

TVA Adopts Strategic Plan with emphasis on Energy Efficiency

Tennessee Valley Authority directors pledged in a long-range strategic plan adopted last month to make the nation's largest public utility a leader in energy efficiency improvements in the next five years. The initiative comes in response to suggestions from hundreds of TVA customers suggesting that the agency find ways to reduce power consumption and improve efficiency against forecasts of nearly 2 percent annual growth in electricity demand.

The strategic plan, approved by TVA directors meeting in Columbus, Mississippi, broadly out-lines the Knoxville-based agency's agenda for serving its 158 power distributors in seven Southeastern states and some 8.7 million customers over the next decade. "I believe in the history of TVA that this will go down as one of the key documents and a revolutionary turning event in the history of this organization," said TVA Director Don DePriest of Mississippi. Director Mike Duncan of Kentucky agreed, calling the plan "a great opportunity for us."

Nine public meetings generated more than 300 unique comments and suggestions. The plan is TVA's first since Congress restructured and expanded its board of directors. Just over half of the suggestions related to environmental issues. Under the adopted plan, TVA would "strive to be a leader in energy-efficiency improvements and peak power reduction in five years." Director Susan Williams praised the new language, saying the plan "needed a greater emphasis on energy efficiency and conservation."

"The TVA board did the right thing," said Stephen Smith, director of the Knoxville based Southern Alliance for Clean Energy. "We are hopeful that TVA will indeed focus on becoming a partner in innovation to help solve our energy problems." Exactly how TVA will accomplish this goal is unclear. The plan anticipates programs to create special electric rates based on time of use, new efficiency and "three-way partnerships between TVA, distributors and the end-use consumers." The objective is to "try to save one year's worth of growth, which is 500 to 700 megawatts, with energy efficiency and conservation." TVA President and CEO Tom Kilgore said. "And if we are able to do more than that, then it is a good thing. Because we can then retire some of our older coal units," he said of TVA's most polluting source of energy.

"Energy efficiency is the cleanest, cheapest, quickest and most abundant source of new energy," praised Jeff Barrie, director of Nashville nonprofit energy group Kilowatt Ours. Compounded over the next decade, greater operating efficiency could represent \$10 billion in saving to TVA, he said. Some layoffs could result, but he wouldn't say when or how many. Still, Kilgore said the agency will need to build a second nuclear reactor at the Watts Bar station in Tennessee and two reactors at the Bellefonte site in Alabama by 2019. Both projects are currently under study.

Kilgore also said TVA has no plans to add coal capacity until future direction of clean-air regulations becomes clearer. He said TVA has no plans to replace or overhaul its aging fleet of existing plants beyond the hydro-modernization program, which so far has yielded a 10-percent increase in generating capacity.

In the near term, Kilgore said TVA will be looking at additional intermediate-capacity combined-cycle natural gas facilities. He said by 2018 or 2019, TVA will need additional base load capacity to what could be provided by an advanced technology nuclear unit the NuStart consortium is proposing for the Bellefonte site.

Asked about why the plan makes no mention of expanding TVA's customer base, Kilgore said there are no plans to remove the legislative fence around TVA's service area, which limits where TVA can sell power.

Kilgore told employees he sees a bright future for electric power, even more so in light of concerns about global warming and increasing amounts of carbon in the atmosphere. "We've already taken significant voluntary steps to reduce the carbon intensity of our generating fleet, including the recovery of Browns Ferry Unit 1, power upgrades on Browns Ferry Units 2 and 3, and the hydro-modernization program.

"Moving forward, TVA will consider generation assets that are low or zero carbon-emitting resources. But other opportunities exist as well. The use of hybrid cars to replace gas-fueled cars will reduce carbon emissions even though they increase the use of electricity."

Now that the TVA Board has adopted the strategic plan, the real work begins as TVA executives and their management teams begin developing the detailed business plans that support the strategic plan.

The 2007 TVA Strategic Plan establishes areas of operational focus and strategic intent that will promote the Tennessee Valley region's continued growth and prosperity in the next ten years. "This is when we put our money where our mouth is, by taking action on what we've learned," Kilgore said.