TVA Messages and Q&A

On Thursday, April 14, 2011 EPA will announce a Clean Air Act settlement with the Tennessee Valley Authority (TVA). The settlement will address 92 percent of TVA's coal-fired plant capacity and reduce emissions of nitrogen oxides (NOx), sulfur dioxide (SO2) and particulate matter. These pollutants are known to cause asthma attacks, bronchitis, heart attacks and other serious health effects. The settlement will also significantly reduce greenhouse gas emissions.

Top-line Messages

Investing in America's Clean Energy Future
TVA estimates the capital costs for new and upgraded state-of-the-art pollution controls required by this settlement to range from $3 to $5 billion – investments in cleaner air.

The settlement requires TVA to chart a path towards cleaner sources of energy by controlling, repowering or retiring 92 percent of its coal-fired system between 2011 and 2018.

In negotiating the agreement, TVA made a business decision to invest in cleaner sources of electricity – replacing older, more polluting and less efficient plants with natural gas, increasing sustainable energy investments and promoting energy efficiency.

Protecting Americans from Dangerous Air Pollution
EPA's settlement with TVA will protect the environment and health of millions of Americans and annually save up to $27 billion in health care costs by reducing harmful air pollution.

Uncontrolled releases of harmful air pollution like sulfur dioxide from power plants can affect breathing and aggravate respiratory and cardiovascular diseases, especially in sensitive populations like children and the elderly.

TVA will also spend $40 million to reduce greenhouse gas emissions and other pollutants through renewable projects such as hybrid electric charging stations and $8 million for a clean diesel and electric vehicle project for public transportation systems.

Addressing Environmental Justice through EPA Enforcement Actions
The communities near TVA's facilities will directly benefit from $350 million in cleaner energy investments designed to reduce harmful air pollution and increase energy efficiency. This settlement advances environmental justice by reducing pollution in overburdened communities and reducing energy costs for low income communities through significant investments in energy efficiency.

TVA is required to spend $240 million on energy efficiency initiatives including a Smart Energy Communities project that will focus on energy efficiency in low-income communities. TVA will also retrofit low-income housing with the most cost-effective energy efficiency technologies – reducing air pollution, energy use and saving residents money.

Key Qs and As

Q1 Why is this a landmark settlement?

A. TVA has one of the largest coal-fired systems in terms of megawatt capacity in the country. The settlement will reduce TVA's emissions by 69% for NOx and 67% for SO2 as measured by 2008 emissions.

This agreement requires huge reductions in air pollution with significant health benefits and requires installation of state of the art pollution controls. Beyond the significant benefits for cleaner air and the health of Americans from the hundreds of thousands of tons of pollution taken out of the air, the agreement sets a new standard for investment in cleaner energy:

- Big reductions in pollution from the oldest, dirtiest and least efficient plants
- A shift toward cleaner sources of energy
- Very big investments in energy efficiency, especially for lower income communities
- Investments in energy of the future – clean and renewable energy like waste heat recovery, solar, electric vehicle and hybrid electric charging stations, landfill gas capture.

Q2: How will today's settlement impact TVA's compliance with EPA's new air toxics standards and other clean air rules (e.g. utility MACT and transport rule)?

A. Today's settlement brings TVA into compliance with New Source Review requirements of the Clean Air Act. TVA still has to meet any new standards that may be set. Some of the actions required under this agreement will position them well to address future standards at many but not all of the units. The agreement specifically acknowledges, and TVA is aware, that compliance with this agreement does not guarantee TVA's compliance with any applicable federal, state, or local laws, including such future standards as the utility MACT. The compliance dates in this agreement, which extend beyond the proposed utility MACT compliance date for some of the units, should not be viewed as any type of signal regarding TVA's compliance obligations.

Q3. Won't rate payers end up footing the bill for this? How will that affect families in this fragile economy?

A. TVA has said that this settlement will not impact consumer electricity rates.

Q4. How many coal plants will be retired?

A. In negotiating the settlement, TVA made a business decision to retire 18 units on a schedule beginning in 2012. These units equal 16% of TVA's coal-fired system and represent some of the older and least efficient units in its coal-fired fleet.

Q5. How will TVA replace the capacity of its retired units?

A. TVA has made a business decision to modernize its fleet. Under the settlement, TVA is able to use emissions reductions from retiring coal-units to build up to 4,000 megawatts of new natural gas fired

power plants. TVA has also indicated that it may repower at least one of its units to renewable biomass.

Q6. Will this settlement have negative impacts on electricity reliability for TVA customers?

A. According to TVA, this agreement will not have any negative impacts on electricity reliability.

Q7. How would TVA be affected by EPA's proposed standards for cooling water systems at large power plants and factories?

A. This agreement does not change TVA's obligations to comply with any water requirements that apply now or may apply in the future.

Q8. What progress has been made in cleaning up the TVA Kingston Coal Ash Spill?

A. That clean up is proceeding.

An estimated 3.5 million cubic yards of coal ash has been removed from the Emory River. Dredging was completed on May 29, 2010 and the Emory River was reopened for navigation and recreation. Approximately 4 million tons of ash was transported and disposed at the Arrowhead Landfill in Perry County. The last load was shipped on December 1, 2010.