



September 30, 2021

Senate Majority Leader Chuck Schumer
United States Senate
S-221, The Capitol
Washington, DC 20510

Senate Minority Leader Mitch McConnell
United States Senate
S-230, The Capitol
Washington, DC 20510

Speaker Nancy Pelosi
U.S. House of Representatives
H-232, The Capitol
Washington, DC 20515

Minority Leader Kevin McCarthy
U.S. House of Representatives
H-204, The Capitol
Washington, DC 20515

Dear Leader Schumer, Leader McConnell, Speaker Pelosi, and Leader McCarthy:

I write on behalf of the Tennessee Valley Public Power Association (TVPPA) to express concerns with elements of the Build Back Better Act related to clean energy that create an uneven playing field for customers of the Tennessee Valley Authority (TVA) and the ten million end-use ratepayers in our region.

TVPPA is the regional trade group for the more than 150 local power companies – not-for-profit municipal and cooperative utilities across Tennessee, Kentucky, Georgia, Alabama, Mississippi, North Carolina, and Virginia – that are customers of TVA and distribute power generated and transmitted by TVA to end users. The TVA model is unique among the nation’s utilities, with a focus on reliable power at the least cost to consumers, and a demonstrated commitment to environmental stewardship.

For many years, our members have served under contracts with TVA that provided for the entirety of our resource requirements. While local power companies have recently been granted contract provisions allowing them to generate up to 5% of their load behind the meter, the vast majority of our resource mix is determined by decisions made by TVA and its Board, rather than by our members.

TVA and its customers have made great strides in decarbonizing the generation fleet that serves the Valley. In fact, TVA today is 22% below the national average for emissions and rates in the top quartile for carbon reductions nationally. TVA’s most recent Integrated Resource Plan demonstrates the agency is today at 65% below 2005 emissions levels, and intends to further reduce its emission profile to 70% below 2005 levels by 2025, and 80% below by 2035. These measures make TVA one of the cleanest utilities in the nation today and put the agency on track to make achievable improvements between now and 2035. Beyond that, TVPPA members and TVA are already working on “Valley Vision 2035,” which will result in emissions reductions beyond

80% below 2005 levels through the modernization of TVA's control center and the aggregate distribution system.

However, key provisions of the Build Back Better Act, as passed by committees in the House of Representatives and the U.S. Senate, would saddle local power companies with an obligation to add new clean resources at an arbitrary rate of 4% each year but would withhold from TVA – the entity on which local power companies would rely to make these investments – the very tools it would make available to all other utilities in the nation in order to finance these resources.

Specifically, the Clean Electricity Performance Program, as reported by the House Energy & Commerce Committee, lacks a mechanism by which local power companies can shift their compliance obligation to TVA. Further, without shareholders or plant owners from whom payments could be collected, local power companies have no choice but to recoup the costs of any penalties or compliance credits (should they become available) from anyone other than their end-use consumers.

TVPPA recommends including language that would address the circumstances of local power companies and other eligible electricity suppliers who do not control their resource mix, and to consider exempting utilities without shareholders from the penalty structure in order to equally protect our customers from potential costs. Further, utilities that reach a high degree of clean energy or who have a concrete plan to reduce emissions at a level equivalent to what would be required under the CEPP should be exempt from making payments, without punishment for backsliding in a given year.

What's more, the tax titles advanced by the House Ways and Means Committee and the Senate Finance Committees would both leave TVA unable to access valuable tax credits that would otherwise be made available to not-for-profit utilities for the first time. At a minimum, these bills should be amended to specifically include TVA as an entity eligible for direct pay credits.

TVPPA and its members are not opposed to congressional action to unlock resources needed to manage a transition to a cleaner grid. However, without these key changes the Build Back Better Act would leave TVA, its local power company customers, and ten million end-users in the southeast at a significant disadvantage to achieving the bill's climate goals.

Sincerely,



Doug Peters, President and CEO
TVPPA

Cc:

Senate Energy and Natural Resources Chairman Joe
Manchin III (D-WV)
Senate Energy and Natural Resources Ranking Member
John Barrasso (R-WY)
Senate Finance Chairman Ron Wyden (D-OR)

Senate Finance Ranking Member Mike Crapo (R-ID)
Senate Environment and Public Works Chairman Tom Carper (D-DE)
Senate Environment and Public Works Ranking Member Shelley Moore Capito (R-WV)
House Ways and Means Chairman Richard Neal (D-MA)
House Ways and Means Ranking Member Kevin Brady (R-TX)
House Energy and Commerce Chairman Frank Pallone (D-NJ)
House Energy and Commerce Ranking Member Cathy McMorris Rodgers (R-WA)

