Background for TVA Rate Change comments

- TVA's proposed Grid Access Charge (GAC) serves two purposes: to discourage energy efficiency and distributed energy resources (DER), and to perpetuate and expand a hidden subsidy to large industrial customers.
- TVA's proposed Rate Change will deliberately undermine the economics of solar for commercial & industrial customers – "The number of economic installations will decrease ~40%"
- https://www.tva.gov/Newsroom/Press-Releases/TVA-Opens-Public-Comment-Period-on-Environmental-Assessment-for-Proposed-Rate-Change
- **Comments due by April 9 to Matthew Higdon, mshigdon@tva.gov**
- Can send directly from our site: https://secure.everyaction.com/vM5Bjh_bskO2ZGG83AV9Hw2

- *excerpts from various TVA presentations to TVPPA…*

We Have Reached Alignment

- ☑ Distributed Energy Resources:
  - The market is changing
  - DER presents a threat to our business model
  - Current rates accelerate the issue
  - Change is needed with wholesale and retail rates, and we need to move together

Move Together

- ☑ A change in load, should result in:
  - A change in revenue, which
  - Should equal the corresponding change in cost

Rate Alignment

[sic]

Benefits of Rate Restructuring

Essentially ALL "normal" large commercial customers would benefit economically from some amount of on-site solar installations

-Based on reasonable assumptions (cost of solar & current rates)

Recommended Rate Restructuring Benefits

- The number of economic installations decrease by ~40%
- Loss of fixed cost recovery is minimized by more than 50%

Changes at retail reduce of uneconomic DER penetration across the Valley

Changes at wholesale minimize cross-subsidies between LPCs

Modest reductions in rate levels and changes in structure dramatically reduce the risk of stranded cost and cost shifting

Market Demand –
Commercial & Industrial Renewable Energy Goals

RE 100

- Committed to 100% renewable electricity
- 87 companies to date

Walmart, Starbucks, GM, Google, Nestlé, MARS, Unilever

Stated Renewable Energy Goals

- Publicly stated renewable energy goals, but not RE100 commitment

amazon, Cargill, DOW, 3M, CATERPILLAR, WM Waste Management

BUSINESS RENEWABLES CENTER

- Committed to accelerating procurement of wind and utility-scale solar energy
- 160+ members

FedEx, Sprint, GM, Johnson & Johnson, Lockheed Martin

REBA

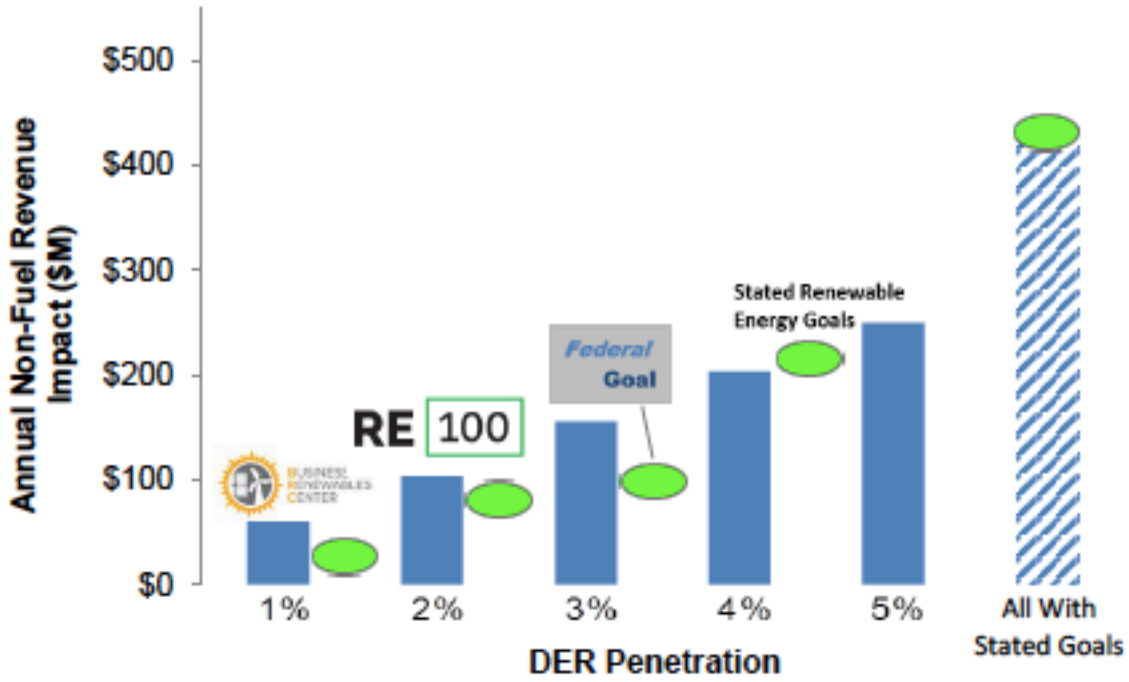
- Goal of growing corporate demand for renewables
- 58 signatures to date

Target, McDonald's, Unilever, Nestlé, 3M, Hilton Worldwide, DuPont

Companies are committing to renewable energy and they want to partner with utilities to develop solutions

- We consider this progress…

Potential Revenue at Risk



- Among the subset of customers identified, non-fuel revenue loss could be up to $500 million.
- While not all of these customers will choose to bypass, this population does not include all customers.

- …They consider it lost revenue.

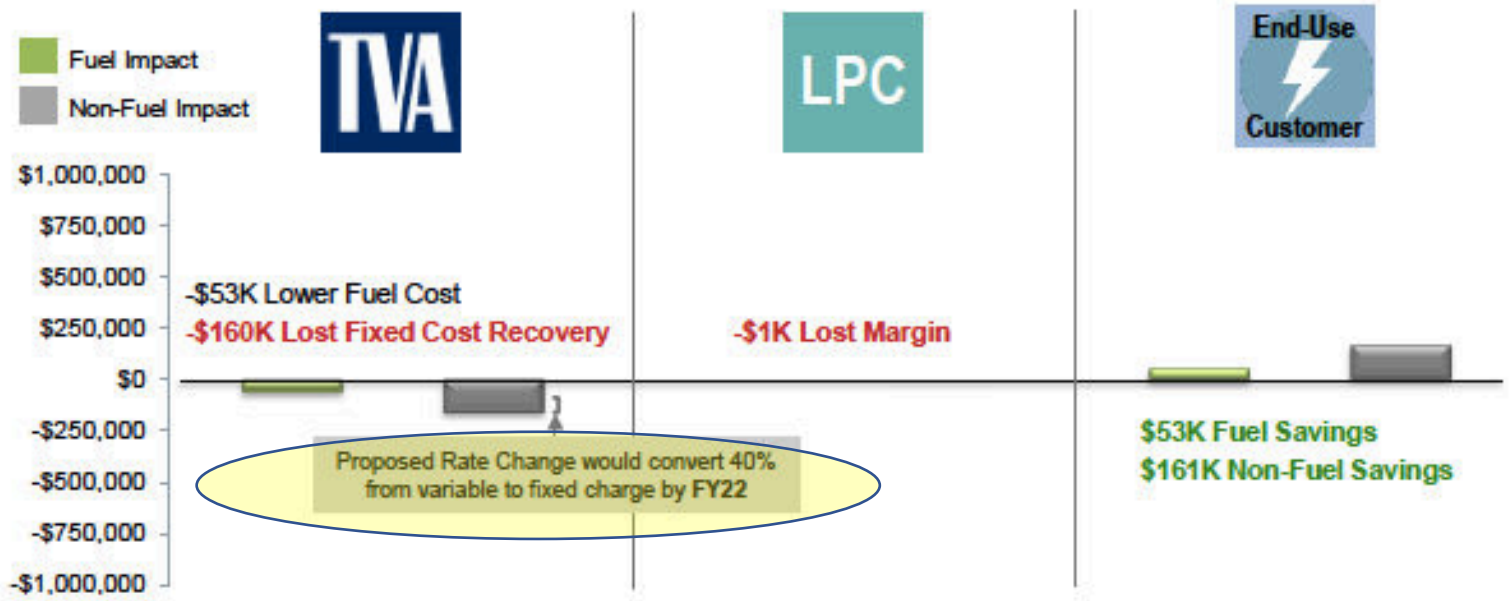
Current Example - Solar

Solar Array for a GSA3 Customer

GSA3 Rate: 1-5 MW contract demand, LPC standard service billed

- 1,500 kW max output solar array
- 3,000 kW peak annual demand – customer

Illustrative
Max benefit assumed
(current pricing)



Immediate beneficiaries are end-use customer and developer; minimal LPC margin impact
Mid/long term – lost fixed cost recovery will be reallocated to all customers

- Their "solution" is to convert a substantial portion from variable to fixed charge.

Current Example Summary

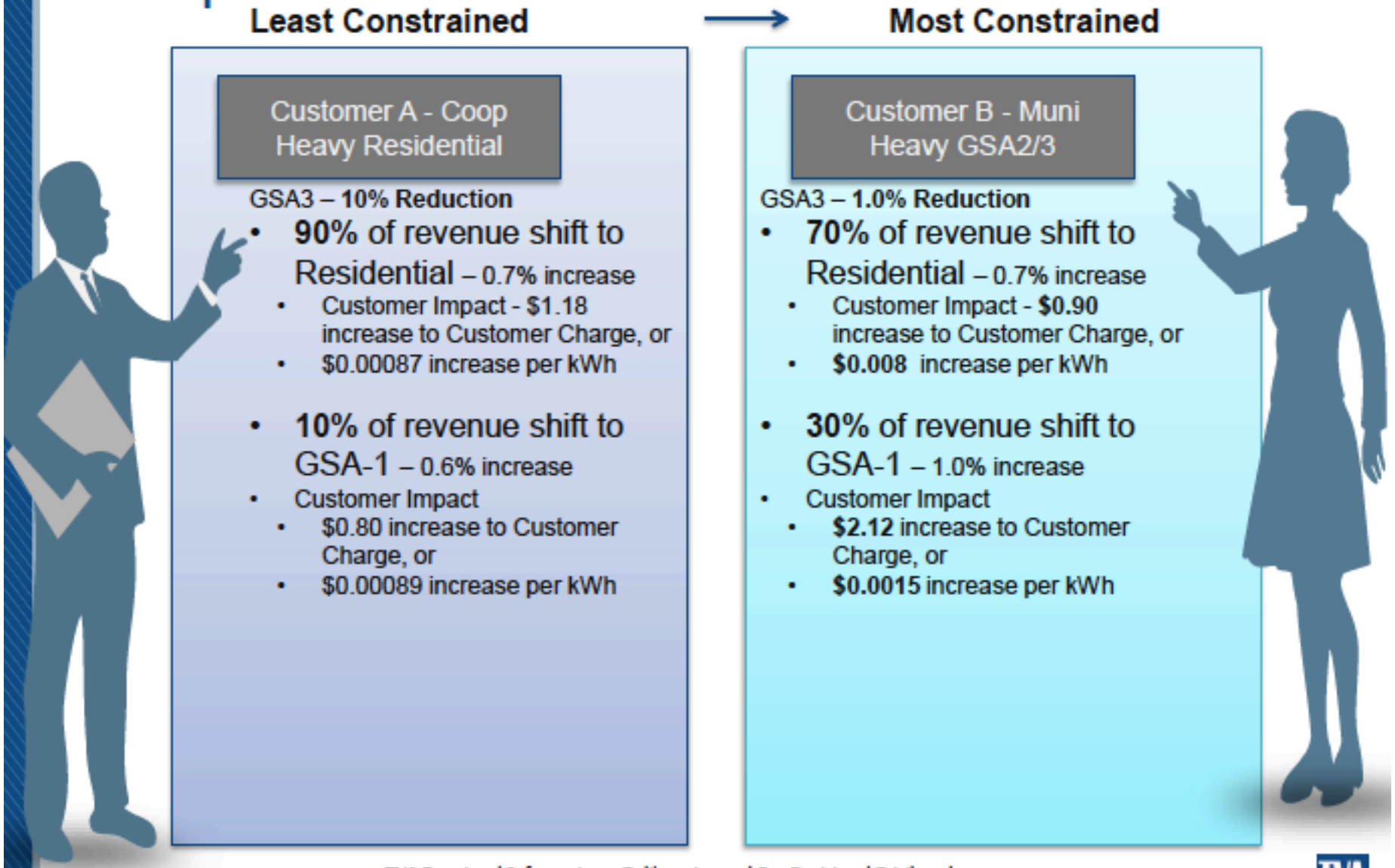


Lost Fixed Cost Recovery - Current Rate Structure			
DER Scenario	TVA/ Valley (000's)	LPC (000's)	End-User (non-fuel savings) (000's)
Solar	($160)	($1)	$161
Lighting	($450)	($83)	$532
CHP	($627)	($193)	$820

Lost Fixed Cost Recovery - Proposed CTC Rate Structure 2022			
DER Scenario	TVA/ Valley (000's)	LPC (000's)	End-User (non-fuel savings) (000's)
Solar	($96)	LPC & End-Use impacts depend on local retail rate changes	
Lighting	($270)		
CHP	($376)		

- The revenue risk is not shared equally by the LPCs.

Spectrum of Redesign Illustrations Option 3



- "Revenue Neutral" to TVA implies additional "revenue shift" between customer classes at retail.

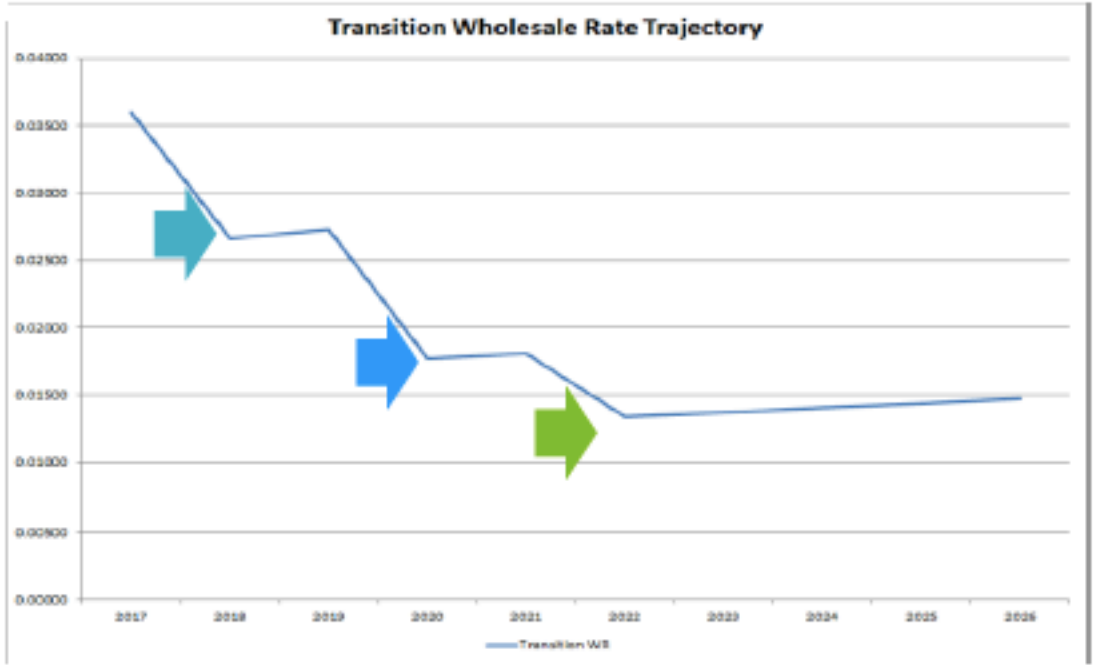
Wholesale Pricing Roadmap

Transition Wholesale Rate Trajectory

2018 Energy charge reduction of $0.01

2020 Energy charge reduction of $0.01

2022 Energy charge reduction of $0.005 or equivalent demand charge reduction



The wholesale pricing roadmap proposal is to continue lowering wholesale rates closer to costs and continuously monitor for potential mid-course corrections

Presented November 3, 2016 Rates & Contracts Committee

- **TVA's end game is $0.025/kWh by 2022 – starting with $0.01 this year (2018).**
- *Once this "rate change" (structure) is accepted – others could proceed as a "rate adjustment"*

TVA Restricted Information – Deliberative and Pre-Decisional Privileged

Comments due April 9

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cleanenergy.org
Southern Alliance for Clean Energy

With TVA's proposed rate change, the average electricity customer could likely pay, in total, over $350/year before they even flip a switch ($29.24/month).