

TVA Board Petition

This petition is to be presented to the TVA Directors at the listening session scheduled for August 23, 2023 by Tennessee Valley Energy Consumers Group. More information can be found at www.tvecg.com

This petition is a request from TVECG that TVA defer any additional commitments or decisions on construction of new natural gas power plants or pipelines until after completion of the TVA 2024 IRP studies and that subsequent decisions should follow the guidelines established by the IRP.

TVECG is confident that the TVA 2024 IRP will be developed in an open and robust manner. In order to provide informed comments on the IRP, TVECG is also conducting IRP model studies in parallel. The TVECG model studies, including data, methods, and results, are open to our members and we welcome all participants.

The objectives of TVECG are a reliable power supply at the least feasible rates to consumers and business. Fossil fuel power plant decisions, including natural gas, are often a trade off between the concerns of environmental advocates and impacted local communities versus the “greater good” for power consumers as reflected in reliable power and least cost electric rates. TVECG is concerned that TVA consumers are already over exposed to the supply issues and extreme price volatility of natural gas which brings into question the “greater good” argument.

The forecast is always for “plentiful low-cost natural gas” but the reality is very different. The current TVA rate structure places the fuel cost risk directly on consumers while the TVA management objectives include only non-fuel costs. The direct pass through to consumers of fuel costs while excluding fuel cost impacts from management objectives results in a misalignment of management objectives with consumer interests. The TVECG planning studies will have the objective function of minimum consumer electric rates.

The following slide was extracted from the TVA May Board presentation:

Power Supply Summary

59% of power from nuclear, hydroelectric, and other renewables provided stability against rising energy prices

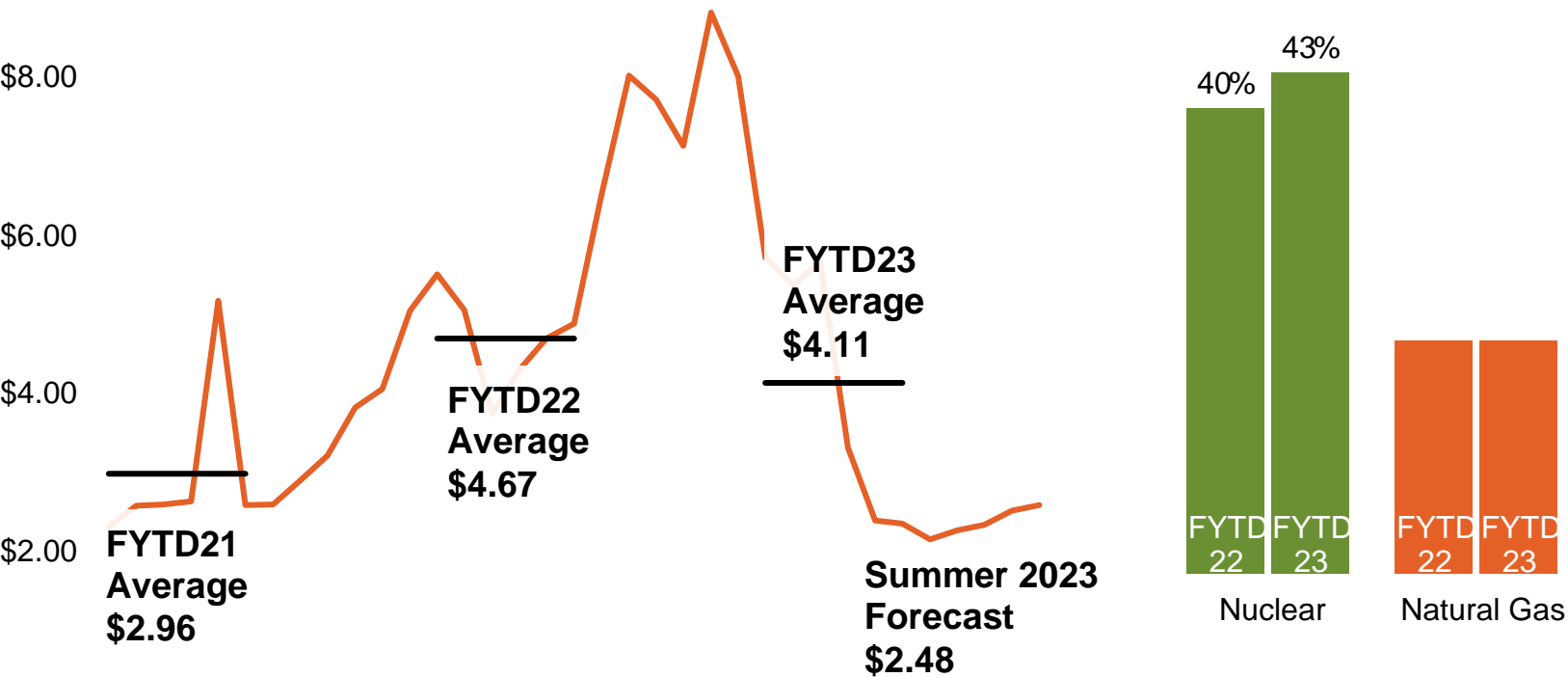
Natural Gas Prices

\$/mmBtu
FYTD23

Henry Hub Historical Prices

FYTD22





Notice that natural gas prices have varied from about \$2.20 to over \$9.00 during the past two years. In May the TVA forecast was \$2.48 but actual prices are now moving toward \$3.00 and expected to go higher for the winter heating season. Given that the natural gas supply is controlled by a few large players and that events anywhere in the world can influence both the supply and price, it is a reasonable expectation that the volatility will continue. But TVA suffers no consequences from the price volatility as it is passed direct to consumer power bills.

In summary, TVECG requests that TVA defer any additional commitments or decisions on construction of new natural gas power plants or pipelines until after completion of the TVA 2024 IRP studies and that subsequent decisions should follow the guidelines established by the IRP.