



NEWS RELEASE

TVA Reports Second Quarter 2020 Financial Results

KNOXVILLE, Tenn. — The Tennessee Valley Authority reported \$5.1 billion in total operating revenues on 74.1 billion kilowatt-hours of electricity sales for the six months ended March 31, 2020. Sales of electricity were about 3% lower as total degree days impacted by overall heating and cooling were 11% below the same period in the prior year. Total operating revenues decreased about 7% from the same period of the prior year driven primarily by lower fuel cost recovery revenues, lower sales volume, and lower effective base rates.

TVA outlined its response to the ongoing COVID-19 pandemic in its filing with the Securities and Exchange Commission. Its efforts have been focused on protecting employee health while maintaining its vital infrastructure mission that helps protect the health of the nearly 10 million people it serves.

The pandemic did not significantly impact the Tennessee Valley region until well into the second quarter. TVA's revenues and sales are expected to be more materially impacted in the second half of 2020. Based on initial forecasts of early data, TVA anticipates base revenue to be lower than plan by between \$300 million and \$500 million for the remainder of 2020. The ultimate impact depends on factors beyond TVA's knowledge or control, including the duration and severity of the outbreak, actions taken to contain its spread and mitigate its effects, and broader impacts on the country and region's economy.

Due to these expected reductions in revenue associated with the COVID-19 pandemic, TVA is implementing various cost savings initiatives. TVA's estimate of the impact to its financial position, results of operations and cash flows will be evolving over the remainder of the year.

Additionally, operations and delivery of energy to customers have not been materially impacted by the pandemic, and TVA continues to monitor the situation to ensure reliable service while protecting the safety and health of its workforce and sustaining business operations.

Recognizing the potential financial impact on local power companies, TVA also announced that it is making up to \$1 billion of credit support available as an option to local power companies through the deferral of wholesale power payments, based on the needs of individual local power companies.

"TVA has a unique responsibility to maintain vital services, including a reliable power system and river management system, to help ensure public health and safety during this challenging time," said Jeff Lyash, TVA's president and chief executive officer. "We believe that using the strength of TVA's balance sheet to support our partners and customers during this difficult time is just as vital to ensure a successful recovery for the Tennessee Valley."

The TVA Board did not implement a base rate increase for 2020. Additionally, local power companies that elected to sign up for an optional 20-year Valley Partnership Agreement are now receiving a 3.1% bill credit.

TVA's fuel, purchased power, operating and maintenance, tax equivalents, and interest expense were all lower in the first two quarters of fiscal year 2020 than in the same periods of the prior year. TVA's fuel and purchased power expense was 11% lower year-over-year, driven by lower effective fuel rates, decreased volume of purchased power and the overall demand was lower due to weather.

Operating and maintenance expense was \$212 million lower, driven primarily by prior year project write-offs and regulatory asset recovery for certain environmental cleanup costs that did not occur in the current year.

Interest expense was \$576 million for the first six months of fiscal year 2020, or a 4% 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.

"The impact of the COVID-19 pandemic on the communities we serve is unprecedented, and we know there will be continued economic uncertainty in the weeks and months ahead," said John Thomas, TVA's chief financial officer. "TVA's success in recent years in reducing costs, investing in more efficient generation, and reducing debt will help us keep power rates low, maintain reliable operations, and support our partners with greater flexibility, all of which become even more critical during this difficult time."

Additional highlights from TVA's Second Quarter Report include:

- Due to higher volatility in the financial markets from COVID-19, TVA increased its target balance of cash and cash equivalents by \$500 million as a precautionary measure. TVA has maintained uninterrupted access to the financial markets since the outbreak of the pandemic. Management does not expect COVID-19 to materially impact TVA's capital resources.
- TVA began implementing the Strategic Financial Plan approved by the TVA Board in 2019, including establishing better alignment between the length of local power company contracts and TVA's long-term commitments. To engage local power companies in this effort, TVA began offering a 20-year Valley Partnership Agreement option in 2019. As of May 4, 2020, 139 local power companies had accepted the offer.
- TVA continued to maintain 99.999 percent reliability in delivering energy to its customers, despite experiencing extreme weather.
- The second quarter of 2020 was the wettest TVA second quarter on record with 24.6 inches of rainfall received. Although many locations along the Tennessee River reached or

exceeded flood stage, TVA's efforts, including storing water in large tributary reservoirs, accounted for approximately \$1.0 billion in avoided damages in areas such as Chattanooga, Tennessee.

- TVA's reliability and economic development efforts continue to attract and encourage the expansion of business and industries in the Tennessee Valley, with over \$6.1 billion in investments and more than 51,500 jobs created or retained through the second quarter of 2020.

Selected Financial Data – Six Months Ended March 31		
Sales, Revenues & Expenses	2020	2019
Sales (millions of kWh)	74,123	76,337
Operating Revenues (\$ millions)	\$ 5,099	\$ 5,475
Fuel & Purchased Power Expense	1,323	1,494
Operating & Maintenance Expense	1,333	1,545
Interest Expense	576	602
Net Income	\$ 447	\$ 664
Net Cash Provided by / (Used in) (\$ millions)		
Operating Activities	\$ 1,870	\$ 1,747
Investing Activities	(1,010)	(1,040)
Financing Activities	(324)	(706)

TVA executive management will host a conference call to discuss second quarter fiscal year 2020 results at 9:30 a.m. EDT, on Tuesday, May 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. Participants should ask to be joined into the Tennessee Valley Authority call.

A replay will be available one hour after the end of the conference call, by calling toll free 877-344-7529 in the United States or 412-317-0088 outside the United States and using the conference number 10139713. 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 March 31, 2020. 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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