April 27, 2020

TVA received several questions via email during the public comment period on the Power Supply Flexibility Proposal draft environmental assessment. Responses are provided below:

1. *Please provide the analysis TVA used to determine that allowing local power companies (LPCs) to generate more than the proposed 5% cap would impose a high risk on TVA's financial plan.*

> TVA Response: The three to five percent power supply flexibility provided in the Long-Term Partnership Agreement was based on the degree of risk and revenue erosion that TVA could absorb without negatively impacting the strategic financial plan. The measured transition from no power supply flexibility to the levels in the Flexibility Proposal is intended to ensure the success of the strategic financial plan, protect the financial health of the Valley Partners, and provide detailed data from the operation of flexible power supply across TVA system. Please note that materials presented to the TVA Board of Directors in August 2019 provide details about TVA's strategic financial plan (click here for link). Slides 72 through 86 address the FY 2030 Strategic Financial Plan, including a summary of financial statements that assume no long-term partnerships.

2. *Please provide the caps in total MW for each LPC.*

> TVA Response: The analysis in support of the EA was done on the aggregated 800 MW rather than on the individual allocations for each LPC. Approximately 800 MW could be developed if all 154 LPCs across the Valley participate and develop their maximum allowable capacity. The largest LPCs have potential flexible generation of 70 to 80 MW, while 24 small LPCs have potential flexible generation of the 1 MW minimum.

3. *Since TVA uses discounted capacity values for intermittent resources in its IRP, is there a plan to use these same capacity values when counting solar resources against each LPC's capacity cap? Or will 100% of solar's nameplate capacity be counted against each LPC's capacity cap?*

> TVA Response: Under the Flexibility Proposal, an LPC's average hourly wholesale load over the last five TVA fiscal years is multiplied by five percent. The calculated amount is the amount of nameplate power supply flexibility available to the LPC. Discounted capacity values were not applied to capacity installed under the proposal analyzed in the draft EA.

4. *What capacity factors were used for each resource type to assess Scenarios 1-3 as described in the Draft EA?*

> TVA Response: Capacity factor by resource type was not a component of the analysis of the three development scenarios and the no action alternative described in the Draft EA.

5. *What is meant by stating that "the pricing of flexible generation would be the prevailing wholesale rate" on page 2-2? If an LPC chooses to implement flexibility through a net metering program, are they required to pay distributed solar generators the TVA wholesale rate for what they generate or can an LPC set its own net metering rates?*

> TVA Response: The Flexibility Proposal is a wholesale power arrangement between TVA and the Valley Partners. The quoted phrase refers to how TVA would compensate the Valley Partners for power generated under the Flexibility Proposal. The Flexibility Proposal does not address how

the LPCs would implement any associated retail power arrangements with their end use customers.

6. Stand-alone batteries are not listed as either eligible or ineligible. Since batteries would not offset an LPC's energy needs, but could potentially offset an LPC's demand charges, are they considered within this program?

TVA Response: Standalone batteries would not be eligible under the Flexibility Proposal.