



September 2019 Newsletter

TVA Looks to Longer-term Partnerships

TVA has historically had just a five-year notice for local power companies to leave TVA and get their electricity elsewhere, as cities such as Paducah, Kentucky, and Bristol, Virginia, have done in the past. Bristol later came back into the TVA fold.

TVA CEO Jeff Lyash said the average contract duration with local power companies in TVA's seven-state region is now 6.8 years, but he said TVA had 20-year agreements with its distributors in its early days.

Lyash, who has traveled thousands of miles in his first four months on the job visiting with TVA customers, said he worked on the new partnership proposal for distributors after hearing their desire for greater rate stability from TVA and more flexibility in arranging power agreements with their customers.

"This Tennessee Valley public power model has great potential, but at the heart of it has to be a long-term commitment between the parties and a level of collaboration on opportunities and problems that we haven't seen in some time," Lyash said. "For us to get the most out of this public power model, it has to be a long-term partnership with those local power companies engaged and helping TVA make the right decisions and the right resource allocations and to commit to the relationship long enough for those decisions to play out."

Lyash said longer-term contracts ensure TVA can make long-term commitments and investments with a guaranteed customer base. In exchange, he is offering those distributors who sign up for the longer-term contracts a slight drop in wholesale rates and more flexibility in how local municipalities and co-ops may opt for distributed power generation to meet particular customer needs.

"This is an option for our 154 LPCs (local power companies)," Lyash said. "If they like their shorter-term contracts, that's fine. I have no objective to drive them to a 20-year contract. But if they will do this, we believe we can engage them more in our decision making, give them more flexibility and be able to lower our rates."

Lyash additionally said the move represents a needed shift from a supplier-customer relationship to more one of collaborative partnerships between TVA and its distributors.

The change in contractual offerings for local power companies comes as TVA's biggest customer, Memphis Light Gas & Water, considers leaving the agency and buying its power from another source. Lyash said he is trying to respond to the need and desires of the municipal power utility and power co-ops that purchase and resell most of TVA's power.

"But we didn't make this change specifically because of Memphis," Lyash said, although he said the future rate outlook and strategic plan is more favorable for Memphis and all other TVA distributors.



Tennessee Valley Authority Board Approves Flexibility, Stability Measures for FY20 Budget

The fiscal year 2020 budget for the Tennessee Valley will not increase wholesale power rates under its new strategic direction and updated Integrated Resource Plan set by the Tennessee Valley Authority (TVA) Board meeting in August.

The new strategy will cover through 2030, while the latest IRP will guide energy needs for the region of more than 10 million people over the next 20 years.

“Our success to this point has come from a disciplined approach to how we run our business, which has allowed us to reduce our debt to its lowest point in 25 years and still invest in our generation and transmission system,” John Thomas, TVA CFO, said. “That same financial discipline will now allow us to maintain stable rates through 2030 and implement the initiatives recommended by the IRP.”

According to TVA President and CEO Jeff Lyash, they have already managed to achieve many of their 10 year goals in a mere six years, setting the scene for success.

The FY2020 budget will consist of \$10.59 billion, focused on efficiency efforts and balancing existing assets, capabilities and debt reduction. Going forward, the Board is also concerned with reducing the region’s carbon footprint, which is why they intend to include up to 14 gigawatts of new solar capacity by 2038. Additionally, they have adopted a long-term partnership agreement with local power companies with an eye on competitive rates and an evolving market.

TVA’s regulatory policies will also be modified to provide local power companies more options for financing support broadband. At the same time, they want to maintain oversight to guarantee that electric system operations do not begin subsidizing other utility efforts. Large generator interconnection procedures have been altered, performance-driven compensation plans have changed, and more than 100 megawatts of firm power will be provided to a directly served customer under a new agreement reached during this latest meeting.

TVA Paying Down Its Debt

In 2013, TVA adopted a 10-year plan to raise wholesale rates every year for 10 years to pay down its debt, which peaked at \$28.5 billion nearly a decade ago. By the end of the current fiscal year, TVA President and CEO Jeff Lyash said, TVA's debt will fall to about \$23 billion and should continue to decline over the next decade to between \$18 billion to \$20 billion, which will be only about half the utility's overall net worth and put TVA's financial leverage more in line with most other utilities.

The TVA Board ratified a \$10.59 billion budget for fiscal 2020, which starts October 1st. That’s down \$461 million from the current annual budget.

TVA is on also on pace to reach earlier than planned its 2023 target of getting the debt below \$21.8 billion. TVA outlined plans to pare its debt more every year over the next decade, even though the agency will have to raise its capital spending in the next couple of years to build out its electric grid and to replace or rebuild aging combustion turbines.



TVA Offers Rebates to Local Power Companies That Sign Long-term Contracts with TVA

For the first time in 13 years, the Tennessee Valley Authority is offering cheaper power for the municipalities and power cooperatives that distribute its electricity if they agree to long-term purchase contracts with the federal utility; TVA pares down debt, saving enough to avoid plans for rate hikes for the next decade.

TVA directors approved a budget for fiscal 2020 that suspends further wholesale rate increases and offers a 3.1% monthly rebate to any of the 154 TVA distributors that agree to sign new 20-year contracts with TVA. TVA's \$10.6 billion spending plan for next year ends the six-year-long pattern of base rate increases to pay down the agency's debt, which CEO Jeff Lyash said can now be managed without higher costs for consumers.

In his first budget proposal since becoming CEO of the nation's biggest public utility in April, Lyash also proposed a 10-year plan to keep rates stable and even hinted rate cuts could occur if TVA is able to reduce more expenses in the future. "Since 2013, we've been focused on strengthening our financial foundation to allow us to better meet future needs," Lyash said, noting that debt has fallen to the lowest level in 25 years. "Through hard work and dedication to that goal, we've achieved many of our 10-year goals in only six years, which allows us to keep our wholesale rates steady. With the improvements we've made, we believe we can deliver a decade of flat wholesale rates."

TVA said its relative rates for residential customers are the 28th lowest among the top 100 U.S. electric utilities, compared with a 33rd ranking in 2013, and TVA's industrial rates rank the ninth lowest among the top 100 utilities, compared with being the 21st lowest utility seven years ago. Lyash said he expects TVA to continue to improve its relative ranking among utilities, and he offered TVA distributors a way to further cut their power rates if they agree to buy TVA power under longer 20-year contracts.

Within hours of the TVA board approving the rebates for long-term contracts, four of TVA's 154 distributors, including Clinton Utilities Board and the Lenoir City Utilities in East Tennessee agreed Thursday to the new 20-year contracts.

EPB President David Wade, who is also chairman of the Tennessee Valley Public Power Association, said Thursday he "is glad TVA is projecting stable rates" and he said EPB will study whether to adopt a longer-term TVA contract to qualify for the new rebates.

In exchange for the longer-term contracts, TVA is offering more flexibility to its distributors, allowing them to generate or buy as much as 5% of their load, if needed; to meet consumer desires for renewable energy or other distributed energy options. Also, TVA is offering a 3.1% rebate to long-term distributors, which if all 154 municipalities and coops sign up could save distributors up to \$225 million on an annual basis, according to TVA Chief Financial Officer John Thomas.

"This is an optional agreement for our local power companies that helps minimize risks, improves planning and offers more flexibility for funding and services," Lyash said.



Mark your calendars now for ATVG's 2020 meeting schedule:

*Wednesday, January 29, 2020
Murfreesboro, Tennessee*

*Tuesday/Wednesday, April 14/15, 2020
Tunica, Mississippi*

*Tuesday/Wednesday, July 7/8, 2020
Huntsville, Alabama*

*October 2020 (dates not yet finalized)
Gatlinburg, Tennessee*

SEE REGISTRATION FORM AT THE END OF NEWSLETTER



TVA Has Route for Power Line Across Mid-South

The Tennessee Valley Authority (TVA) has identified a preferred route for a new transmission line that would diversify the power flow to increase power reliability in the Memphis metro area. The Tennessee Valley Authority says it has a route for a transmission line that would send power from Mississippi to Tennessee, which it says will create more energy reliability in Memphis.

The utility is doling out over \$62 million in transmission projects in the area in addition to the \$1 billion investment in the Allen Combined Cycle Plant. TVA continues to invest in the Memphis area to deliver reliable power to the region's electric system to support economic and community development efforts and lower electric rates.

TVA proposes to build 2.7 miles of transmission line to provide power to the existing Freeport substation on East Windsor Road in Memphis. The new line would begin at TVA's existing Allen Fossil Plant-Horn Lake 161-kilovolt transmission line near the Tennessee/Mississippi line and extend east to the Freeport substation.

The selected route is expected to have the least impact on the area, based on public input from the open house and additional evaluation of other factors, including social, environmental and engineering impacts. A National Environmental Policy Act review is also pending.

The project will require new right of way. TVA said they are committed to working with area stakeholders during the course of the project. TVA will meet with property owners along the proposed right of way to obtain easements for construction, operation and maintenance of the line. Property owners would still own the property and be compensated for the easements at fair market value.

Surveys are expected to commence in fall 2019 and start acquiring easements in fall 2020. Construction is scheduled to ramp up in spring 2022 and be finished in winter 2022-2023.

TVA is the nation's largest public utility, providing power to more than 10 million people in parts of seven Southern states.

Tennessee Group Tackles the Issue of Cigarette Butts at Marinas

Cigarette butts are a pervasive problem at marinas, but a new program is helping facilities along the Tennessee River keep the butts out of the water. Last summer, German scientist Andres Fath spent 34 days swimming the Tennessee River from Knoxville Tennessee to Paducah Kentucky and with his team collected samples to determine the state of the river. His findings were not good. Three of the 12 samples the team collected found close to 18,000 microplastic particles per cubic meter of water in the Tennessee River. That rate is one of the highest in the world.

With that knowledge the executive director of Keep the Tennessee River Beautiful (KTNRB), Kathleen Gibi, decided it was time to tackle the issue of dropped cigarette butts. They often find their way to area waters and are a prime contributor of microplastics, which are found in their filters. Through Keep America Beautiful, Gibi could provide free cigarette disposal receptacles, which became the spark that lit a 5-state movement to keep marinas stocked in these receptacles. Keep America Beautiful is a national non-profit that through national programs and initiatives works to end littering, improve recycling and beautify communities across America.

Gibi happened to talk to Melinda Watson who previously managed the Tennessee Valley Authority's (TVA) Tennessee Clean Marina Program and is now program manager for the TVA's Partnerships and Strategic Planning. Gibi shared that she had the receptacles but wasn't sure how to spread the word and get them placed. Part of the workplan for TVA is marina education and outreach, so Watson knew from years of visiting marinas that their parking lots and shorelines were often littered with butts. Marinas seemed a good place to distribute the receptacles and with Watson's history of working with them, she was able to reach out and get marinas onboard with installing the units.

Within days, 24 marinas had signed on to take the receptacles. But it wasn't just the marinas that embraced the idea. To further the education regarding the damaging effects of cigarette waste, TVA provided funding and the Tennessee Department of Transportation provided a special litter grant to have the receptacles wrapped with educational art.

"I had seen art wraps for a history project in Knoxville, and I thought KTNRB could pay to have those done since the receptacles were free. They'd be pretty but would also build awareness of the problems with cigarettes. Our goal isn't to shame smokers but to shame the littering and help people understand what happens to a butt thrown on the ground," Gibi said. Keep Tennessee Beautiful contributed funds to have the receptacles delivered to the participating marinas in Tennessee.

According to Gibi the response from marinas has been overwhelming. She anticipates an additional 300 receptacles will be installed with help from a \$5,000 Cigarette Litter Prevention Program from Keep America Beautiful. The Jackson County Park Marina in Scottsboro, Alabama, was one of the first marinas to order the receptacles. Within just one week of installation, manager Carl Barns said they are already being used. "I've had several people say they liked them. We ordered them to try to keep butts off the ground and from going into the water. We want to have a clean site." The receptacles are scattered around the property, which accommodates boat slips, a boat ramp, boat rentals and sites for camping as well as cabin rentals.

While Keep America Beautiful will keep providing the free receptacles as long as supplies last, the art wrap makes money, and the art is one of the reasons marinas want the receptacles.

"Now that people see what they look like, marina owners keep following up asking how to get them and then when they will arrive. At first they thought it would just be boxes with some facts and not as pretty as they are. The graphic designer who is making them used to do graphic design for HGTV so the boxes are really nice and people are pleasantly surprised," Gibi said.

The next phase will be to provide the receptacles for boat ramps. Gibi said she thinks the group can produce just 24 units because these units must be larger, standing at 4 feet tall, to accommodate more users. The other factor to consider with the ramps is that there isn't staff on-site to empty the butts, but Gibi said she's already been approached by a Power Squadron member who wants to line up volunteers to empty receptacles at boat ramps.



ASSOCIATION of TENNESSEE VALLEY GOVERNMENTS

Association of Tennessee Valley Governments
Fall Meeting October 28th & 29th, 2019
Courtyard Marriott; Gatlinburg Downtown
865-436-2008

Sunday, October 27, 2019 (Eastern Time Zone)

- Casual Dinner for early arrivals – Depart hotel at 5:30 p.m.

Monday, October 28, 2019 (Eastern Time Zone)

Noon: Buffet Lunch in Courtyard

Program: 1:00 – 4:30

- Welcome Brad Warning; ATVG Board President
TVA Update Bert Robinson
Smart Energy & Energy Right Solutions for home, business & government Frank Rapley
Energy Savings Initiatives & Grant Opportunities for Local Governments Becky Ruppe
TVA Power Origination and Renewables Chris Hansen
Nuclear Energy Opportunities of the future (includes SMRs) Bob Morris
Tennessee Riverline Brad Collett

4:30 ATVG Board Meeting – separate agenda will be provided

6:30 Dinner at Park Grill (5 minutes from hotel)

Tuesday, October 29, 2019

- Breakfast on your own

9:00a.m. Great Smoky Mountains National Park Environmental Education Center
at Twin Creeks (12 minutes from hotel, scenic drive in the park)
Dana Soehn and Jim Renfro

10:30 a.m. Return to hotel

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: \$100.00 for members and affiliates; \$200.00 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



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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*