

# THE DANGERS OF TVA'S PLOY FOR MEMPHIS

## *TVA's fantasies versus facts*

After years of over-paying for power, Memphis is finally on the verge of giving notice to end its contract with the Tennessee Valley Authority, in favor of switching to a lower-cost, environmentally cleaner and greener alternative. For decades, Memphis has been TVA's largest customer. But with billions of dollars on the table, TVA is pushing fear and false information in its desperate attempt to lock Memphis into a one-sided contract for decades to come.

*Memphis can save billions of dollars in the years ahead if MLGW leaves TVA for cheaper, cleaner and greener power.*

### **1. The TVA fantasy on cost savings**

TVA has claimed that -- rather than saving money -- Memphis would pay twice as much for power if it switches to another wholesale electricity provider.

#### **THE FACTS**

• TVA has offered no proof to back up this claim. Nine public, documented, expert reports have been published, all agreeing that Memphis could save money by leaving TVA. One of these reports was even commissioned by MLGW itself, and was done by the globally-respected Siemens Inc., which conducted a year-long study and review of the options available to MLGW if it decided to leaveTVA.

• These reports have found savings ranging from \$120 million per year to as much as \$450 million per year. This would equate to \$3 billion and \$9 billion respectively, over the next 20 years, in savings for Memphis.

## **2. The TVA fantasy on low electricity rates**

The TVA takes credit for MLGW having the sixth-lowest utility rates in the country. To entice Memphis to stay, they are offering a 3.1 percent discount.

### **THE FACTS**

MLGW may have low utility rates, but it's not because of TVA. MLGW combines its rates for electric, gas and water onto one bill. MLGW does not have to pay for high-quality drinking water from the Memphis aquifer; and this clean, pure water subsidizes TVA's relatively high electricity rates. For an honest comparison, we need to look TVA's power rates and those charged by other wholesale providers. On that count, TVA's rates are almost twice as high as those offered through MISO (a nearby energy market) -- and the gap is widening every year.

The TVA is trying to sweeten the deal for its customers by offering MLGW a 3.1 percent discount. But this amounts to roughly \$22 million per year or \$450 million over 20 years – a fraction of what Memphis would save by leaving TVA.

## **3. The TVA fantasy on stable future rates**

TVA's CEO has said that rates will remain stable over the next decade.

### **THE FACTS**

TVA probably won't be able to keep its rates stable over the next two decades, as it claims. An expert report from the Synapse Energy Economics analyzed many factors that will likely contribute to increased TVA rates, including: enormous costs for environmental clean-up and disposal of coal ash and spent nuclear fuel, rising staff expenses for its 10,000 employees (including a \$9 million compensation package for its CEO), ever-increasing costs to maintain its ageing fleet of nuclear and coal fired power plants, and the costs of servicing its whopping \$26-28 billion of debt.

By law, TVA has to raise its rates to cover its costs, which means they will pass those costs to its customers. Memphis, as 10 percent of TVA's customer base, will share about 10 percent of TVA's debt and other expenses. This could get worse if other customers defect. Decatur-based Volunteer Energy and North Georgia Electric Membership Corp have already solicited bids for alternate sources of power, and others may follow suit. If these customers leave, Memphis will be stuck with an even bigger share of TVA's rising costs.

## **4. The TVA fantasy on flexibility for Memphis**

The TVA is playing up the idea that it is offering flexibility for Memphis, for example giving customers the ability to generate some of their own power.

### **THE FACTS**

Under TVA's current offer, customers would be allowed to generate a maximum of 5 percent of their own power. In return, they would lock themselves into a never-ending, rolling contract with TVA for 20 years. In order to leave, Memphis would need to provide 20-years notice, and refund all the money saved with the 3.1 percent discount. In contrast, MLGW's current contract with TVA is for 20 years, with a 5-year notice to get out; there are no stranded investment penalty or claw-back provisions. Signing up for a long-term contract with TVA would mean trading a bad deal for an even worse deal – one that could never realistically be escaped.

So far, 142 TVA customers have locked themselves into this arrangement. MLGW is TVA's biggest customer, so we should be able to negotiate something better; but TVA is offering Memphis the same deal that it is giving all of its 154 other customers. Memphis deserves better; with a new power provider, MLGW can negotiate terms to more effectively meet its needs.

## **5. The TVA fantasy on environmental responsibility**

TVA is posing as an environmentally responsible actor, offering renewable energy.

### **THE FACTS**

A recent poll revealed that a majority of Memphians support greener power. However, solar, wind and energy efficiency comprise a mere 3-5 percent of TVA's power portfolio. Instead, TVA has an outsized dependence on dirty fossil fuels and dangerous nuclear power. TVA's power system creates pollution such as coal ash, nuclear waste, and other toxic by-products. Locally, coal ash at the Allen Plant and the possibility of drilling into the aquifer for power plant cooling water creates environmental risks for Memphis, and more reasons to leave TVA.

Multiple studies have shown that , once liberated from TVA, MLGW could source as much green energy as it would like – up to 100 percent if desired. By shifting to cheaper, greener renewables Memphis could dramatically cut greenhouse gas emissions and save money. Memphis could even generate its own locally-owned and controlled solar power.

## **6. The TVA fantasy on reliability**

The TVA has raised the specter that Memphis might face disruptions in electricity if it switches.

### **THE FACTS**

- **TVA has no reliability advantage over other providers like MISO (Midwest Independent System Operator), a nearby energy market. Cities like Detroit MI, Jackson MS, Little Rock AR, and Springfield, IL all get their electricity from MISO. MISO has 99.99 percent reliability rate, making the difference between TVA and other options insignificant.**

## **7. The TVA fantasy on economic development for Memphis**

The TVA has been touting its economic development benefits for Memphis.

### **THE FACTS**

- **TVA has neglected Memphis, in terms of jobs, community engagement and infrastructure investments. Even TVA's CEO has admitted this. Although Memphis is TVA's biggest customer, TVA is only offering to locate 100 jobs in Memphis -- Knoxville has ten times that many TVA jobs, while Chattanooga has 20 times that many.**
- **In terms of infrastructure investments, Memphis owns valuable infrastructure assets: the high voltage transmission loop, which TVA pays MLGW \$40 million per year to use. TVA's current offer of infrastructure "investment" is actually a move to swoop in to and steal this infrastructure out from under our noses, while making MLGW more dependent on TVA -- like all of the other TVA customers who do not have their own transmission lines.**