



Fiscal Year 2019 Conference Call

November 15, 2019

Introduction



Tammy Wilson
Vice President, Treasurer &
Chief Risk Officer

Agenda

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.

Fiscal Year 2019 Review



Jeff Lyash
President &
Chief Executive Officer

Partnering in Our Public Power Mission

Energy



Delivering affordable,
reliable power

Environment



Caring for our region's
natural resources

Economic Development



Creating sustainable
economic growth

Fiscal Year 2019 Highlights

54% of power from carbon-free sources

99.999% reliability for 20th consecutive year

New Integrated Resource Plan (IRP) approved

Completed 465 megawatt Extended Power Uprate at Browns Ferry

Released first EEI ESG report

Lowest debt in almost 30 years

New Long-Range Financial Plan approved

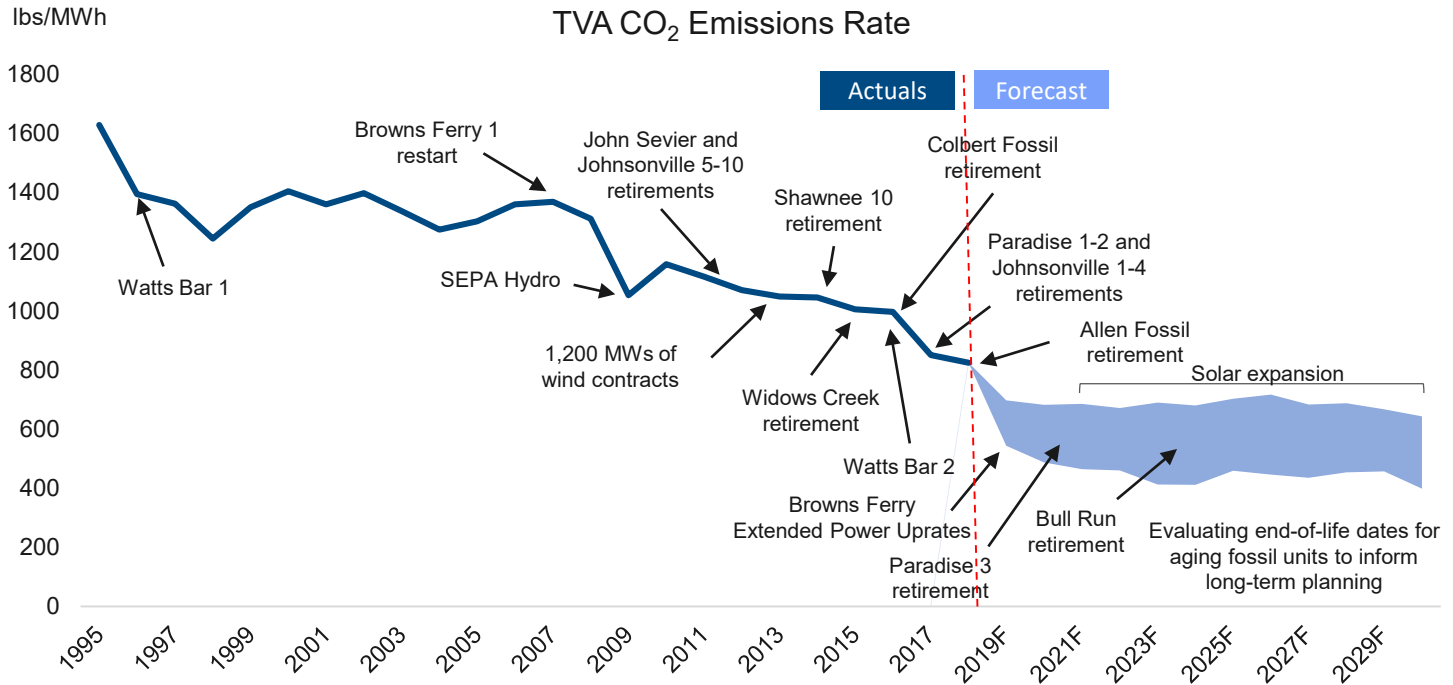
Partnership Agreement option for customers approved

Fleet Performance & Awards



Cleaner Energy Future

TVA system *carbon emissions rate* is forecasted to approach a **60% reduction** by 2020 and a **70% reduction** by 2030 from a 2005 baseline



*See *Forward-Looking Information* in 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 TVA's actual carbon emissions to differ materially from the estimates included in this slide.



Economic Development Results

FY 2019 Results

66,500 jobs

Created or Retained

\$8.9 billion+

Invested

FY 2019 Recognition

TOP 10 UTILITY

for Economic Development

by *Site Selection Magazine*

14th Consecutive Year

Review of Financial Performance



John Thomas
Executive Vice President &
Chief Financial Officer

Summary of Financial Results

For Twelve Months Ended September 30, 2019 - Comparison to Prior Year

Operating revenues essentially flat

Lower sales offset by higher base revenue due to base rate adjustment

Operating expenses 2% lower

Driven by lower fuel expense and lower depreciation and amortization expense

Interest expense 4% lower

Driven by lower average balances of both short-term and long-term debt

Net income of \$1.4 billion

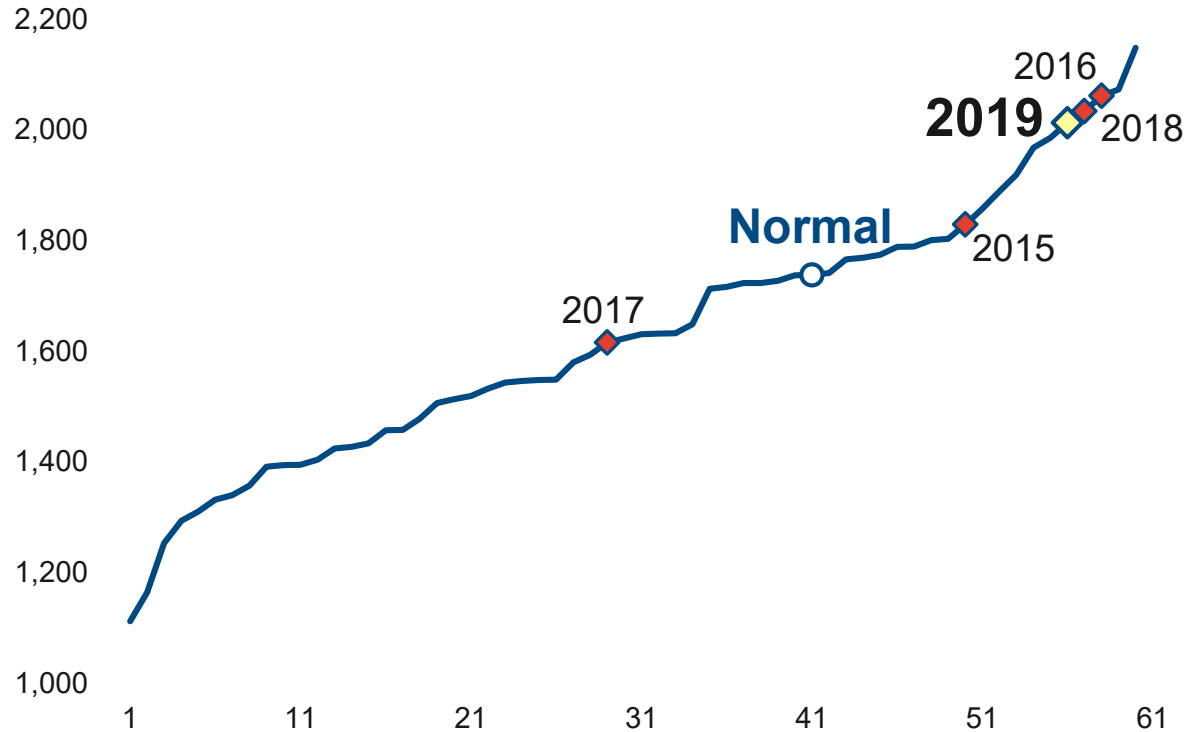
Hot Start and Finish to Summer

2019

Compared to the years since 1961:

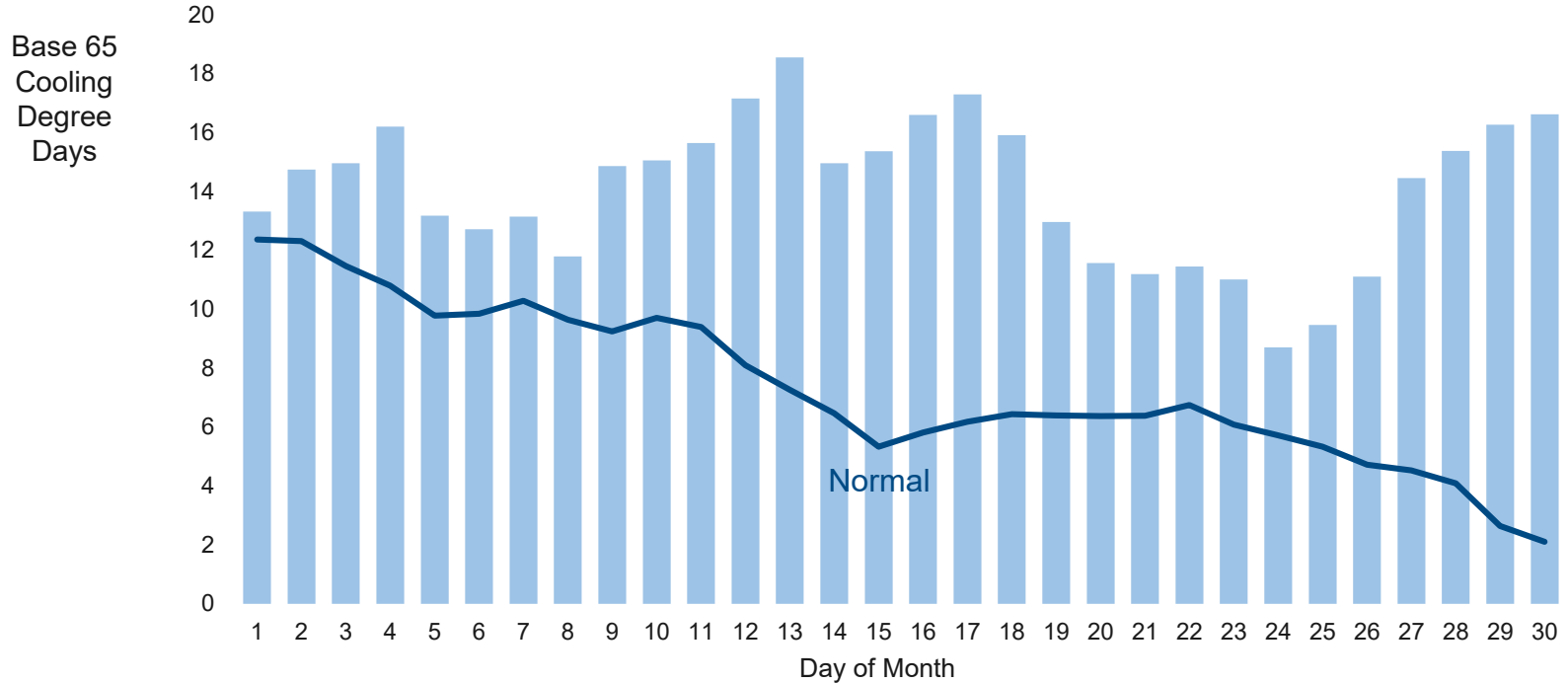
- 5th warmest summer
- 3rd hottest May
- Moderate June, July, August
- Hottest September

5-Station Summer Base 65 Cooling Degree Days (FY 1961-2019)



Hottest September on Record

September 2019 Cooling Degree Days



Hottest September based on data from 1961 through 2019; normal based on 2001-2015

Sales & Revenue

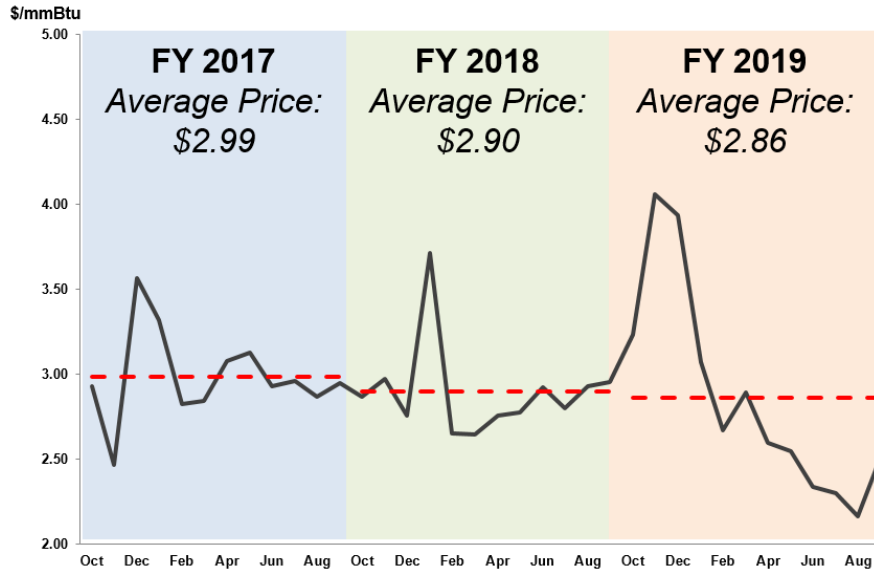
Twelve Months Ended September 30	2019	2018	Change	Percent Change
Power Sales (GWh)	158,443	160,338	(1,895)	(1)%
Total Operating Revenues (\$ millions)	\$ 11,318	\$ 11,233	\$ 85	1 %
Base Revenue	8,356	8,129	227	3 %
Fuel Cost Recovery	2,799	2,939	(140)	(5)%
Average Base Rate (¢/kWh)	5.28	5.08	0.20	4 %
Average Fuel Rate	1.77	1.84	(0.07)	(4)%
Total Effective Rate*	7.05	6.91	0.14	2 %

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

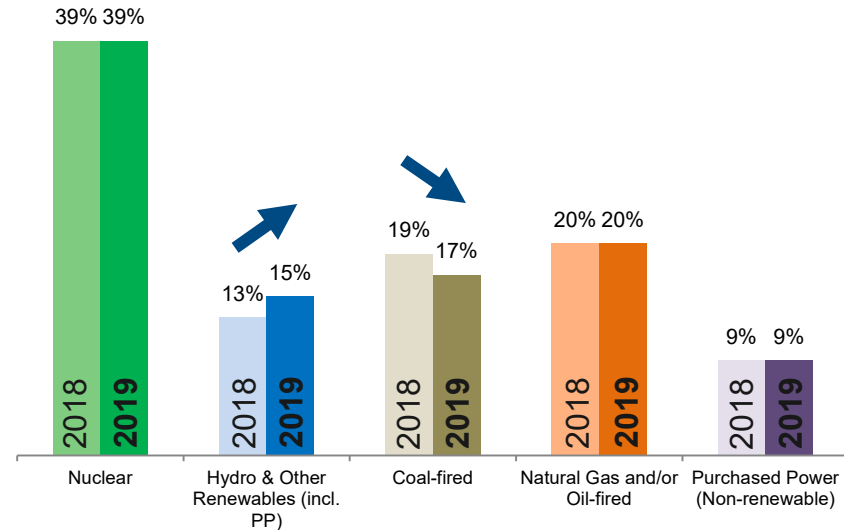
Power Supply Summary – FY 2019

54% of power from carbon-free sources

Natural Gas Prices



Power Supply by Source



Expenses & Net Income

Twelve Months Ended September 30	2019	2018	Change	Percent Change
Total Operating Revenues (\$ millions)	\$ 11,318	\$ 11,233	\$ 85	1 %
Fuel & Purchased Power Expense	\$ 2,903	\$ 3,022	\$ (119)	(4)%
Operating & Maintenance Expense	3,090	2,598	492	19 %
Bull Run & Paradise Write-Offs	170	-	170	-
Accel. Recovery of Kingston Environmental Costs	266	-	266	-
Operating & Maintenance excl. Additional Items⁺	2,654	2,598	56	2 %
Depreciation & Amortization	1,973	2,527	(554)	(22)%
Tax Equivalents	541	518	23	4 %
Interest Expense	1,198	1,243	(45)	(4)%
Net Income*	\$ 1,417	\$ 1,119	\$ 298	27 %

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

⁺ See Appendix - Regulation G Reconciliation

Cash Flow & Balance Sheet Metrics

Twelve Months Ended September 30			
Net Cash Provided by / (Used in) (\$ millions)	2019	2018	Change
Operating Activities	\$ 3,720	\$ 3,938	\$ (218)
Investing Activities	(2,243)	(2,269)	26
Financing Activities	(1,477)	(1,658)	181

Select Balance Sheet Metrics⁽¹⁾			
(\$ millions)	Sep. 30 2019	Sept. 30 2018	Change
Total Debt and Other Financing Obligations ⁽²⁾	\$ 22,818	\$ 24,281	\$ (1,463)

(1) See Appendix - Regulation G Reconciliation

(2) Statutory Debt balance that counts towards TVA's \$30 billion debt ceiling was \$21.4 billion at 9/30/19

Recap of Financial Results

For Twelve Months Ended September 30, 2019 - Comparison to Prior Year

Essentially flat operating revenue; lower operating expenses

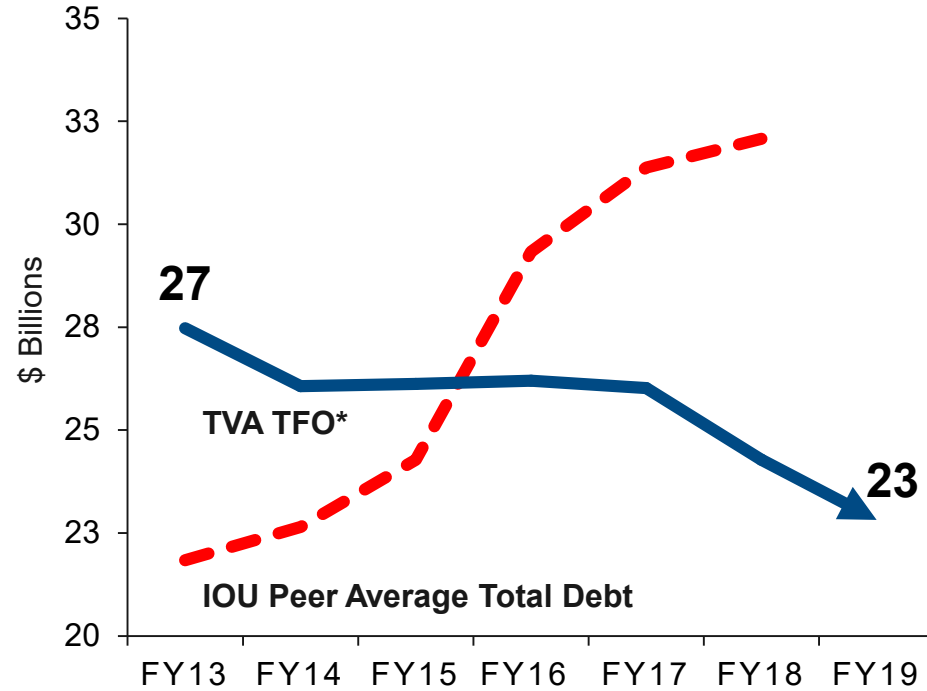
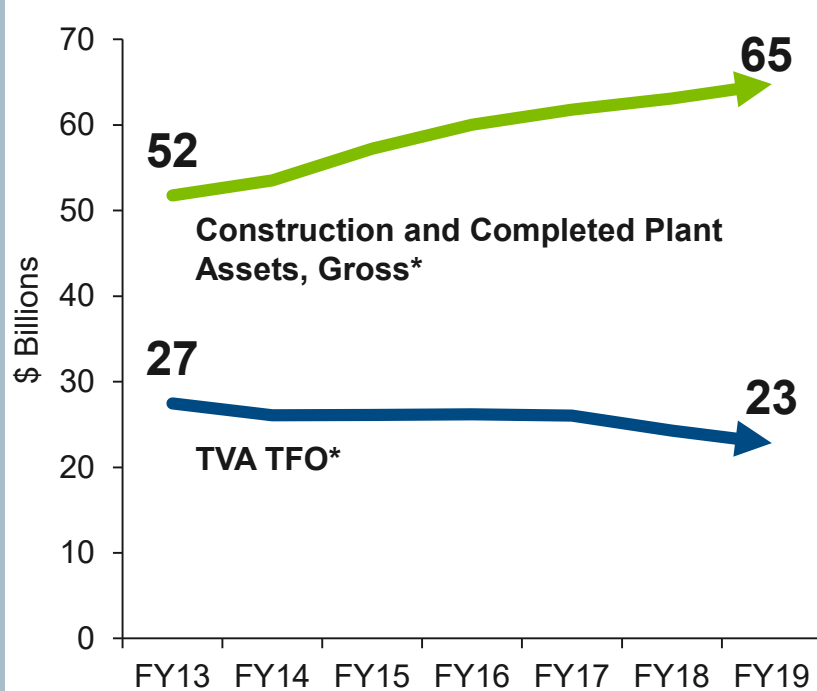
Keeping controllable O&M costs contained

Successfully executing debt paydown

Strong financial position moving into new LRFP

Improving Financial Health in Context

TVA invested **\$13 billion** in our asset base while reducing financing obligations by almost **\$5 billion**, while peers increased debt



* See Appendix – Regulation G Reconciliation

New 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 range

Balance commitments with obligations

Drive efficiencies into the business



Questions

Appendix – Regulation G Reconciliation

	September 30, 2019	September 30, 2013
Construction and Completed Plant Assets, Gross* (Completed Plant plus Construction in Progress) <i>as of the date listed</i>	\$ 64,837	\$ 51,777
Accumulated depreciation	(31,384)	(23,157)
Nuclear fuel	1,534	1,256
Capital leases	146	47
Total property, plant and equipment, net	<u>\$ 35,133</u>	<u>\$ 29,923</u>
Operating & Maintenance Expense excluding Additional Items <i>for the year ended September 30, 2019</i>	\$ 2,654	
Bull Run & Paradise write-offs	170	
Accelerated recovery of Kingston environmental costs	266	
Operating & Maintenance Expense	<u>\$ 3,090</u>	
Total Debt and Other Financing Obligations, Gross ("TFO") <i>as of the date listed</i>	\$ 22,818	\$ 27,473
Energy prepayment obligations	-	(510)
Notes payable	(23)	
Leaseback obligations	(263)	(761)
Membership interests of variable interest entity subject to mandatory redemption	(28)	(40)
Debt of variable interest entities	(1,137)	(1,341)
Bonds and Notes, Gross	\$ 21,367	24,821
Exchange loss / (gain)	(191)	43
Unamortized discounts, premiums, issue costs and other	(139)	(85)
Notes payable	23	
Debt of variable interest entities	1,137	1,341
Total outstanding debt	<u>\$ 22,197</u>	<u>\$ 26,120</u>

Note: Numbers may be adjusted for rounding

* Metric formerly referred to as "Gross PPE"