

March 2015 ATVG Newsletter

TVA Finds First Utility-Scale Solar Generator to Supply it With Green Electricity

The first utility-scale solar farm will be built to power the Tennessee Valley Authority in Alabama by the sister company of another Southern utility. TVA directors have approved a 20-year lease with Next Era Energy Resources, an affiliate company with Florida Power & Light, to buy the power generated by an 80-megawatt solar farm planned on nearly 600 acres in Lauderdale County in Northern Alabama.

At the same time, the TVA board also agreed to spend \$340 million to buy another combined-cycle, gas-powered plant in Mississippi. The solar generation in Alabama, which New Era expects to begin operations by 2016, represents the biggest single solar generation site to be built in the Tennessee Valley. The federal utility currently gets about 108 megawatts of solar power and has another 202 megawatts of solar power under development from about 2,200 installations across its 7-state region. The new solar farm will be built near TVA's Colbert Fossil Plant, which TVA is retiring in 2016. This location will allow the solar facility to take advantage of the existing transmission system.

TVA Chief Operating Office Charles "Chip" Pardee said the utility will pay about \$61 per megawatthour over the life of the agreement, "which is very competitive with our other sources of power." The deal was approved by the TVA board and TVA President Bill Johnson said TVA has received more than a dozen solar generation proposals "so we know the market pretty well."

Even including the hydro power generated from TVA's 29 power generating dams, TVA got only 13 percent of its generation last year from renewable sources. TVA is buying the power from New Era because as a private company New Era will qualify for 30 percent investment tax credits under the federal tax code incentives for solar power. As a federal corporation, TVA does not benefit by such tax credits. Johnson said as long as such federal tax credits are available for solar generation, it will be cheaper for TVA to buy power from other generators than to build its own solar facilities.

Environmental groups praised TVA for the new solar agreement. Stephen Smith, executive director of the Southern Alliance for Clean Energy said solar power "is an important resource for our region's economic and job growth and it needs to be more fully incorporated into TVA's system." Alabama has tremendous solar potential, and we welcome this positive development," he said.

TVA also agreed to buy the the 760-megawatt Quantum Choctaw combined-cycle power plant near Ackerman, Mississippi for \$340 million. TVA has previously contracted to buy the power generated at the Choctaw plant, which was built seven years ago. The plant is owned by an affiliate of Quantum Utility Generation, which bought the plant about three years ago from GDF Suez North America.

Pardee said TVA budgeted \$400 million to buy the gas plant, "but we were successful in our negotiations" to be able to acquire the plant at a lower price. "We want to own rather than rent, that's the story," Maharian said. Since 2007, TVA has built or bought five combined-cycle gas plants with 3,900 megawatts of capacity. In the past year, the agency has approved construction of two more gas plants to replace aging coal-fired plants.

More Kentucky Work Ready Communities

The Kentucky Work Ready Communities certification program from the Kentucky Workforce Investment Board and the Kentucky Education and Workforce Development Cabinet assures employers that a local workforce has the talent and skills necessary to staff existing jobs and to master the innovative technologies new jobs will require.

"This administration is committed to maintaining our state's competitiveness, and if Kentucky is to compete for 21st Century jobs and attract business and industry, we must continue to show employers locations that have completed rigorous requirements and are a cut above other communities nationally when it comes to developing a skilled labor force," Kentucky Governor Steve Beshear said. "Much of our emphasis over the last seven years has been on creating a stronger, healthier and more educated population, in essence building our human capital. I congratulate Fleming County for partnering with us to strengthen Kentucky and its community at the highest level."

Governor Beshear encourages all Kentucky communities to strive for the Kentucky Work Ready Communities designation. To become certified, a county must gather local support and commitment and apply for the Work Ready Community designation. Counties have to meet criteria in six areas including high school graduation rate, National Career Readiness Certificate holders, demonstrated community commitment, educational attainment, soft-skills development and digital literacy.

"The Kentucky Work Ready Communities program momentum is growing as more communities learn about the certification and how it can help them achieve a higher level of competitiveness among business and industry," said Hugh Haydon, chair of KWIB. "In addition to the 51 counties that have achieved certification as Work Ready or Work Ready in Progress, another 40-45 are in the process of applying."

"We are excited to designate Ballard and Marshall counties as Kentucky Work Ready Communities in Progress, and we look forward to certifying many others in the future," said Roxann Fry, chair of the Kentucky Work Ready Communities Review Panel and senior consultant at Tennessee Valley Authority Economic Development.

Applications for the certification were reviewed by a panel appointed by the KWIB. The panel recommended certification by the board for the counties that met the criteria. The panel meets four times a year to review applications, which can be submitted at any time.

For more information about the Kentucky Work Ready Communities program, go to:

<http://workready.ky.gov>.

TVA Identifies Preferred Route for Transmission Line

The Tennessee Valley Authority announced on February 23rd that it has identified a preferred route for a new transmission line that would increase power reliability and allow for growth in Brooksville, Mississippi, and surrounding areas served by the 4-County Electric Power Association.

The 4-County Electric Power Association is a rural electric cooperative that distributes TVA power, serves roughly 46,000 customers in Northeast Mississippi (its service area, which originally included four counties, now includes parts of eight counties). The co-op plans to build the Deerbrook Substation about 7 miles east of Brooksville.

The new transmission line will begin at TVA's Weyerhaeuser-South Macon transmission line and will extend about 7 miles to the new substation. In November 2014, TVA held an information session and asked for public input on the proposed routes. The selected route "is expected to have the least impact on the area based on the public input and other factors including social, environmental and engineering impacts," TVA said in a news release. A National Environmental Policy Act review is pending. TVA will meet with property owners along the proposed right of way to obtain easements for construction, operation and maintenance of the line. For new rights of way, property owners will retain ownership of the property and be compensated for the easements at fair market value, TVA said.

TVA is expected to begin land surveys this spring and start acquiring easements next year. Construction is scheduled to begin in late 2016, and TVA said it expects to complete the line in the spring of 2017. More information about the project is posted on TVA's website.

ATVG REPORT:

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ATVG is a 501(c)(4), not-for-profit, public interest organization. ATVG advocates for the interests of county and city/town governments residing within the seven-state TVA region and their partners in the public and private sectors.

For details about ATVG's mission and program of work, visit us on line at: www.atvg.org.

TVA CEO Touts Utility's Success and Plans

The Tennessee Valley Authority is on track to meet its three-year goal of saving \$500 million, and its chief executive said the utility will continue to emphasize its goal to serve the public. In a wide-ranging interview with the Daily Journal, TVA CEO Bill Johnson also noted that Northeast Mississippi has a special relationship with the nation's largest public power provider. "The first pole placed was in Pontotoc, we had the first co-op here and of course Tupelo is the first TVA city," Johnson said.

He immediately launched into a vigorous defense of the TVA as being "owned by the people. Its incumbent we remember we're here to serve the public in a transparent, open and helpful way. And generally, we do a good job." Johnson said TVA's focus on affordable electric rates is a key to economic development, which in turn benefits the 9 million customers it serves across seven states.

In Mississippi last year, for example, TVA helped attract and/or maintain 4,700 jobs and \$1.2 billion in investment. In the past five years, those numbers for the Magnolia State are 30,000 jobs and \$3.5 billion in investment. "Our real focus is on how we do this more efficiently," Johnson said.

TVA is in the midst of a three-year program to reduce \$500 million in costs. So far, the figure is at \$300 million, but the end of the year, the half-billion-dollar figure should be reached, Johnson said. "That's a direct benefit to consumers and helps with economic development as we keep rates competitive," Johnson said.

TVA also is set to release its long-range Integrated Resource Plan, which will lay out a 20-year road map. Several public meetings will be held across the TVA footprint to review the plan. A meeting in Tupelo will be held April 14th from 7 a.m. to 8:30 a.m. at the BancorpSouth Conference Center.

Another one of TVA's main focuses is to continue serving the public in an open, transparent and helpful way, which also applies to its 155 power company members, Johnson said. A new set of service standards soon will apply to all TVA power distributors, providing guidelines on deposit policies, termination of service, billing and information provided to customers. The standards will be posted online, sent through mailings and available for reviewing at member offices.

"We expect the standards to be implemented by all 155 members by the end of March," Johnson said. "We got lots of feedback. It was a collaborative process over a year. The standards are good. Not everyone agreed, which is what you want to have, but they're very good standards and we'll all adopt them.

A topic of debate has been the use of electric power associations' reserve funds. When a co-op brings in more revenue than it spends, it can use the money in several ways, including paying debt and sending checks to customers. TVA calls the excess funds capital credits.

Last fall, Northern District Commissioner Brandon Presley, D-Nettleton, suggested that a majority of the 25 power associations in Mississippi, owned as nonprofits under law by their members, owe refunds or rate reductions because they have held on to excessive amounts of cash reserves.

The power associations, established under federal law, are private corporations empowered to purchase electricity at wholesale prices and distribute it through their defined geographic areas. The EPAs in Northeast Mississippi purchase electricity wholesale from the TVA. Johnson said from TVA's perspective, capital credits can't be refunded to customers, as the utility was set up in 1933 requiring its member co-ops to keep a percentage of its capital credits for reinvestment. "We think reducing rates is a better use for the money," Johnson said of how the co-ops reinvest.

Having a percentage of reserve funds also is important in case of weather-related situations, a perfect example of the need for having reserves was the snow and ice that recently blanketed the region, Johnson said. Electric power associations worked crews extensively to get electricity flowing again in their service areas, and then sent the crews to help other co-ops that needed help. Those long hours that stretch into overtime have to be paid by the co-ops, and the need for reserve funds, or capital credits, become apparent then, Johnson said.

Finally, Johnson said TVA continues to invest in Mississippi, with \$250 million planned in the next few years. That doesn't include the recent \$340 million purchase of the 760-megawatt Quantum Choctaw combined-cycle power plant near Ackerman. The move will help TVA reduce its reliance on coal-fired plants, which will help reduce emissions. TVA is ahead of its plans to reduce emissions as mandated by the federal government.

TVA Works to Correct Condenser Seal Problem at Watts Bar

A faulty seal in the condenser of the Watts Bar Nuclear Plant has kept the Tennessee Valley Authority plant offline for over a week, but TVA spokesman Jim Hopson said Friday, February 27th that the utility hopes to have the problem fixed and the reactor back online very soon.

The Unit 1 reactor at Watts Bar shut down on Saturday, February 28th when plant workers detected problems from the loss of a vacuum seal in the condenser, which helps convert steam from the non-nuclear part of the plant back into water to reuse for power generation.

"We did find that we had a seal problem inside the condenser in Unit 1 and we're replacing that seal and inspecting the other seals in the condenser to make sure that we don't have a similar problem somewhere else," Hopson said. "We hope to be able to have the unit back up and running within a week or so."

The unit was shut down just after the coldest days of the winter pushed TVA's power demand to a record high for any single day in February. Although temperatures remained below normal for two weeks, the loss of the Watts Bar reactor has not affected TVA's ability to meet its power demand, which has been lower this week than last, Hopson said.

"We have had more snow and ice this year, but the temperatures that drive our peak demand have not been as low as they have been," he said. TVA is also building a second reactor at Watts Bar near Spring City, Tennessee. That unit is expected to be completed and start generating power by the end of this year.

TVA plans to begin hot functional testing of the equipment in the Unit 2 reactor next month and, pending approval of the U.S. Nuclear Regulatory Commission, could load nuclear fuel this spring. Each of the 1,100-megawatt reactors at Watts Bar are capable of generating enough power for two cities the size of Chattanooga.

The repairs of the idled reactor are not requiring significant capital expenditures, Hopson said. But each day the reactor is idled, TVA loses more than \$1 million worth of electricity during the cold winter months.

At the Winter ATVG Quarterly meeting, held in Murfreesboro on January 21st and 22nd, we welcomed aboard our new President Ron Woody of Roane County, TN. We wanted to share County Executive Woody's letter with everyone.

*Deborah Grubbs
ATVG Program Director*

Dear ATVG membership and friends:

Welcome to the Association of Tennessee Valley Governments (ATVG). We are a not-for-profit 501(c)(4) corporation chartered in 1981. Our primary purpose is to improve communication and understanding between local governments and the Tennessee Valley Authority (TVA). With nearly 1,000 local governments being served by TVA, we strive to advocate on behalf of our membership. ATVG represents local governments in Alabama, Georgia, Kentucky, Mississippi, North Carolina, Tennessee and Virginia. Within the past several years, ATVG has studied and often taken an active role in issues related to:

1. TVA's Integrated Resource Plan
2. Emergency Management Preparedness
3. Small Modular Nuclear Reactors (SMR)
4. Tax Equivalent Payments
5. Economic Impacts of closing coal facilities and conversion to natural gas plants
6. Selection of TVA's Board of Directors
7. Restructuring Park and Recreation Marine Contracts
8. Start-up of Watts Bar Unit 2 nuclear reactor (first unit planned for operation in 21st century in the nation)
9. Addition of flood control provision at various dams
10. Addressing invasive grasses and aquatic life in the TVA reservoirs
11. Importance of Chickamauga Lock replacement

ATVG meets quarterly within the TVA region for educational classes and to conduct the organization's business affairs.

We recognize TVA as a major economic driver within our communities through their role as the provider of reliable, reasonably priced power, along with economic development initiatives for recreation and industrial activities. We further recognize TVA must be an active environmental steward of our natural resources.

ATVG will continue to advocate policies for our local governments and communities. We recognize that we can both support and be in opposition to various TVA policies; while fully understanding that it is through our education on the issues that we make better decisions.

Come join us in the coming year at our quarterly meetings:

April 22 & 23, 2015; Guntersville, Alabama

July 22 & 23, 2015; Oak Ridge, Tennessee

October 20, 21, & 22, 2015; Gatlinburg, Tennessee

Learn more about ATVG at www.atvg.org.

Sincerely,

Ronald B. Woody,
President ATVG
Roane County Executive

Spring Meeting
Lake Guntersville State Park
Reservations 256-571-5440

April 22, 2015; Central Time Zone

- 1:00 p.m.** **Welcome and Introductions** – Ron Woody; President ATVG
- 1:15 p.m.** **TVA Update** – Bert Robinson
- 2:00 p.m.** **Presentation on US Space and Rocket Center** – Dr. Deborah Barnhart
- 2:45 p.m.** *Break*
- 3:00 p.m.** **Panel discussion on regional (multi-county) economic development** –
Matt Arnold; Marshall County EDA, Jeremy Nails; Morgan County EDA,
Forrest Wright; Shoals EDA, Dus Rogers; Jackson County EDA and Peggy Smith;
Cullman County EDA
- 4:00 p.m.** **River System Operations** – David Bowling; TVA
- 4:25 p.m.** **Vegetation Management Program** - Jason Rigg; TVA
- 4:50 p.m.** **Wrap up**
- 6:30 p.m.** **Reception and Dinner (off site)**

April 23, 2015

- 8:30 a.m.** **ATVG Board Meeting** – Ron Woody; President ATVG
- 10:00 a.m.** **Lake Tour of Area** hosted by Lake Guntersville Yacht Club

Please help us make necessary arrangements by letting us know if you will be attending. Send the enclosed registration form by email to: registration@atvg.org or by U.S. mail to: ATVG, P.O. Box 3578, Clarksville, TN 37043.

Association of Tennessee Valley Governments Meeting Registration Form

Registration Fee: \$40.00 for members and affiliates; \$75.00 for non-members

Name: _____

E-Mail: _____

Spouse's Name: _____

Registration Fee for spouse is included/No additional charge

Company/Organization: _____

Full Address: _____

Make checks payable to: Association of Tennessee Valley Governments- P.O. Box 3578 – Clarksville, TN 37043