



Tennessee Valley Authority, 1101 Market Street, MR 6D-C, Chattanooga, Tennessee 37402-2801

August 27, 2014

Mr. Charles Canida
Chief Executive Officer
Russellville Electric Board
Post Office Box 1148
Russellville, Alabama 35653-1148

Dear Mr. Canida:

It is my understanding that you have raised some questions regarding the application of late fees and penalties due to certain customers being classified as a governmental entity. All customers, including City of Russellville departments or accounts, must be charged in accordance with the applicable rate schedules and fees. As outlined in section 5(b) of the federal wholesale power contract between TVA and The Electric Board of the City of Russellville, Alabama:

“Municipality agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges and provisions set forth” in the rate schedule.

Furthermore, the power contract prohibits special waivers of any portion of electric bills. Specifically, section 5(a) states that:

“Municipality agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that **no discriminatory rate, rebate, or special concession will be made or given to any consumer, directly or indirectly.**” [Emphasis added]

A customer’s status as a governmental entity does not create a basis for any exception to these power contract requirements. An exception in this case would amount to discrimination in favor of local governmental entities and against the local power company’s other customers.

In summary, TVA fully expects The Electric Board of the City of Russellville, Alabama to comply with its obligations under the power contract by assessing and collecting all applicable fees and charges in a consistent and non-discriminatory manner. Please feel free to contact me at (423) 751-8397 if you have any further questions.

Sincerely,

Director
Regulatory Assurance



Regulatory Assurance

Subject: Government Penalty Exemptions

Issue

The wholesale power contract between TVA and each local power company (LPC) requires the uniform application, within the classes of consumers, of the provisions of the resale rate schedules, including the provisions addressing late fees. A customer's status as a government entity does not exempt it from the application of the LPC's late fee requirement.

Observations

A common issue identified in compliance assessments, rate and credit checks, and other financial reviews is that some LPCs are waiving late fees and other charges to certain customers based solely on its status as government entities (i.e., state or federal agencies, state parks or museums, local government departments, etc.).

Potential Impact

A customer's status as a government entity does not create a basis for any exception to the federal power contract requirements. Such an exception is discrimination in favor of that customer and is in violation of the wholesale power contract.

Distributor Review

The LPC should review its billing policy and the application of its policy to ensure uniform application of the provisions of the resale rate schedules, including the application of its late fee requirement.

Corrective Actions

If an LPC discovers that a government customer has had a late fee waived, corrections should be made in the billing system to ensure that such waivers do not occur again. TVA also recommends that the LPC discuss this with the affected customer prior to the change in the billing system.

Furthermore, an LPC should have additional discussions with the affected customers to determine the reason for delinquent payments and whether or not forfeited discounts could be considered.

If you have any questions, please contact your TVA Customer Service Manager or Distributor Assurance field accountant.