

The Hartselle Connection

A Publication of Hartselle Utilities — *Serving Hartselle's People, Building for Hartselle's Future*



HU Goes to Washington

As Hartselle Utilities entered Phase 3 of the sanitary sewer system mitigation program (see article on back page), General Manager Ferrell Vest and Vice Chairman Mike Gunter attended the APPA Conference in Washington DC and joined the delegation from Hartselle to request funding for Phase 4.

The last week in February, a delegation from Hartselle including Vest, Gunter, Mayor Dwight Tankersley, members of the City Council and representatives from the Chamber of Commerce, met with senators Richard Shelby and Jeff Sessions and representatives Bud Cramer and Robert Aderholt to discuss upcoming federal projects that will affect the Hartselle area.

"Of the eight items on the Hartselle Legislative Agenda," Vest reported, "Our primary focus is on funding for the rehabilitation of our wastewater treatment plant."

When Hartselle Utilities' Five Year Sewer Master Plan was approved in 2001, the project was separated into four phases. Phases 1 and 2 are complete, and Phase 3 will be finished this summer. Phase 4 addresses the wastewater treatment plant.

"We need to rehabilitate the plant to improve operational efficiencies and capacity," Vest explained. "Our wastewater treatment plant is over 20 years old. We need funding to extend the life of the plant, both to meet the current needs of Hartselle residents and to sustain future growth in the Hartselle area."

TVA To Increase Rates 9.95%

Effective April 1, TVA's wholesale rates — what Hartselle Utilities pays TVA for the electricity it sells to HU customers — will increase 9.95 percent. According to TVA, its costs for coal, natural gas and purchased power are "significantly" higher than budgeted for in 2006.

TVA's current budget, which includes the 7.5 rate increase that went into effect in October, was approved last July, before hurricanes Katrina and Rita disrupted the country's natural gas supply. In recent months, coal fields in the western United States have also experienced multiple production and transportation problems. As a result, TVA's fuel and purchased power costs are more than \$500 million higher than what was budgeted for 2006. The rate increase will cover \$276 million of that amount; cash reserves and internal steps to reduce costs will provide another \$240 million.

"Last summer when we approved the 2006 budget recommendation, no one could have possibly predicted the events that have affected our nation's coal and natural gas markets," TVA Chairman Bill Baxter said. "Our forecasts show that by the end of this fiscal year, costs for fuel and purchased power will have increased \$1.1 billion since 2004. That's a 52 percent increase in two years. We have absorbed a significant percentage of the increased costs and worked very hard to hold this rate increase below 10 percent."

"We continue to work hard to hold our fuel and purchased power costs below the average market increases," said TVA Director Skila Harris, "but the costs are still more than the current budget can bear. Our current projections reflect increases in fuel and purchased power costs for 2006 of 22 percent. I hope we see some return to lower and more stable prices, but I cannot see that on the immediate horizon."

She added, "It is always difficult to make decisions that may result in hardship for the people we serve, and that is why we are doing all we can to hold down our costs. We certainly recognize that this action increases the financial burden on consumers at a difficult time, when all energy prices are rising."

Although TVA has only increased its wholesale electric rates four times since 1988, this is the second increase within one year. TVA staff have proposed a quarterly Fuel Cost Adjustment that will automatically adjust TVA's rates up and down as fuel and purchased power costs rise and fall.

"Between this rate increase and the one last October, our energy costs from TVA will have increased \$1.5 million within a year," said Hartselle Utilities General Manager Ferrell Vest. "We don't like having to pass on these types of increases, but I do understand why TVA is doing this. I am encouraged by the proposed Fuel Cost Adjustment, which we hope will go into effect October 1, the start of TVA's next fiscal year."

A fuel cost adjustment, Vest explained, would allow TVA to automatically adjust its rates each quarter. "TVA's fuel and purchased power are considered 'uncontrollable' costs," he says, "and there needs to be a more timely and efficient way to cover fluctuations in these costs than the current yearly budget review. An FCA would most likely mitigate the impact of these on TVA's cash flow."

An added benefit of an FCA, Vest pointed out, is that when the natural gas and coal markets stabilize, fuel costs could go down, and then so would TVA's rates.

Hartselle Utilities purchases 100 percent of its electricity from TVA. TVA provides power to 108 municipal utility companies and 50 cooperatives in Alabama, Tennessee, Georgia, Mississippi, Kentucky, North Carolina and Virginia.

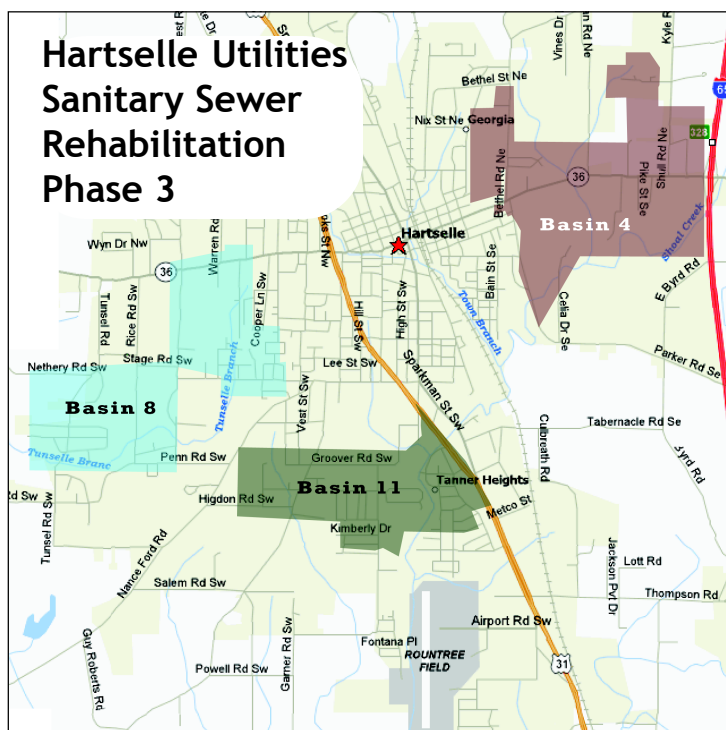
HU Enters Phase 3 of Sewer Rehabilitation Program

HU is entering Phase 3 of its sanitary sewer rehabilitation program, designed to address inflow and infiltration problems within the system. Since June 2004, Hartselle Utilities has been under a Consent Agreement with the Alabama Department of Environmental Management (ADEM) to eliminate sanitary sewer overflows, largely caused by stormwater inflow and infiltration. Phase 3 is the final component of the Consent Agreement.

"We'll be 90 percent through with correcting I/I problems after this," said HU General Manager Ferrell Vest. "In 2002, we had 47 overflows; last year these were down to 13 – all of them correctable. And at the wastewater treatment plant, it used to take us seven days to stabilize the system after a big rain. Now, that time frame is two to three days."

To date, HU has spent \$5.36 million on sewer rehabilitation. With the help of Cong. Bud Cramer, HU has been able to secure \$2.5 million in EPA grants, which helped reduce the burden on HU's ratepayers. HU has incurred some debt, through low-interest Clean Water Act state revolving fund loans, in order to supply the required 45 percent match for the EPA-funded projects and to pay for projects not covered by the federal grants.

Beginning the last week of February, HU contractors will use closed-circuit television



cameras to inspect 22,000 linear feet of sewer pipe in Basin 11, which includes Tanner Heights, Glenwood, Pine Knoll, and Shoal Creek Estates. Basins Four, including the Booth Meadows subdivision, and Eight, which covers Mitweed Road, Crestline School, and Belle Meade subdivision, are also part of Phase 3.

Problems in this area were identified when HU began correcting infiltration and inflow problems in the sewer system nearly five years ago, explained Craig Carden, HU EIT. During that initial inspection, crews pinpointed 2,500

linear feet of point repairs to 6" to 24" sewer pipe, and 120 man-holes that need to be rehabilitated or replaced.

However, Carden explained, in the last five years it is likely that more problems have developed, and before repairs actually begin system engineers want to identify all the current problems that are in the system. After the new inspection, HU's Engineering department will verify any problems that are uncovered and prioritize the repairs based on available funds.

Boatman Construction Company, Inc. is the contractor for Phase 3. Work should be completed within 180 days. According to Carden, work is scheduled in both paved and

unpaved areas, and Hartselle residents can expect to see some road closures during this phase. However, he reported, as with all HU construction projects, the contractor is required to reinstate any disturbed site back to its original state or better.

The total project cost for Phase 3 is \$600,531.50.

The Consent Agreement between HU and ADEM mirrored the HU Board's Five Year Sewer Master Plan. Phase 4 of that plan includes rehabilitation of the system's 20-year-old wastewater treatment plant.

The Hartselle Connection • March 2006

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We still need your help!

We had a wonderful response for *Operation Warm* from the December issue of *The Hartselle Connection*, but more help is needed.

Operation Warm provides assistance to the elderly, people with disabilities and families with a health crisis.

To support *Operation Warm*, complete the form at right and return it to Hartselle Utilities.

To support Operation Warm, complete this form and return to Hartselle Utilities.

- Please add \$_____ to my monthly Hartselle Utilities bill. I understand that I have the right to stop this contribution at any time by giving Hartselle Utilities written notice, and that the amount I have indicated will be added to my monthly bill until such notice is received.
- I'm already an Operation Warm partner. Please increase my monthly donation to \$_____.
- Please add a ONE-TIME donation of \$_____ to my bill. I understand that the amount I have indicated will be added to one of my monthly bills.

Name _____ Account Number _____

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Customer Signature _____

**Operation Warm is administered by Community Action Partnership of North Alabama, Inc.
All monies donated go directly to those in need.**

This month:

TVA Announces Rate Increase - HU in Phase 3 of Sewer System Rehabilitation