



Board Meeting

November 14, 2018
Tupelo, MS



President's Report

BILL JOHNSON
President and CEO

Tupelo, MS



TVA in Mississippi

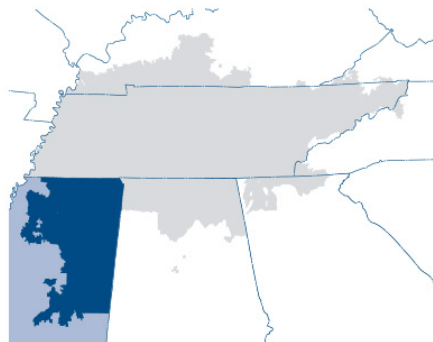
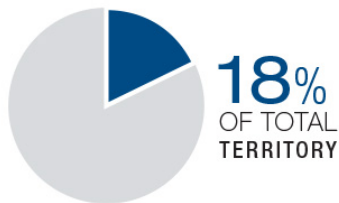
FISCAL YEAR 2017 (OCTOBER 2016 – SEPTEMBER 2017)

Energy Sales

| SOLD | PROVIDED | SERVED | HOME TO | REVENUE |
|--|---|---|--|--|
| 11.3 billion kilowatt-hours OF ELECTRICITY TO 14 municipals & 14 co-ops | 4.7 billion kilowatt-hours OF ELECTRICITY TO 343,000 HOUSE HOLDS through the LPCs | 5.8 billion kilowatt-hours OF ELECTRICITY TO 85,000 Commercial & Industrial Customers* through the LPCs | 8 DIRECTLY SERVED Customers PURCHASING 4.45 BILLION kilowatt- hours OF ELECTRICITY | \$1 billion Power Revenue IN MISSISSIPPI 2017 9.6% of TVA TOTAL operating revenue |

*218 million kilowatt-hours to outdoor lighting customers.
LPC = local power company

Service Area



TVA COVERS
15,553
Square miles
OF MISSISSIPPI

421 Square miles
WATERSHED MANAGEMENT

Thank You



Joe Cade

Thank You



Norma Kilgore

Our Mission



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

Mission | Strategic Imperatives

Why We Are Here

How We Achieve Sustainability

TVA Mission



Energy



Environment

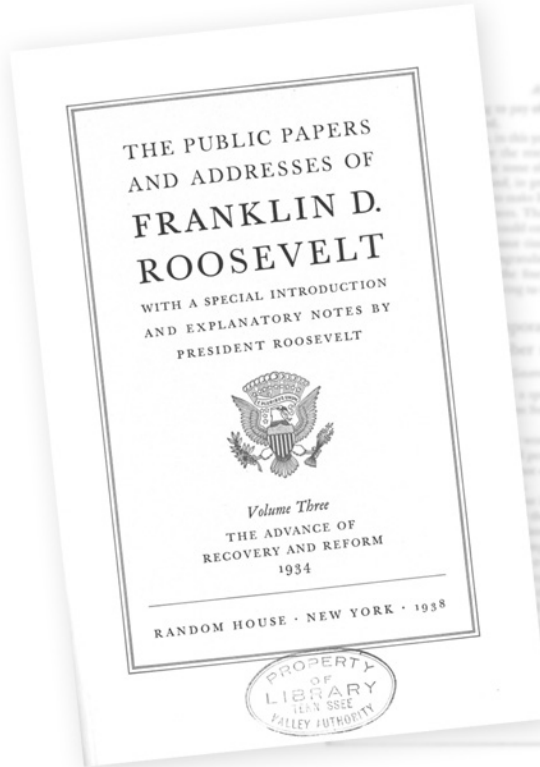


Economic
Development

Strategic Imperatives



President Roosevelt



“remarkable business success.”

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TVA Long Range Plan

- Reduce debt to ~\$20B Net of cash
- 1.5% Annual Base Rate increase as long as rates remain competitive
- Offset base rate increase through O&M and fuel cost reductions
- Modernize and diversify fleet to reduce fuel costs

Financials

operating
expenses



DRIVEN BY

\$800 MILLION
IN **SUSTAINABLE**
efficiency improvement
& **REDUCED**
operating costs

SAVING
\$1 BILLION
PER YEAR IN
LOWER FUEL COSTS

The **TVA power system** is one of the
CLEANEST, **MOST DIVERSE**, and **MOST RELIABLE**
power systems **in the nation.**

DEBT REDUCED
\$1.6 BILLION TO DATE

Long-Range Financial Plan

FAITHFULLY
FOLLOWED FOR

5 YEARS

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Organizational Changes

Mike Skaggs
Chief Operating Officer



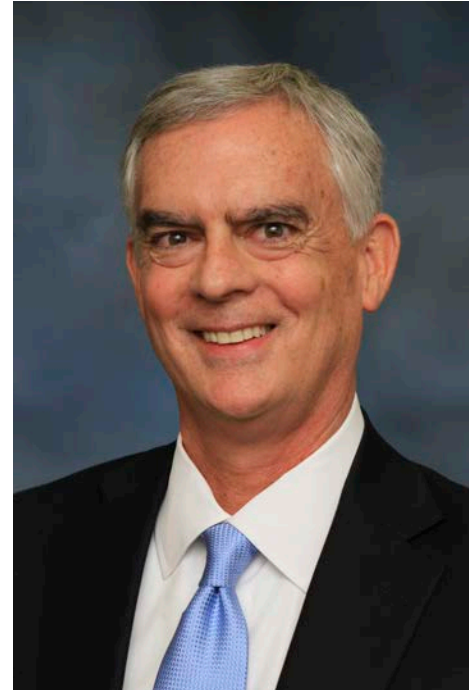
Organizational Changes

Tim Rausch
Chief Nuclear Officer



Organizational Changes

Joe Grimes
Retired



Energy | Environment | Economic Development





Generation



Allen CC







Energy | **Environment** | Economic Development



Flood Control



Energy | Environment | **Economic Development**



Continuing Economic Development

FYTD Results

65,000 JOBS

Created or Retained

\$11 Billion

Capital Investment



Supplier Diversity



> \$800 Million

TVA FY18 Spend
with Small Businesses

> \$445 Million

TVA FY18 Spend
with Diverse Businesses

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Employees



Hurricane Florence Support



Volunteering



TVA Veterans





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Finance, Rates, and Portfolio Committee



Financial Performance Update

JOHN THOMAS

Executive Vice President
and Chief Financial Officer



Fiscal Year 2018

Operating Revenues: \$711M above budget

Operating & Maintenance Expenses (O&M): \$104M favorable to budget

Net Income: \$1.1B

Total Financing Obligations (TFO): \$1.7B less than budget

Summary Income Statement

| \$ million | FY 2018 | | | FY 2017 | |
|----------------------------|-----------|-----------|-------------------------|-----------|--------------------------|
| | Actual | Budget | Variance Fav/(Unfav) | Actual | '18 v '17 Fav/(Unfav) |
| Operating Revenue | \$ 11,233 | \$ 10,522 | \$ 711 | \$ 10,739 | \$ 494 |
| Fuel & Purchased Power | 3,022 | 2,953 | (69) | 3,160 | 138 |
| Total O&M | 2,854 | 2,958 | 104 | 3,362 | 508 |
| Taxes, Depreciation, Other | 2,995 | 2,189 | (806) | 2,186 | (809) |
| Interest | 1,243 | 1,382 | 139 | 1,346 | 103 |
| Net Income (Loss) | \$ 1,119 | \$ 1,040 | \$ 79 | \$ 685 | \$ 434 |

Summary Cash Flow Statement

| \$ million | FY 2018 | | | FY 2017 | |
|--|------------------|------------------|-----------------|------------------|-----------------|
| | Actual | Budget | Variance | Actual | '18 v '17 |
| Cash Flow from Operating Activities | \$ 3,955 | \$ 2,774 | \$ 1,181 | \$ 2,736 | \$ 1,219 |
| Cash Flow used in Investing Activities | (2,269) | (2,518) | 249 | (2,536) | 267 |
| Cash Flow from Financing Activities | (1,687) | (256) | (1,431) | (200) | (1,487) |
| Net Change in Cash & Cash Equivalents | (1) | - | (1) | - | (1) |
| Ending Cash & Short-Term Investments | 299 | 300 | (1) | 300 | (1) |
| Ending Debt and Financing Obligations | \$ 24,281 | \$ 26,003 | \$ 1,722 | \$ 26,022 | \$ 1,741 |

Summary (Results v. Plan)

Higher Revenues

Lower Expenses

Lower Debt



Finance, Rates, and Portfolio Committee





People and Performance Committee



2018 TVA Employee Performance

- Provided record setting reliability in Fiscal Year 2018
- Achieved lowest recordable injury rate since tracking began in 1985
- Exceeded the target goals set for Fiscal Year 2018 in both nuclear capacity factor and combined cycle outage rates
- Helped to attract and retain over 65,000 jobs and over \$11.3 billion in capital investment to the TVA service area.
- Sustained \$800 million in operating and maintenance cost reductions thereby reducing debt (lowest debt level since 1992)



People and Performance Committee





Audit, Risk, and Regulation Committee





External Relations Committee





Nuclear Oversight Committee



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