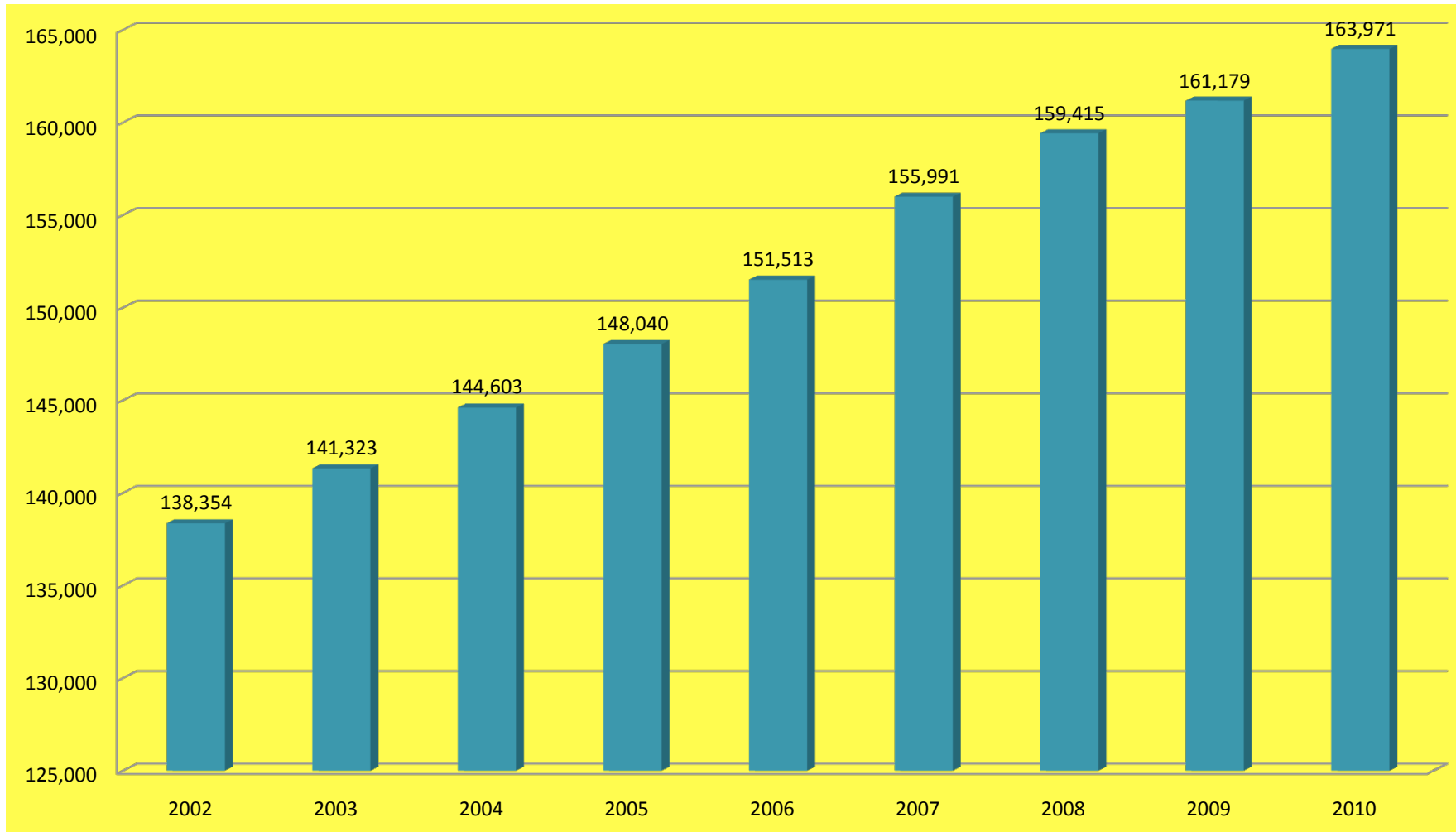




# Electric System Financial Analysis

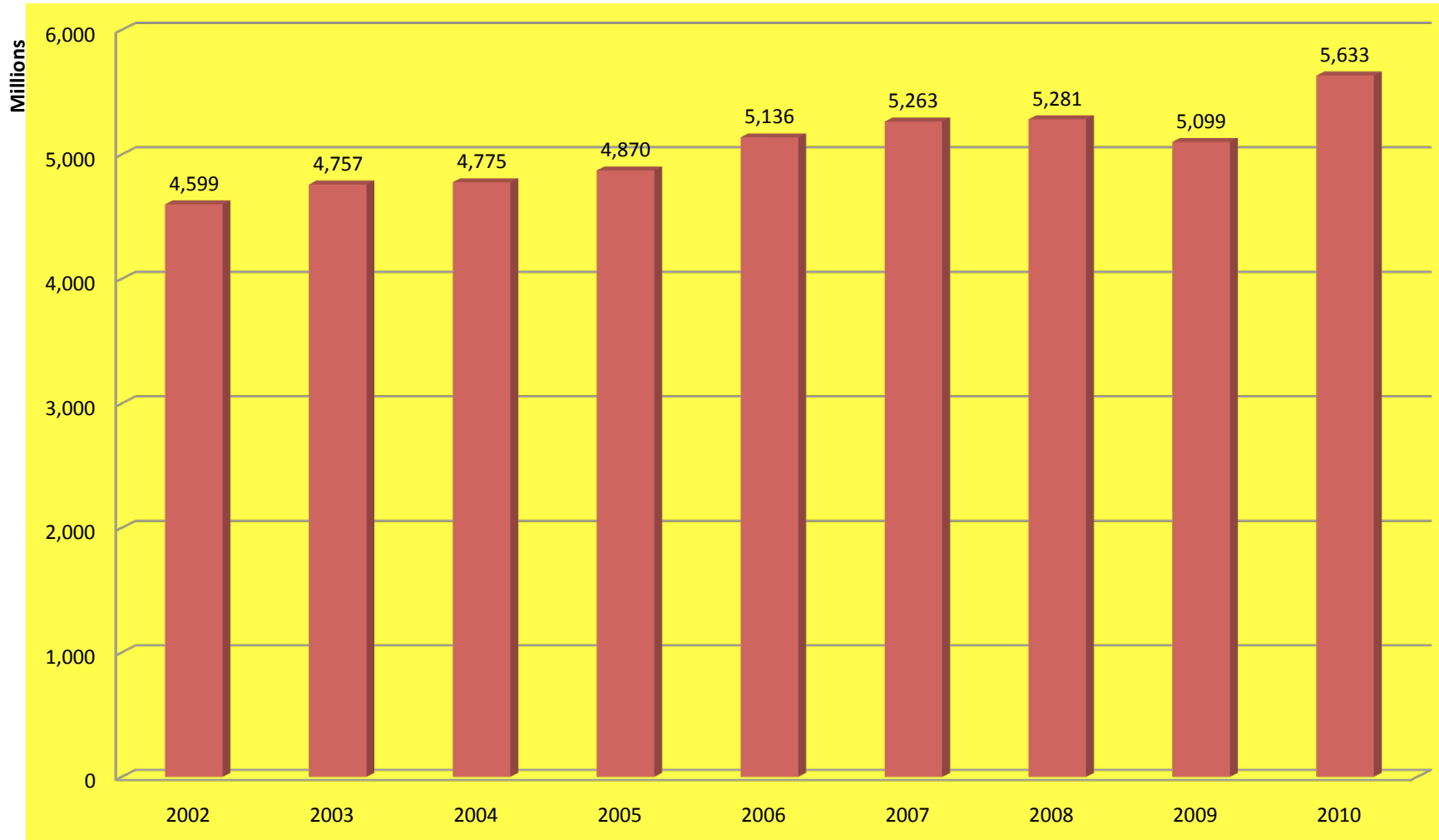
## Customer Growth 2002 - 2010



**2.31%/2.15% Compound**  
**25,617 New Customers/18.51% increase**

Chart 1

## KWH Sales Growth 2002-2010



22.49%/2.81%/yr/ 2.6% Compound  
22.49%/ 1,034,286,064 or 22.49% Increase

Chart 2

# Sales Margin (Revenue Less Power Cost)

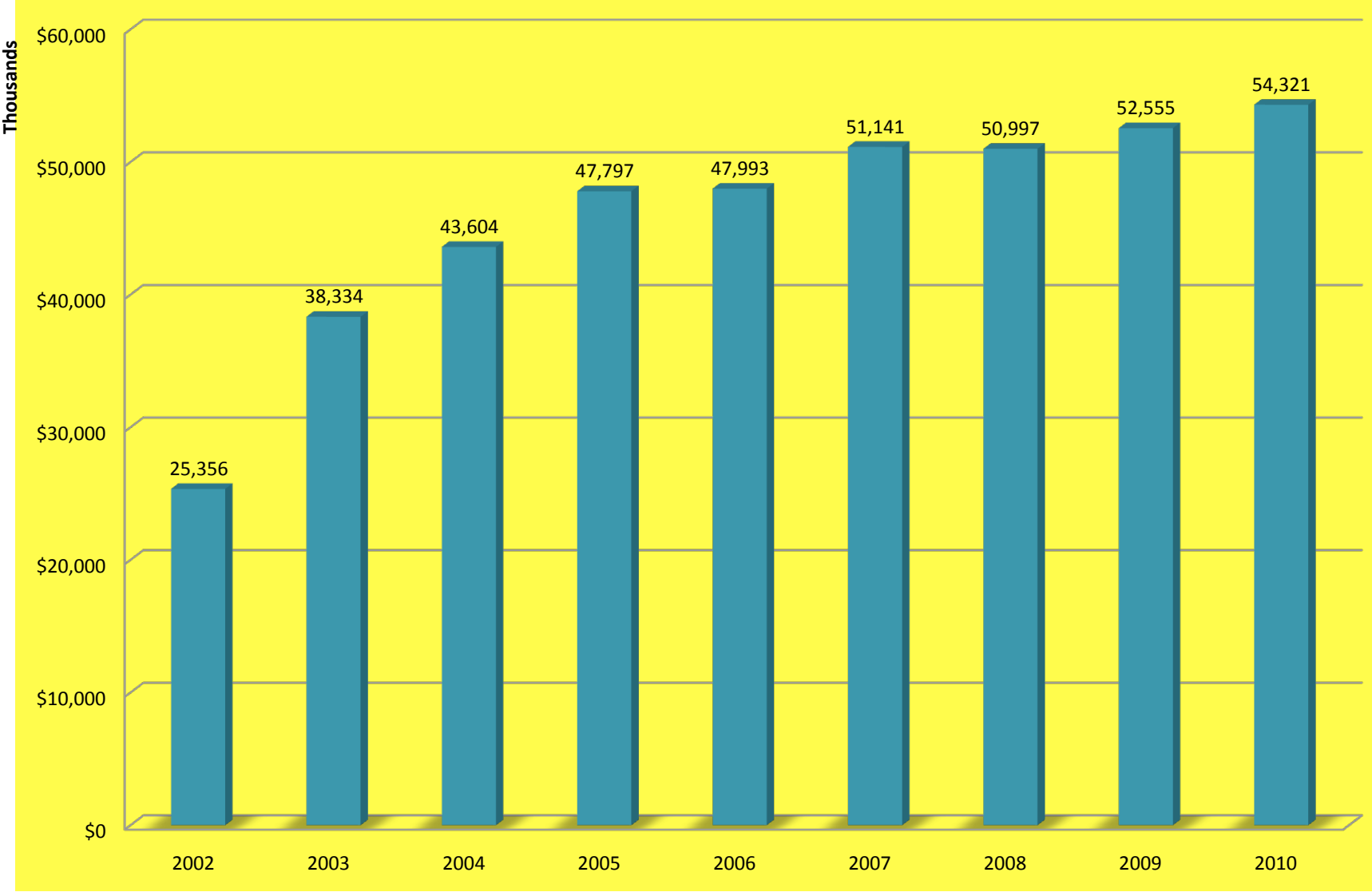
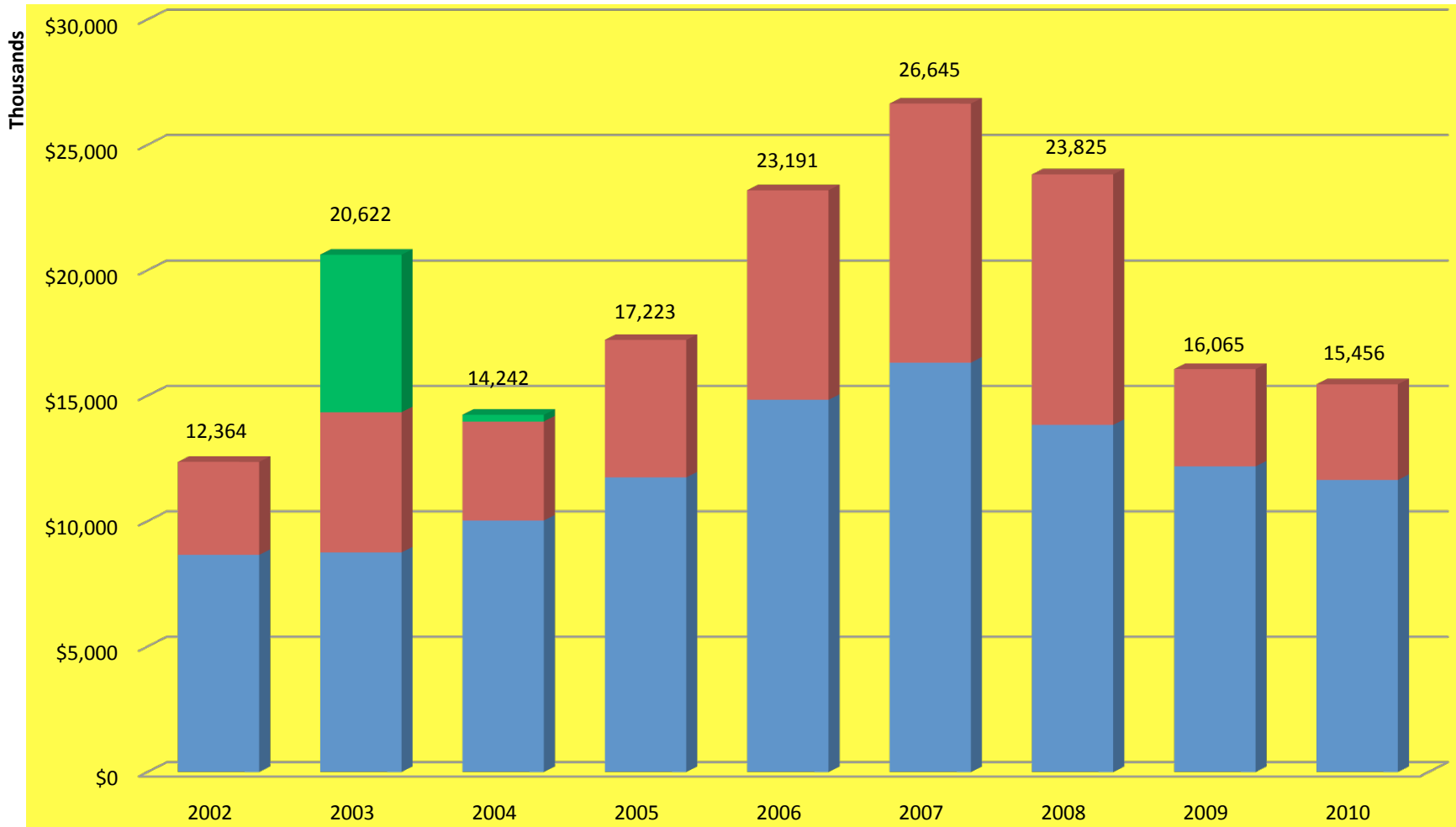


Chart 3

# Other Income

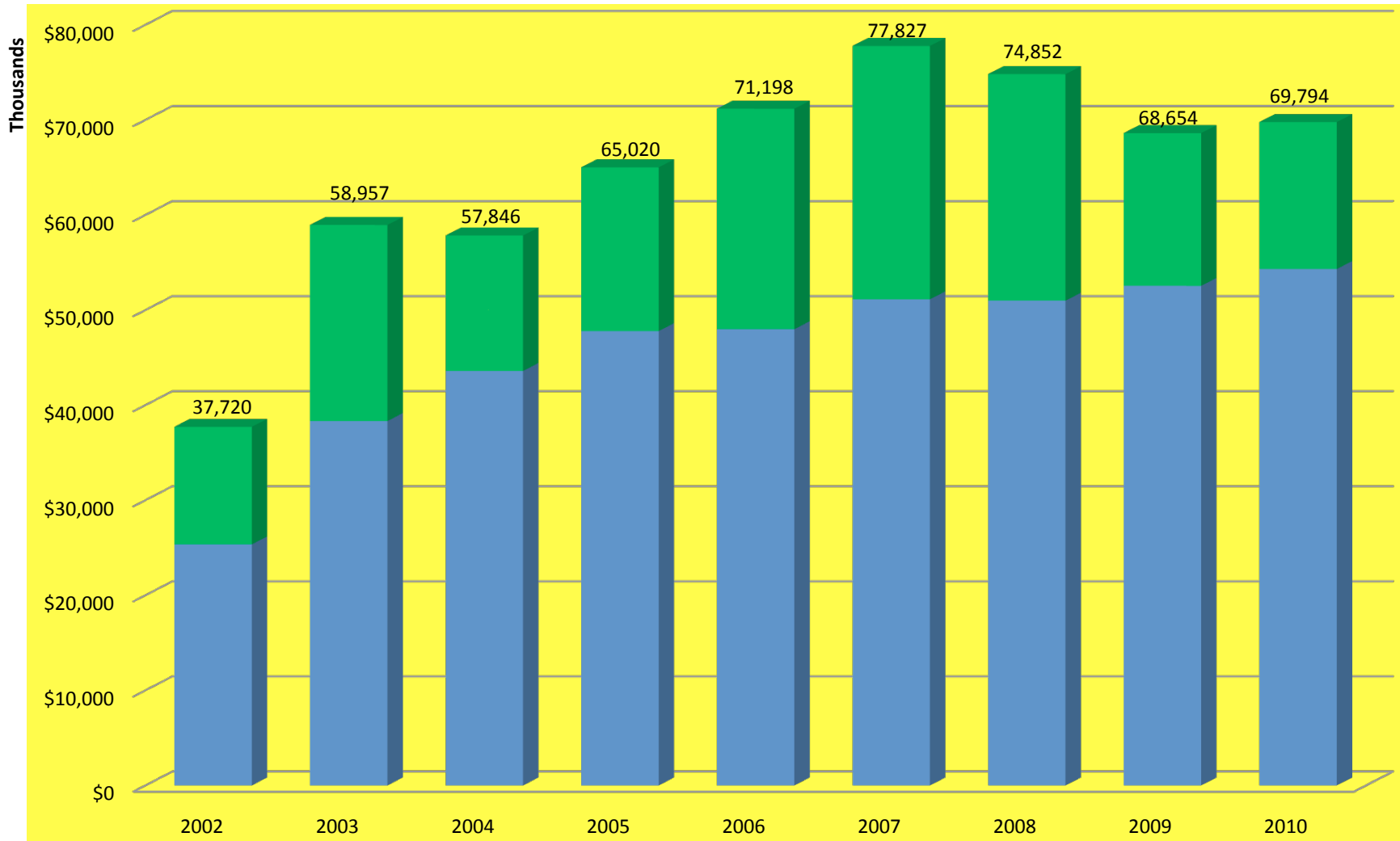
## Customer Service Fees, Forfeited Discounts, Rents, ATC, Warrants



■ Other ■ ATC ■ Warrants

Chart 4

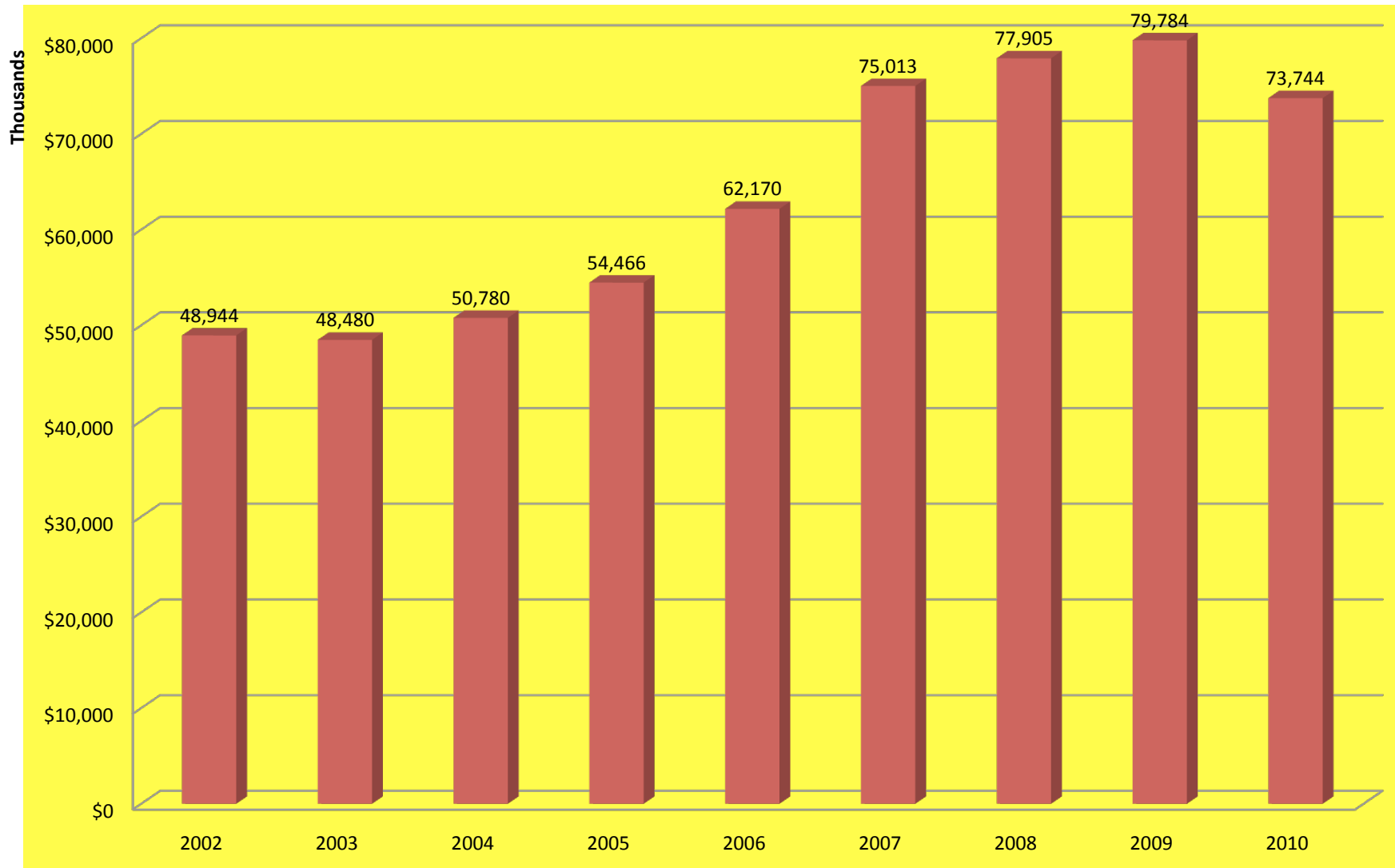
## Available Funds for Operations, Capital Projects, Sales Margin, Other Income, ATC, Warrants



■ Sales Margin ■ Other, ATC, Warrants

Chart 5

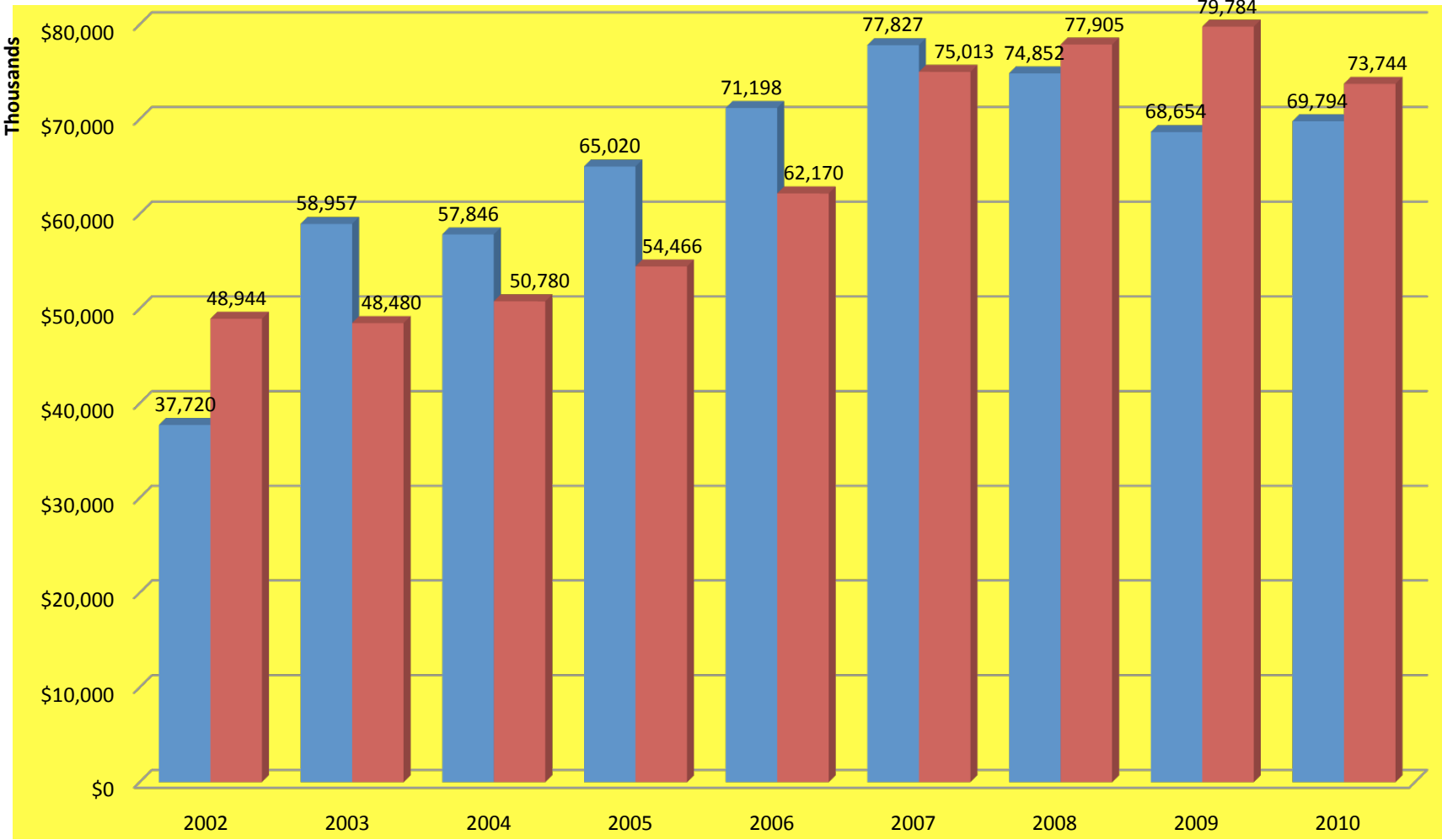
## Operating Cost, Capital Costs, Tax Equivalents



51%/5.25% Compound

Chart 6

# Total Funds vs. Operating Costs (plus tax equivalents)



■ Total Funds ■ Operating Costs

Chart 7

## Total Sales Revenue, Other Income Less Total Operating Cost To/From Cash Reserves 2002-2010

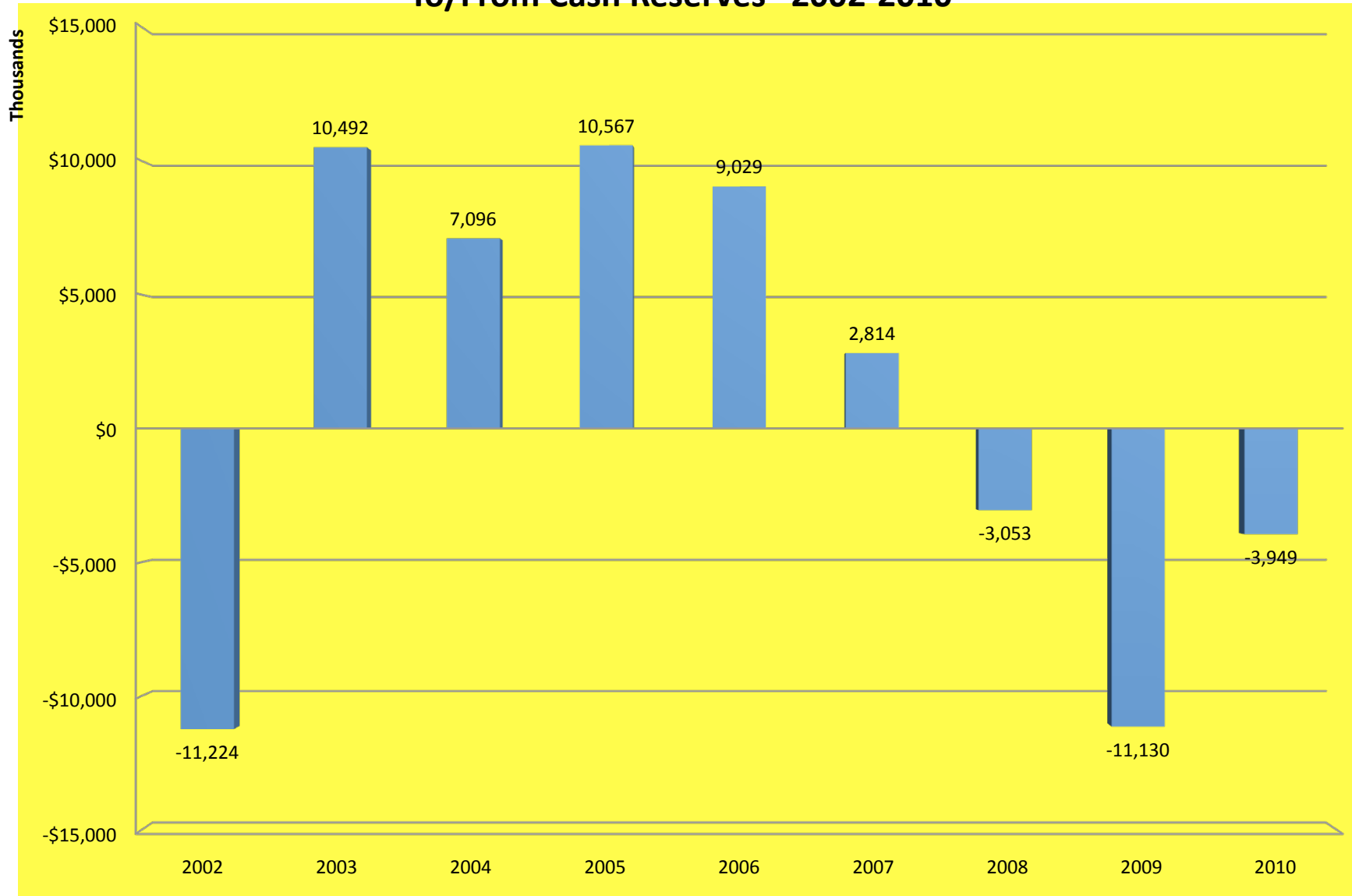
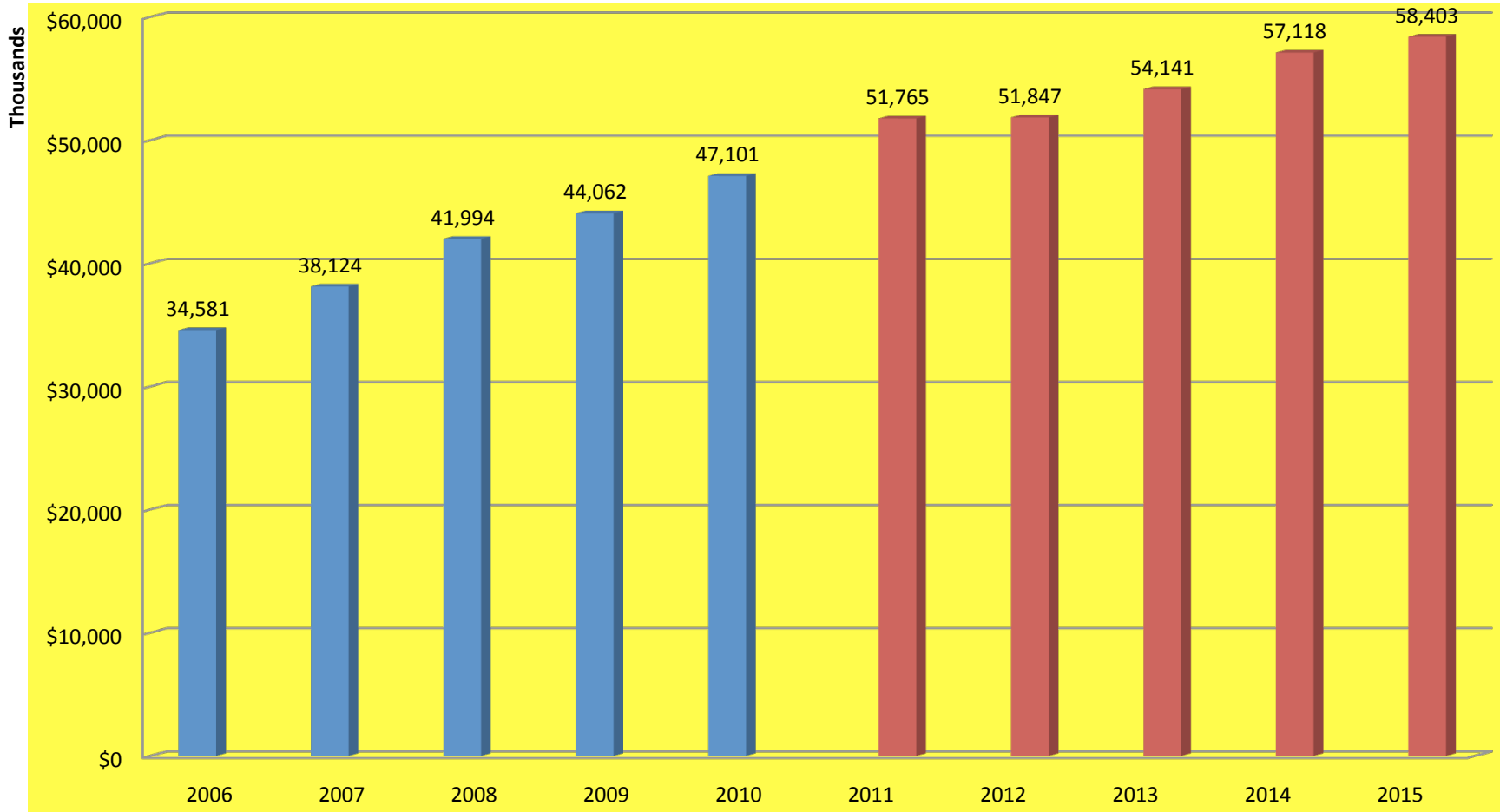


Chart 8

**Total Operating Costs**  
**Contract Labor, Tree Trimming, Tax Equivalents,**  
**Debt, Payroll, Fuel, Material**  
**Less Capital Related Payroll and Overheads**



■ Actual ■ Projected

Chart 9

## Capital Construction Expenditures with Payroll, Stores & OH Actual/Projected 2006-2016

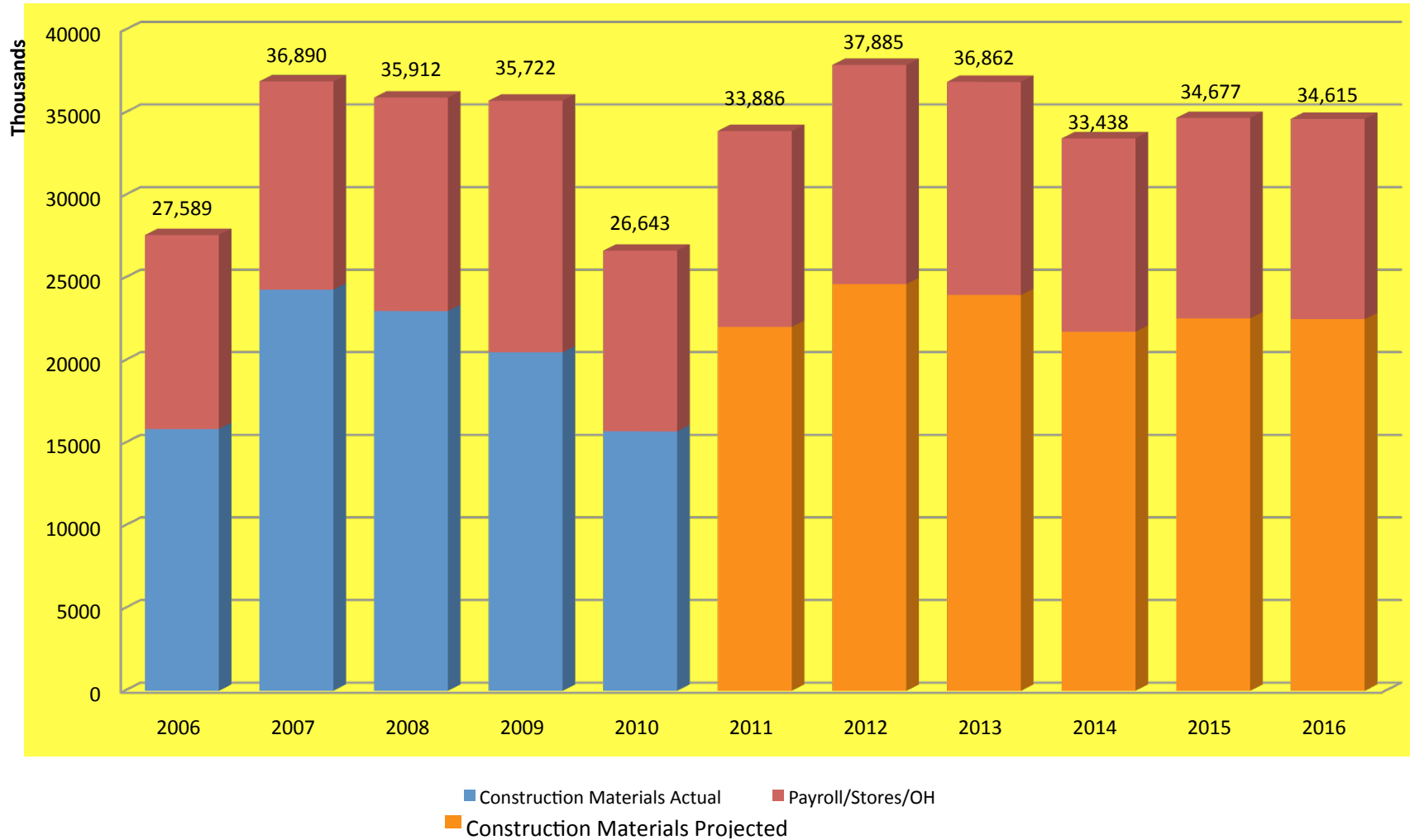


Chart 10

# Construction Materials



■ Construction Materials Actual    ■ Construction Materials Projected

Chart 11

## Total Funds to Cover Expenses, Sales Margin, Other Income, Warrants and Aid-to-Construction

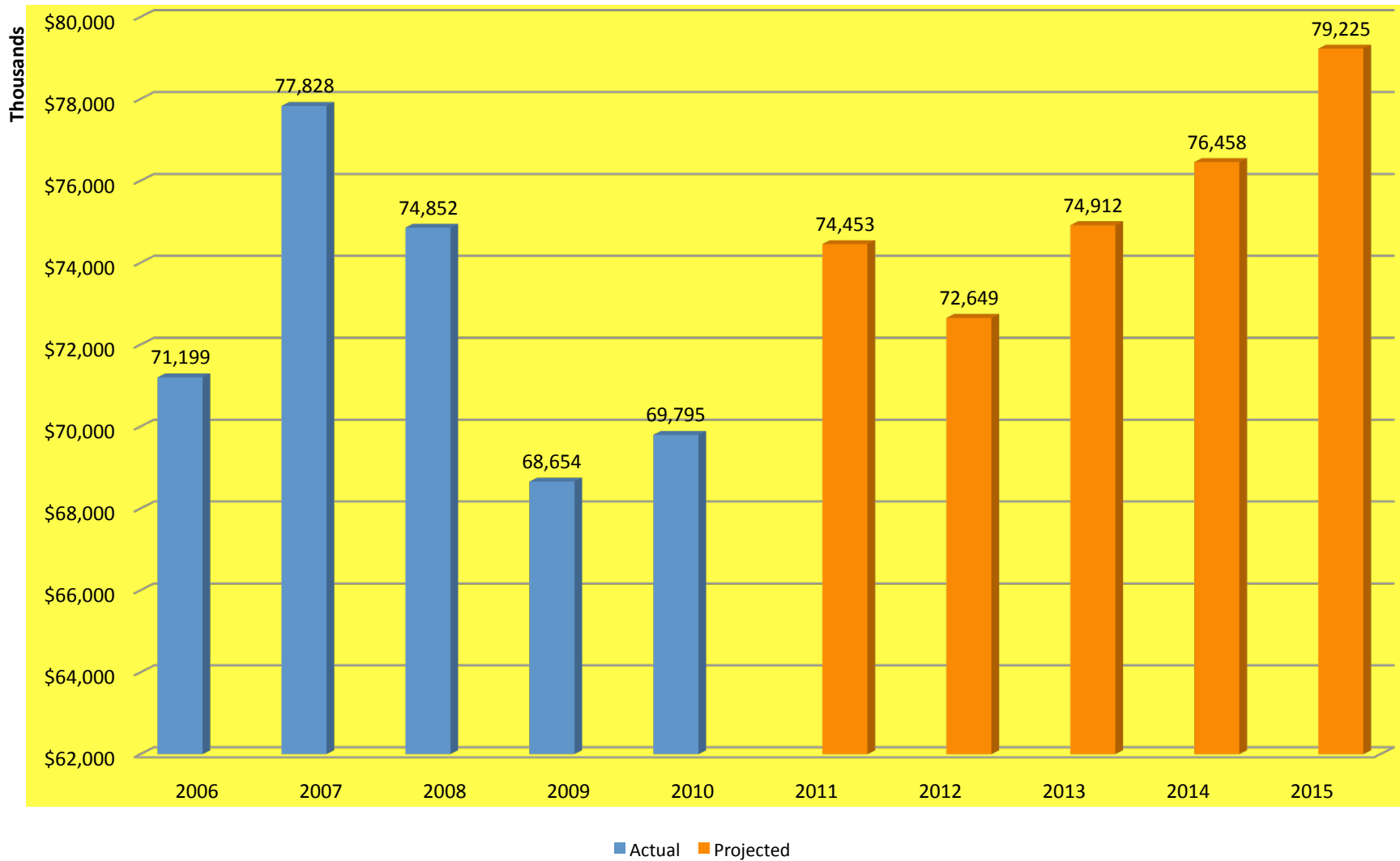


Chart 12

## Total Operating and Capital Costs 2006 - 2015

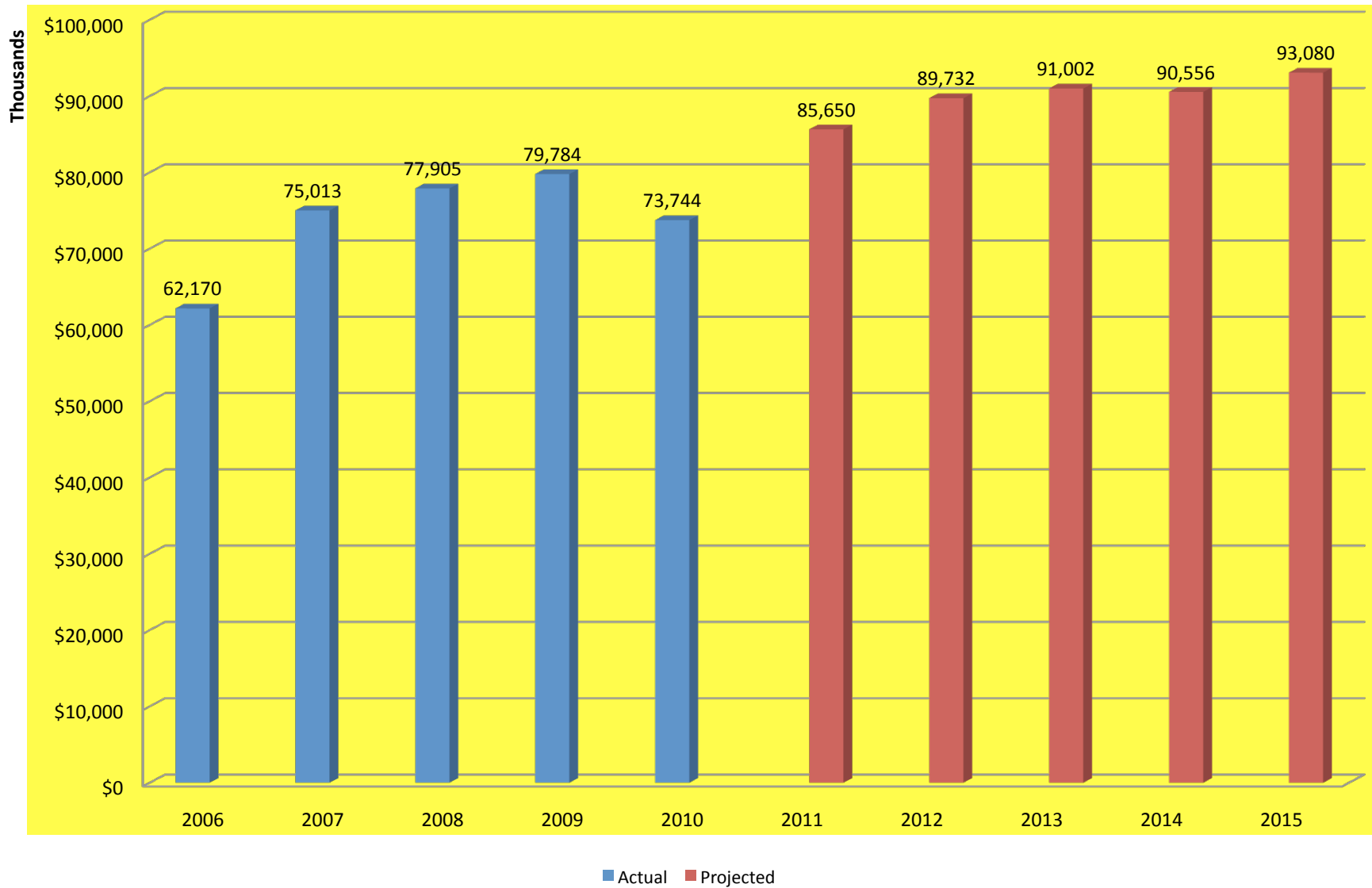
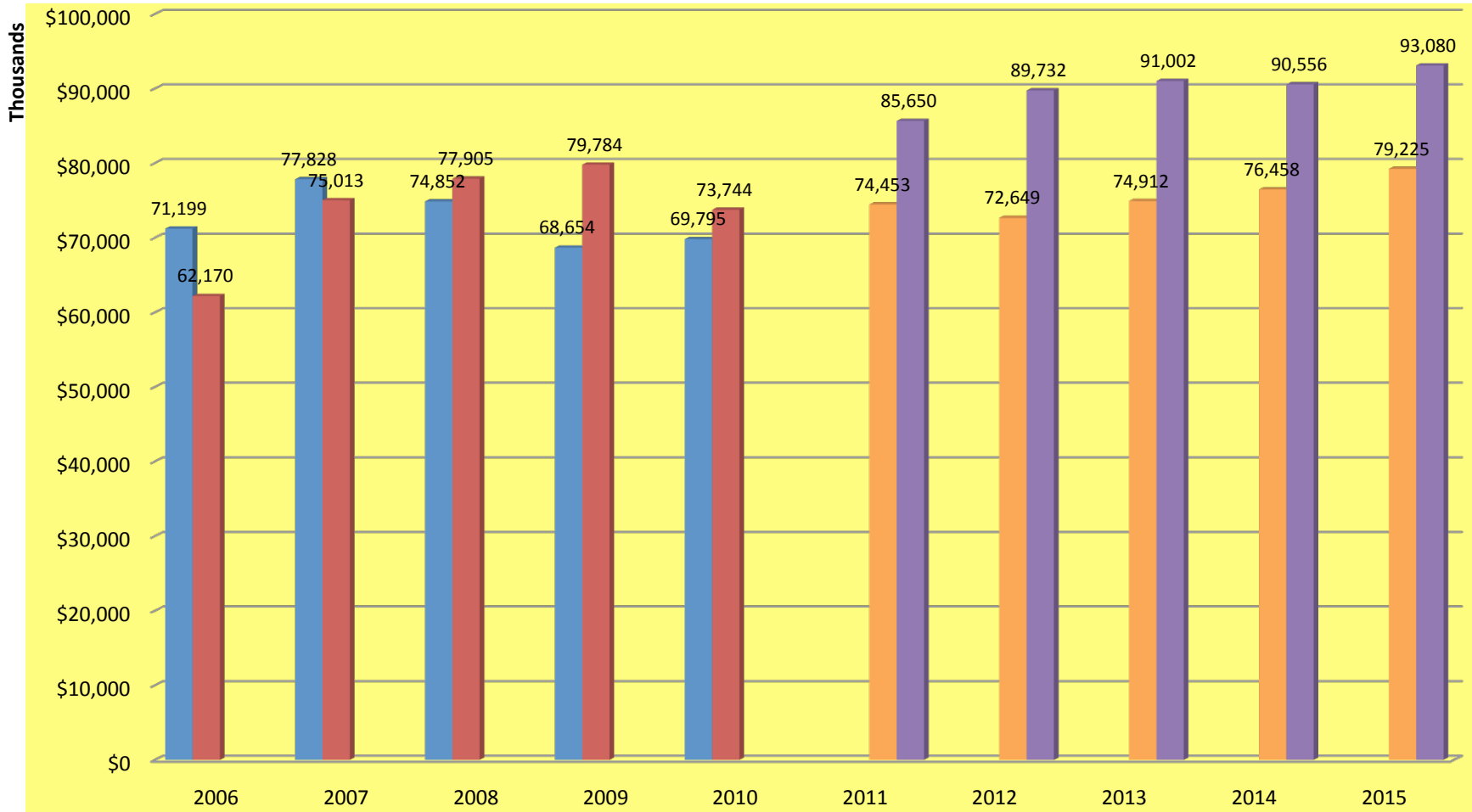


Chart 13

## Total Funds versus Total Operating Costs Before Rate Increase



■ Total Funds   
 ■ Total Costs   
 ■ Total Funds Projected   
 ■ Total Cost Projected

Chart 13a

# Total Sales Revenue and Other Income Less Operating Cost Without Rate Increase To/From Cash Reserves 2011-2015

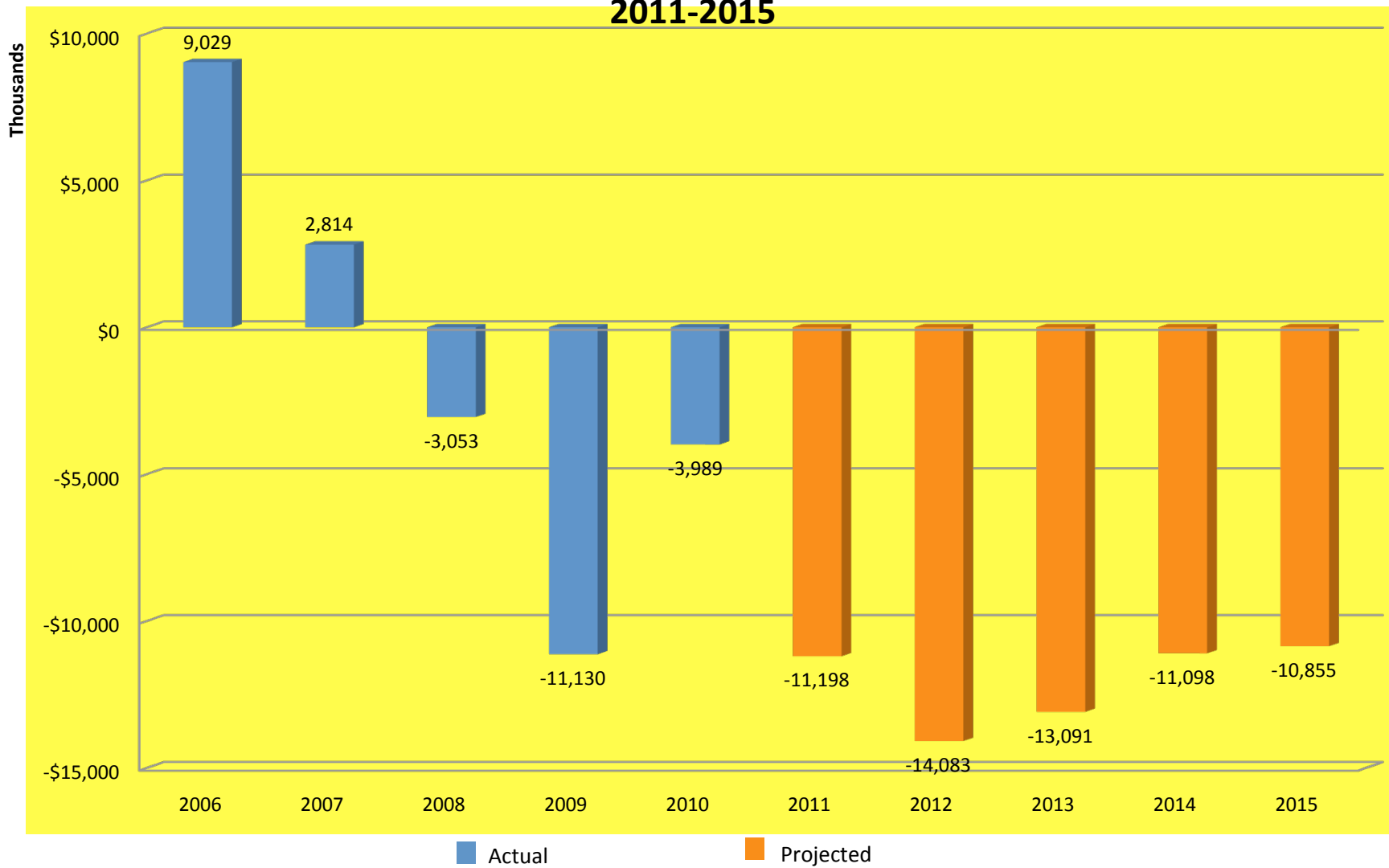
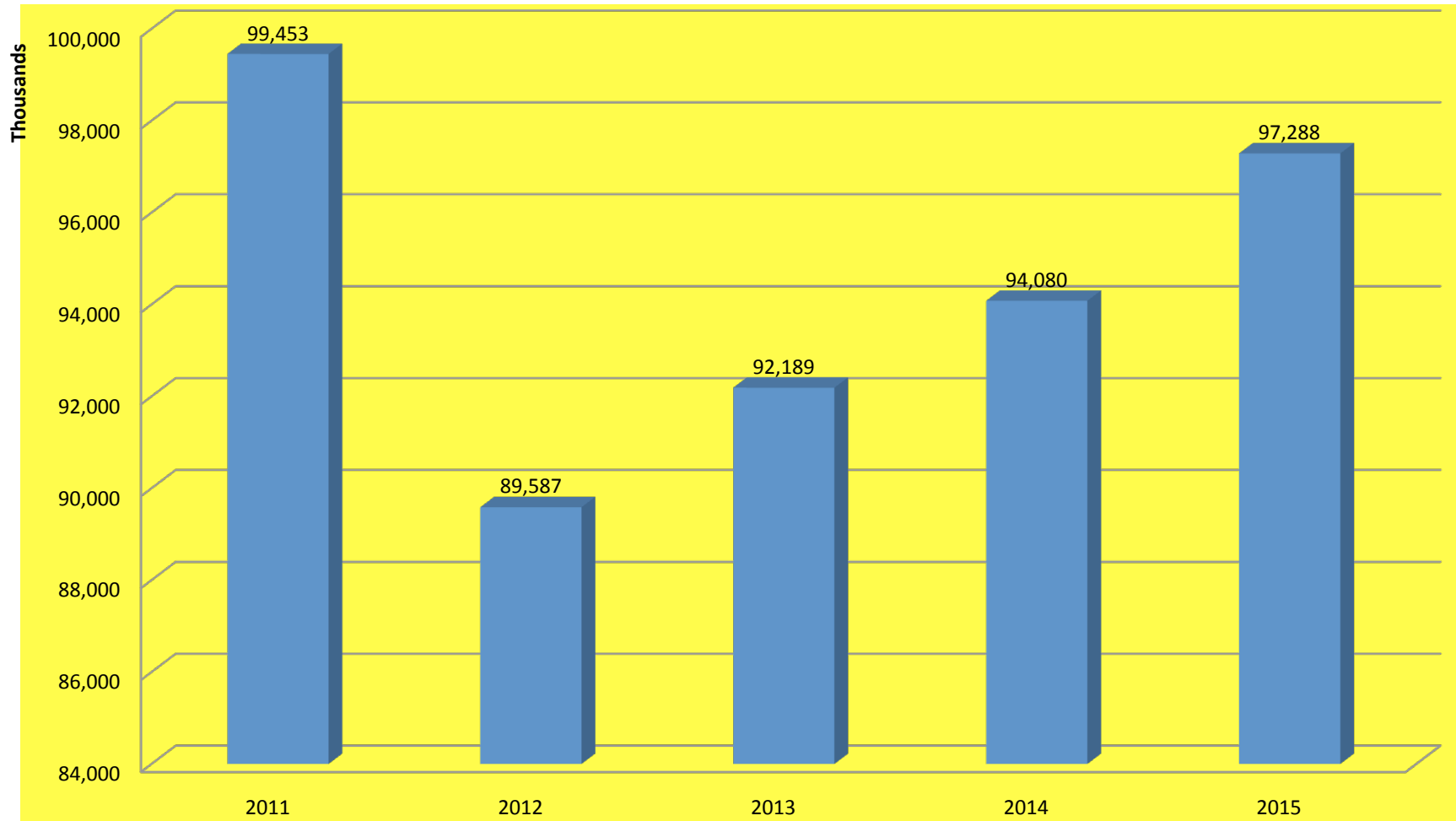


Chart 14

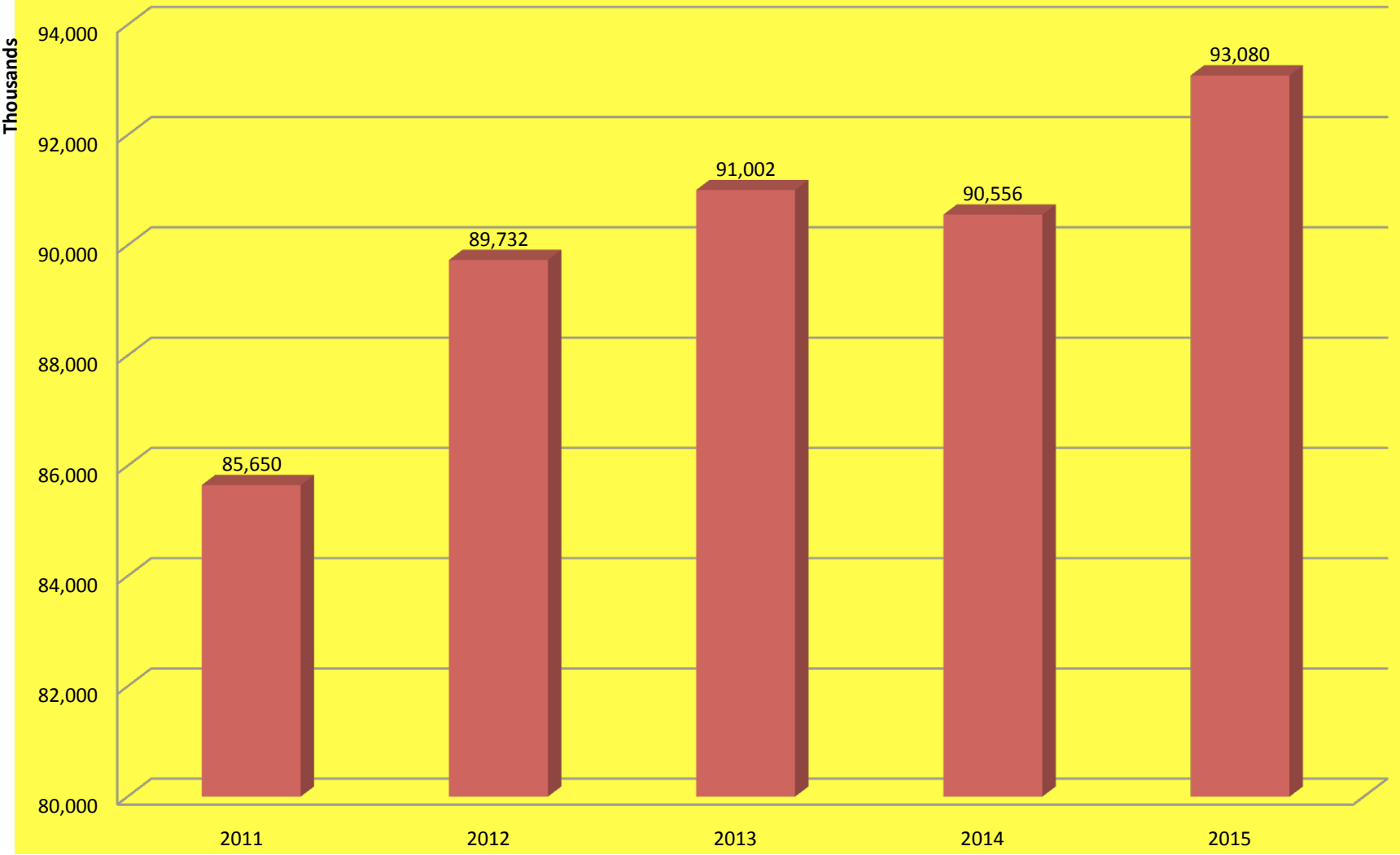
**Total Funds to Cover Expenses 2011-2015**  
**Sales Margin with 3.5% Rate Increase,**  
**Warrants (\$25M), Other Income, ATC**



■ Total Funds

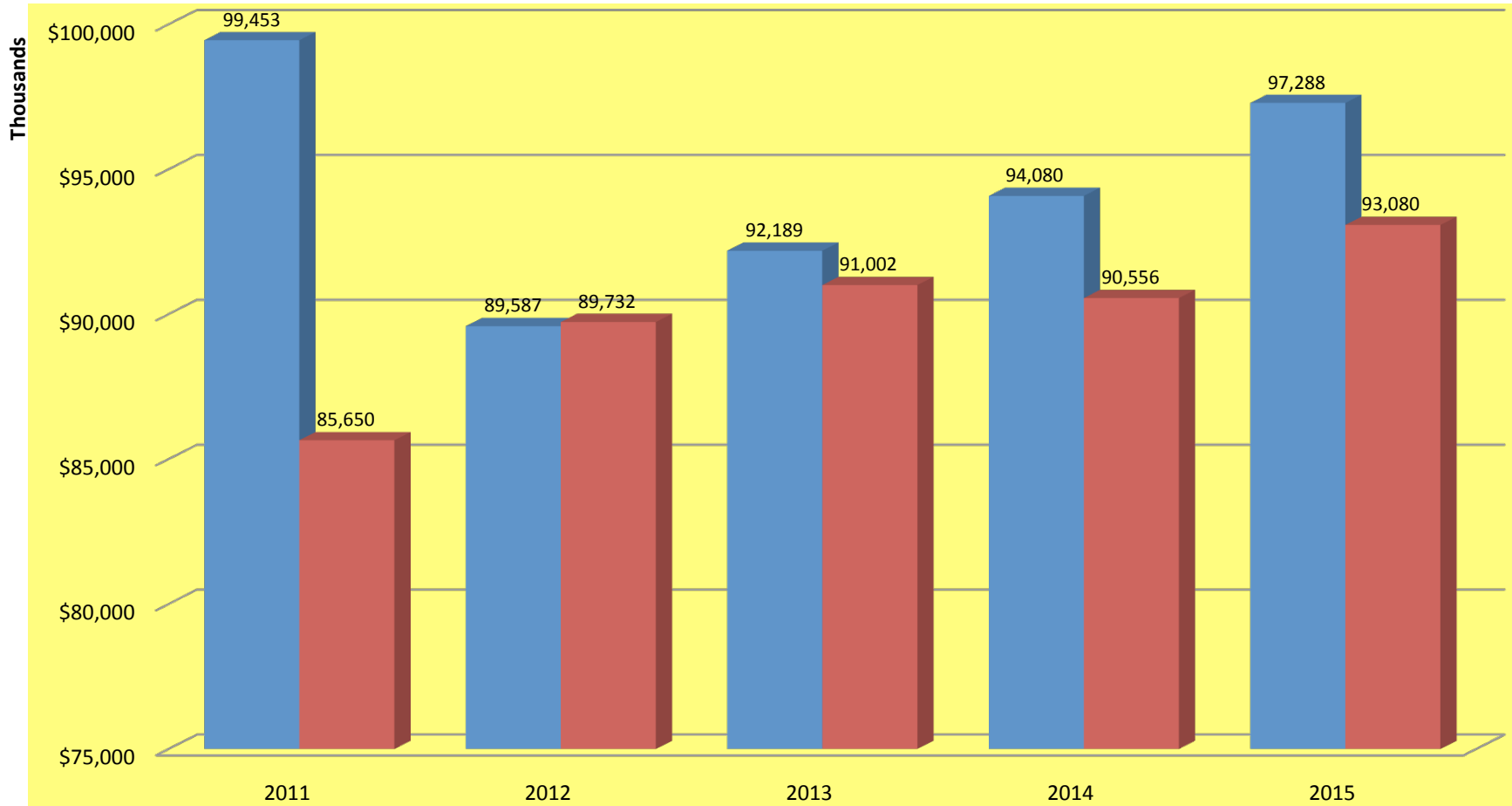
Chart 15

# Total Operating and Capital Costs 2011-2015



■ Total Operating & Capital Costs  
Chart 16

# Total Funds versus Total Operating Costs After Rate Increase



■ Total Funds ■ Total Costs

Chart 16a

**Total Sales Revenue and Other Income  
Less Total Operating Cost with 3.5% Rate Increase  
and Financing \$25M  
To/From Cash Reserves**

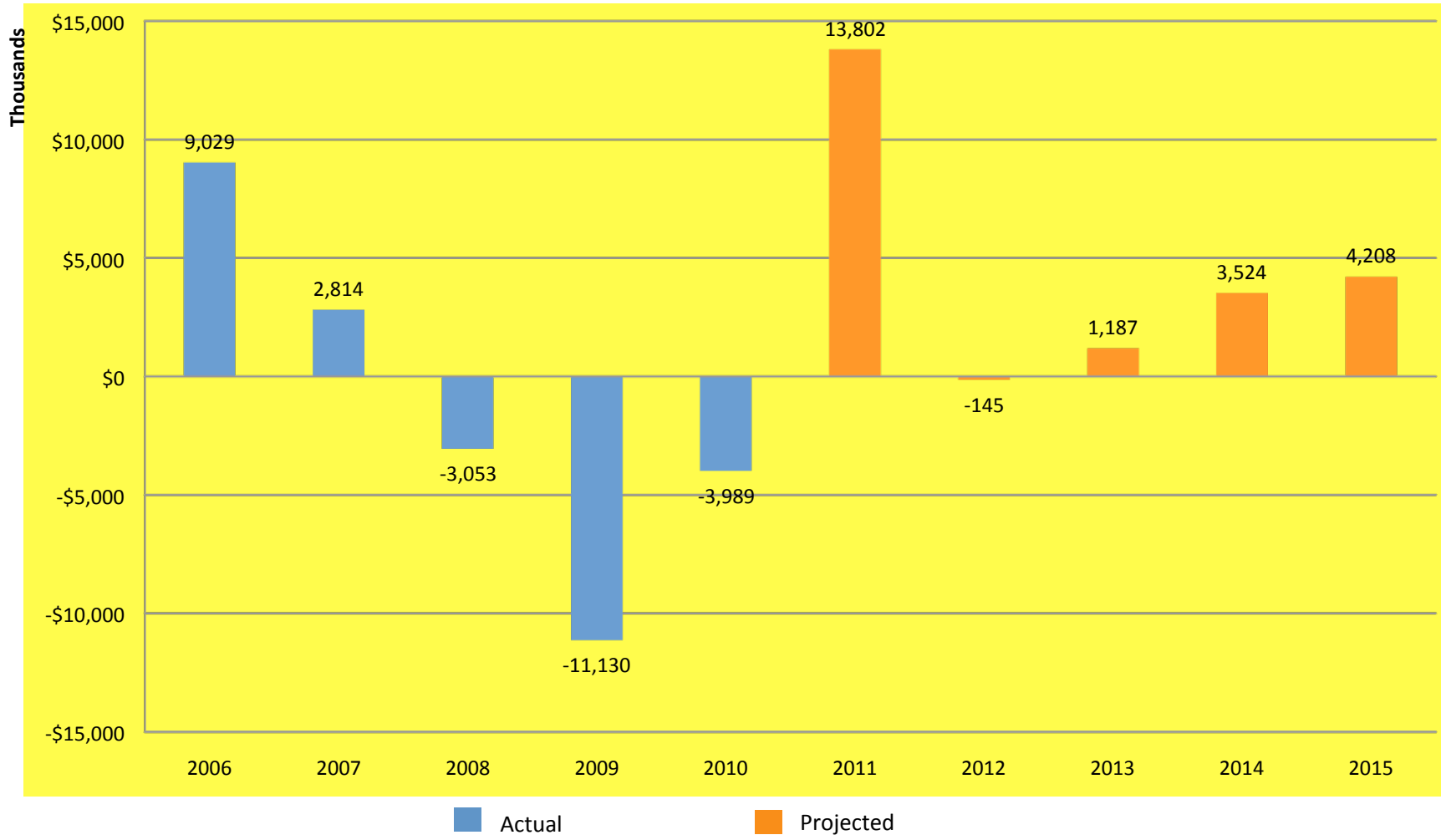
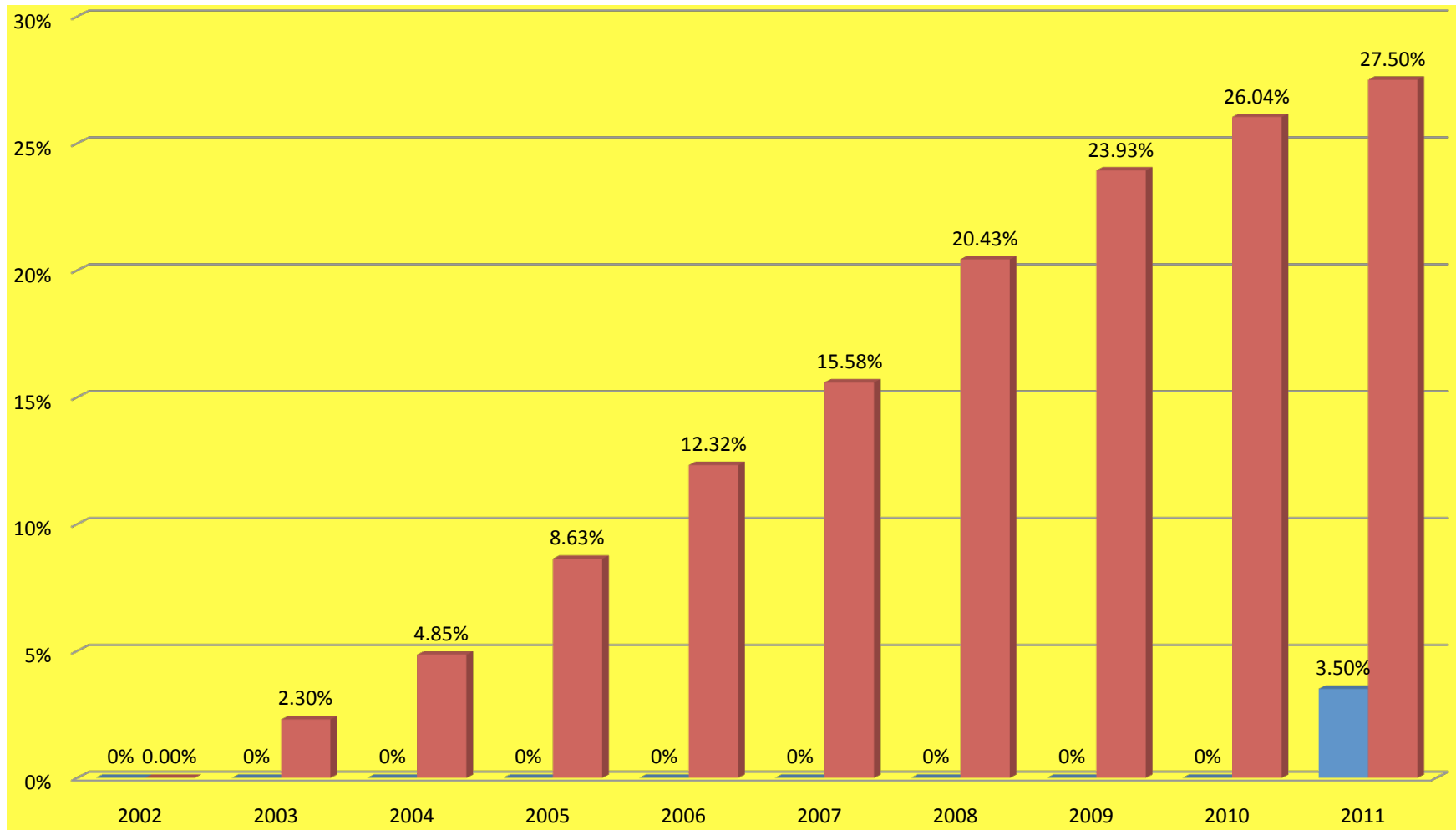


Chart 17

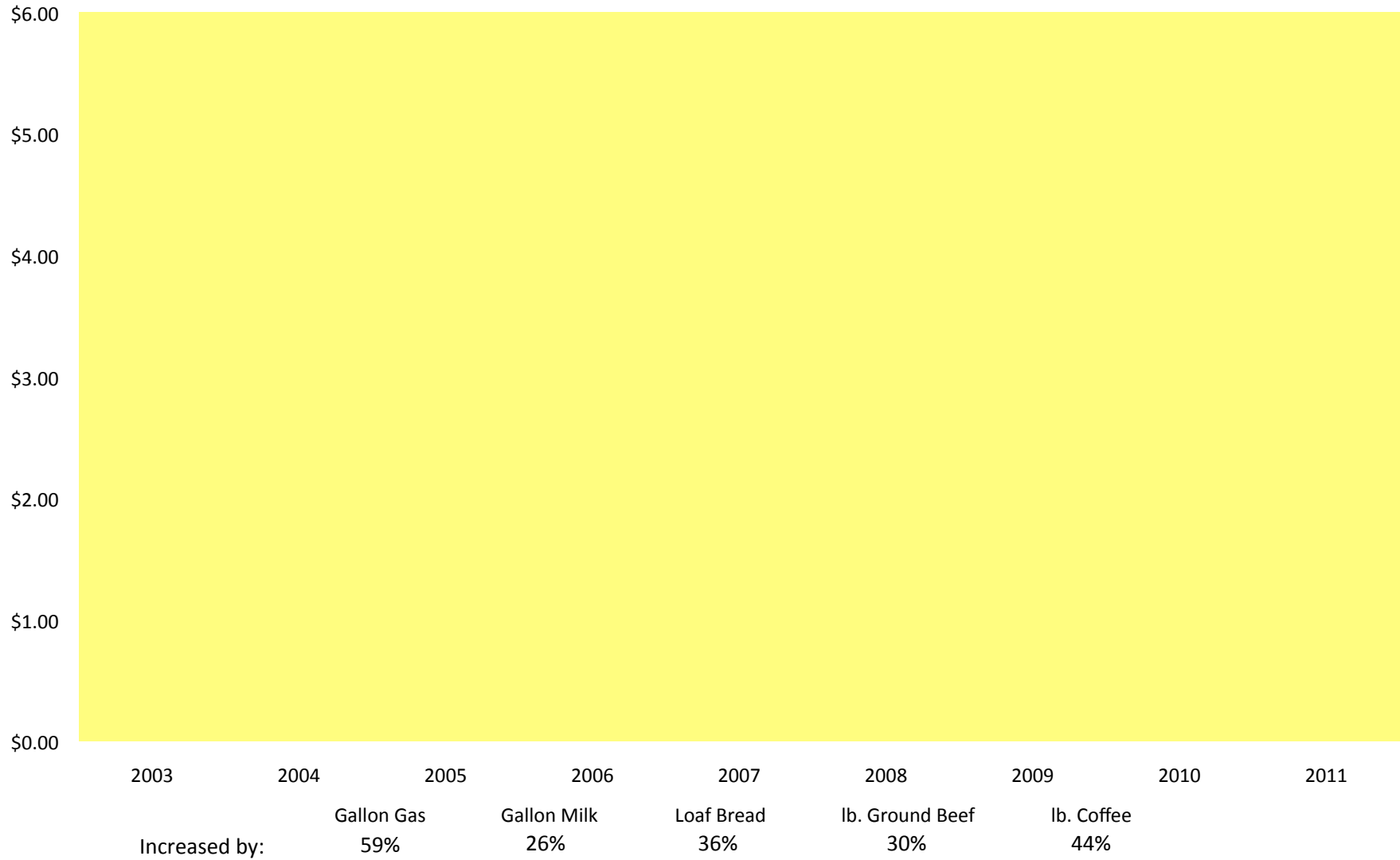
## Huntsville Utilities Electric System Cumulative Rate Change Increase versus Cumulative Consumer Price Index



■ Cumulative Rate Change Increase   ■ Cumulative Consumer Price Index

Chart 18

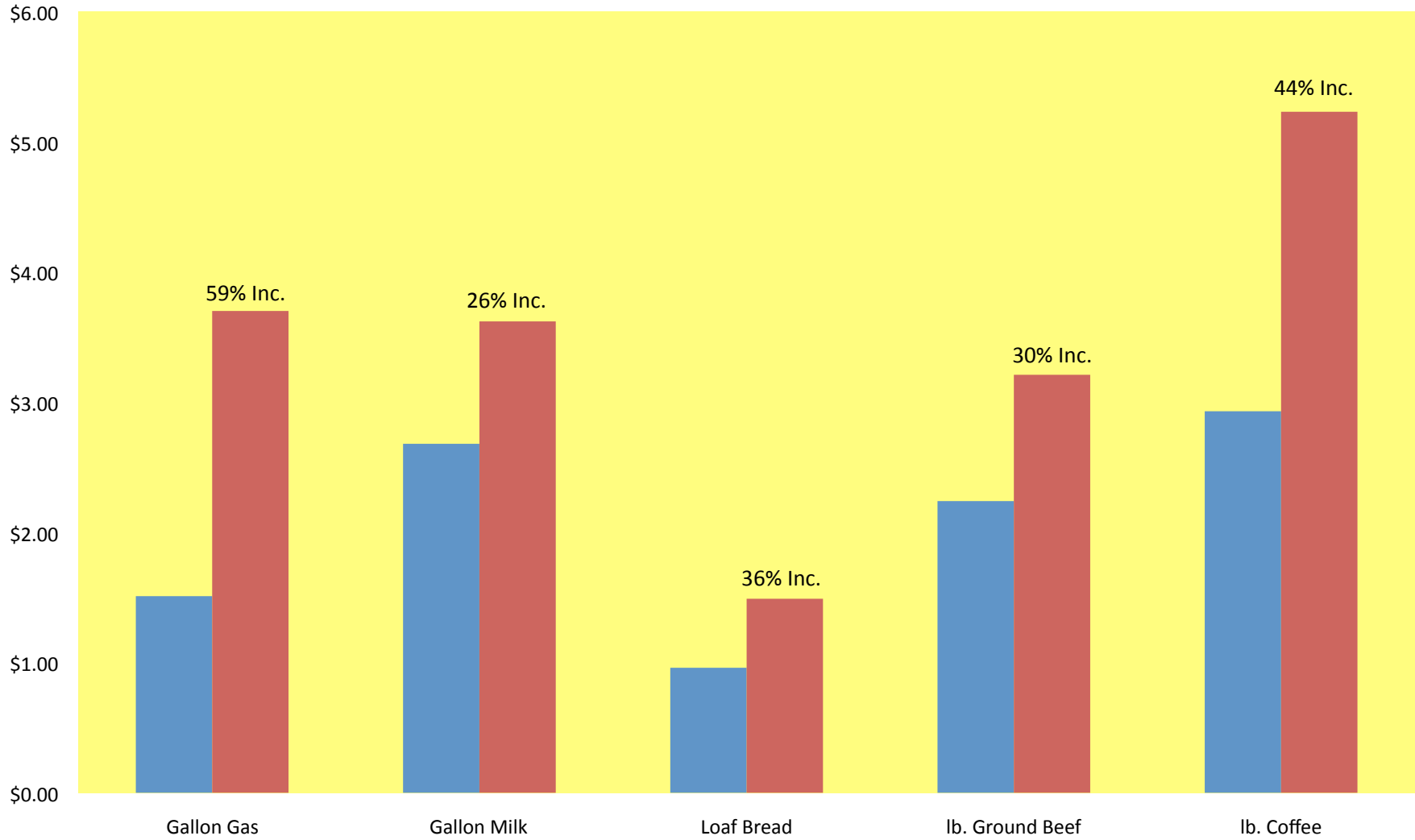
# Consumer Prices 2003 - 2011



Source: Dept of Labor Bureau of Labor Statistics

Chart 18a

## Consumer Prices 2003 - 2011



Source: Dept of Labor Bureau of Labor Statistics

■ 2003 ■ 2011

Chart 18b

# Effects on Residential Customer of 3.5% Rate Increase

- Using an average year round KWH consumption, the effect of the rate increase of 3.5% will be \$58.83 on 18,940 KWH usage.
- On 1578 KWH/month this will be \$4.90 more on the residential bill.

Before Rate Increase average bill is \$ 140.08

After Rate Increase average bill is \$ 144.98

Difference is \$ 4.90

# Effects of 3.5% Rate Increase on Residential Bills

Average Monthly Usage	Monthly Increase	New Monthly Bill	Current Bill
1000 kWh	\$3.24	\$95.70	\$92.46
1200 kWh	\$3.80	\$112.41	\$108.61
1400 kWh	\$4.38	\$129.51	\$125.13
1600 kWh	\$4.97	\$146.88	\$141.91
1578 kWh (Average)	\$4.90	\$144.98	\$140.08
Customer Charge Included in totals above	-	\$8.88	\$5.88

## Average Monthly Residential Bill Electricity 1,000 kWh

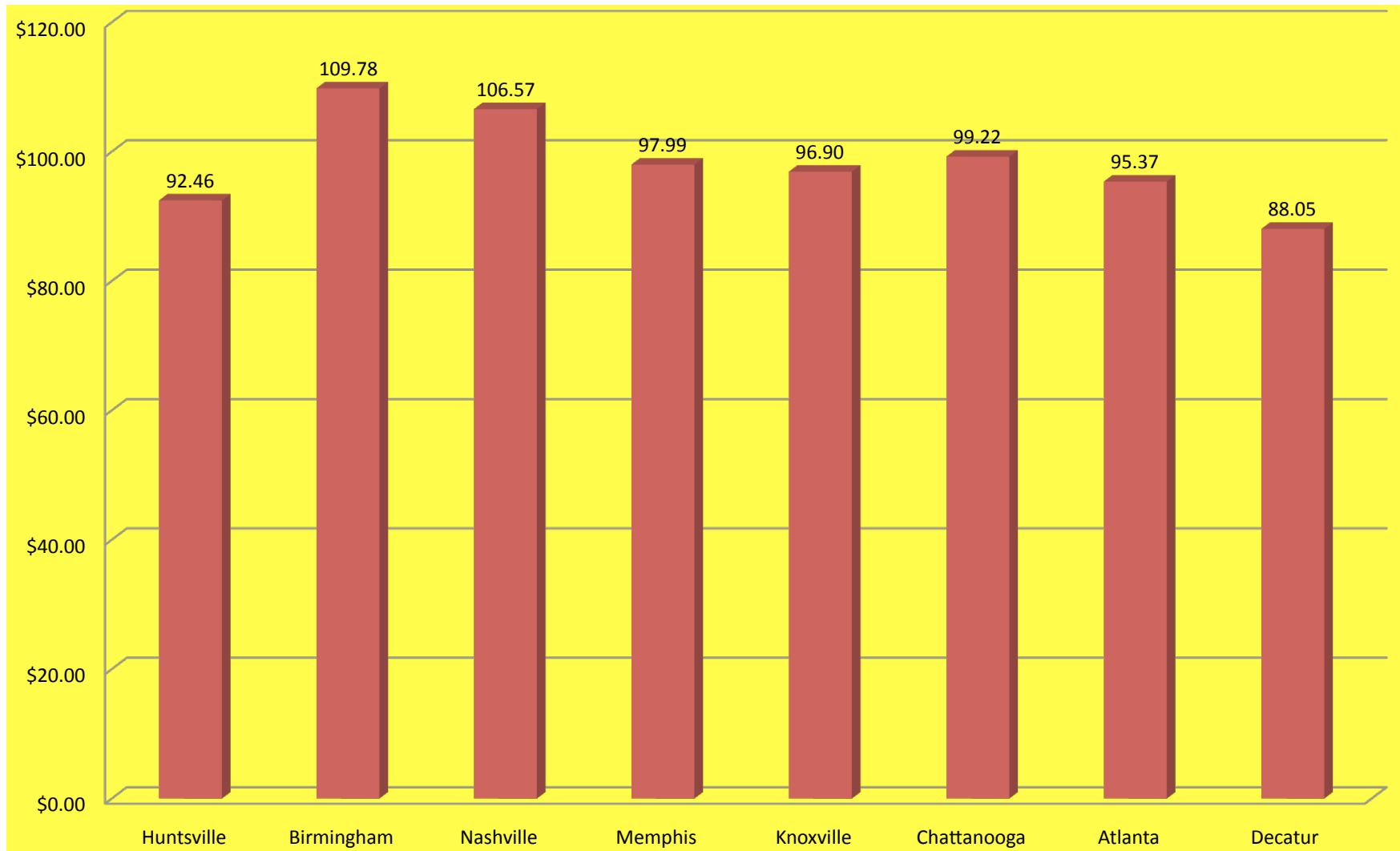


Chart 21

## Average Monthly Residential Bill Electricity 1,000 kWh with Rate Increase

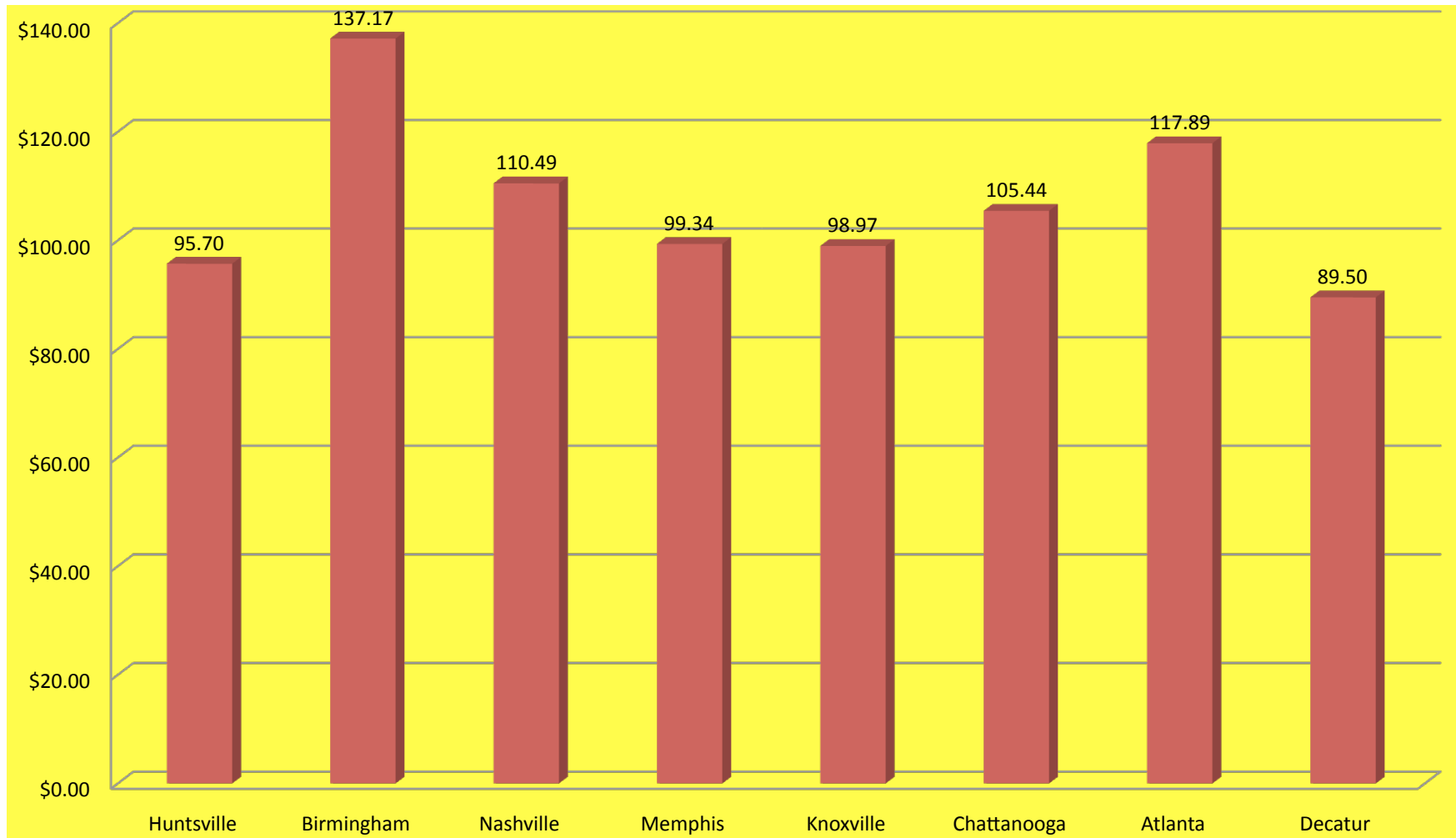
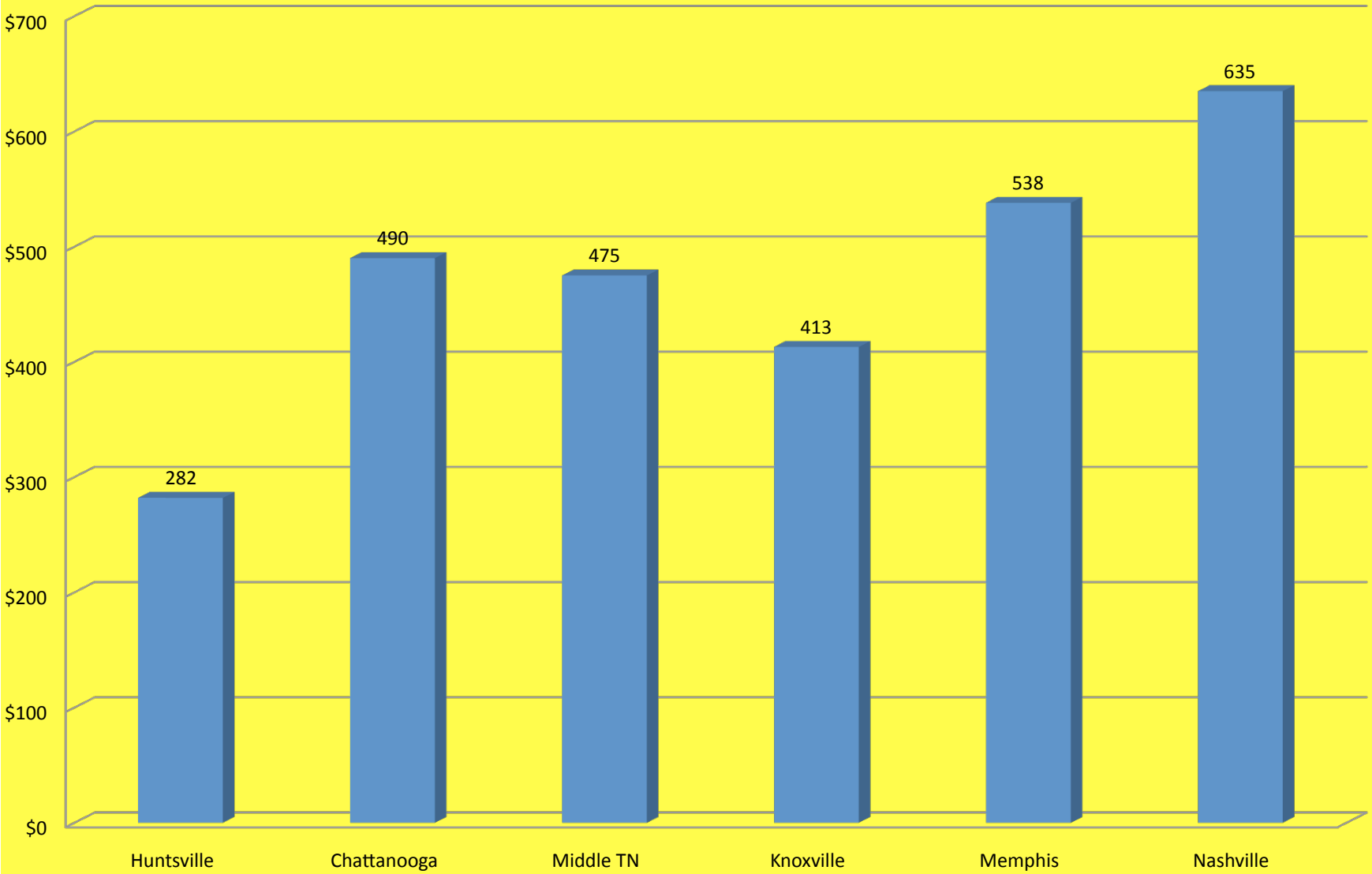


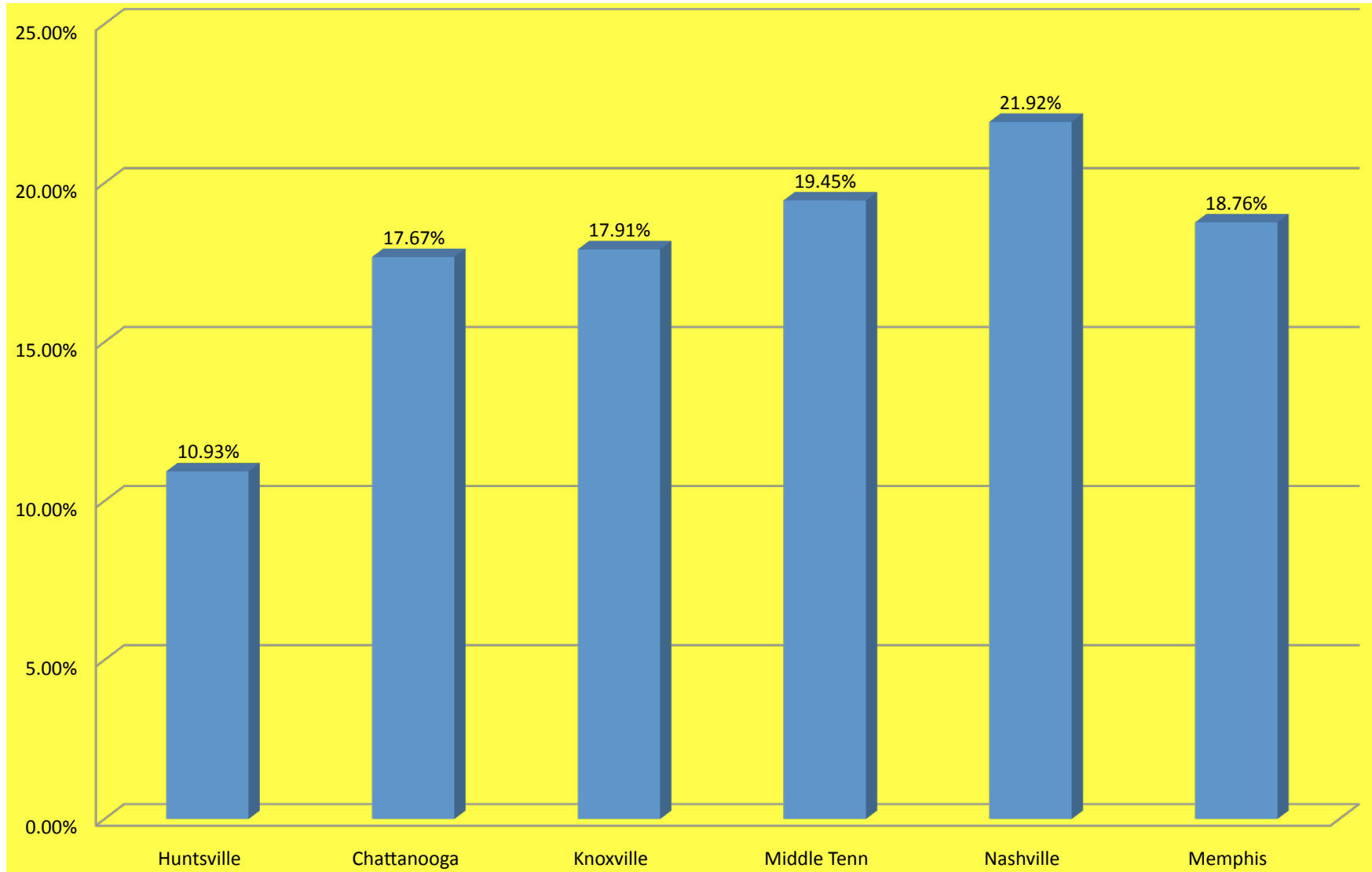
Chart 22

# Appendix A

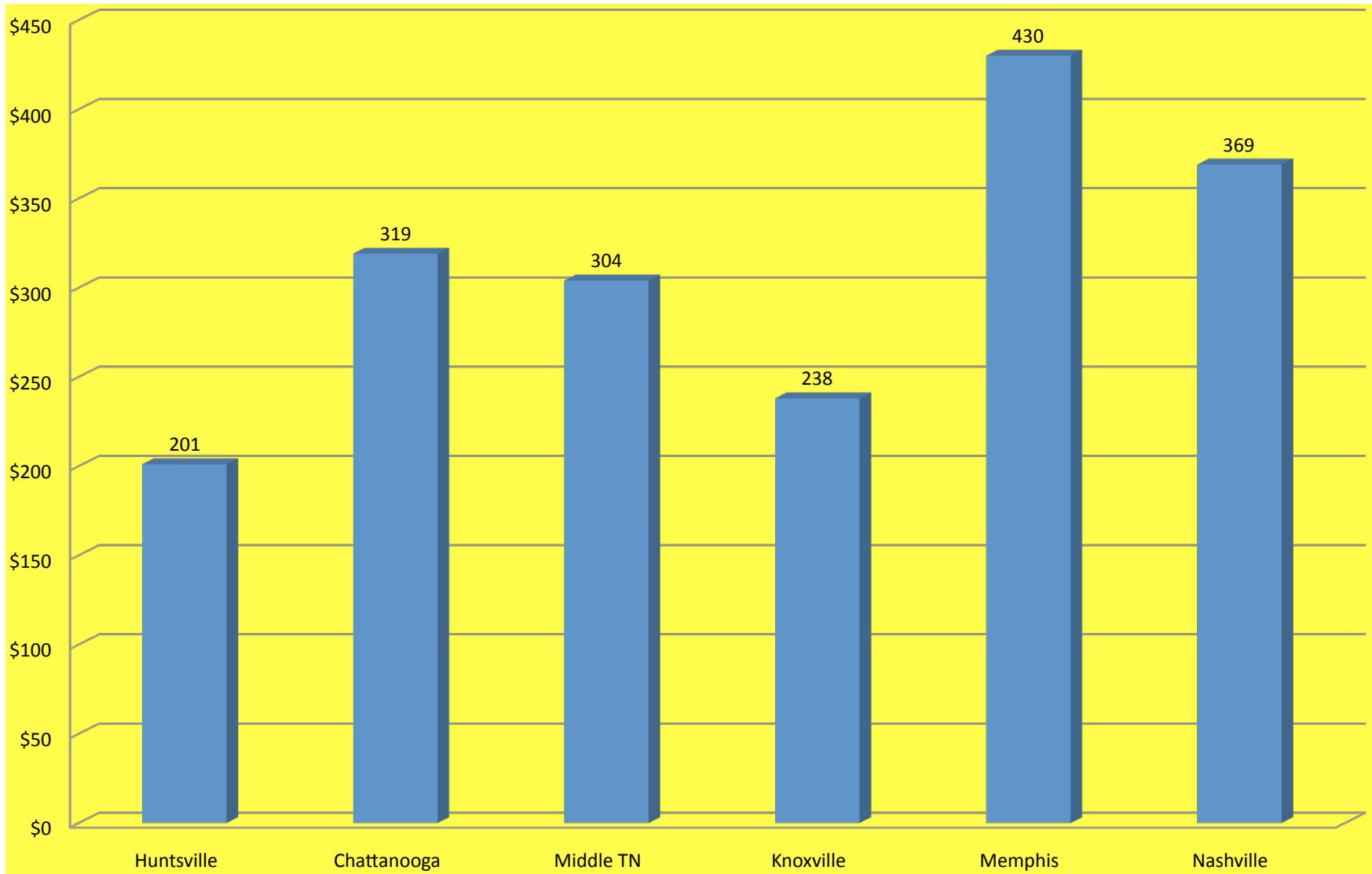
# TVA Big Five Benchmarks Sales Margin per Customer



## TVA Distributor Statistics June 10 Fiscal Year Ending Sales Margin as Percentage of Sales Revenue



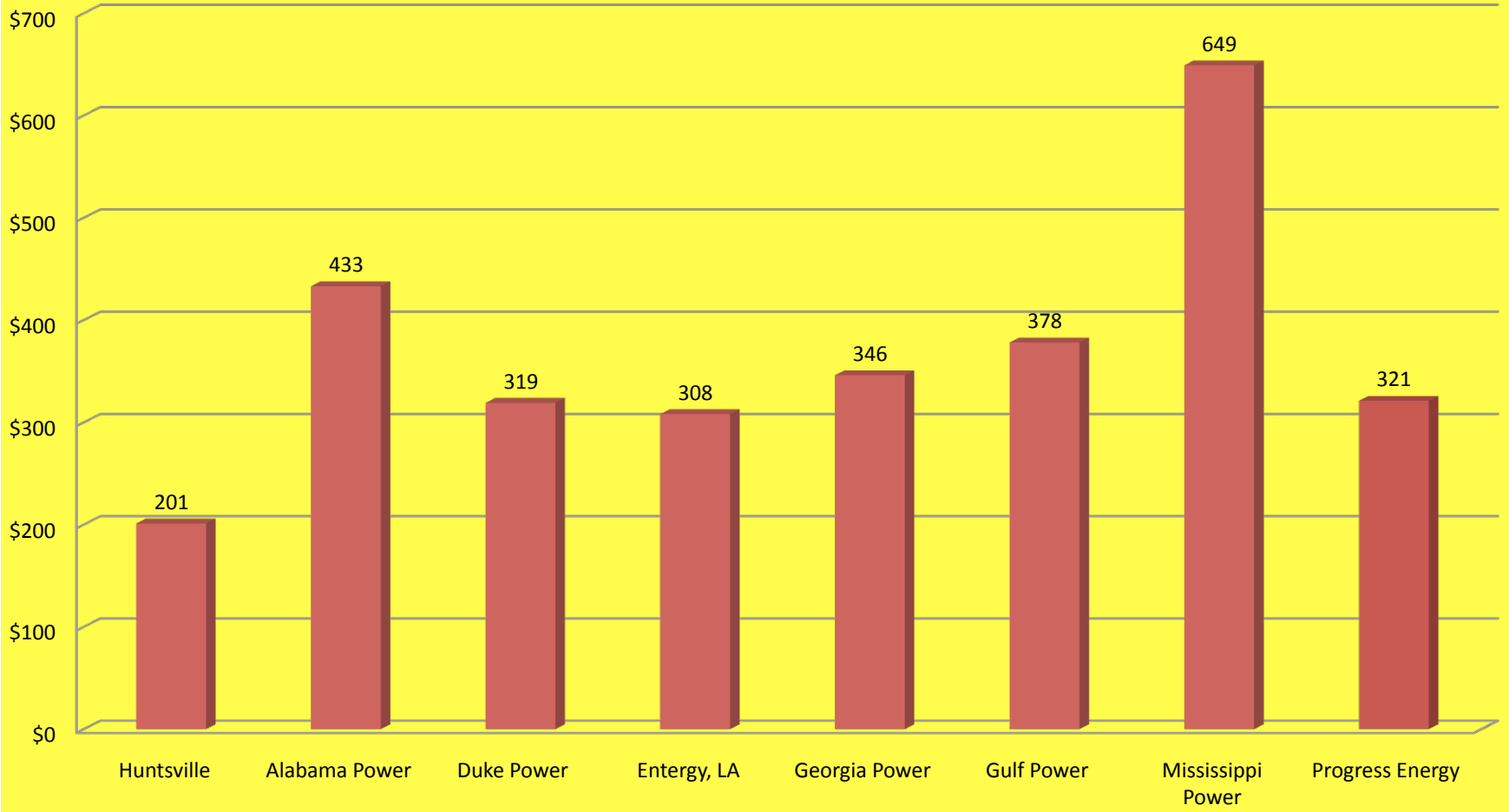
## TVA Big Five Benchmarks Operating Costs per Customer



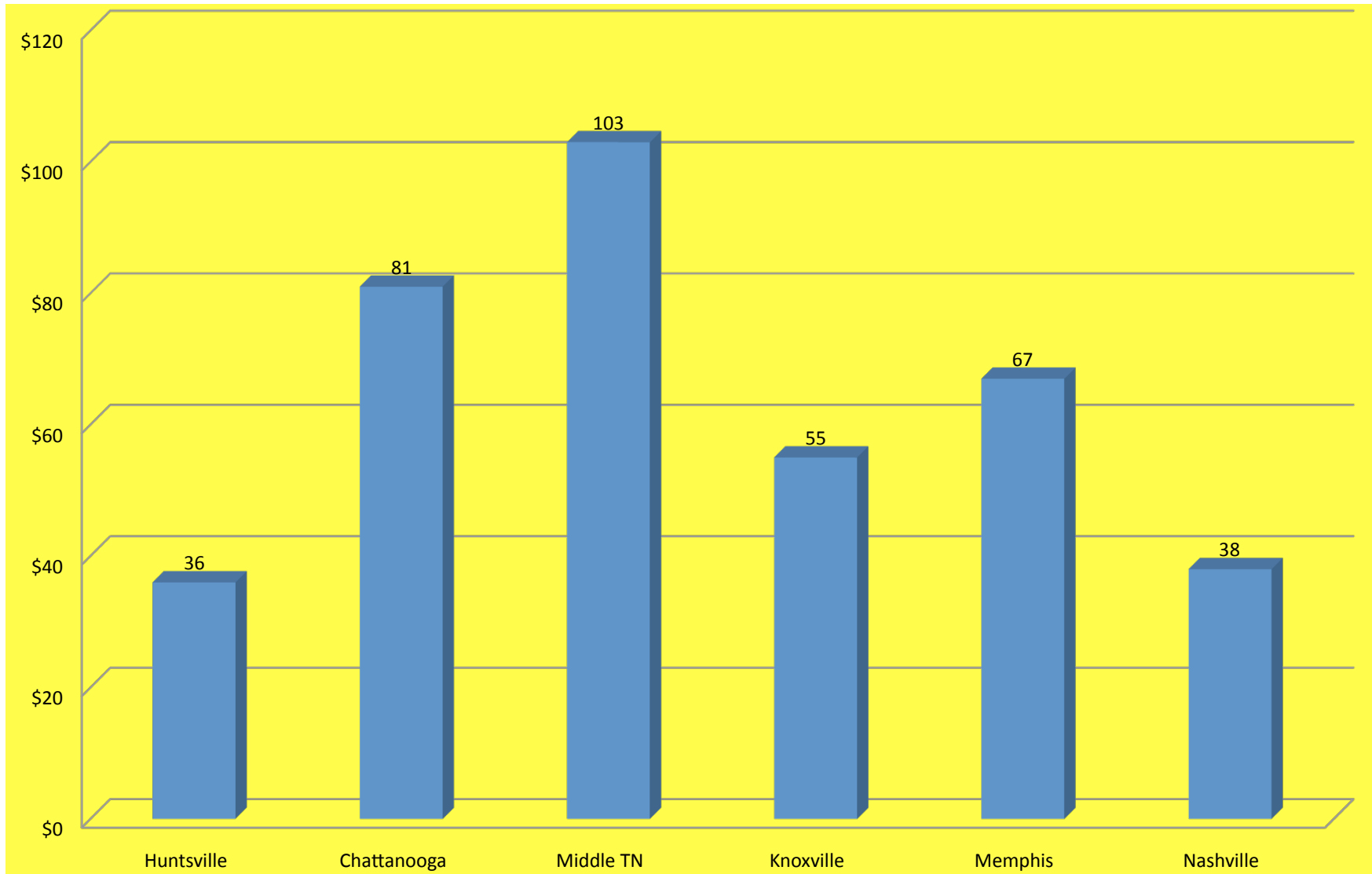
Appendix A

Chart A-3

**Investor Owned Utilities Operating Cost  
Distribution, Customer Accounting and  
Administrative and General Expense  
Costs per Customer**



## TVA Big 5 Benchmarks Net Income per Customer



Appendix A

Chart A-5

# Appendix B

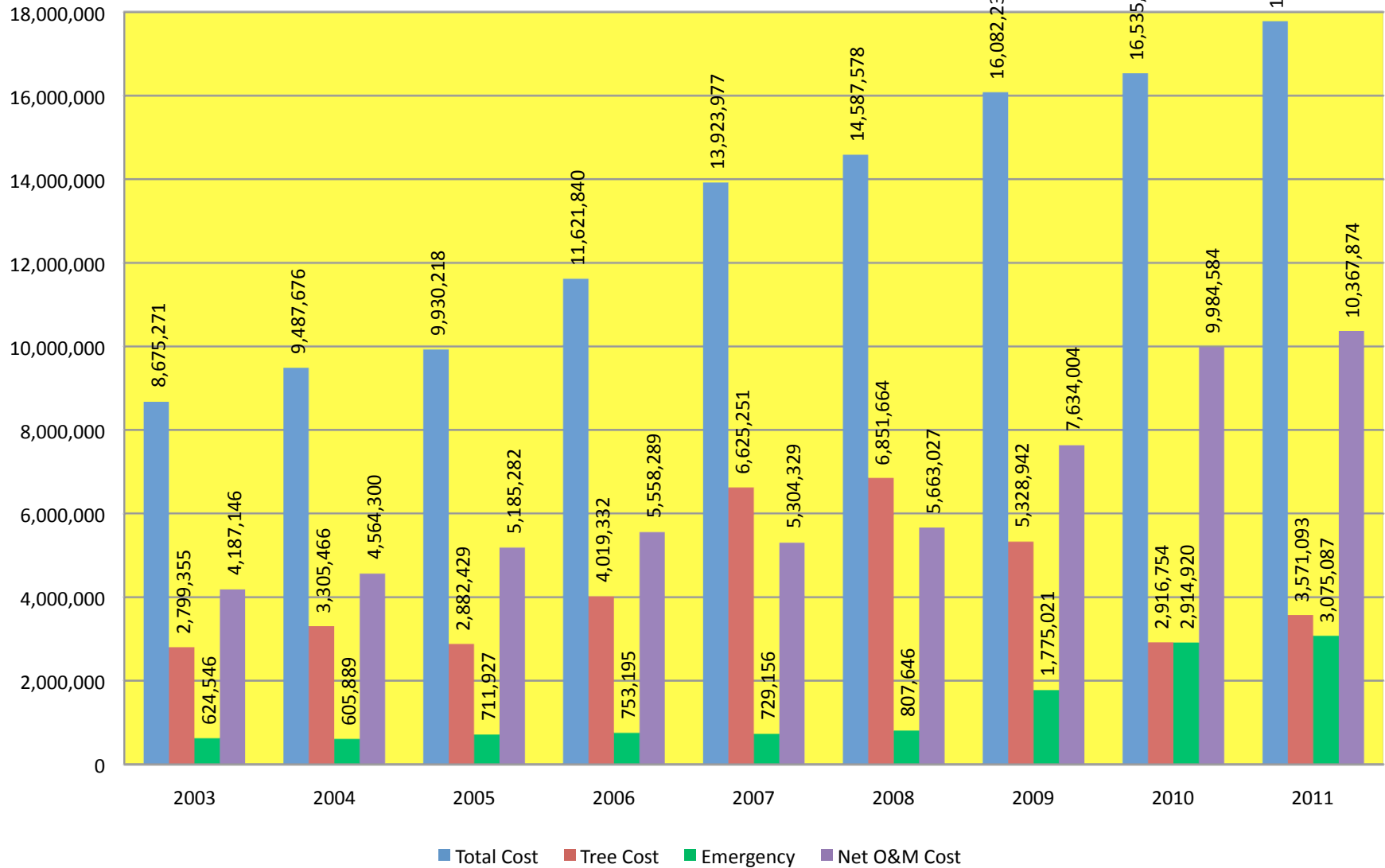
# Major Substation and Transmission Projects 2005-2010

Major Projects	
Thornton RSP Substation, Transmission Line	\$5,415,000
Farley Substation	\$2,953,000
Central Switching Bus	\$1,963,000
Big Cove Delivery Point	\$1,680,000
Intermodal, Airport	\$1,451,000
Williams Road	\$1,575,000
Steager Road	\$1,255,000
Perimeter Park	\$1,147,000
Mobile Substation	\$1,255,000
Garth Road	\$1,059,000
<b>Total</b>	<b>\$19,753,000</b>
<b>Actual Total for All Substation &amp; Transmission Projects</b>	<b>\$23,343,000</b>

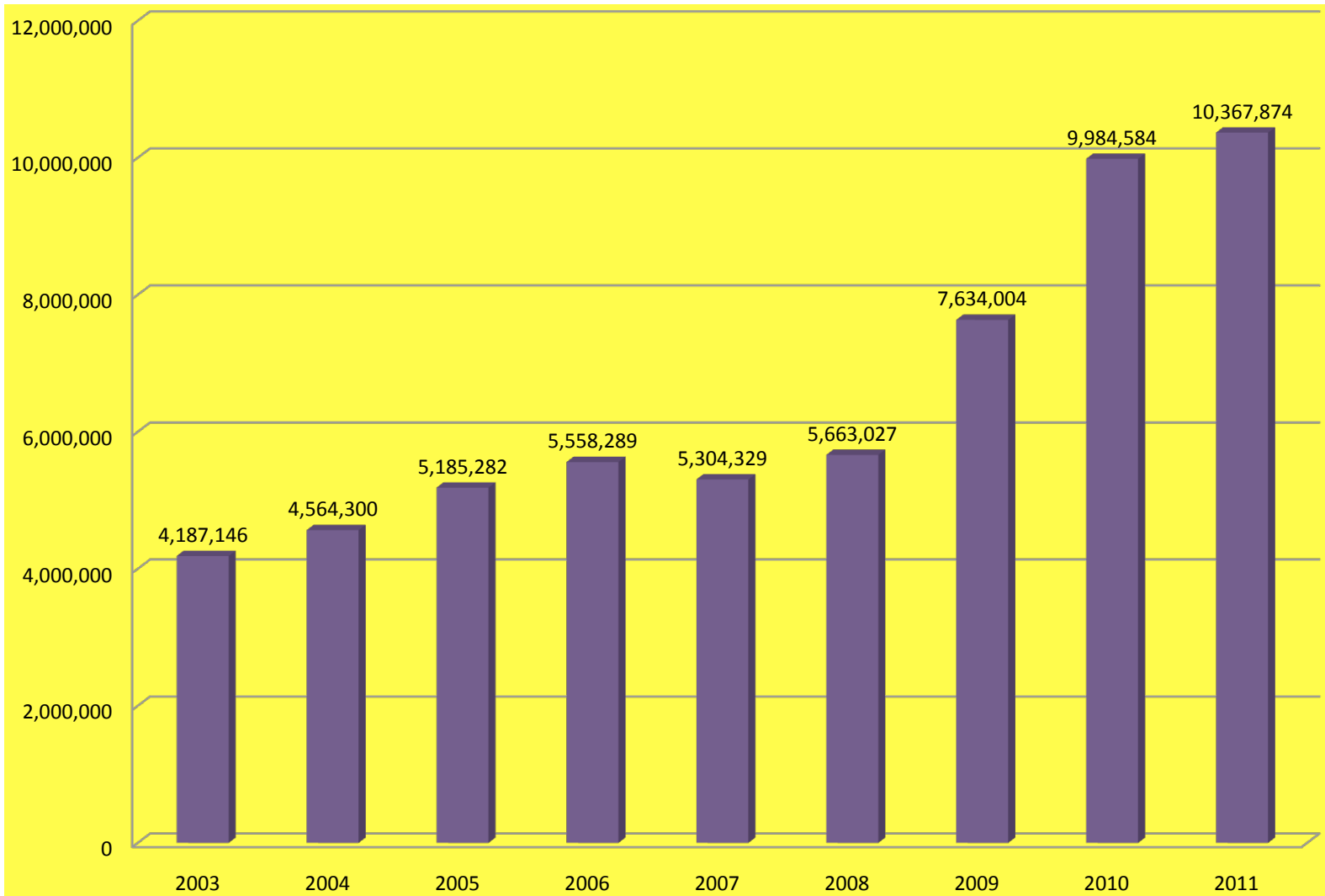
# Major Substation and Transmission Projects 2011-2016

Major Projects	
County Line Road Substation	\$4,500,000
Moontown Substation, Transmission Line	\$3,600,000
Redstone EUL Substation	\$2,765,000
Thornton RSP Substation, Transmission Line	\$2,600,000
Burwell Road Substation	\$2,200,000
Northwest Delivery Point Substation	\$1,900,000
Madison Hospital Substation, Transmission Line	\$2,000,000
Big Cove Substation	\$1,200,000
Moores Mill Substation	\$1,200,000
Hobbs Island Transmission Line	\$1,200,000
South Parkway Transmission Line	\$550,000
<b>Total</b>	<b>\$23,715,000</b>
<b>Planned Total for All Substation &amp; Transmission Projects</b>	<b>\$46,405,000</b>

## Total Distribution/Transmission Cost Tree Trim Cost, Emergency Cost, Net O&M Cost



## Net Cost for Operating/Maintenance of Poles, Transformers, and Underground Facilities



# Huntsville Utilities Electric System Capital Comparisons

Capital Construction	FY2003	Variance	FY2009
Materials: New Construction, Major Projects	5,457,585	4,671,312	10,128,897
Materials: Renew/Replace	910,156	745,372	1,655,528
Transformers	2,125,008	4,569,983	6,694,991
Computers/Communication	186,679	260,190	446,869
Meters	424,399	7,632	432,031
Breakers/Regulators	24,437	319,808	344,245
Transportation	1,062,332	-682,641	379,691
Warrants	1,395,000	208,336	1,603,336
Other: Land, Work Equipment, Tools	243,907	17,658	261,565
<b>Total</b>	<b>\$11,829,503</b>	<b>\$10,117,650</b>	<b>\$21,947,153</b>

# Electric System Capital Construction Materials

Average of \$22,977,000/year  
2011-2015

New Subdivisions	\$6,315,000
Materials-Replacement poles, UG cable	\$2,867,000
Materials-Major Projects Substations/Transmission/ Distribution	\$4,114,000
Computers/Communications	\$1,710,000
Transportation - Bucket Trucks, Hole Diggers, Wire Pullers	\$977,000
Transformers - Substation/Distribution	\$6,423,000
Meters	\$237,000
Other - Tools, Equipment, Office, Land	\$334,000