



STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
NASHVILLE, TENNESSEE 37243-0435

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COMMISSIONER

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May 4, 2020

Via Electronic Mail to mshigdon@tva.com

Attn: Matthew Higdon, NEPA Program
400 West Summit Hill Drive, WT-11B
Knoxville, TN 37902

Dear Mr. Higdon:

The Tennessee Department of Environment and Conservation (TDEC) appreciates the opportunity to provide comments on the Tennessee Valley Authority (TVA) Power Supply Flexibility *Draft Environmental Assessment* (EA), which considers potential impacts associated with providing flexible power generation options to TVA Local Power Companies (LPC) that have entered into Long-Term Partnership (LTP) agreements. TVA is proposing to provide enhanced power supply flexibility to LPCs within their respective Power Service Area (PSA) that have entered LTP agreements with TVA. Under the terms of the LTP resolution approved by the TVA Board of Directors in August 2019, LPCs that enter into an LTP agreement (“Valley Partners”) would be offered the option to generate a portion of their customers’ power requirements. Actions considered in detail within the Draft EA include:

- **No Action Alternative** –Under the No Action Alternative, TVA would continue to implement the LTP agreements and would continue to offer the FRP as a flexibility option until January 2021. To date, no FRP projects have been brought into operation. Valley Partners would continue to rely on TVA for their entire power requirements. The Valley Partners would have the contractual option to terminate their LTP agreements after October 1, 2021.
- **Proposed Action Alternative** – Under the Proposed Action Alternative, TVA would establish new agreements (“Flexibility Agreements”) with LPCs that are Valley Partners to provide power supply flexibility, based on the following principles:
 - Valley Partners could have flexible generation of up to five percent of their average total hourly energy sales over the last five TVA fiscal years (FY 2015 to 2019), converted to capacity basis with a minimum availability of one MW per Valley Partner. TVA would calculate each LPC’s average hourly wholesale load over the last five TVA fiscal years, multiplied by five percent. The calculated amount would never decrease for Valley Partners. A total of approximately 800 MW could be developed if all 154 LPCs across the Valley

participate and develop their maximum allowable capacity. The largest LPCs have potential flexible generation of 70 to 80 MW, while 24 small LPCs have potential flexible generation of the 1 MW minimum.

- Flexible generation would be distribution scale and located within the LPC service territory, except when circumstances such as restrictive siting can be demonstrated. Valley Partners would not be required to own or operate flexible generation assets themselves. LPCs could use a combination of different forms of generation.
- Flexible generation would be documented, metered, operated, and connected in a manner consistent with TVA standards. The Valley Partner would provide the location, fuel source, operating characteristics, and the maximum net capability of the flexible generators to TVA. TVA and Valley Partners would ensure the flexible generation projects are interconnected in a safe and reliable manner.
- Flexible generation would reduce monthly demand and energy billing determinants or would be treated in accordance with an economically equivalent crediting mechanism; generation would only serve to reduce the amount of power and energy that would have otherwise been supplied to the LPC by TVA, but TVA will remain obligated to provide the full power requirements of the Valley Partner. The flexible generation would reduce monthly wholesale billing determinants during the month of generation for the term of the Flexibility Agreement. The pricing of flexible generation would be the prevailing wholesale rate.
- Flexible generation would be consistent with TVA's Integrated Resource Plan (IRP) to ensure that TVA's carbon position is improved. Consistent with DER identified in the 2019 IRP, community solar, rooftop solar, co-located solar and battery installations, natural gas-fired generators, and high efficiency natural gas-fired combined heat and power projects would be eligible. Diesel-fired or coal-fired generation technologies would not be eligible, due to their omission from the Target Power Supply Mix identified in the 2019 IRP.

As long as Valley Partners adhere to the above principles and the contract, which is built around these principles, TVA would not oversee or have approval authority over the generation resources acquired or constructed by Valley Partners. TVA would not conduct additional site-specific review of new facilities.

TDEC has reviewed the Draft EA and provides the following comments:

General Comments

TDEC is encouraged to see TVA provide new options for Tennesseans to meet their individual energy needs, including on-site power generation for energy resilience and in support of local renewable efforts.

Energy

When designed intentionally for backup purposes, distributed energy resources (DER), combined heat and power (CHP), and microgrid projects can contribute to the energy resilience of critical community facilities such as hospitals, water/wastewater facilities, government buildings, prisons, nursing homes, and utility infrastructure which may experience disruptions due to natural and human-caused disasters.

The TVA and LPC response to recent tornado-related outages in Middle and East Tennessee was swift; however, the unprecedented level of damage caused certain customers, including critical fuel terminals, to be without power for over a week. TDEC encourages TVA and LPCs to provide technical assistance to end-use customers to deploy these additional measures in their communities. It will enhance the energy resilience of communities and promote energy security in Tennessee.

The current arrangement in Tennessee allows each LPC to set their own interconnection fees and processes. While this arrangement respects local control of LPCs, it at times presents challenges for end-use customers and impacts customers with smaller installations, as the interconnection processes are often inconsistent and sometimes cumbersome. In addition, the fees are sometimes prohibitively expensive, especially for residential installations. With the anticipated rise in DER deployments associated with the Flexibility Proposal, TDEC encourages TVA to work with LPCs to streamline interconnection processes and make interconnection fees reasonable and consistent.

Air Resources

TDEC concurs with the Draft EA that the emissions impacts would likely be minimal for both the construction and operation of smaller unit generation capacity. The inclusion of solar generation options also increases the use of renewable energy sources and potentially helps to improve air quality through lowered air emissions. TDEC encourages the Flexibility Agreements to consider the inclusion of provisions relating to the mitigation of fugitive dust and construction related emissions for any new generation capacity likely to be built at the direction of the LPCs and utilized in meeting their contracted consumption and or distribution commitments.

TDEC appreciates the opportunity to comment on this Draft EA. Please note that these comments are not indicative of approval or disapproval of the proposed action or its alternatives, nor should they be interpreted as an indication regarding future permitting decisions by TDEC. Please contact me should you have any questions regarding these comments.

Sincerely,



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cc: Kendra Abkowitz, PhD, TDEC, OPSP
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