



Southern Renewable Energy Association

P.O. Box 14858, Haltom City, TX 76117

August 19, 2019

TVA Board of Directors
Board Services
400 West Summit Hill Drive WT 7
Knoxville, TN 37902

Dear TVA Board of Directors,

The Southern Renewable Energy Association (SREA) is a trade group representing major renewable energy development companies. We have engaged in TVA's 2019 Integrated Resource Plan (IRP) since the beginning of this process. The current IRP suffers from significant deficiencies that put TVA ratepayers at risk of higher energy prices and potential stranded costs as conventional generation resources become even more uneconomic compared to renewable energy. The Final IRP will be discussed at the next meeting of the TVA Board of Directors. SREA encourages you to reject the current IRP and instruct TVA staff to immediately issue a 4,000-megawatt request for proposals (RFP) for renewable energy resources.

Renewable energy resources, including solar energy and wind energy, are the lowest-price new generation resources available. SREA provided feedback in the TVA IRP process showing that significant renewable energy resources would be available to TVA potentially around \$30 per megawatt-hour (\$30/MWh). TVA Staff assumed solar power prices of roughly \$40/MWh and wind power prices of over \$80/MWh – more than double the cost of current market offerings. TVA Staff justified its higher assumptions by stating that “For wind energy, 11 of the 89 parameter values compared (or 39 percent) were consistent” with a consultant’s performance assumptions and pricing values; but, 11 out of 89 values is only a 12 percent match, not 39 percent, indicating TVA Staff’s assumptions are substantially divorced from its own consultants.

In TVA Staff’s thirty cases, no case selected any wind power. Recognizing the significant deficiency, TVA ran a sensitivity for wind energy at \$40-\$50/MWh (still higher than current market offerings). This new sensitivity selected approximately 4,200 megawatts of wind energy, of which 1,800 megawatts was selected as early as allowed. Adding significant wind energy resources, soon, would save the TVA system approximately \$330 million, based on TVA Staff’s own analysis (TVA IRPWG Presentation, May 2019, Slide 39). These results are similar to TVA’s 2015 IRP, which showed the significant benefits of adding renewable energy resources. Unfortunately, the 2015 IRP was not adequately implemented.

TVA created many positive news article headlines by citing significant planned renewable energy procurement; however, TVA Staff prohibited renewable energy purchases until 2023 in much of its IRP. Of the thirty cases run by TVA Staff, virtually no renewable energy is added for the next five years. Because TVA Staff have repeatedly explained that the IRP is meant to guide future resource procurement strategies, the IRP is the only way for the TVA Board to evaluate if TVA is operating competitively.

TVA is the only customer for renewable energy developers to sell power to. By restricting renewable energy procurement until 2023, overestimating renewable energy prices in forecasts and modeling runs, and opting to not fully implement an IRP when it shows significant renewable procurement (like in 2015 and various sensitivities in the new 2019 IRP), TVA Staff are effectively engaging in anti-competitive behavior.

Anti-competitive business practices are bad for TVA. Not only do anti-competitive business practices harm the region financially, it negatively affects the region's ability to attract new jobs. Many commercial and industrial customers are now requiring renewable energy as a prerequisite to siting new factories and businesses. Neighboring states like Georgia and North Carolina plan to add many thousands of megawatts of renewable energy in the very near term. The current 2019 IRP, if implemented as-is, would result in little to no new renewable energy generation added to the TVA system over the next five years. The Tennessee Valley risks losing out to its neighboring states, because of their pro-competition practices.

Based on the 2015 IRP and various sensitivity runs in this current IRP, it appears that approximately 4,000-megawatts of renewable energy resources could be added to the TVA system while reducing overall ratepayer costs between now and 2023. Issuing a request for proposals (RFP) for up to 4,000-megawatts of renewable energy resources would attract huge quantities of low-cost resources that the TVA Board of Directors could properly evaluate, and either accept or reject based on thorough cost benefit analyses.

The IRP is fraught with fatal flaws and codifies anti-competitive behavior. Our full comments are available at: <https://bit.ly/2YNMYwN>

SREA encourages you and the TVA Board of Directors to reject the 2019 IRP.

Sincerely,

A handwritten signature in black ink, appearing to read "Simon Mahan", is written over a light gray rectangular background.

Simon Mahan
Executive Director
Southern Renewable Energy Association

CC: TVA Board of Directors, Jeffrey Lyash