

September 14, 2018

HUB Electric Rates Changes for October 2018

Dear Valued Customer:

As both your neighbors and partners in the continued growth of our community, the Harriman Utility Board (HUB) regards maintaining reasonable rates as one of our most important commitments. We are now, and will continue to work tirelessly to improve infrastructure and practices towards stabilizing your rates.

Beginning October 1, 2018, the average residential electric customer will see an increase of \$6.76 on their power bill each month. This estimate is based on an average monthly usage of 1,084 kWh. Depending on your usage, your increase could be more or less of this amount. Similarly, our GSA 1 (small commercial) customers will see an average increase of \$6.93 per month based on a usage of 964 kWh.

As you may already be aware, HUB is a Local Power Company (LPC) who purchases power wholesale from the Tennessee Valley Authority (TVA). TVA's mandate is to provide the most affordable services possible without direct profit or federal funding. Reliable, safe and affordable power is just one of the many benefits TVA passes through to LPCs such as HUB.

As a HUB electric customer, a portion of your bill (approximately 71%) is sent directly to TVA to cover our wholesale power bill. The remaining portion (approximately 29%) is retained by HUB to cover capital expenses, administrative costs, and ongoing operation and maintenance of our electric distribution system.

HUB uses an independent, third party consultant for rate setting. This consultant works with more than 76 other LPCs in the TVA network and is able to provide us with unbiased, professional recommendations that keep us in compliance with TVA regulations for rate setting. All local rate increases must be approved by HUB's Board of Directors and we make every effort possible to keep these increases small and incremental.

The rate increase to HUB customers beginning October 1, 2018 reflects a number of changes by TVA and rising expenses experienced by HUB. As part of a six-year plan to reduce debt which began on October 1, 2013, TVA elected to implement small, incremental increases to their wholesale rates each year. As a result, in 2018 we are facing another 1.5% increase. Also beginning October 1, 2018, TVA will apply a grid access charge to all utilities that purchase power from the agency. As more energy-efficient customers purchase less power from utilities due to the use of rooftop solar panels, energy efficient windows and better insulated buildings, for example, TVA insists it must absorb costs to maintain its massive power grid as customers use less energy in the incoming years. Shifting to more of a fixed-cost rate structure allows them to normalize revenue which is greatly affected by abnormal weather patterns, such as unusually warm winters or mild summers.

As members of the community, and users of HUB's services, we understand the concern any increase in rates generates. We wish to assure you that both our short-term and long-range goals include projects aimed at improving the quality, reliability and cost of services.

If you have any questions or concerns you would like addressed, please contact us at (865) 882-3242.