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S&P Tennessee Valley Authority In Review: How The TVA's Relationship With Local Power Companies Is Evolving

Key Takeaways

- Tennessee Valley Authority (TVA) provides power to 153 local power companies (LPCs), 17 of which are rated by S&P Global Ratings. In evaluating LPC credit fundamentals, we consider the profile of TVA's generating assets, fuel mix, wholesale rates, and fixed cost of power; key LPC enterprise attributes include residential bases, below-average income levels, and competitive retail rates.
- TVA's service area is delimited by the TVA Act, and the anti-cherry-picking provision provides a barrier to entry for other suppliers by preventing the use of the TVA transmission system to serve LPC load. Nevertheless, TVA's largest LPC, Memphis Light, Gas and Water (MLGW), which is located on the periphery of the authority's service area, is considering power supply options other than TVA. If MLGW were to leave TVA, this could lead to higher fixed costs for the remaining LPCs.
- We view TVA as a credit-supportive wholesale power provider to its LPCs, as evidenced by its offer of longer-term contracts at a discount, its goal of stabilizing wholesale rates, its efforts to provide financial and operational flexibility to the LPCs, and its provision of temporary power bill credits during the COVID-19 pandemic.

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