



# Board Meeting

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August 27, 2020  
Knoxville, Tennessee



# President's Report

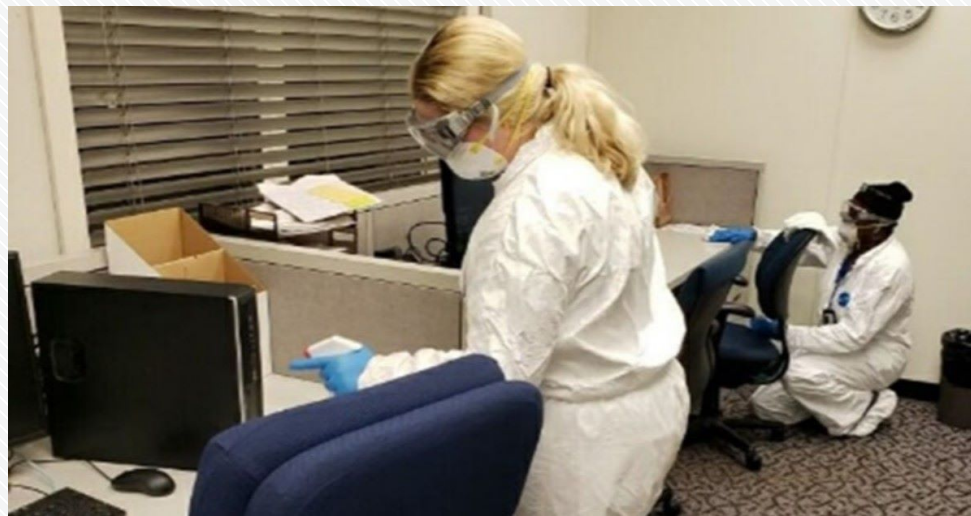
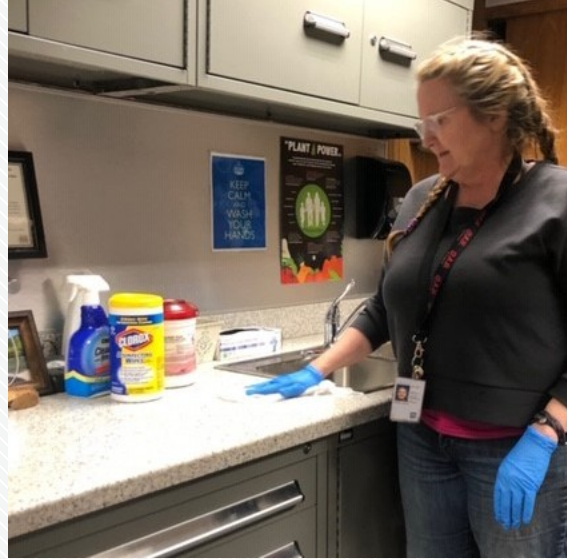
JEFF LYASH  
President and CEO

# Service

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## Our Mission

To serve the people of  
the Tennessee Valley  
to make life better.



# Partnership

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## Code of Excellence Program

Union-led, TVA-empowered initiative





# Partnership

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Nearly

**20% of Workforce  
are Veterans**

Experience, skills and commitment

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**Helmets to Hardhats**



# Partnership

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## Long-Term Partners

A key element in performance today and in the future.

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**141 LPCs**

Have Signed 20-Year  
Agreements, More  
Than 90% of LPCs

\*As of 8/3/20

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Almost  
**90%**

of TVA's  
Annual Revenues

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Multiple Benefits Including  
**Self Generation**  
**3.1% Bill Credit**

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Through June  
Total Bill Credits  
**\$108 Million**



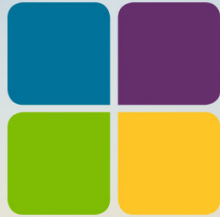


# President's Report

JEFF LYASH  
President and CEO

# Performance

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**FY2019**  
Sustainability Report

[tva.com/sustainabilityreport](http://tva.com/sustainabilityreport)



# Performance

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## Top Ranked

Among Peers For  
Employee Safety

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Purchased

**\$2 Billion**

in Products and Services  
from Valley Businesses

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Implemented

**340+**

Stewardship Projects

Employees Avoided

**\$1.6 Billion**

in Flood Damages

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Provided Education

Programs to More Than

**10,000  
Students**

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More Than

**60%**

Carbon-Free Generation

# Performance

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## Economic Development

TVA partners with local communities, customers and others to attract and retain good jobs and investments in the Valley.

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### Amazon

High-tech Fulfillment Center  
Near Memphis

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Over Past Five Years, More Than

**\$44 Billion**

Capital Investments

**350,000 Jobs**

Created or Retained

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### Recent

Batesville, Mississippi  
Cookeville, Tennessee  
Johnson City, Tennessee  
Graves County, Kentucky  
Fontana Village, North Carolina



# President's Report

JEFF LYASH  
President and CEO

# Performance

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Working with LPCs and Others To

## **Develop and Deploy New Technologies**

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New Construction of State-of-the-Art

## **System Operations Center**

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Exploring Potential of

## **Small Modular Reactors**

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Building a Culture of

## **Excellence And Innovation**

# Performance

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Reduced Annual  
Operating Costs

**\$800 Million**

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Retail Rates Lower Than  
**70 Percent**  
of Utilities Nationwide

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**Stable Rates**

Through This Decade

Reduced Debt to  
Lowest Level in

**30 Years**

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**99.999%**  
**Reliability**

for Past 20 Years



# President's Report

JEFF LYASH  
President and CEO



# COVID-19 Response

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**\$1 Billion**

of Credit Support to  
Local Power Companies

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Established

**Community  
Care Fund**

Providing

**\$2 Million**

in Matching Funds

**Regulatory Relief  
and Flexibility**

for Local Power Companies

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TVA and Employee Funded

**Employee  
Relief Fund**

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**Back-to-Business**

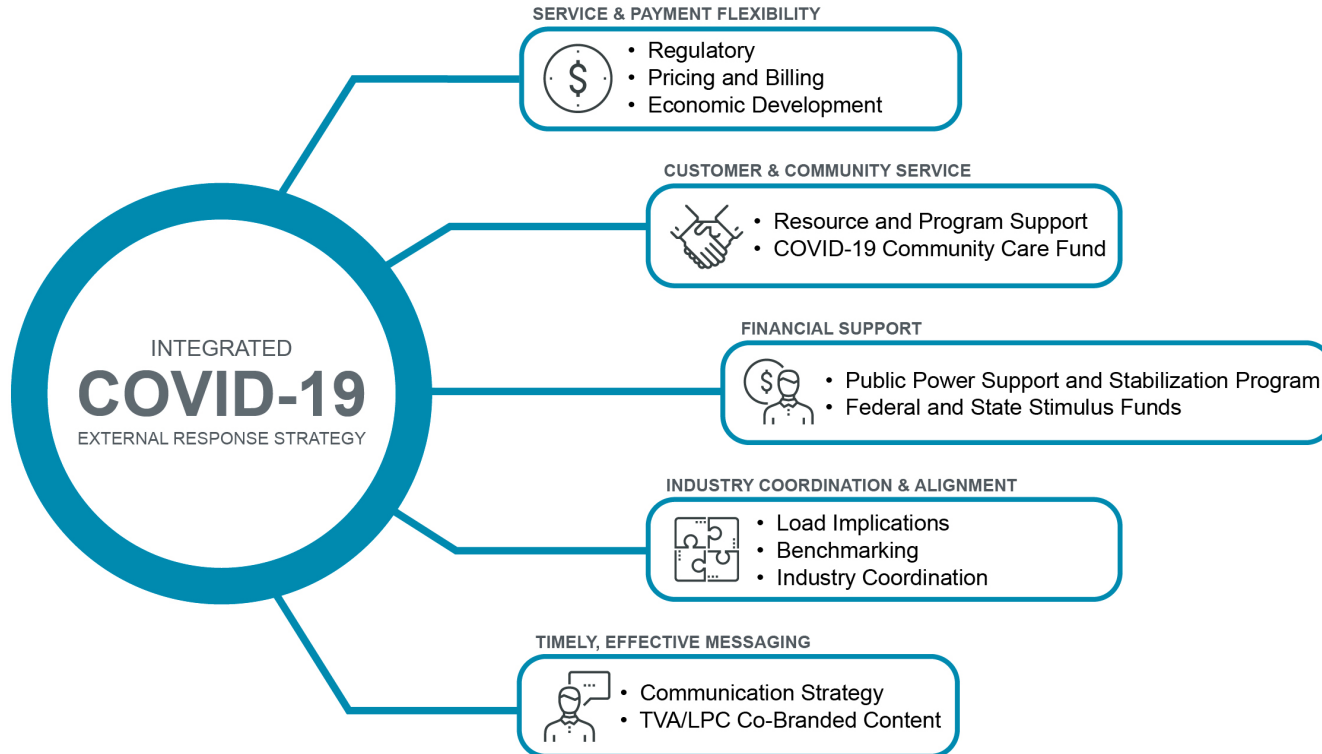
Incentive Program



# President's Report

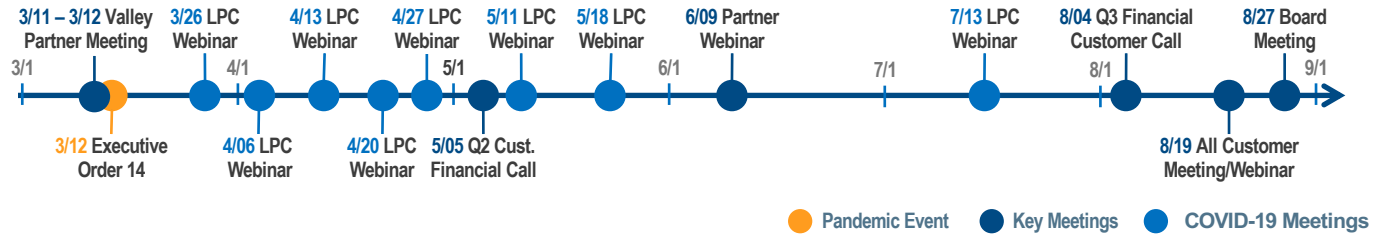
JEFF LYASH  
President and CEO

# COVID-19 External Response Strategy

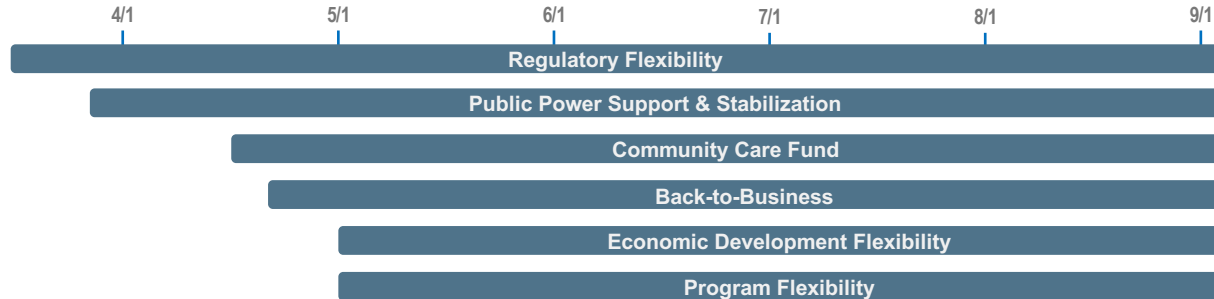


# COVID-19 Response Engagement & Timeline

## Pandemic Response Timeline



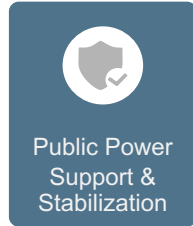
## Program Implementation Timeline



# Summary of COVID-19 Response to Date



Provided **flexibility and financial relief** to LPCs in support of End Use Customers



**\$1B credit support** available. Aided one LPC for **\$1M** in deferral support



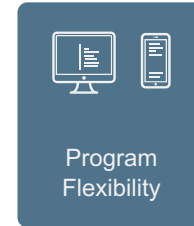
**295** approved applications with over **\$2M in TVA funds** provided to 200 non-profits, **Nearly \$4.5M in total impact**



**217** large customers requests totalling **\$7.6M** in credits provided



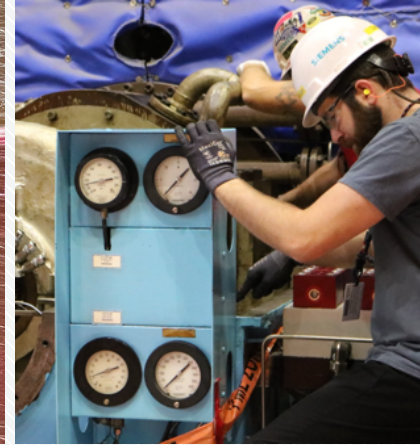
**37** customers benefiting from program flexibility provisions, totaling **\$5M**



EnergyRight® **virtual support** for residential and business & industrial customers

**Comprehensive Services Program** billing waived through Sept. 30<sup>th</sup> (**\$1.5M** in value)

Nearly **\$20M** in financial support provided to LPCs and communities across the Valley





# President's Report

JEFF LYASH  
President and CEO



# Board Meeting

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# Finance, Rates, and Portfolio Committee



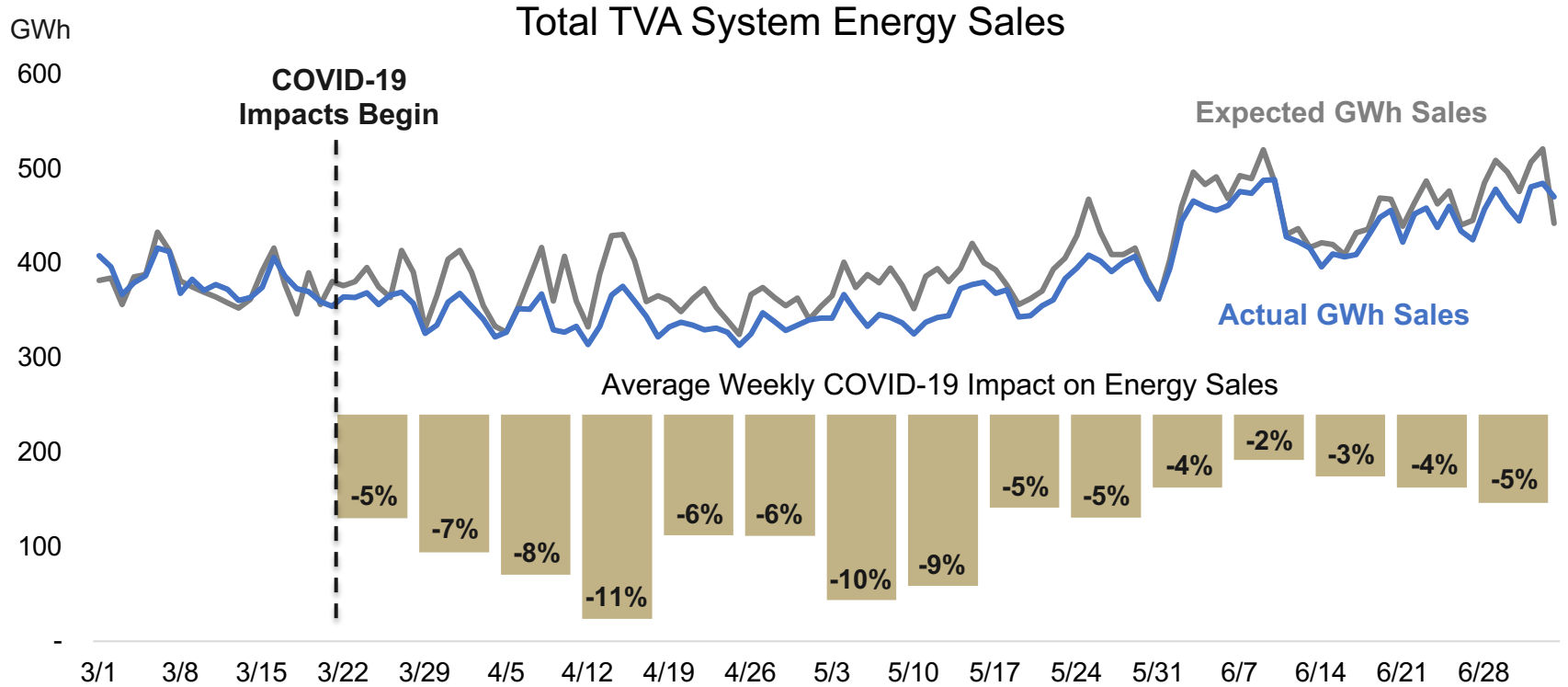


# Financial Outlook

JOHN THOMAS

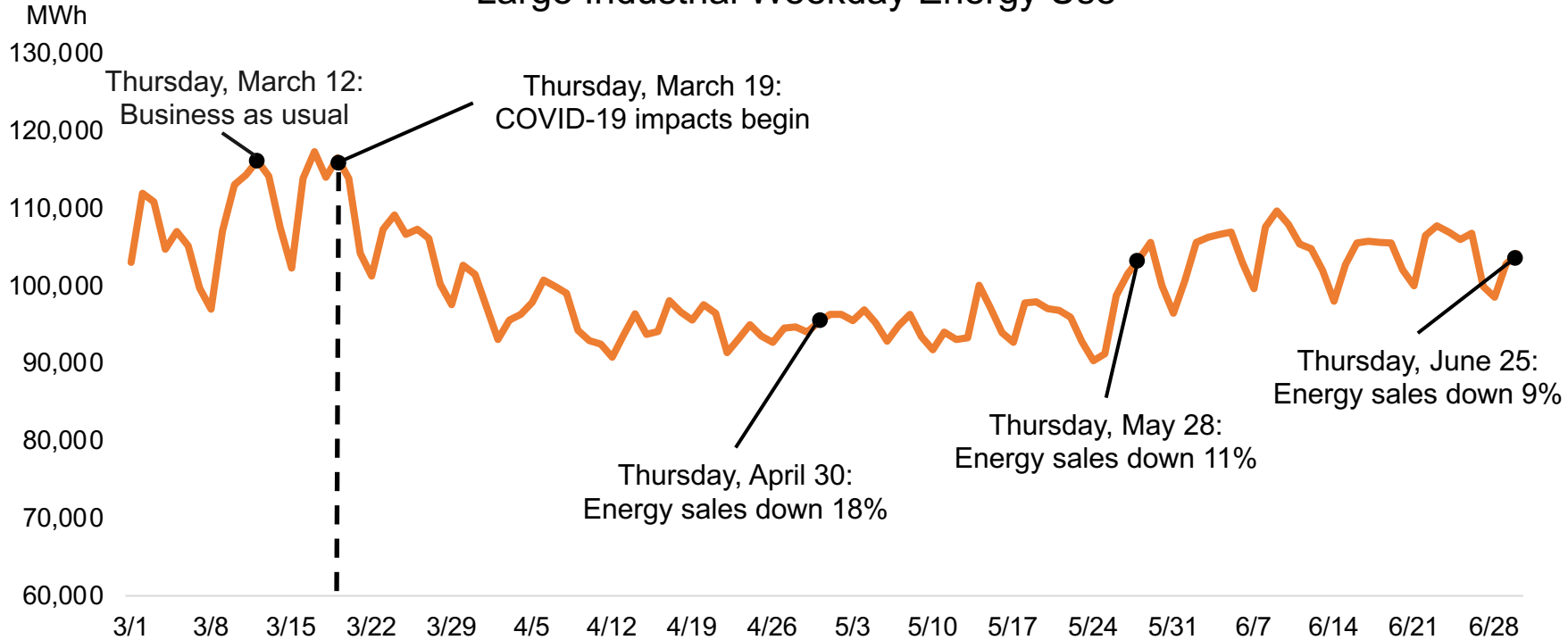
Executive Vice President  
and Chief Financial Officer

# TVA Weekly Energy



# Large Industrial Recovering, Still Down

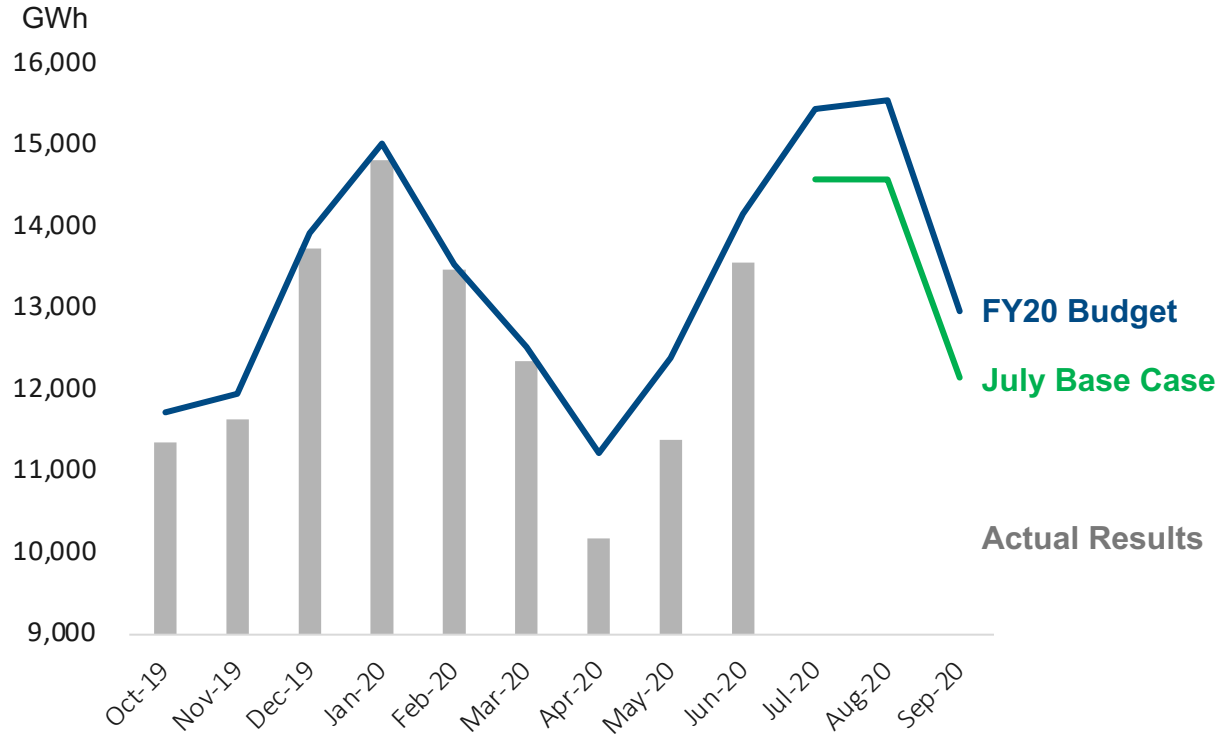
## Large Industrial Weekday Energy Use



# Economics Weigh on Q4 Energy

## Forecast Impacts from COVID-19:

- Q4 FY20 could be 6% lower than FY20 Budget – up to \$100M impact
- Full year results could be 4% lower than FY20 Budget – up to \$230M impact



# Q3 Summary Income Statement

\$ millions	FYTD20			FYTD19	
	Actual	Budget	Variance Fav/(Unfav)	Actual	'20 v '19 Fav/(Unfav)
Total Operating Revenue	\$ 7,350	\$ 7,680	\$ (330)	\$ 8,079	\$ (729)
Fuel & Purchased Power	1,844	1,971	127	2,134	290
Total O&M	2,014	2,142	128	2,289	275
Taxes, Depreciation, Other	1,981	2,043	62	1,925	(56)
Interest	859	917	58	902	43
<b>Net Income (Loss)</b>	<b>\$ 652</b>	<b>\$ 607</b>	<b>\$ 45</b>	<b>\$ 829</b>	<b>\$ (177)</b>
Partnership Credits	108	-	108	-	108
<b>Net Income (Loss) excluding Partnership Credits</b>	<b>\$ 760</b>	<b>\$ 607</b>	<b>\$ 153</b>	<b>\$ 829</b>	<b>\$ (69)</b>

# Q3 Summary Cash Flow Statement

\$ millions	FYTD20			FYTD19	
	Actual	Budget	Variance	Actual	'20 v '19
<b>Net Cash Provided by / (Used in)</b>					
Operating Activities	\$ 2,496	\$ 2,511	\$ (15)	\$ 2,479	\$ 17
Investing Activities	(1,467)	(1,775)	308	(1,533)	66
Financing Activities	(528)	(736)	208	(945)	417
<b>Ending Debt and Financing Obligations</b>	<b>\$ 22,303</b>	<b>\$ 22,301</b>	<b>\$ (2)</b>	<b>\$ 23,362</b>	<b>\$ 1,059</b>
Additional Cash Held	(500)	-	500	-	500
<b>TFO* Net of Additional Cash Held</b>	<b>\$ 21,803</b>	<b>\$ 22,301</b>	<b>\$ 498</b>	<b>\$ 23,362</b>	<b>\$ 1,559</b>
Cash Partnership Credits	(97)	-	97	-	97
<b>TFO Net of Additional Cash Held and Partnership Credits</b>	<b>\$ 21,706</b>	<b>\$ 22,301</b>	<b>\$ 595</b>	<b>\$ 23,362</b>	<b>\$ 1,656</b>

\*Total Financing Obligations

# \$200M FY20 Cash Flow Opportunity

## Identified O&M savings

- COO efficiencies (routine, planned outage); Nuclear savings (planned outage); Financial Services efficiencies (routine, programs)

## Identified capital savings

- Capital competition fund; business unit performance (project savings; less emergent capital requests)

## Interest expense savings

- Lower average debt balances and interest rates



# FY20 Performance (YTD Results v. Plan)

## Lower operating revenues

- Driven by COVID-19 impacts, LPC partner credits, and milder weather

## Lower fuel and purchased power expense

- Driven by lower sales, higher hydro generation, and lower natural gas prices

## Lower other operating expenses

- Lower O&M due to continued efficiency efforts
- Lower interest expense due to lower average balances of debt

## \$0.5B lower TFO, net of additional cash

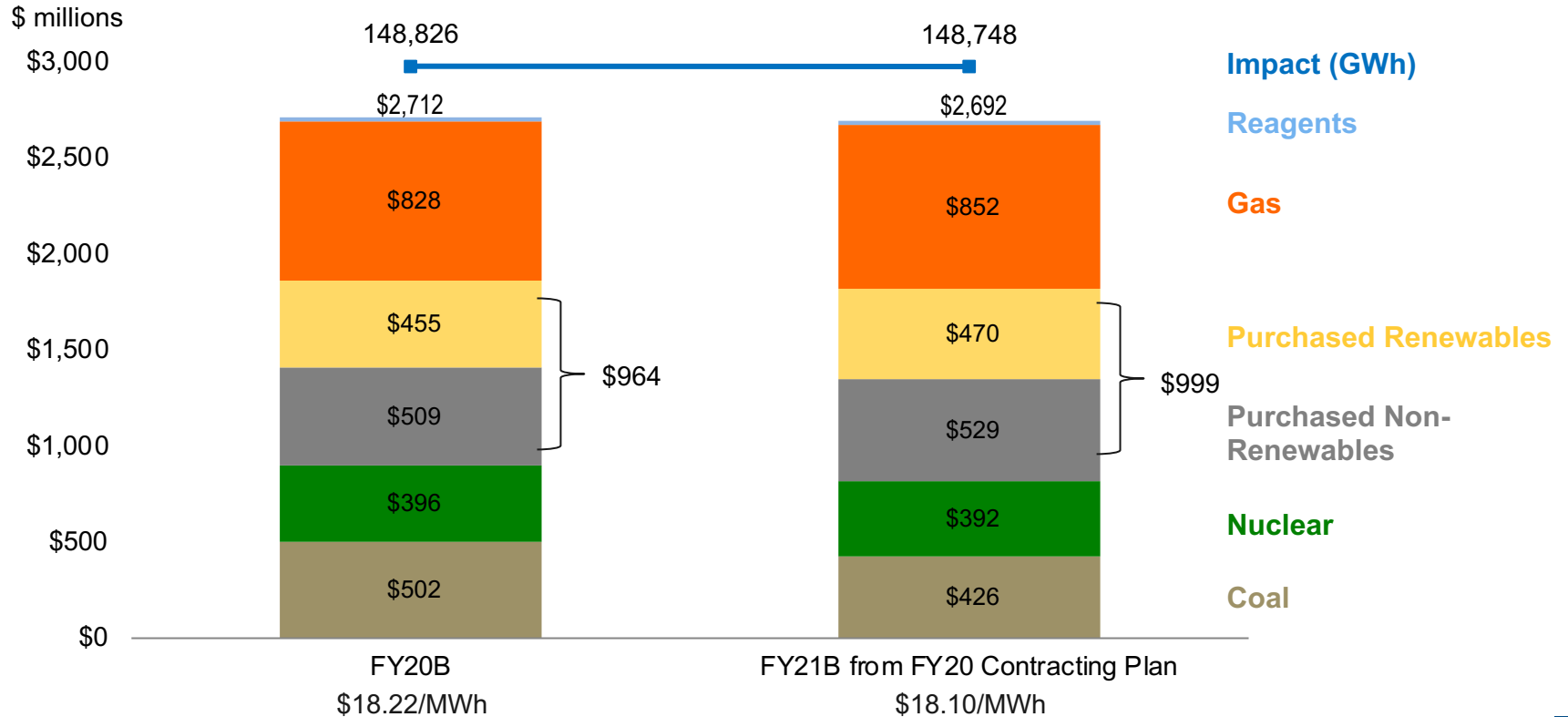
- \$0.2B performance
- \$0.1B Q4 COVID-19
- \$0.2B project deferrals

# August and November Approvals

Topic	August	November
FY21 Spending Authority	Approved	Request approval for complete FY21 Budget
FY21 Commercial Transactions Contracting Authority and CEO Delegation	Approved	
Projects Over \$50 million	Approved	Request approval for updated/emergent projects
FY21 Financing Shelf	Approved	
Acquisition of Land Rights	Approved	
Exemption from Mandatory Clearing Requirement of Dodd-Frank Act	Approved	
Retention of Net Power Proceeds	Approved	
Regulatory Accounting	Approved	
Final FY20 tax equivalent payments and estimated FY21 tax equivalent payments	Approved	
Contribution to the Retirement System	Approved	

Approval
Initial or subsequent approval
No further action

# FY21 Fuel & Purchased Power



# Fuel & Purchased Power Summary

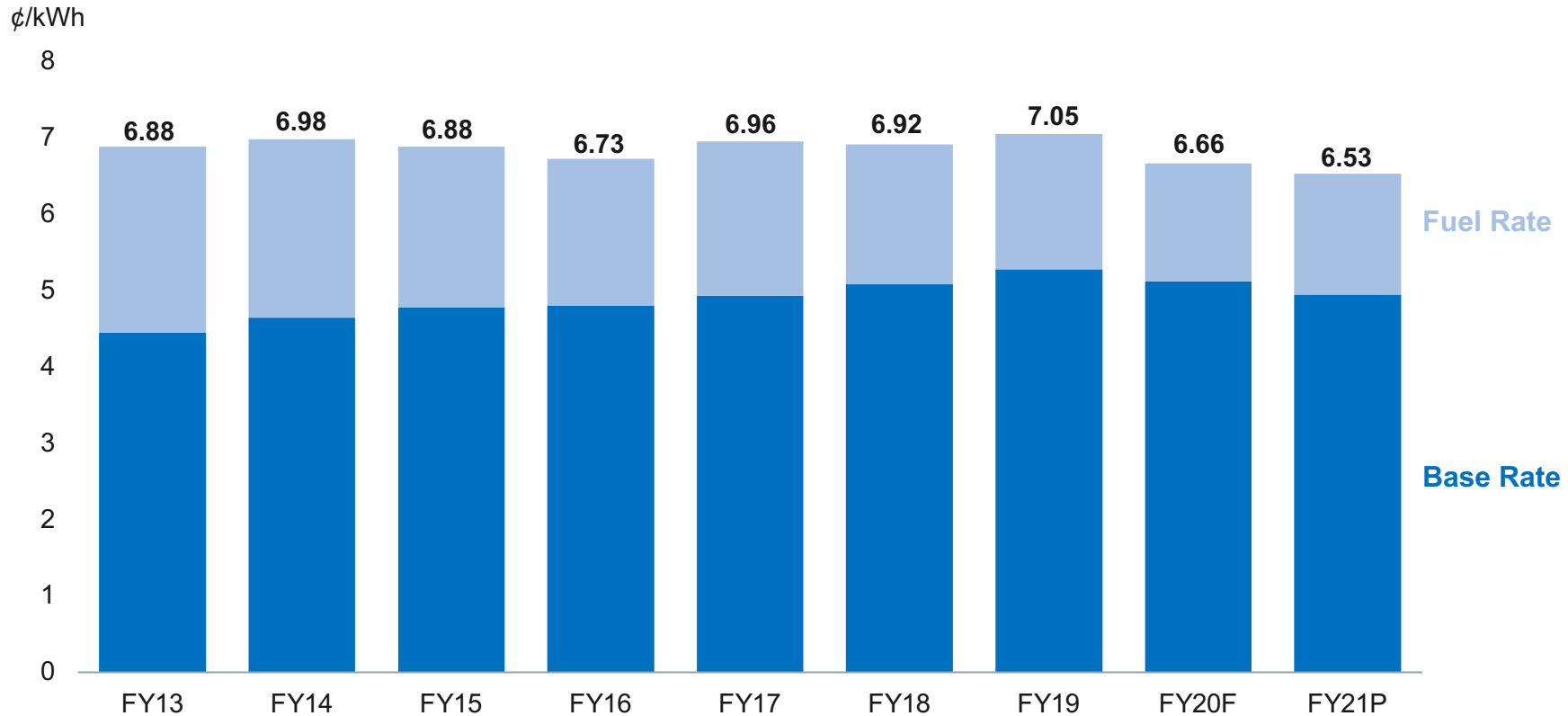
Fuel & Purchased Power (\$ millions)	FY20B	FY21B from FY20 Contracting Plan
Coal	\$ 502	\$ 427
Nuclear	396	392
Purchased Non-Renewables	509	529
Purchased Renewables	455	470
Gas	828	852
Reagents	22	22
<b>Total Fuel &amp; Purchased Power</b>	<b>\$ 2,712</b>	<b>\$ 2,692</b>

Purchased Power (\$ millions)	FY20B	FY21B from FY20 Contracting Plan
Renewable Energy Offerings	\$ 72	\$ 85
Renewable Purchased Power Agreements	383	385
<b>Renewable Purchased Power</b>	<b>\$ 455</b>	<b>\$ 470</b>
Purchased Power Agreements	\$ 404	\$ 428
Market & Transmission	105	101
<b>Non-Renewable Purchased Power</b>	<b>\$ 509</b>	<b>\$ 529</b>
<b>Total Purchased Power</b>	<b>\$ 964</b>	<b>\$ 999</b>

# O&M and Capital Spend Summary

Categories (\$ millions)	FY20B	Draft FY21P	Change	Key Drivers
O&M Expense	\$ 2,756	\$3,056	\$ 300	<ul style="list-style-type: none"> <li>Funding to maintain and improve nuclear fleet performance</li> <li>Higher nuclear outage costs</li> <li>Technology and innovation funding</li> <li>Plan escalation</li> </ul>
Base Capital	1,055	1,132	77	<ul style="list-style-type: none"> <li>Improve nuclear performance</li> <li>Plan escalation</li> </ul>
Capacity Expansion Capital	675	1,068	393	<ul style="list-style-type: none"> <li>Funding to construct new gas-fired generation and Transmission System Operations Center</li> </ul>
Environmental and Other	418	586	168	<ul style="list-style-type: none"> <li>Additional Coal Combustion Residual capital</li> </ul>
<b>Total</b>	<b>\$ 4,904</b>	<b>\$5,842</b>	<b>\$ 938</b>	

# Effective Wholesale Rate



# Total Financing Obligations

\$ billions

\$30

\$28

\$26

\$24

\$22

\$20

FY13

FY14

FY15

FY16

FY17

FY18

FY19

FY20F

FY21P

**FY30 Strategic Financial Plan with Current Partners<sup>1</sup>**

**Draft FY21 Plan**

**\$21.8B**

**\$21.6B**

<sup>1</sup>Includes 141 partners (current partners as of August 3, 2020)



# Summary

Closely monitoring COVID-19 effects

Improving financial health despite COVID-19 and weather effects

Key approvals for FY21 in place

Lower TFO than plan

\$200M of performance-related savings expected at year end





# Finance, Rates, and Portfolio Committee



# Extended Support and Assistance

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**\$1 Billion**

of Credit Support to  
Local Power Companies

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**Regulatory Relief  
and Flexibility**

for Local Power Companies

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Established

**Community  
Care Fund**

Providing

**\$2 Million**

in Matching Funds

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**Back-to-Business**

Incentive Program

# Extended Support and Assistance

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## Investing Additional \$2 Million in COVID-19 Community Care Fund

Available to local power companies, to match funding for COVID-19 relief efforts by non-profit organizations in their communities

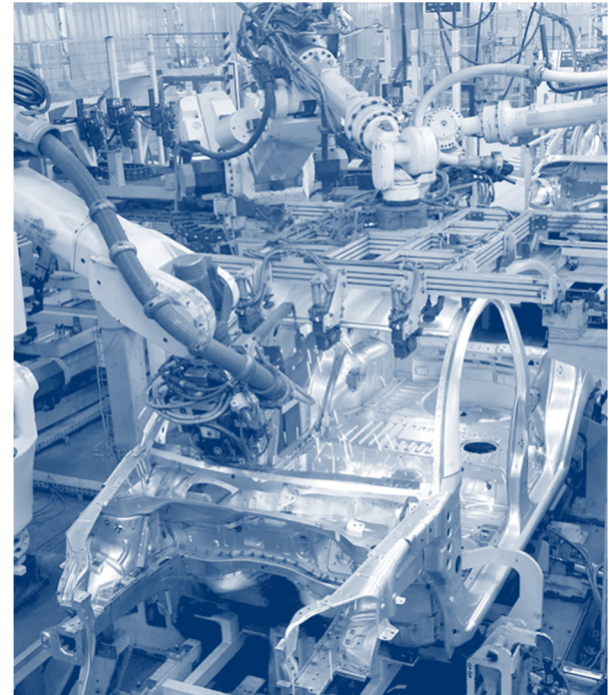


# Extended Support and Assistance

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## Extending Back-to-Business Credit

For large industrial and directly served customers



# Extended Support and Assistance

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## \$200 Million Pandemic Relief Credit

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### 2.5% Rate Credit during FY21

For all Local Power Companies, all directly served customers, and large customers served by LPCs (*Those with >5 MW usage*)





# Finance, Rates, and Portfolio Committee



A blurred background image of a business meeting. Several people in business attire are seated around a table, with their hands visible as they write in notebooks or use pens. The scene is brightly lit, suggesting an office environment.

# Customer Generator Resale Rate Classifications

DOUG PERRY

Senior Vice President

Commercial Energy Solutions

# The Need for Customer Generator Resale Rate Classifications

This item makes separate resale rate classifications available to Local Power Companies (LPCs) for customers who have behind-the-meter generation and do not participate in a TVA renewable energy program.

As a result of advancements in technologies, declining costs of distributed generation systems, and customer preferences, TVA has received requests from LPCs to implement new resale rate classifications that improve the alignment with their wholesale and distribution costs.

Public Service Commissions across the country have authorized separate rate classes for customers with distributed generation in recognition that customers who have onsite generation create different costs for LPCs than all-requirements customers.



# Summary

This item authorizes LPCs to offer separate resale rate classifications to improve resale rate alignment to those customers who self-supply some or all of their electric requirements.

Additionally, this item authorizes TVA staff to evaluate and administer the separate resale rate classification requests in accordance with the Revised Rate Review Process previously approved by the Board, ensuring rates applicable to the distributed generation service have an underlying cost basis and are not discriminatory.



# Finance, Rates, and Portfolio Committee



A blurred background image of a business meeting. Several people in business attire are seated around a table, with their hands visible as they write in notebooks or use pens. The scene is dimly lit, focusing on the activity of the meeting.

# Back-to-Business Extension

DOUG PERRY

Senior Vice President

Commercial Energy Solutions

# Back-to-Business Credit Program

This item enables TVA and LPCs to continue to provide a credit that supports rapid return to operations for large customers who have reduced operations related to the COVID-19 pandemic.

The pandemic is ongoing and additional operations are being shut down as a result, supporting the need for the program to continue.

The credit is available to directly-served and large LPC-served customers.

Relief is provided as an on-peak demand credit on the customer's bill, intending to motivate mid-month operational restarts after COVID-19-related reduced operations.

About one-third of eligible large customers have taken advantage of the program to aid in the restart of operations.

# Summary

This item approves extending availability of the Back-to-Business credit program through March 2021.

Additionally, this item authorizes the Chief Executive Officer to approve additional extensions, provided the additional extensions do not go beyond September 30, 2021.



# Finance, Rates, and Portfolio Committee





# Audit, Risk, and Regulation Committee





# External Relations Committee







# Nuclear Oversight Committee



# People and Performance Committee





# Board Meeting

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August 27, 2020  
Knoxville, Tennessee

# Committee Membership

Effective Immediately

## **Audit, Risk, and Regulation Committee**

John Ryder, Chair  
Bill Kilbride

## **External Relations Committee**

Bill Kilbride, Chair  
Jeff Smith

## **Finance, Rates, and Portfolio Committee**

AD Frazier, Chair  
John Ryder

## **Nuclear Oversight Committee**

Jeff Smith, Chair  
Kenny Allen

## **People and Performance Committee**

Kenny Allen, Chair  
AD Frazier



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