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Press Release

EVA REPORT SLAMS TVA DECISION TO CLOSE COAL UNITS

Energy Ventures Analysis, Inc. ("EVA"), an energy market consulting firm based in Arlington, VA has issued a new report sharply critical of the decision by the Tennessee Valley Authority ("TVA") to close coal-fired units at the Paradise and Widows Creek power plants. TVA announced this surprise decision at a board meeting on November 14, 2013, where TVA's board approved a decision to close Paradise units 1 and 2, Widows Creek unit 8 and Colbert units 1-5. While the decision to close Colbert 1-5 was expected as a result of an April 2011 Compliance Agreement with the Environmental Protection Agency ("EPA")[1], the decision to close units at Paradise and Widows Creek came as a surprise, as there had been no previous public consideration of closing these units.

According to Mr. Thomas Hewson, a principal at EVA and the author of the new study "Flawed Decision by TVA: Economic Analysis of Closing the Paradise and Widows Creek Coal Units", the coal units at Paradise and Widows Creek were already compliant with the Compliance Agreement, having been equipped with wet scrubbers for removal of sulfur dioxide and selective catalytic reduction for removal of nitrogen oxides. These units faced additional investments to comply with the new Mercury and Air Toxics Rule ("MATS") for particulate controls, which are substantially less expensive than the previous environmental controls. TVA had already approved the budget for the new particulate controls for Paradise units 1 and 2 in August 2012.[2]

EVA's new study analyzes the cost to invest in the new emissions controls for Paradise and Widows Creek, compared to TVA's decision to retire these units and replace them with a new gas combined-cycle plant at Paradise and found that investing in the coal units would be substantially less expensive than building a new gas plant at a cost of $1.12 billion. EVA's report shows that Paradise 1 and 2 are the most economic fossil units on TVA's system, operating at capacity factors of 82% and 76% for the 12 months ended August 2013, which made them 2 of the 3 highest utilization plants on TVA's system.

According to Mr. Hewson: "TVA's Paradise plant is located in the heart of the West Kentucky coal field, next to the lowest-cost coal in the Eastern United States. The delivered cost of fuel to Paradise is just $2.33 per million Btu, far less than the cost of natural gas under any future scenario. The capital cost to invest in new particulate controls at Paradise and Widows Creek is less than half of the capital cost for the new gas-fired plant authorized by TVA. This will result in higher costs of power for TVA's ratepayers."

[1] Federal Facilities Compliance Agreement, Docket No. CAA-04-2010-1760
[2] TVA, November 2013 public board meeting presentation

Mr. Hewson's criticisms of TVA's decision include:

1) The decision to close the Paradise and Widows Creek coal units is not consistent with TVA's existing and approved 2011 Integrated Resource Plan ("IRP"). Any revised decision should be made only in the context of a new IRP where all of the factors can be properly considered.

2) TVA was not transparent in the decision process, conducting its analysis in secret without input from stakeholders. TVA has not disclosed the economic evaluation which led to this decision.

3) The cost to the ratepayers will increase due to this decision, with no apparent benefits identified by TVA.

4) TVA failed to consider the impact on the local community in West Kentucky, which is the source of coal for the Paradise and Widows Creek plants. The only 2 operating mines in Muhlenberg County, where the Paradise plant is located, supply most of their output to the Paradise plant. The loss of severance taxes alone would cost Muhlenberg County over $2 million annually.

5) The Commonwealth of Kentucky has the lowest retail power rates of any state east of the Mississippi River, in large part because over 90% of its power is supplied by coal-fired plants using inexpensive local coal. The replacement of coal with natural gas will hurt the state both by raising power costs and by the loss of jobs and tax revenues.

TVA is beginning the process of developing a new IRP.[3] In this process, EVA believes that it is essential that TVA evaluate all of the options for its generating fleet, including:

1) Investing in the emission control equipment needed to continue operations at Paradise units 1 and 2 and Widows Creek unit 8, instead of retiring these units.

2) Selling these coal-fired units to third-party merchant generators who would invest in the control equipment and sell the power back to TVA at a cost lower than building a new gas-fired power plant.

3) Considering the adverse socio-economic impacts on ratepayers and the West Kentucky coal region in any decision to close these power plants.

[3] TVA, October 18, 2013 IRP Statement