

Response to TVA Board Meeting of August 24, 2023

Tennessee Valley Energy Consumers Group

www.tvecg.com

August 25, 2023

BackGround Information

- Link to TVA Press Release
 - [TVA Plans to Invest \\$15 Billion Over the Next Three Years to Meet Region's Growth](#)
- Link to TVA Board Presentation
 - [TVA Board Meeting August 24 Presentation](#)
- TVECG Notes to follow are indexed to the slide numbers in the TVA Presentation

Tennessee Valley Energy Consumers Group

- TVECG was founded in 2023 for the purpose of providing input to the 2024 TVA Integrated Resource Plan
- The objective of TVECG is reliable energy at least cost to consumers.
- The sources of energy are not only electricity supply but also include energy efficiency improvements and consumer solar which may or may not be grid connected.
- TVECG welcomes all participants and diverse opinions. Join us at www.tvecg.com

TVA Slides 11-13

- Request that the Board rescind the May 2016 declaration that portions of the Bellefonte Nuclear Plant site is surplus to TVA's needs.
- A recently completed study has determined that the best use for the property in the near term (5 years) and long term (10 years) would be new generation and energy storage.
- The Board did agree to rescind the surplus declaration.
- TVECG requests to see the recently completed TVA study regarding the future of the Bellefonte Site. TVA should be open and transparent with its plans.

TVA Slides 22-24

- Recommendation: 4.5% Base Rate Increase in FY24
- The justification for the rate increase is mostly the new plant construction in anticipation of higher load growth.
- The Board approved the items listed on Slide 24.
- TVECG questions the following items on Slide 24
 - The rate increase is based on new construction projects that are not yet approved and load growth rates that TVECG does not feel are realistic.
 - Construction permit applications are delegated to the CEO. TVECG believes that all major construction projects should be individually reviewed and approved by the Board based on need and least cost evaluations.

TVA Slide 26-28 Key Planning Assumptions

- TVA Load forecast projecting increasing growth (1.3% CAGR FY23-26, 0.6% 10-year CAGR)
- TVA said in press release that load is expected to double or triple over the next 30 years. This would require annual load growth in the range of 2% to 4%
- TVECG Response
 - We expect the FY 2023 load energy to be about the same or less than FY 2022 in spite of the very cold December weather. But still one month to go.
 - The higher growth rates are not likely. Such growth would drive electric rates much higher and incentivize consumers to implement energy efficiency and consumer solar.

Slide 29 Rate Forecast

- Comparing the base rates for FY24 and FY25 it appears that TVA has already baked in an additional base rate increase of about 5% for FY25
- The fuel cost projections for FY24 and FY25 and FY26 are all less than costs in FY23 and FY24.
 - Given the on-going switch from coal to natural gas, new natural gas plants coming online both at TVA and other utilities, and the purported load growth combined with volatile natural gas prices make it much more likely that fuel prices will substantially increase.
 - It is much more likely that fuel costs will increase substantially over the next years. Since fuel costs pass directly through to consumers, it is a big concern for us but TVA not so much.

TVA Slide 32

- This slide shows coal production increasing from 12% to 14% while natural gas increases from 23% to 24% of the generation mix.
- TVA is spending big money to replace coal with natural gas but this slide indicates otherwise.

TVA Slide 36

- Slide 36 shows planned capital expenditures of \$15 billion over the next three years.
- About \$10 billion is for new natural gas power plants.

TVA Slide 37

- This slide shows the total financing obligations.
- Some years back TVA ran up the debt building nuclear plants that were not completed but in recent years has paid it down to about \$20 billion.
- With the planned \$15 billion in new expenditures, large base rate increases are required to stay within the \$30 billion legal limit.
- It is likely that additional increases in the base rate will be required beyond the two already included for FY24 and FY25
- There are many things that could go wrong to either blow up the \$30 billion cap or require big rate increases:
 - Load growth less than expected
 - Construction cost over runs
 - Construction delays
 - Issues at a nuclear plant beyond budget
 - Natural gas prices go crazy

TVA Slide 64

- TVA has budgeted about \$100 million of the capital budget of \$15 billion (that is less than 1%) for energy efficiency and demand reduction to produce the benefits shown in this slide.
- Since energy efficiency is a much better return on investment than the new natural gas plants, perhaps priorities are misplaced.

Discussion of Cheatham County Plant

- During the discussion of the capital budget, one of the Board members made the point that approving the capital budget does not mean that the start of any new construction projects is approved and that each project must come before the Board for approval.
- The CEO replied that this is correct but, using the Cheatham Plant as an example, TVA must go through the environmental process before seeking approval and this could take up to two years.
- TVECG strongly disagrees with this response. We believe that the justification studies must be completed and approved by the Board before spending money on the project.