



Valley Partner Engagement Kickoff Meeting

NOVEMBER 7, 2019

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Safety Moment

Valley Partner Meeting

November 7, 2019

Tim Nichols, Lineman

Sevier County Electric System





Welcome

Today's Primary Discussion Items

- Valley Partner engagement process and cadence
- Financials and Flexibility
- Annual Meeting in February
- Lunch discussion: gathering your thoughts



Valley Partner Engagement Overview



Benefits of the Public Power Model

Energy & Capacity



- Affordable, reliable energy
- Capacity to meet peak demand

Transmission & System Optimization



- Robust, resilient transmission
- System balancing
- Benefits of scale

Jobs & Investment



- Job creation
- Attracting new companies
- Local business growth
- Site development

As a public power provider, TVA delivers a complete solution of low rates, high reliability and an attractive carbon footprint that spurs economic development.

The Valley Partnership Agreement

- Partnership credit
- Long-term commitment
- Flexibility
- Rate adjustment protection
- Other mutual defaults & remedies
- A role as planning partners

Valley Partner Engagement Overview

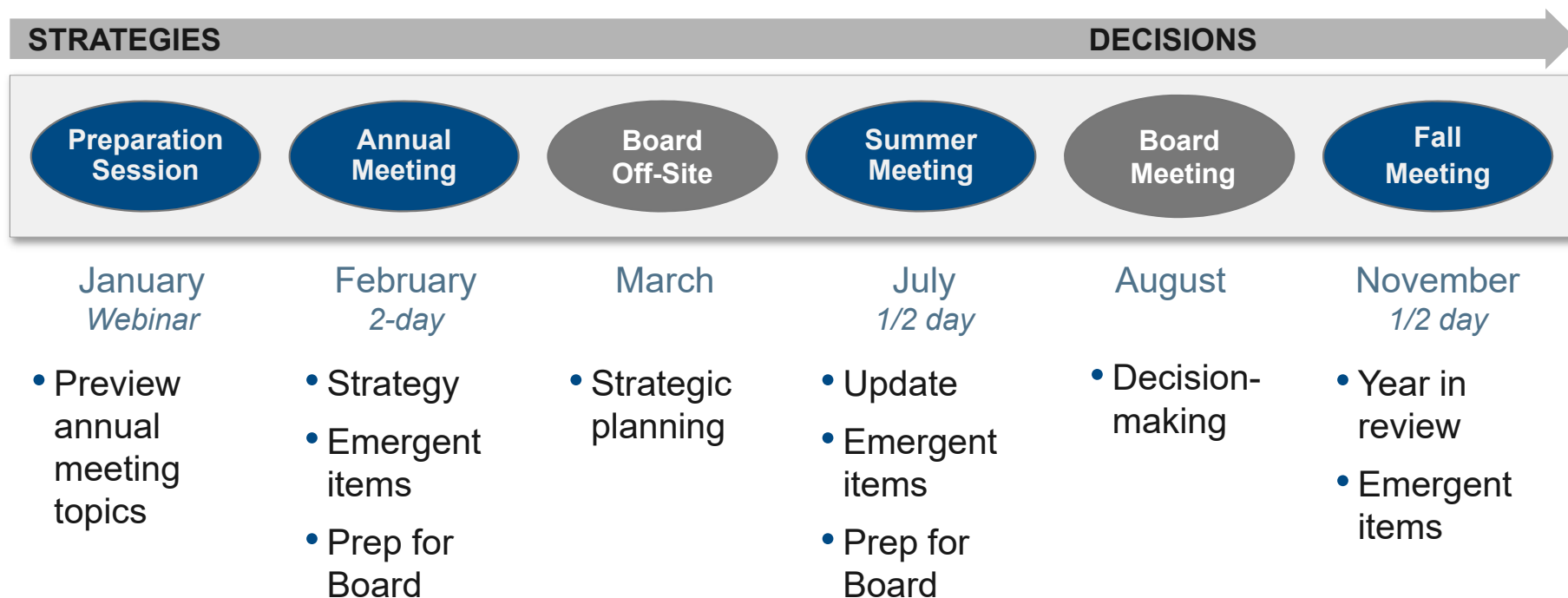
Valley Partners will:

- Be provided with additional transparency around planning
- Provide input on key major TVA decisions

TVA will also continue to:

- Deliver planning information in the traditional manner
- Gather input through traditional channels
- Maintain TVA's relationship with associations

Valley Partner Engagement Timeline



Engagement with Valley Partners will follow TVA's annual board cadence.



Impact of Valley Partner Credits on Financial Plan



FY30 Strategic Financial Plan

A plan that is flexible in aligning customer preferences and TVA's mission

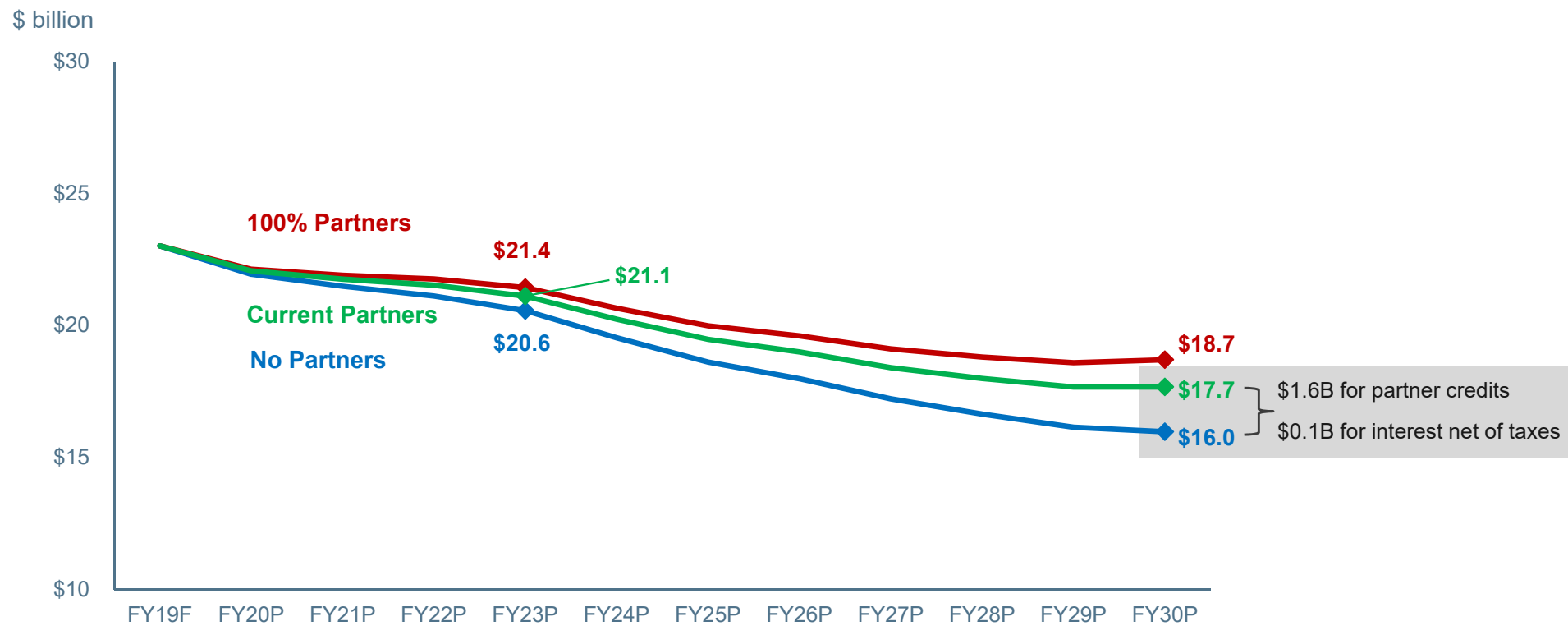
- Maintain rates as low as feasible
- Stabilize debt at \$18-20B
- Balance commitments with obligations
- Maintain \$300M cash
- Drive efficiencies into the business

Long-term Partnership Update

- 132 (86%) Valley Partners as of October 31, 2019
- 15-year weighted average LPC contract length
- \$1.6B of partner credits expected through FY30

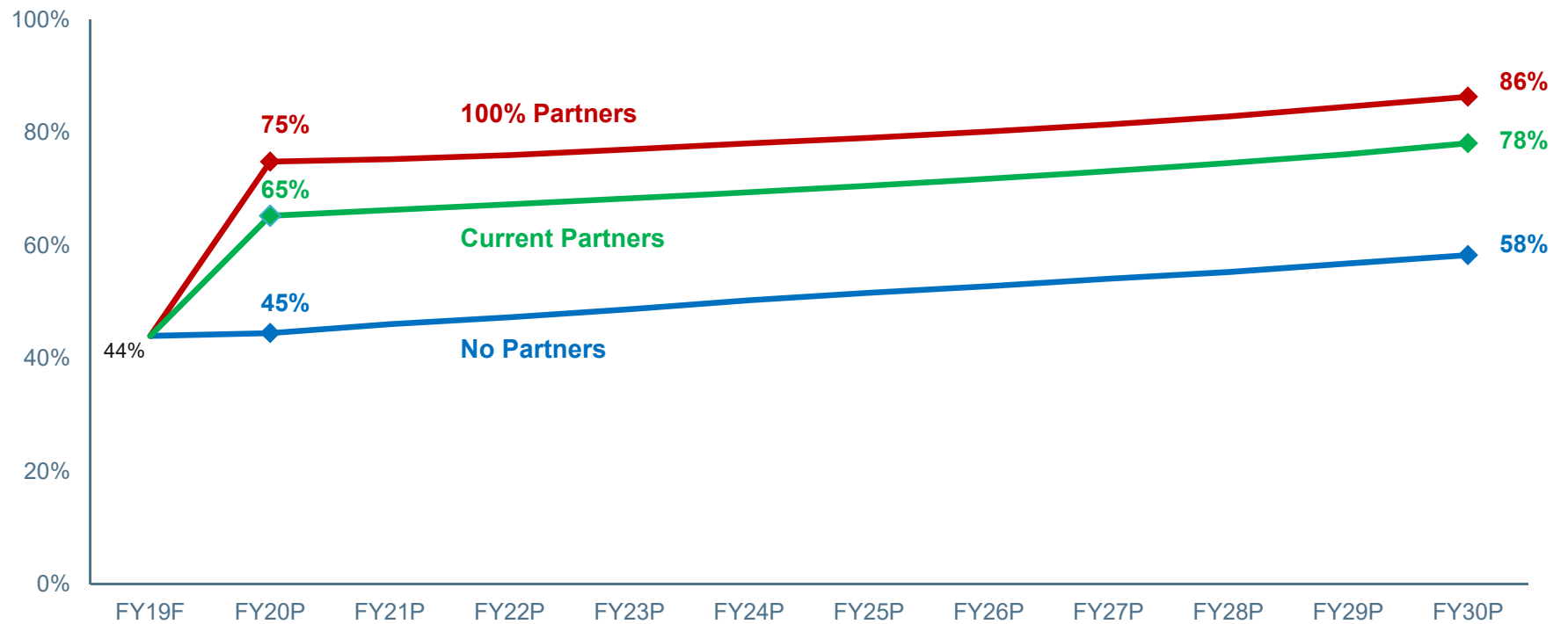
Total Debt

Partnerships stabilize total debt



Net Portfolio Position

Partnerships strengthen the public power model



Lower Effective Base Rates for Partners



Risk Scenarios *(spending assumptions FY20-30)*

Timing and cost may challenge long-term base rate stability

Coal Ash Remediation May Exceed Plan Funding *(Environmental Remediation Cost)*

- Plan includes \$2.4B of funding for CCR conversion program

Assets May Require Additional Investment/Replacement *(Aging Infrastructure)*

- Plan includes \$1.3B of annual maintenance capital
- Plan includes \$0.6B of annual expansion capital, primarily gas, to support flexibility/solar

Browns Ferry License Extension May Exceed Plan Funding *(New Regulation/Compliance)*

- Plan includes \$0.9B of funding for BFN license extension
- Replacement capacity could be required if BFN license extension cannot be obtained

Coal Ash Remediation

- Plan includes \$2.4B of funding for CCR conversion program
- Closure in place completed at five sites
(Kingston, Colbert, John Sevier, Watts Bar, and Widows Creek)
- Closure in place planned at two sites
(Paradise and Shawnee)
- Closure in place planned at three sites with final closure method under evaluation
(Cumberland, Bull Run, and Johnsonville)
- Closure by removal planned at two sites
(Gallatin and Allen)

Asset Investment/Replacement

- Plan includes \$1.3B of annual maintenance capital
- Plan includes \$0.6B of annual expansion capital, primarily gas (3,700 MWs), to support flexibility/solar
- Additional funding will be required to address coal asset performance and carbon risk
- Additional funding will be required to improve nuclear fleet performance
- Fuel cost benefits may result from improvements in overall asset performance
(heavily dependent on natural gas prices)

Browns Ferry License Extension

- Browns Ferry Units 1-3 reach license expirations in 2033, 2034, and 2036, respectively
- Plan includes \$0.9B of funding through FY30 with an additional \$0.9B of funding planned beyond FY30 for asset-related license extension spend
- Estimated cost range of \$1B to \$3B for license extensions
- In absence of license extensions, replacement capacity must be obtained

Summary

- \$1.6B of partner credits
- Addressing risk
- Evaluating coal fleet
- Adding gas and solar
- Promoting flexibility
- Stronger public power model



Flexibility



Key Flexibility Principles

- LPC flexible generation must be documented, metered, operated, and connected in a manner consistent with TVA standards
- Flexible generation must be distribution scale (5 MVA or less) and located within the LPC's service territory
- Flexible generation capacity up to 5% of average total hourly energy sales over last 5 years; minimum availability of 1 MW per LPC
- Flexible generation will reduce demand and energy charges at prevailing wholesale rates
- Flexible generation will improve the Valley carbon position



First Annual Valley Partner Meeting



First Annual Valley Partner Meeting



ANNUAL MEETING AGENDA

Strategy Update

- Details surrounding strategic financial plan

Major Asset Decisions

- Potential asset needs and/or retirements

Risks to the Plan

Discussion: Emergent Items

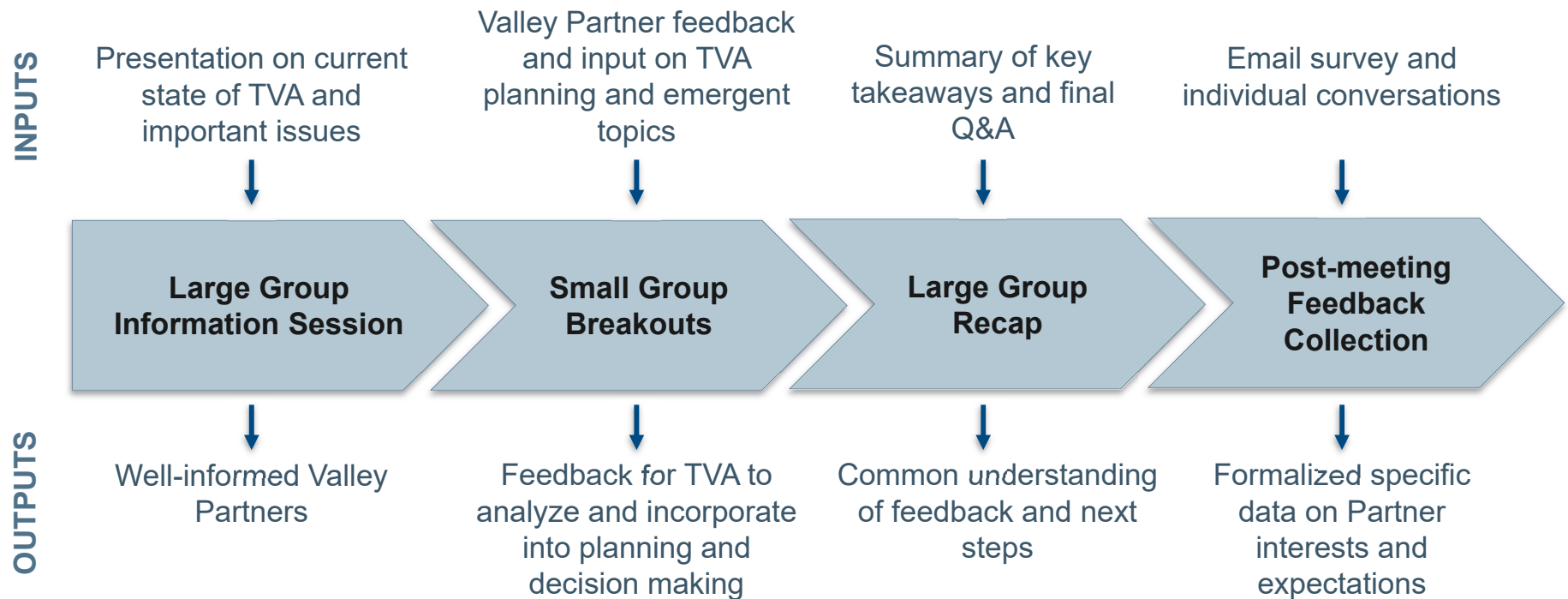
Meeting Agenda – Day 1 (Afternoon)

Topic	Estimated Duration
Welcome and Objective of the Day	15 min.
Review of Agenda and Approach	15 min.
Strategy Update & Major Asset Decisions	90 min.
Break	15 min.
Risks & Emergent Issues	90 min.
Recap of Day 1 and Preview Day 2	15 min.

Meeting Agenda – Day 2 (Morning)

Topic	Estimated Duration
Recap; Review & Discussion of Priorities	30 min.
Breakout #1	45 min.
Breakout #2	45 min.
Break	15 min.
Breakout #3	45 min.
Breakout #4	45 min.
Large Group Recap	45 min.

Annual Valley Partner Meeting Process



The meeting process is designed to educate Partners on the key issues facing TVA and systematically collect your input and feedback

Annual Meeting: Potential Emergent Items

Proposed Discussion Topics

- Flexibility
- Coal Fleet
- CT refurbishment
- Grid 2023
- Gas hedging

Potential Discussion Topics

- Utility scale solar strategy
- Relicense Browns Ferry
- Combined Cycle additions
- Coal Combustion Residuals
- Decarbonization strategy
- Other?

Which topics are most important to you?



Lunch and Feedback



Open Discussion/ Q&A



Wrap-up

Next Steps

- Gather your feedback and input
- Communicate with Partners that could not attend
- TVA will reach out to inform, answer questions, and collect feedback

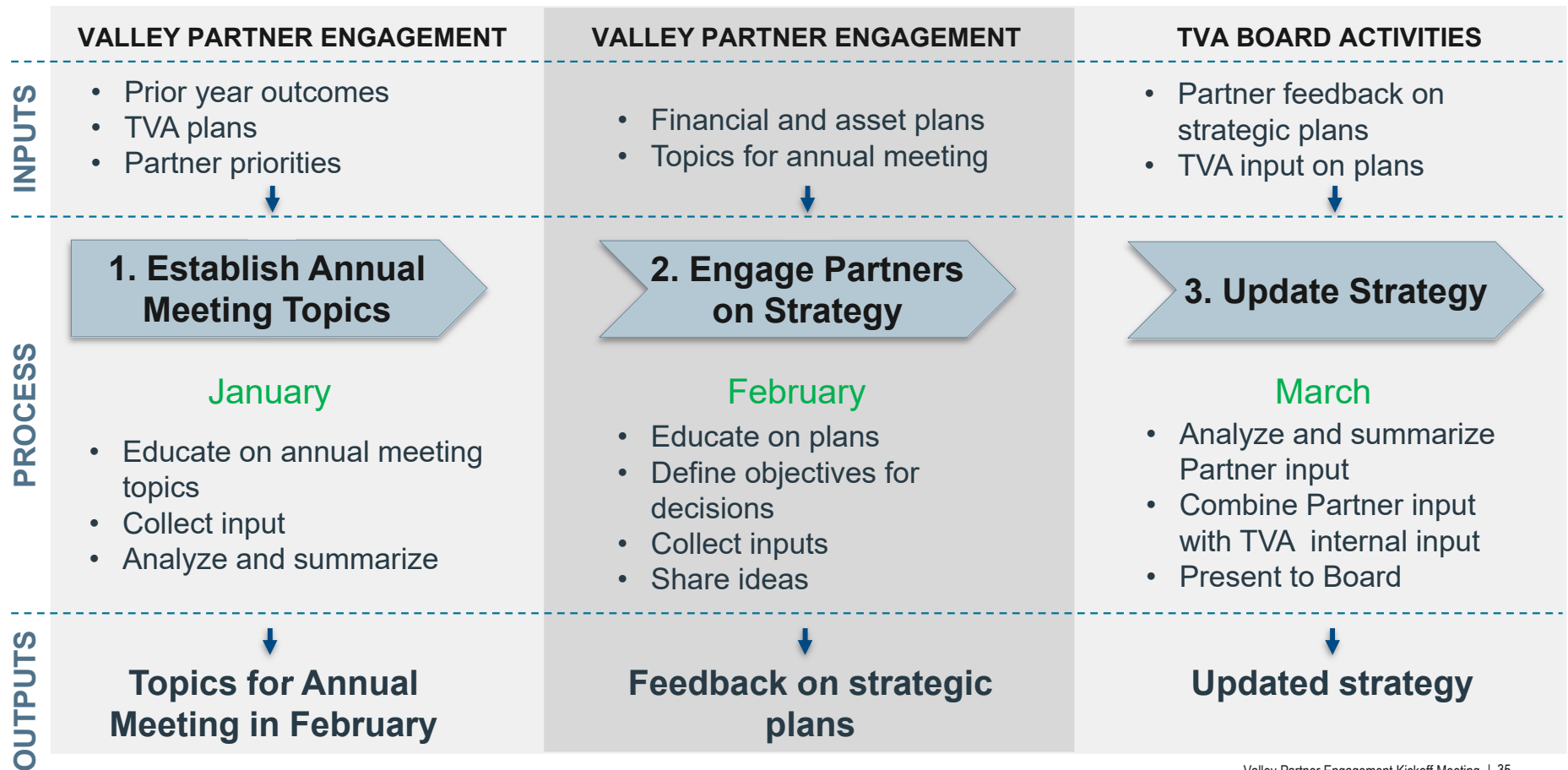


VALLEY
Partners

Appendix



Engagement Process Detail



Engagement Process Detail (Cont'd)

