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FY 18 operating budget contains minor rate adjustment; anticipates TVA wholesale power increase

JOHNSON CITY – An average customer will realize a \$4 per month increase on power bills beginning in October, including a 1 percent local rate increase and anticipated 1.9 percent increase in Tennessee Valley Authority wholesale electricity rates.

Local and wholesale rate increases will not be implemented until October after the Tennessee Valley Authority acts on its FY 2018 budget.

“As good stewards, we are continually studying our system to see how we can improve reliability, response and overall system efficiency,” CEO Jeff Dykes said. “JCPB receives zero taxpayer funding. At the same time, in the new fiscal year, we will reinvest \$13.3 million back into our system infrastructure without borrowing a single dollar.

“In addition, we pay \$5.27 million in taxes to local governments each year, which is outside of our contributions to community economic development efforts designed to grow new jobs.”

Under the payment in lieu of tax formula set in state law, JCPB pays nearly twice as much to Johnson City as its top 10 commercial taxpayers combined, just over \$4 million annually.

Another \$1.06 million in taxes are paid to Washington County, approximately the same amount as that paid by the county’s top two largest property tax payers combined.

About 77 percent of the budgeted \$205 million in FY 2018 system revenue will pay for wholesale power from TVA. The remaining \$46.6 million in revenue will cover all operating, maintenance and reliability investments as well as payments in lieu of taxes.

In all, the system features 30 substations, 63,400 power poles and 163 miles of high-count fiber optic wiring. Construction should begin later this year on a new, \$3.6 million Jonesborough area substation designed to offload demand on the current West Distribution Substation.

At the same time, the new budget completes funding for the ongoing refurbishment of West Distribution, as well as replacing poles that support 69,000-volt transmission lines that energize substations.

Other projects include completion of backbone fiber optic line along State Highway 36 to the Boones Creek substation. Moving forward, JCPB expects construction to begin on a new five-acre solar project by Silicon Ranch later this year, while also continuing to upgrade street lighting throughout Johnson City with new LED units.

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“System reliability is a key improvement metric,” Dykes said. “We are investing significantly in digital smart switching devices that will allow us to more quickly restore power in case of a failure or fault once fully deployed on the system.”

As in previous years, the system does not anticipate issuing debt for new projects. JCPB projects investing an average of \$13.8 million a year over the next five years into basic infrastructure.

System analysts project kilowatt hour consumption to remain flat during the next five years, although weather and utilization could continue to hit the budget as TVA charges a “peak demand” penalty for utilization during times of high demand.

“In all, our system had a strong year financially,” Dykes said. “We were able to cover capital investments with earned cash as planned. At the same time, if you look at the big picture, overall sales volume rose only .4 percent. This continues to be a concern moving forward.”

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