



COMMONWEALTH OF KENTUCKY
OFFICE OF THE ATTORNEY GENERAL

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ATTORNEY GENERAL

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VIA U.S. MAIL AND ELECTRONIC MAIL

Dr. Joe Hoagland
Vice President, Stakeholder Relations
Mr. Charles P. Nicholson
National Environmental Policy Act Project Manager
Tennessee Valley Authority
400 West Summit Hill Drive
Knoxville, TN 37902

Dear Dr. Hoagland and Mr. Nicholson:

I write in regard to Tennessee Valley Authority's (TVA) recent announcement that it will shut down the newest unit at Widows Creek Fossil Plant in northeast Alabama, all five units at the Colbert Fossil Plant in Alabama, and two units at the Paradise Fossil Plant in western Kentucky (collectively "Coal Shutdown Decisions"). In addition, I am inquiring about TVA's proposal to develop a draft Integrated Resource Plan (IRP) and a draft Supplemental Environmental Impact Statement (SEIS) that assesses the impacts of the scenarios proposed in the draft IRP. Please add this letter to the National Environmental Policy Act (NEPA) administrative record being compiled for the SEIS.

TVA needs to be more transparent in its decision-making given the drastic effects these resource planning decisions will have on ratepayers in the TVA service territory, including ratepayers in Kentucky that are my constituents. This is particularly vital given the ongoing NEPA process, as federal law requires public engagement throughout the process. Part of that NEPA analysis requires assessing the social and economic impacts on the affected areas. To date, I am concerned with the lack of transparency in the Coal Shutdown Decisions, as well as TVA's decision to hold only two NEPA scoping meetings related to its draft IRP and SEIS. Both of these scoping meetings occurred in Tennessee, notwithstanding the fact that TVA has a seven state service territory that includes Kentucky.



I. Coal Shutdowns

While media has reported the *fact* of the Coal Shutdown Decisions, the public has not been provided with any of the underlying reasons, much less any data or assumptions relied upon in support of the decisions. The TVA Board of Directors approved each of the Coal Shutdown Decisions and, therefore, I would presume that extensive analyses were performed regarding the impacts of these resource planning decisions on electricity costs, reliability and other issues. Therefore, please provide all studies, analyses, and documents, including workpapers in native format with cells intact, related in any way to the following:

Modeling/Forecasting

- Modeling scenarios (e.g. high gas price scenario, low gas price scenario, etc.) analyzed for the Coal Shutdown Decisions
- Any information about the nature of the modeling scenarios, including the type of model, the inputs used and the outputs that justified the Coal Shutdown Decisions
- Any carbon cost assumptions or imputations underlying the Coal Shutdown Decisions
- Gas price forecasts underlying the Coal Shutdown Decisions
- Renewable power pricing assumptions (e.g. hydro, solar, wind, biomass, etc.), including integration costs, underlying the Coal Shutdown Decisions
- Nuclear power pricing assumptions underlying the Coal Shutdown Decisions
- Stochastic modeling, including any modeling showing the expected effects of rate increases
- Load forecasts
- Customer and business growth forecasts
- Electricity demand growth forecasts
- Demand-side resource forecasts
- Distributed generation resource forecasts
- Other modeling assumptions underlying the Coal Shutdown Decisions

Replacement Capacity

- Decommissioning cost estimates associated with the Coal Shutdown Decisions
- Replacement capacity cost estimates associated with the Coal Shutdown Decisions
- Feasibility of new gas pipelines and interconnection infrastructure for repowering, refueling and/or replacement of units closed through the Coal Shutdown Decisions
- Reliability impact analyses associated with the Coal Shutdown Decisions, including studies regarding whether the TVA power system will exhibit an adequate level of reliability, as defined in the North American Reliability Corp. (NERC) Guidebook, and maintain the requisite operating reliability, i.e. the system's ability to withstand sudden disturbances such as short circuits, unanticipated loss of system components, or other contingency states after the Coal Shutdown Decisions

- Studies regarding what additional or future actions are needed to meet general reliability criteria set forth by the NERC
- Future incremental U.S. gas demand analyses
Cost and benefit analyses for fuel contracts, and the anticipated length of those contracts

Rate/Economic Impacts

- Rate impact analyses on a state-by-state basis associated with the Coal Shutdown Decisions
- Operation and maintenance cost impacts associated with the Coal Shutdown Decisions
- Risks of dependence on natural gas as a result of the Coal Shutdown Decisions or any fuel diversity analyses
- Economic development impacts associated with the Coal Shutdown Decisions
- Consumer impact analyses, including rate impacts on residential and small commercial customers

Other Analyses

- Analyses related to compliance with existing or potential environmental regulations, including without limitation Mercury and Air Toxics Standards (MATS) and Clean Air Act Section 111(d) standards for existing sources
- Analyses regarding the impact of the closure of the Paducah, Kentucky, Gaseous Diffusion Plant operated by the U.S. Enrichment Corporation (USEC)
- TVA's announced construction of a large combined cycle gas-fired plant in Muhlenberg County, Kentucky, and the ability to obtain fuel for that plant given the announcement by PPL Corp. to construct a similarly-sized gas-fired plant in that same county
- Any and all reliability risks which could be posed by entering contracts for purchased power from wind generation, in particular any such power which could be delivered via high-voltage direct current (HVDC) transmission lines; please include any studies regarding any costs TVA may bear for the construction of any other transmission facilities associated with the delivery of any wind-generated power

While I understand this is an extensive request, public disclosure of these materials will result in improved transparency and an opportunity for public review. TVA is a federally-owned corporation, and therefore the public deserves to have access to the analyses conducted regarding decisions like the Coal Shutdown Decisions, which affect the public interest and the livelihoods of all TVA customers.

II. IRP and SEIS

I have three requests related to the IRP and SEIS. First, please provide copies of all scoping comments received or make them publicly available on the TVA website. These

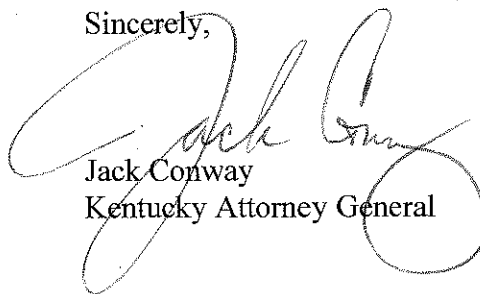
documents would typically be made available through www.regulations.gov, but it is my understanding that TVA does not use the docket folder functionality on this website. Therefore, please make these comments available for public review.

Second, I question whether a scoping period of only 30 days for the IRP and SEIS was adequate for such a significant and consequential proposal. I am very concerned by TVA's decision to hold only two scoping meetings and limit those meeting to locations in Tennessee. I respectfully request that the agencies hold additional scoping meetings, in Kentucky and all other states served by TVA, to allow for meaningful participation from potentially affected ratepayers. This would require reopening the scoping period, but it will also result in a more robust and transparent scoping process.

Third, TVA has stated that it decided to "refresh" its IRP due to "significant changes nationally and regionally," including: (1) "abundant supplies of natural gas from shale deposits"; (2) "a decline in electricity demand growth industry-wide and in the Tennessee Valley region"; (3) "a new schedule for completing Watts Bar Nuclear Unit 2"; and (4) "TVA's clean-air commitments to retire some less-efficient coal capacity by 2018." Please provide all studies, analyses, and documents related to these respective "significant changes."

Please provide these requested materials no later than January 17, 2014. In the interim, please do not hesitate to contact me or my staff with any questions or concerns.

Sincerely,



Jack Conway
Kentucky Attorney General

c: Governor Steven L. Beshear
Senator Mitch McConnell
Senator Rand Paul
Representative Ed Whitfield
Representative Brett Guthrie
Representative John Yarmuth
Representative Thomas Massie
Representative Hal Rogers
Representative Andy Barr