

New seasonal retail rates for CEMC

Beginning April 1, 2011 there will be two big changes to CEMC's energy rates: (1) rates will have seasonal energy components - that is, metered kWh will have a different cost associated with Summer, Winter and Transition months (Spring-Fall); (2) rates will be realigned to reflect fuel and non-fuel components. Many of you are already familiar with the TVA monthly Fuel Cost Adjustment (FCA) presented on our statements. The new rates will move a portion of the

energy charge (base fuel) into the TVA FCA. This new philosophy reflects the wholesale (TVA) cost of power during the different times of the year.

The Customer Charge is the amount of a monthly bill assessed to cover the fixed costs of providing electric service regardless of sales. The Cost of Service studies used to determine the amount of the fixed costs are approved by TVA.

Residential Rates

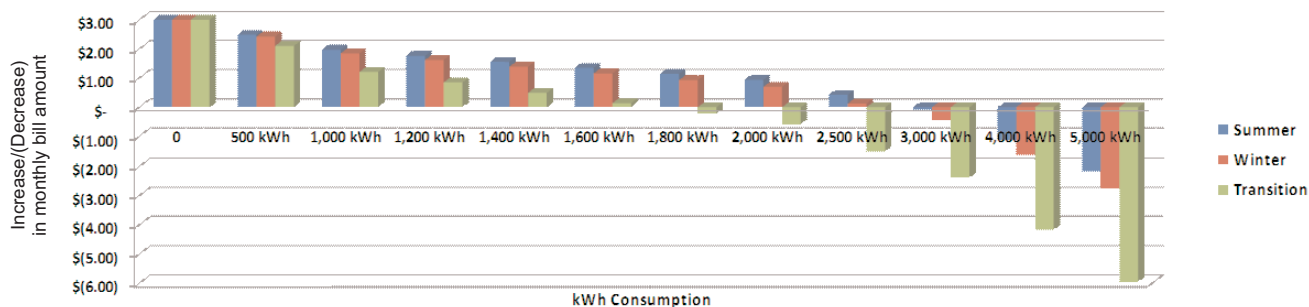
April 1, 2011	Summer	Winter	Transition	Customer Charge
Base Energy/kWh	\$0.06496	\$0.06484	\$0.06420	
Base Fuel/kWh*	\$0.01967	\$0.01967	\$0.01967	
Total	\$0.08463	\$0.08451	\$0.08387	\$20.00
Prior to April 1, 2011				
Energy/kWh	\$0.08566	\$0.08566	\$0.08566	\$17.00

Rates reflect changes per season and realignment of fuel and non-fuel components. * The TVA monthly FCA amount will be added to the Base Fuel amount.

How will the rate change affect your monthly statement amount?

The graph below will give you an idea of how much your monthly statement will change.

(TVA Monthly FCA not included)



General Power Rates — The TVA monthly FCA amount will be added to the Base Fuel amount.

GSA-1 (<50KW)

April 1, 2011	Summer	Winter	Transition	Customer Charge
Base Energy/kWh	\$0.07404	\$0.07392	\$0.07328	
Base Fuel/kWh	\$0.01940	\$0.01940	\$0.01940	
Total	\$0.09344	\$0.09332	\$0.09268	\$32.50
Prior to April 1, 2011				
Energy/kWh	\$0.09389	\$0.09389	\$0.09389	\$31.00

GSA-2 (51-1,000KW)

April 1, 2011	Summer	Winter	Transition	Customer Charge
Demand > 51 KW	\$12.42	\$11.63	\$11.63	
1st 15,000 kWh	\$0.07200	\$0.07188	\$0.07124	
Base Energy/kWh	\$0.01940	\$0.01940	\$0.01940	
Base Fuel/kWh	\$0.01940	\$0.01940	\$0.01940	
Total	\$0.09140	\$0.09128	\$0.09064	\$190.00
Additional kWh	\$0.03690	\$0.03690	\$0.03690	
Base Energy/kWh	\$0.01940	\$0.01940	\$0.01940	
Base Fuel/kWh	\$0.01940	\$0.01940	\$0.01940	
Total	\$0.05630	\$0.05630	\$0.05630	
Prior to April 1, 2011				
Demand > 51 KW	\$14.46	\$14.46	\$14.46	
1st 15,000 kWh	\$0.09395	\$0.09395	\$0.09395	\$150.00
Additional kWh	\$0.04764	\$0.04764	\$0.04764	

GSA-3 (1,000-5,000KW)

April 1, 2011	Summer	Winter	Transition	Customer Charge
Demand 1st Block	\$11.98	\$11.19	\$11.19	
Next KW Block	\$13.91	\$13.12	\$13.12	
Base Energy/kWh	\$0.03690	\$0.03690	\$0.03690	
Base Fuel/kWh	\$0.01910	\$0.01910	\$0.01910	
Total	\$0.05600	\$0.05600	\$0.05600	\$600.00
Prior to April 1, 2011				
Demand 1st Block	\$14.13	\$14.13	\$14.13	
Next KW Block	\$16.07	\$16.07	\$16.07	
Energy/kWh	\$0.05600	\$0.05600	\$0.05600	\$450.00

Understanding TVA's Fuel Cost Adjustment

Fuel: Fuel used to generate electricity - coal, natural gas, propane, uranium, and power purchased from other suppliers during peak times.

Cost: The actual cost of fuel compared to the budgeted cost.

Adjustment: The amount that has to be collected/returned per kWh based on the cost.

TVA makes its best effort to anticipate what fuel costs will be during the year. Unfortunately, fuel costs are not that predictable. When the cost of fuel increases more than anticipated, TVA needs the FCA to recover the increased cost at the time it is incurred. Likewise, if the fuel cost decreases, the FCA allows TVA to return the lower cost. You may remember, the FCA was a negative amount from October 2009 - May 2010.

The purpose of the FCA is not new to the electric industry. There are many power generators, like TVA, across the nation that use some mechanism to assist in fuel cost recovery.

If you are new to the Tennessee Valley you may be more familiar with the acronym PCA, or Power Cost Adjustment. This is the name used by many other power generators.

Now, the disclaimer: The FCA is a pass through amount that TVA recovers from/returns to our members. The FCA provides no financial benefit/cost to Cumberland Electric Membership Corporation.