



Second Quarter Fiscal Year 2019 Conference Call

May 2, 2019

Introduction



Tammy Wilson
Vice President, Treasurer &
Chief Risk Officer

Agenda

Second Quarter Fiscal Year 2019 Review

> Jeff Lyash, President & Chief Executive Officer

Review of Financial Performance

> John Thomas, Executive Vice President & Chief Financial Officer

Question and Answer Session

Closing Remarks

“Safe Harbor” Statement

This document contains forward-looking statements relating to future events and future performance. All statements other than those that are purely historical may be forward-looking statements. In certain cases, forward-looking statements can be identified by the use of words such as “may,” “will,” “should,” “expect,” “anticipate,” “believe,” “intend,” “project,” “plan,” “predict,” “assume,” “forecast,” “estimate,” “objective,” “possible,” “probably,” “likely,” “potential,” “speculate,” or other similar expressions. Although TVA believes that the assumptions underlying the forward-looking statements are reasonable, TVA does not guarantee the accuracy of these statements. Numerous factors could cause actual results to differ materially from those in the forward-looking statements. For a discussion of these factors, please see the annual, quarterly, and periodic reports that TVA files with the Securities and Exchange Commission. New factors emerge from time to time, and it is not possible for management to predict all such factors or to assess the extent to which any factor or combination of factors may impact TVA’s business or cause results to differ materially from those contained in any forward-looking statement. TVA undertakes no obligation to update any forward-looking statement to reflect developments that occur after the statement is made.

Second Quarter Fiscal Year 2019 Review



Jeff Lyash
President &
Chief Executive Officer

Committed to TVA's Mission

Energy



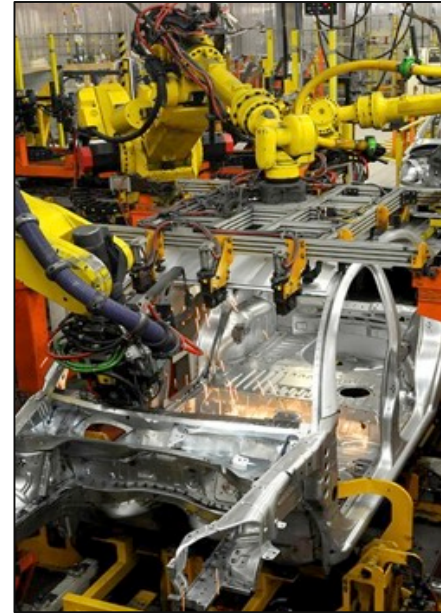
Delivering affordable,
reliable power

Environment



Caring for our region's
natural resources

Economic Development



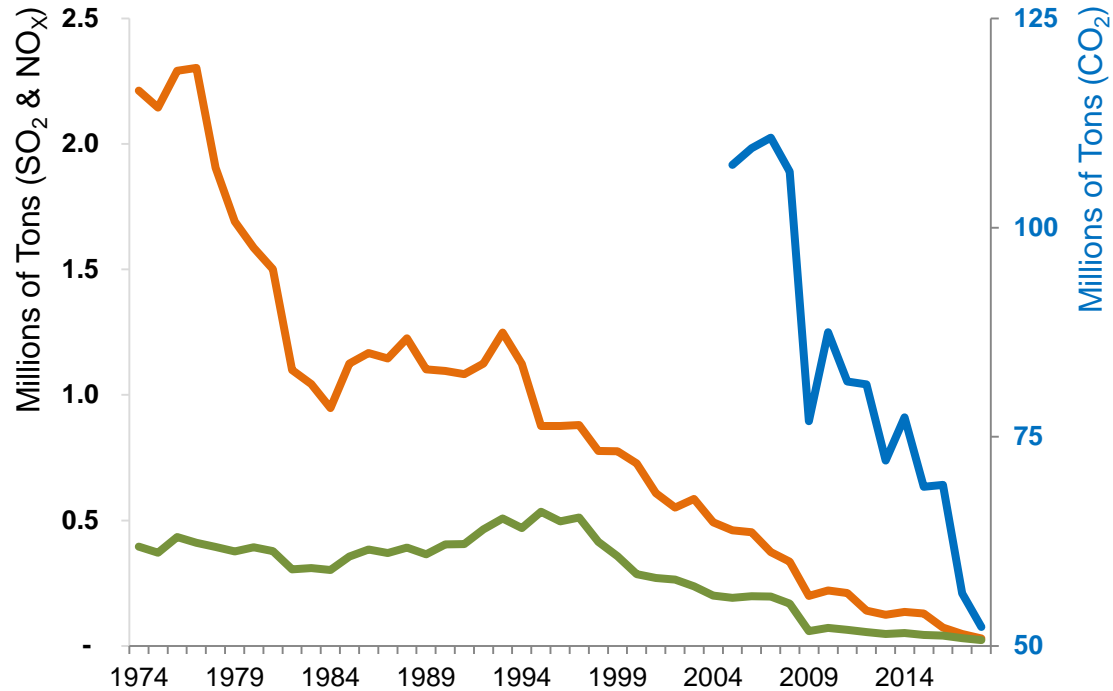
Creating sustainable
economic growth

Fleet Initiatives & Reliability



Cleaner & Greener Energy

Emissions from TVA-Owned Generation



Emissions data reported on a calendar year basis

CO₂

51%
from 2005

SO₂

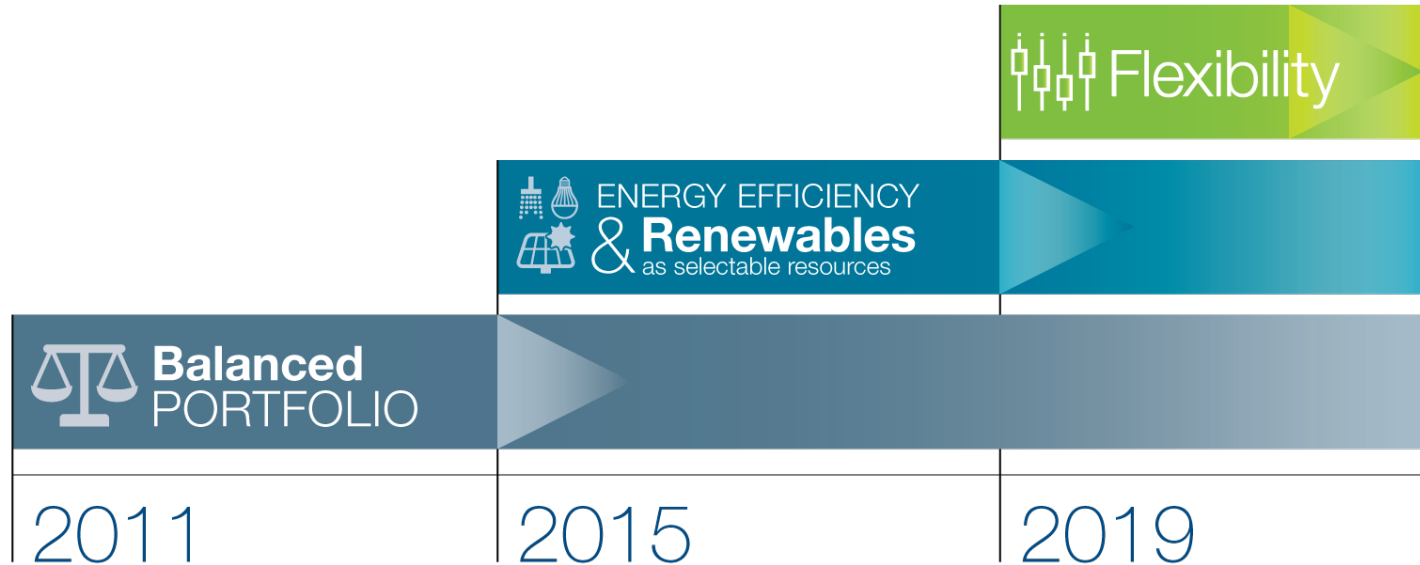
99%
from 1977
peak

NO_x

96%
from 1995
peak

Integrated Resource Plan Update

INTEGRATED
Resource Plan 2019



Economic Development Results

FYTD Results

- **46,000+ jobs**
Created or Retained
- **\$6.3 billion+**
Invested

Recent Announcement

- Volkswagen's** electric vehicle plant in Chattanooga
- 1,000 workers
 - \$800 million investment

Review of Financial Performance



John Thomas

Executive Vice President &
Chief Financial Officer

Summary of Financial Results

For Six Months Ended March 31, 2019 - Comparison to Prior Year

Operating revenues – 3% higher

Driven by base rate increase

Operating expenses – 7% higher

Driven by Bull Run, Paradise, and Kingston noncash items

Interest expense – 5% lower

Driven by lower debt

Net income – 11% lower

Driven by noncash items

Sales & Revenue

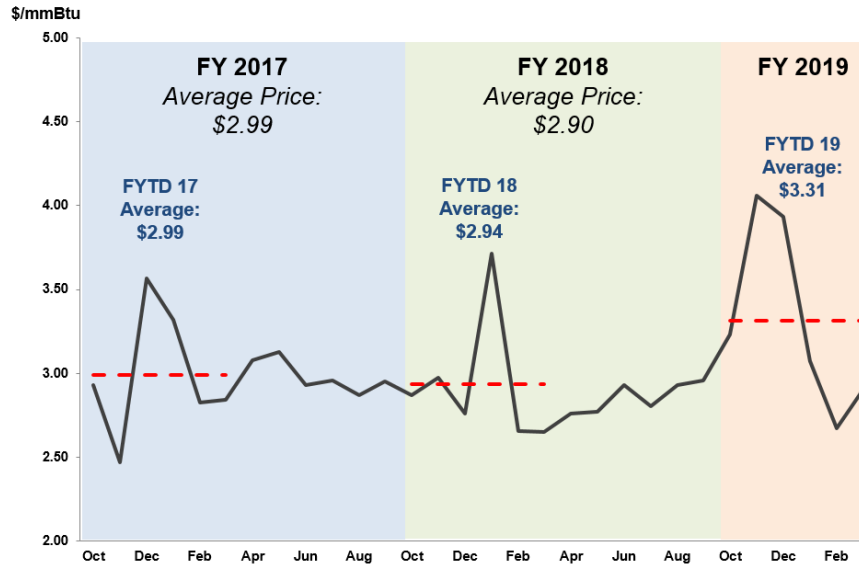
Six Months Ended March 31	2019	2018	Change	Percent Change
Power Sales (GWh)	76,337	76,916	(579)	(1)%
Total Operating Revenues (\$ millions)	\$ 5,475	\$ 5,341	\$ 134	3 %
Base Revenue	3,955	3,840	115	3 %
Fuel Cost Recovery	1,437	1,418	19	1 %
Average Base Rate (¢/kWh)	5.2	5.0	0.2	4 %
Average Fuel Rate	1.9	1.9	0.0	2 %
Total Effective Rate*	7.1	6.8	0.2	3 %

* Excludes other revenue and off-system sales impact; total effective rate numbers based on unrounded base and fuel rates

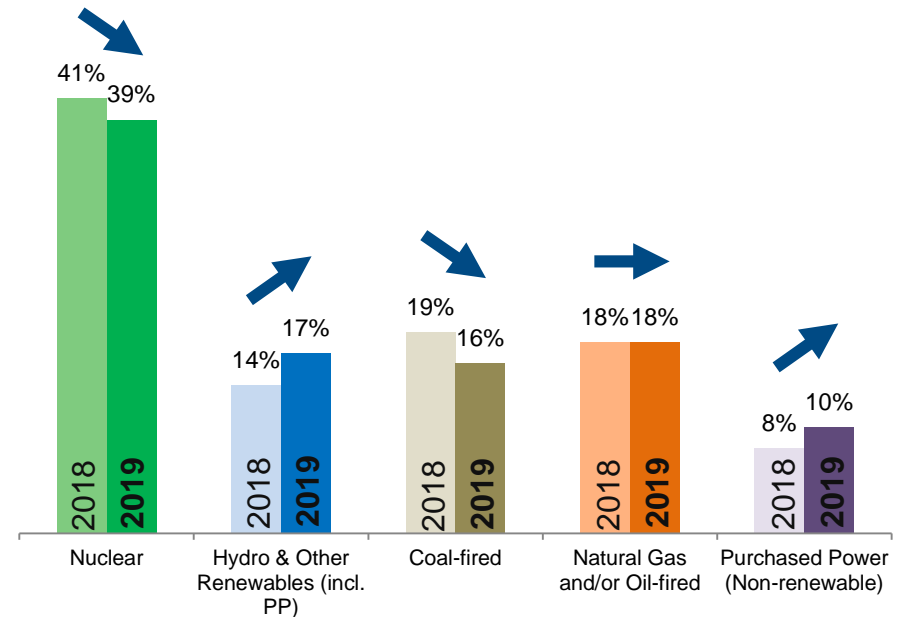
Power Supply Summary – FYTD

Hydro generation 39% higher compared to same period of prior year

Natural Gas Prices



FYTD Power Supply by Source



Expenses & Net Income

Six Months Ended March 31	2019	2018	Change	Percent Change
Total Operating Revenues (\$ millions)	\$ 5,475	\$ 5,341	\$ 134	3 %
Fuel & Purchased Power Expense	\$ 1,494	\$ 1,463	\$ 31	2 %
Operating & Maintenance Expense	1,545	1,278	267	21 %
Bull Run & Paradise Write-Offs	135	-	135	-
Accel. Recovery of Kingston Environmental Costs	108	-	108	-
Operating & Maintenance excl. Additional Items [†]	1,302	1,278	24	2 %
Depreciation & Amortization	811	859	(48)	(6)%
Tax Equivalents	268	250	18	7 %
Interest Expense	602	636	(34)	(5)%
Net Income*	\$ 664	\$ 750	\$ (86)	(11)%

* Net income includes Other income (expense), net and Other net periodic benefit cost

[†] See Appendix - Regulation G Reconciliation

Cash Flow & Balance Sheet Metrics

Six Months Ended March 31			
Net Cash Provided by / (Used in) (\$ millions)	2019	2018	Change
Operating Activities	\$ 1,747	\$ 1,858	\$ (111)
Investing Activities	(1,040)	(1,141)	101
Financing Activities	(706)	192	(898)
Cash, cash equivalents, and restricted cash	323	1,220	(897)

Select Balance Sheet Metrics ⁽¹⁾	Mar. 31	Sept. 30	
(\$ millions)	2019	2018	Change
Total Debt and Other Financing Obligations ⁽²⁾	\$ 23,590	\$ 24,281	\$ (691)

(1) See Appendix - Regulation G Reconciliation

(2) Statutory Debt balance that counts towards TVA's \$30 billion debt ceiling was \$22.1 billion at 3/31/19

Recap of Financial Results

For Six Months Ended March 31, 2019 - Comparison to Prior Year

Strong operating cash flow

Diverse fleet mitigates fuel expense

Controllable expenses flat

Lower debt

Stronger balance sheet



Questions

Appendix

Regulation G Reconciliation

	March 31, 2019	September 30, 2018
Operating & Maintenance Expense excluding Additional Items	\$ 1,302	
Bull Run & Paradise Write-Offs	135	
Accelerated Recovery of Kingston Environmental Costs	108	
Operating & Maintenance Expense	\$ 1,545	
Total Debt and Other Financing Obligations, gross ("TFO")	\$ 23,590	\$ 24,281
Energy prepayment obligations	-	(10)
Notes payable	(48)	(69)
Leaseback obligations	(263)	(301)
Membership interests of variable interest entity subject to mandatory redemption	(29)	(30)
Debt of variable interest entities	(1,156)	(1,175)
Bonds and Notes, gross	\$ 22,094	\$ 22,696
Exchange loss / (gain)	(146)	(147)
Unamortized discounts, premiums, issue costs and other	(148)	(154)
Notes payable	48	69
Debt of variable interest entities	1,156	1,175
Total outstanding debt	\$ 23,004	\$ 23,639

Note: Numbers may be adjusted for rounding