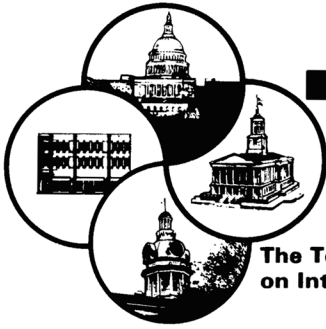




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MEMORANDUM

TO: Commission Members

FROM: Cliff Lippard
Executive Director

DATE: 31 January 2025

SUBJECT: Tennessee Valley Authority Payments in Lieu of Taxes—Annual Report for Approval

The attached commission report is submitted for your approval. The report responds to Public Chapter 475, Acts of 2009, which directed the commission to monitor changes in the wholesale distribution of electric power by the Tennessee Valley Authority (TVA) and its distributors for possible effects on the Authority's payments in lieu of taxes (PILOT) to the states in the Valley region, and to Public Chapter 1035, Acts of 2010, which made the report an annual requirement.

The 2010 law also requires payments equivalent to TVA's PILOT from any other entity providing wholesale electric current for resale within the state; these payments would be added to those received from TVA and distributed through the state's TVA PILOT distribution formula. The 2010 law was designed to ensure that revenue from power sales in the TVA region would not depend on who produced or who sold power.

As of December 2024, seven distributors in TVA's service area in Tennessee are purchasing portions of their power from entities other than TVA. Public Chapter 1035 allows these entities to claim credits against their PILOT-equivalent payments for other taxes paid to the state. Thus far, the credits claimed have exceeded the payments that would be owed under the 2010 law, and no PILOT payments have been required.

There are no recommended actions to be taken by the General Assembly. But for purposes of monitoring compliance with Public Chapter 1035, the commission finds it would be beneficial for TVA to provide the Tennessee Department of Revenue with a list of the distributors that are purchasing power from other entities, which could be

added to the information that TVA already provides the department annually about its payments to Tennessee.