President’s Report

Reliability, Affordability, and Electric Demand. As I reflect on 2024 at your Cooperative, I want to touch on how these themes have and will continue to impact the Tennessee Valley Authority (TVA) and your Cooperative.

Reliability

Since the formation of TVA in May of 1933 through the TVA Act, TVA has provided reliable electricity to all or parts of seven-states that we refer to as the “Valley”. North Carolina, Georgia, Alabama, Mississippi, Tennessee, Virginia and Kentucky residents and communities have all grown, prospered and experienced a better quality of life thanks to the dependable generation and transmission of electricity by TVA. Throughout the 1970’s-2000’s, TVA had generation assets that produced enough capacity to not only meet the needs of the Valley but to take on additional demand for electricity.

The transition to more efficient houses and businesses and low population growth led to a decade in the 2010’s during which TVA made the business decision not to build additional generation capacity.

The Clean Air Act of 1990 imposed many requirements on the electric generation industry to reduce the amount of air and water toxins that are emitted from coal-fired generation plants. With concerns about global warming growing in America, the Environmental Protection Agency (EPA) put in place more stringent rules and regulations over the last few years that were aimed at forcing generation companies to close their coal-fired generation. The business decisions to close coal plants in America were made due to unrealistic emission control expectations and prohibitive compliance costs. As a result, TVA made the decision to start closing many of their aging coal generation assets, which reduced the overall generation capacity of TVA.

Today, TVA does not own enough generation capacity to meet the demand for electricity during extreme hot and extreme cold conditions in the Valley. TVA relies on the market and purchase power agreements with third parties to meet their electric demand needs during these periods.

Winter Storm Elliott in 2023 marked the first time in TVA’s history that TVA was forced to issue an order that called upon local power companies, like West Kentucky RECC, to reduce their load so that the TVA system could remain stable due to TVA’s lack of generation capacity and the unavailability of market power to meet the demand for electricity.

Affordability

The Clean Air Act and subsequent EPA regulations have driven up the cost to generate electricity. In addition to the regulatory side of costs, TVA is currently building several new generation plants to try to meet the demand for additional electricity and to rely less on third party power producers and purchase power agreements. Since the pandemic, inflation has driven the cost of doing business up at a rapid pace. As a result, TVA is adding generation capacity at a very expensive cost per MWh. Unfortunately, the combination of regulatory compliance and the cost associated with building new generation is going to increase the cost of electricity for all of us. Therefore, it is vital that we all continue to use electricity as efficiently as possible.

Electric Demand

Since the pandemic, the Valley has seen three times the population growth and economic development as the rest of the country. In addition to meeting the electricity needs of these new residences and businesses, TVA is also faced with meeting the growing electric demand for data mining, like cryptocurrency, and the move toward artificial intelligence (AI). AI uses a tremendous amount of electricity to power the computing needed to drive the technology. One AI data center can use as much electricity as the entire membership of West Kentucky RECC combined. America wants and needs to be a leader in hosting AI technology. TVA’s long-standing history of delivering reliable power at affordable rates makes the Valley a highly sought after location for these AI companies. TVA must continue to build new generation to keep up with the rapid electric demand growth brought about by these technologies and continued population growth in the Valley.