



# NEWS RELEASE

## **TVA Off to a Strong Financial Start in Fiscal Year 2020**

KNOXVILLE, Tenn. — The Tennessee Valley Authority reported \$2.6 billion in total operating revenues on 36.7 billion kilowatt-hours of electricity sales for the three months ended Dec. 31, 2019. Total operating revenues decreased about 5% over the same period of the prior year driven by lower sales. Despite record-setting heat in October and record-setting cold in November, sales of electricity were about 4% lower as total degree days impacted by overall heating and cooling were 9% below the same period in 2019.

TVA's fuel, purchased power, operating and maintenance, tax equivalents, and interest expense were all lower in the first quarter of fiscal year 2020 than in the same period of the prior year. TVA's fuel and purchased power expense was 13% lower year-over-year, driven by lower effective fuel and purchased power rates.

"This year has started off as a strong one for TVA's customers and, ultimately, for the nearly 10 million people we collectively serve," said Jeff Lyash, TVA's president and chief executive officer. "The diversity of TVA's power system continues to benefit consumers in the Tennessee Valley with lower fuel costs, and our local power company customers are starting to see the financial benefits of their new partnerships with TVA."

The TVA Board did not implement a base rate increase for 2020. Additionally, local power companies that elected to sign up for a 20-year Valley Partnership Agreement began receiving a 3.1% bill credit during the three months ended Dec. 31, 2019.

TVA's depreciation and amortization expense was \$239 million higher during the quarter versus the same period in the prior year, due to a \$225 million increase related to accelerating the retirements of certain generating assets. Operating and maintenance expense was \$56 million lower, driven by a \$65 million decrease from the prior year's accelerated recovery of the regulatory asset for certain environmental cleanup costs, which were fully amortized at Sept. 30, 2019.

Interest expense was \$287 million for the first quarter of fiscal year 2020, or a 5% decrease from the same period of the prior year, driven by lower average balances of debt. TVA's debt remains at the lowest level in almost 30 years.

"TVA continues to provide steady, low rates for our customers," said John Thomas, TVA's chief financial officer. "We are clearly seeing the financial benefits now from our transition to a cleaner generation fleet and lower debt, and these benefits will continue for years to come."

### **Additional highlights of TVA's first quarter fiscal year 2020 include:**

- Net income of \$192 million, a decrease of 55% from the same period of the prior year.

- TVA began implementing the Strategic Financial Plan, which was approved by the TVA Board in 2019. The key focus areas of the plan include maintaining rates as low as feasible, establishing better alignment between the length of local power company contracts and TVA's long-term commitments, stabilizing debt, and pursuing operational efficiencies. To engage LPCs in this effort, TVA began offering a 20-year Valley Partnership Agreement option in 2019. As of Dec. 31, 2019, 134 LPCs had accepted the offer.
- TVA's economic development efforts continue to attract and encourage the expansion of business in the Tennessee Valley, with over \$2.4 billion in investments and more than 27,500 jobs created or retained in the first quarter of fiscal year 2020.
- During the first quarter of 2020, TVA became the first utility in the United States to receive authorization from the Nuclear Regulatory Commission for the issuance of an Early Site Permit for potential development of a small modular reactor at TVA's Clinch River site near Oak Ridge, Tennessee. The permit is valid for up to 20 years from the date of issuance with the possibility of an extension and provides TVA additional flexibility to prepare for future energy needs.

<b>Selected Financial Data – Three Months Ended December 31</b>		
<b>Sales, Revenues &amp; Expenses</b>	<b>2019</b>	<b>2018</b>
Sales (millions of kWh)	36,667	38,099
Operating Revenues (\$ millions)	\$ 2,578	\$ 2,725
Fuel & Purchased Power Expense	642	738
Operating & Maintenance Expense	689	745
Interest Expense	287	302
Net Income	\$ 192	\$ 423
<b>Net Cash Provided by / (Used in) (\$ millions)</b>		
Operating Activities	\$ 838	\$ 502
Investing Activities	(590)	(601)
Financing Activities	(243)	101

TVA executive management will host a conference call to discuss first quarter fiscal year 2020 results at 9:30 a.m. ET, on Wednesday, Feb. 5. The event will be conducted as a webcast and as a dial-in teleconference. Participants will be able to hear the discussion and see slides via webcast, but will need telephone access to ask questions. Pre-registration for the conference call is

required. Please click [here](#) to pre-register. Once pre-registered, the dial-in number will be provided via an email. If you are unable to pre-register, you may access the conference call by dialing toll free 844-308-6432 in the United States, or 412-717-9611 outside the United States.

A replay will be available one hour after the end of the conference call until 9:30 a.m. ET, March 5, by calling toll free 877-344-7529 in the United States or 412-317-0088 outside the United States and using the conference number 10137547. A webcast replay and transcript will also be available for one year on TVA's website at <http://www.tva.com/investors>.

TVA's quarterly report on Form 10-Q provides additional financial, operational, and descriptive information, including unaudited financial statements for the quarter ended Dec. 31, 2019. TVA's quarterly report and other SEC reports are available without charge on TVA's website at <http://www.tva.com/investors>, on the SEC's website at <http://www.sec.gov>, or by calling TVA toll free at 888-882-4975.

This release may contain forward-looking statements relating to future events and future performance. Although TVA believes that the assumptions underlying these statements are reasonable, numerous factors could cause actual results to differ materially from those in the forward-looking statements. Please refer to TVA's most recent annual report on Form 10-K and quarterly report on Form 10-Q for a discussion of factors that could cause actual results to differ from those in the forward-looking statements.

The Tennessee Valley Authority is a corporate agency of the United States that provides electricity for business customers and local power companies serving nearly 10 million people in parts of seven southeastern states. TVA receives no taxpayer funding, deriving virtually all of its revenues from sales of electricity. In addition to operating and investing its revenues in its electric system, TVA provides flood control, navigation and land management for the Tennessee River system, and assists local power companies and state and local governments with economic development and job creation.

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