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AG STRANGE, ADEM DIRECTOR LEFLEUR ANNOUNCE MAJOR SETTLEMENT WITH TVA TO BRING NEARLY \$12 MILLION TO ALABAMA, AND RESULT IN SUBSTANTIAL ENERGY, ENVIRONMENTAL IMPROVEMENTS

(MONTGOMERY) – Attorney General Luther Strange and ADEM Director Lance LeFleur announced that a major settlement agreed upon today by the TVA is expected to bring about \$11.2 million to Alabama in projects to improve energy efficiency and reduce air pollution. The settlement will result in payment of \$500,000 in fines to the State of Alabama and significant shut-downs and reduced emissions at older coal-burning electrical facilities in North Alabama.

The Tennessee Valley Authority this morning agreed to the terms of a system-wide settlement with the States of Alabama, Kentucky, Tennessee and North Carolina. The settlement coincides with a federal facilities agreement between the TVA and the Environmental Protection Agency. For the settlement agreement to be enforceable it must be set in a consent decree that will have to be approved by the U.S. District Court for the Eastern District of Tennessee. In coming days, the States will file a complaint document along with the agreed upon consent decree which they will ask the Court to approve and enforce. In addition to the States and the two federal agencies, participants in this agreement are the Sierra Club, National Parks Conservation Association and Our Children's Earth Foundation.

"I am pleased that we have successfully worked together with our neighboring states and the federal agencies involved for a strong resolution to concerns over emissions from these older fossil fuel facilities," said Attorney General Strange. "This is a good agreement for everyone, moving us forward to more efficient and clean power generation and funding major environmental improvements in Alabama and the other states."

According to ADEM Director Lance LeFleur, "This represents the culmination of more than two years of effort by ADEM professional staff and attorneys and attorneys in the Attorney General's Office. ADEM will now begin working to develop parameters for projects in North Alabama that will result in cleaner air and improved health benefits for Alabama citizens."

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Overall, the agreement will result in immediate actions for additional emission reductions at TVA's 11-coal-fired power plants and the retirement of 18 older units at some of these plants. TVA commits to continue to reduce emissions at its 59 coal-fired power generating units by installing new or improved equipment. The 18 units to be retired include six units at the Widows Creek Fossil Plant in Jackson County, Alabama, as well as others in middle and eastern Tennessee. Additional controls to be placed upon units that remain in operation are expected to cost the TVA from \$3 to \$6 billion.

According to the TVA, it has already reduced its sulfur dioxide emissions by more than 90 percent and nitrogen oxide emissions by more than 86 percent from peak years, citing this as among the most significant emission reductions of any federal utility. TVA reports that it spent almost \$6 billion to achieve these earlier emission reductions and that it expects to spend about \$3 to \$6 billion more for additional controls to be placed upon units that may remain in operation.

In addition to these measures to reduce emissions, the TVA agreed to provide \$350 million for a variety of projects to help further reduce air emissions in the region. This includes funds for energy-efficiency, renewable energy and greenhouse gas emission reduction activities.

If approved by the Court, the agreement will settle and free TVA of claims for past actions and emissions, providing a clear slate for the utility to fulfill its pledge to move forward with the goal adopted by the TVA Board of Directors in August 2010 to become a leading provider of low-cost and cleaner energy by 2020.

The settlement would also result in the dismissal by the State of North Carolina of a lawsuit against TVA that alleged damage to its citizens' health and environment from emissions that were said to pass downwind to North Carolina. The U.S. District Court for the Western District of North Carolina ruled in North Carolina's favor on January 13, 2009. A subsequent ruling by the U.S. Court of Appeals for the Fourth Circuit overturned that decision, however. The State of Alabama had intervened in that appeal. The Fourth Circuit Court stated, among other things, that the District Court had inappropriately applied North Carolina's own law for emission reductions and deadlines against plants in the other States, thereby violating the defendant States' sovereignty. Under the settlement, North Carolina will let the Fourth Circuit ruling stand and will withdraw or dismiss the case, which is currently pending in the U.S. Supreme Court.

Attorney General Strange commended those involved in bringing this case to a successful resolution, noting in particular Assistant Attorney General Robert Tambling, chief of the Attorney General's Environmental Division, Assistant Attorney General Shawn Sibley of the Alabama Department of Environmental Management's Office of General Counsel, Environmental Engineer Manager Doug Carr of the Alabama Department of Environmental Management's Air Division, Assistant Attorney General Corey Maze who worked on the case as a former Solicitor General of Alabama, and Kevin Newsom, also a former Solicitor General for Alabama who represented the State of Alabama in the appeal of the North Carolina lawsuit.