



TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



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MEMORANDUM

TO: Commission Members

FROM: Cliff Lippard *Cliff*
Executive Director

DATE: 26 January 2023

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 are 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. For the first time since the law was enacted, some distributors in TVA's service area in Tennessee are purchasing a portion of their power from entities other than TVA. Tennessee Department of Revenue staff are working to clarify aspects of the 2010 law's implementation related to the required payments. As of January 2023, no payments pursuant to that law had been made to the state.

There are no recommended actions to be taken by the General Assembly in this year's report.