



March 3, 2024

**SUMMARY OF BILL:** Requires the Department of Economic and Community Development (ECD), in coordination with the Tennessee Public Utility Commission (TPUC), to develop a program and negotiate with the Tennessee Valley Authority (TVA), natural gas producers, and cooperatives for the installation and operation of three combustion turbine power plants with the intent to increase the state's electric generation capacity. Requires the program and associated agreements to provide funding to design, permit, and construct the plants, designate the state as the owner of the plants, designate the TVA as the responsible entity for the operation of, maintenance, and operational costs of the plants for a period of 10 years, allow for a cooperative to assume responsibility for operation of the plants upon the expiration of the 10-year period and transfer ownership of the plants from the state to the cooperative, coordinate and partner with the TVA, natural gas suppliers, and the cooperative to determine the design and set up permitting and construction activities for the program, and determine the most optimal placement of the plants.

Requires the program to further include a negotiated fee structure for the purchase of electricity produced by the plants for the 10-year period, prioritize the provision of routine and surge electrical generating capacity. Requires ECD to coordinate and negotiate with TVA, natural gas suppliers, and cooperatives so as to begin obtaining necessary authorizations by January 1, 2025 and to begin operation of, and supply of electricity from, the plants into the TVA's grid by January 1, 2027. Requires a joint resolution of the General Assembly for the program and any associated agreement approved by the Commissioner of Economic and Community Development to take effect.

**FISCAL IMPACT:**

**Increase State Expenditures –**

**Exceeds \$1,247,442,400/FY24-25**

**Exceeds \$276,400/FY25-26 and Subsequent Years**

**Assumptions:**

- Pursuant to Tenn. Code Ann. § 65-25-102(4), a cooperative, or cooperatives, means one or more nonprofit cooperative membership corporations organized under or otherwise subject to rural electricity and community services, including corporations operating in a state adjacent to this state.

- The capacity of each plant and the cost of land impacts the total construction, permitting, and maintenance costs.
- TVA’s smallest plant is 468 megawatts, or 468000 kilowatts, and the largest is 1133 megawatts, or 1133000 kilowatts.
- Based on the research by Fiscal Review Committee (FRC) staff, the average construction cost is \$512 per kilowatt of capacity to construct the average combustion turbine power plant.
- The cost to construct the average combustion turbine power plant in Tennessee can range from \$239,616,000 (468000 kilowatts x \$512 per kilowatt) to \$580,096,000 (1133000 kilowatts x \$512 per kilowatt).
- Land acquisition to construct the plants will be necessary. The smallest Tennessee combustion plant is on 137 acres and the largest is on 700 acres of land.
- For the purposes of this analysis, it is assumed the average cost will be \$409,856,000  $[(\$239,616,000 + \$580,096,000) / 2]$  to construct each power plant and that each powerplant will require an average of 419 acres  $[(700 + 137) / 2]$ .
- The average cost of land in Tennessee is \$14,000 per acre.
- It is estimated it will cost \$5,866,000 (419 acres x \$14,000) per plant in land acquisition.
- The proposed legislation requires a joint resolution of the General Assembly for the program and any associated agreement approved by the Commissioner of Economic and Community Development to take effect. It further requires ECD to begin coordinating efforts and obtain the appropriate authorizations to begin the design and construction by January 1, 2025 and begin operations by January 1, 2027. Therefore, the earliest costs will be realized is FY24-25.
- The increase in state expenditures due to plant construction is estimated to be \$1,247,166,000  $[(\$409,856,000 \text{ construction} + \$5,866,000 \text{ land acquisition}) \times 3 \text{ plants}]$  in FY24-25.
- Based on information provided by ECD, the requirements of the proposed legislation cannot be met within current resources. Therefore, additional personnel will be required.
- ECD will require two additional positions, one Project Administrator and one Project Manager, beginning in FY24-25.
- The total recurring increase in state expenditures is as follows:

<b>Title</b>	<b>Salary</b>	<b>Benefits</b>	<b>Operational</b>	<b># Positions</b>	<b>Total</b>
Project Administrator	\$114,000	\$26,521	\$21,000	1	\$161,521
Project Manager	\$74,000	\$19,885	\$21,000	1	\$114,885
				<b>Total:</b>	<b>\$276,405</b>

- The proposed legislation requires TVA to pay for the operational and maintenance costs, including the cost for gas required by the turbines, of the plants for a period of 10 years.
- The TVA is a federally created entity and operates on self-sufficient funding; therefore, the proposed legislation is not estimated to impact federal funding.
- Annual operations and maintenance costs are estimated to exceed \$20 per kilowatt for an average annual total of \$16,010,000 per plant  $[(468000 + 1133000) / 2 \times \$20]$ .

- Any additional expenditures to TVA will be passed along to consumers of electricity. This is assumed to be the case for such costs upon transfer of operations from TVA to cooperatives.
- The total increase in state expenditures is estimated to exceed \$1,247,442,405 (\$1,247,166,000 plant costs x \$276,405 ECD personnel) in FY24-25 and exceed \$276,405 in FY25-26 and subsequent years.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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