

ELECTRICITY: A POWERFUL BARGAIN

While most residents of the Tennessee Valley still pay under a dime for a kilowatt-hour of electricity, the prices of other things have climbed much farther past their 1933 levels.

by Kenneth Breeden

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Back in 1933, when the Tennessee Valley Authority began, the average price of a new home was \$5,700. A loaf of bread cost 7 cents, a gallon of gasoline was 10 cents, and a *Nashville Tennessean* newspaper was only 3 cents. A kilowatt-hour of electricity was even less—about 1.6 cents.

Today, a kilowatt hour from TVA still sells for less than the dime people paid for a gallon of gas during the Great Depression. That's a fairly impressive statistic when you consider everything that goes into making electricity.

All the dams and power plants that generate the billions of kilowatt-hours needed to power our modern economy and lifestyles cost billions of dollars. They require high-tech equipment and hundreds of highly skilled people to make them safe and efficient. The network of power lines crisscrossing the countryside and all the other specialized equipment and facilities needed to keep TVA's power system running 'round the clock with more than 99.9 percent reliability also are expensive to operate. In addition, these facilities follow strict environmental rules that add significant costs—more than \$5 billion over the past 30 years.

But a major cost of electricity production is fuel. Power from TVA's dams is relatively cheap, because the fuel is free—rain falling from the sky. The dams, however, can make only a fraction of the electricity the Tennessee Valley needs. Most power is produced from coal, nuclear fuel, or natural gas, and the costs of those fuels can rise and fall, just like the ever-changing price of gasoline. That makes electricity prices rise and fall as well.

TVA's base rate—the part of the electric bill that pays for the power infrastructure and other TVA services—has not changed for several months. But the price of fuel, which is another component

of power bills, has been increasing. In addition, utility bills almost always rise in the summer, when heavy use of air conditioners forces TVA to make extra electricity. But even though power bills have gone up lately, they are still slightly less today than they were two years ago when fuel prices were higher.

In addition to providing electricity, TVA manages public lands and natural resources, works with state and local governments to help bring industry and new jobs to the region, and operates waterways and reservoirs that provide navigation, recreation, and flood control. These are all missions that Congress created TVA to fulfill.

Although TVA serves the people in numerous ways, no taxpayer money comes to TVA, and TVA makes no profits. Everything TVA does is funded by customer power bills. In addition, each year TVA sends money to the U.S. Treasury to repay the government for building its first dams and other facilities (an early debt that will be paid off within the next three to four years).

While most residents of the Tennessee Valley still pay under a dime for a kilowatt-hour of electricity, the prices of other things have climbed much farther past their 1933 levels. The house that cost \$5,700 back then is now \$377,000, the 7-cent loaf of bread is \$2 today, the 10-cent gallon of gas is up to \$2.50, and the *Tennessean* newspaper has risen from 3 cents to 75—except on Sunday, when it's \$1.75.

So considering its importance to our modern lives, electricity is still a pretty good bargain—especially in the Tennessee Valley, where TVA works to serve the people in many ways while keeping prices well below the national average.

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Watts Barr Nuclear Plant



Hiwassee Dam

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