pressure originating in the irrigation system that can overcome the drinking water system supply pressure, causing a reverse flow condition,” says Jack Atchley, FPU’s water and sewer department manager.

“A backflow prevention assembly fixes this problem, but the right one must be used,” he adds. “We recommend that you call FPU for assistance with backflow concerns. We will tell you if a backflow prevention device is necessary and which type to use.”

For more information about backflow and cross connection protection, please call FPU at 433-1522.



**Keeping your water safe from accidental contamination is easy. Please take the following precautions to protect your drinking water:**

- Never submerge water hoses in buckets, pools, tubs or sinks.
- Always keep the end of the hose clear of possible contaminants.
- Do not use spray attachments without a backflow prevention device. The chemicals used on your lawn are toxic and can be fatal if ingested.
- Do buy and install inexpensive backflow prevention for all threaded faucets around your home. They are available at hardware stores and home-improvement centers.



## FPU's Lawson is named to national gas board

**M**icky Lawson, who currently serves as Fayetteville Public Utilities' board of directors vice-chairman, has been appointed to the 2008 American Public Gas Association (APGA) Public Policy Gas Council.

APGA is the national nonprofit association of publicly owned natural gas distribution systems such as the city of Fayetteville and currently has approximately 700 members in 36 states.

The Public Policy Gas Council (PPGC) is an advocacy group made up of locally elected and appointed officials from public gas communities throughout the nation. The group was created by the APGA board of directors in 2005 after recognizing that locally elected and appointed public officials have a strong, persuasive and authoritative voice with their congressional representatives in Washington, D.C. The 2008 PPGC is made up of 30 locally elected and appointed officials like Lawson.

Prior to local utility consolidation, Lawson served on the Fayetteville Gas System board of directors from October 1999 until Sept. 10, 2002. It was at this time that the Fayetteville Gas System merged with the Fayetteville Electric System and

the Fayetteville Water & Sewer System to form Fayetteville Public Utilities. Lawson has served on this board as both an advisor and an active member of the Gas Committee.

The PPGC meets annually in Washington, D.C., with key members of Congress to communicate the views of public gas systems on legislative issues that impact gas consumers.

"We are proud to have Mr. Lawson representing FPU and Fayetteville on a national level," says Britt Dye, FPU's CEO/general manager. "This is the first time that a representative from our board has served on the APGA Public Policy board. Mr. Lawson will certainly be an asset to the national board as he represents our customers and shares with national legislators the concerns and opportunities of our rural community."



**Micky Lawson**

## Hunting down vampire electronics

**M**ost homes these days never quite shut down for the night. Although lamps may be off, dark rooms are typically spotted with tiny red and green lights of appliances and the glow of digital clocks.

All of those little lights, clocks and seemingly "sleeping" appliances, however, are using more electricity than most would think. Sometimes called vampire electronics, these devices use 5 percent of all energy used in the United States and cost consumers more than \$3 billion every year.

For the average homeowner, vampire electronics can add 20 percent to monthly electric bills, according to the U.S. Department of Energy. To trim this excess energy use, you need to know where these vampires reside and keep them in check.

Take a closer look at appliances around your home. Those that use remote controls such as TVs, DVD players, ceiling fans and stereos are suspect. Any digital displays such as microwave and coffee machine clocks are working against your electric bill. And many of those chargers around the house — those that keep cell phones, power tools and MP3 players at the ready — constantly draw power when plugged in. Unplugging these vampires effectively drives a stake into their energy-consuming hearts. Power strips provide another way to thwart them. Simply plug appliances into a power strip and switch it off when those appliances aren't being used.

In addition, unplug any battery-operated electronic device once charged. You wouldn't walk away from a flowing water hose, after all, and you certainly don't want to keep feeding those vampires.

### Spotting Vampire Electronics

Many devices constantly draw power while plugged in, which can quickly add up on monthly electric bills. Keep an eye out for the following clues as to what should be unplugged when not in use:

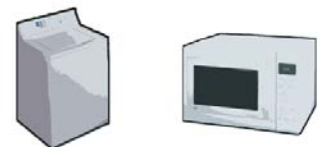
**External power supplies**  
*Computers, printers*



**Remote controls**  
*Window AC units, TVs, DVD players*



**Digital displays**  
*Washing machines, microwaves, VCRs*



**Rechargeable batteries**  
*Battery chargers, cordless telephones, power tools*



Source: U.S. Department of Energy