

PUBLICATION

Deadline Approaches for Comments on TVA's Integrated Resource Plan

November 12, 2010

The clock is ticking and we are in the final days for public comment on the Tennessee Valley Authority (TVA) draft Integrated Resource Plan (IRP) and draft environmental impact statement. The deadline for public comment was recently extended until November 15, 2010.

The IRP is a comprehensive study by TVA of alternative strategies it could use over the next 20 years to meet the future energy needs for the 9 million consumers within the seven-state TVA region. Over the last 18 months TVA has been involved in a series of open meetings and online exchanges concerning the IRP in an attempt to encourage the broadest possible participation by those most affected by TVA policy decisions. With the extension of the deadline, consumers and interested industry participants have only a few days left to express their opinions about the direction that TVA should take with respect to such critical factors as retiring or improving coal-fired generation plants, adding new nuclear generation facilities, adding new natural gas generation facilities, and increasing generation from solar, wind, biomass, or other renewable energy technologies.

TVA originally issued its Strategic Plan in May 2007 based upon market trends, national energy policies, rising fuel costs, and other changes not anticipated in prior TVA planning. The plan was in furtherance of TVA's mission to improve the quality of life within the region in three key areas: energy, environment, and economic development. Since adoption of the Strategic Plan, new national emphasis has been placed upon reliability, renewable energy, low-emission generation technologies, and energy efficiency and conservation. Recent issues with respect to TVA coal-fired generation facilities in East Tennessee have added urgency to TVA's plans to diversify generation sources and reduce reliance upon this traditional source of energy production (which just five years ago accounted for over 60 percent of TVA's production capacity).

The IRP defines a series of five options that TVA is considering to meet increasing energy demands, including relative rankings among the options with respect to financial components such as revenue/capital requirements (PVRr), short term rates for electricity, and risk/benefit with respect to environmental and economic development components such as impact on air, water, and waste, total employment, and growth in personal income. The IRP metrics indicate that any changes made by TVA should be focused on increasing energy efficiency/demand response and diversifying its generation portfolio, while reducing reliance upon coal-fired facilities.

While federal and state programs have recently encouraged economic development in the solar industry, the IRP clearly indicates that alternative energy sources play a very minimal role in any of TVA's plans for the future (with the vast majority of the electricity generation from these alternative energy sources resulting from payments by TVA to out-of-state wind generation facilities). Given the recent investments under the Bredesen administration in Tennessee to position the state as a new "silicon valley" for the solar industry and the push to energize local economic development (as opposed to financing development of generation facilities in other jurisdictions), comments from alternative energy producers in the TVA area will be critical in convincing TVA to increase the contribution of sustainable energy resources located in Tennessee.

The most persuasive comments will probably (i) focus on ideas and preferences that are consistent with and reference TVA's mission to improve the quality of life within the Tennessee Valley in the three key areas of

energy, environment, and economic development and (ii) concentrate on the positive economic impacts of increasing sustainable energy resources located in Tennessee within TVA's portfolio.

Baker Donelson's Solar Initiative is made up of attorneys from across the Firm's practice areas who assist clients with solar issues ranging from public funding and incentives and venture funding, to contracts, real property, financing, tax, regulatory negotiations and construction issues.

For assistance with any solar industry issues, contact your Baker Donelson attorney or any of the attorneys on Baker Donelson's Solar Initiative team.