



First Quarter Fiscal Year 2019 Conference Call

January 31, 2019



Tammy Wilson

Vice President, Treasurer &
Chief Risk Officer

Agenda

First Quarter Fiscal Year 2019 Review

> Bill Johnson, 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.



Bill Johnson
President &
Chief Executive Officer



Mission & Strategic Imperatives

Energy

Delivering affordable, reliable power



Environment

Caring for our region's natural resources

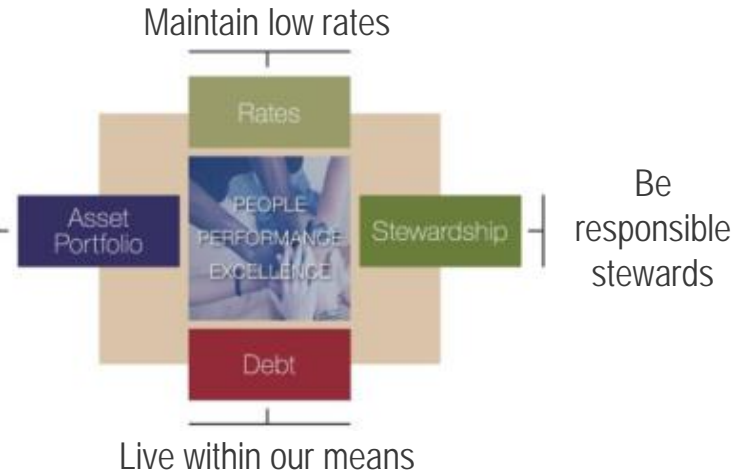


Economic Development

Creating sustainable economic growth



Meet reliability expectations & provide a balanced portfolio



Fiscal Year 2019 Priorities

Rates

Maintain low rates and align O&M spending with revenues

Debt

Effectively manage debt to ensure long-term financial health

People Performance Excellence

Work safely and effectively
Demonstrate a continuous improvement mindset
Develop employees and leadership for sustained optimal performance
Build an inclusive, engaged, and diverse workforce
Live our values and competencies






Assets

Pursue operational excellence
Balance the portfolio to provide cleaner, efficient, and affordable energy
Effectively implement Distributed Energy Resources

Stewardship

Stimulate economic development and investment in the Valley
Strengthen customer loyalty and stakeholder relationships
Maximize the potential of the Tennessee River System
Protect and improve the environment, natural resources, and the use and enjoyment of public lands

Executing our Strategic Plan

-  Delivered flat effective rates for 5 years
-  Completed major capital projects
-  Achieved \$1 billion in fuel savings
-  Reduced O&M expense by \$800 million
-  Reduced total financing obligations by \$3 billion

A Resilient Fleet *is a Reliable Fleet*



Asset Portfolio Initiatives

Low-Emitting Resources



Natural Gas

Continue Evaluation of Market Options

Evaluate CT Fleet Modernization



Coal

Retire

- Johnsonville
- Allen

Control

- Gallatin
- Shawnee 1,4

Retire / Control

- Shawnee 2,3,5-9

Evaluate

- Paradise 3
- Bull Run

Non-Emitting Resources



Nuclear

Browns Ferry Extended Power Uprates

Delivering the Nuclear Promise



Hydro

Hydro Modernization

Dam Stabilization

Maintain Hydro Capacity



Solar/Wind

Economic Solar Additions Beginning in the 2020s

Evaluate and Respond to Customer Demand



EE/DR

Continue Optimization of EE & DR Programs



Transmission

Grid Reliability

Expansion for Economic Development & Local Load Growth

Regulatory Compliance

Solar Partnerships – Facebook & Nashville Electric Service



Economic Development Results

Q1 FY 19 Results

- **25,000+ JOBS**
Created or Retained
- **\$4.3 billion+**
Capital Investment

Recent Announcements

- ***Amazon*** Operations Hub in Nashville
- First ***Amazon*** fulfillment center in Mississippi



John Thomas

Executive Vice President &
Chief Financial Officer



Summary of Financial Results

For Three Months Ended December 31, 2018 - Comparison to Prior Year

Operating revenues of \$2.7 billion – 7% higher

Interest expense of \$302 million – 6% lower

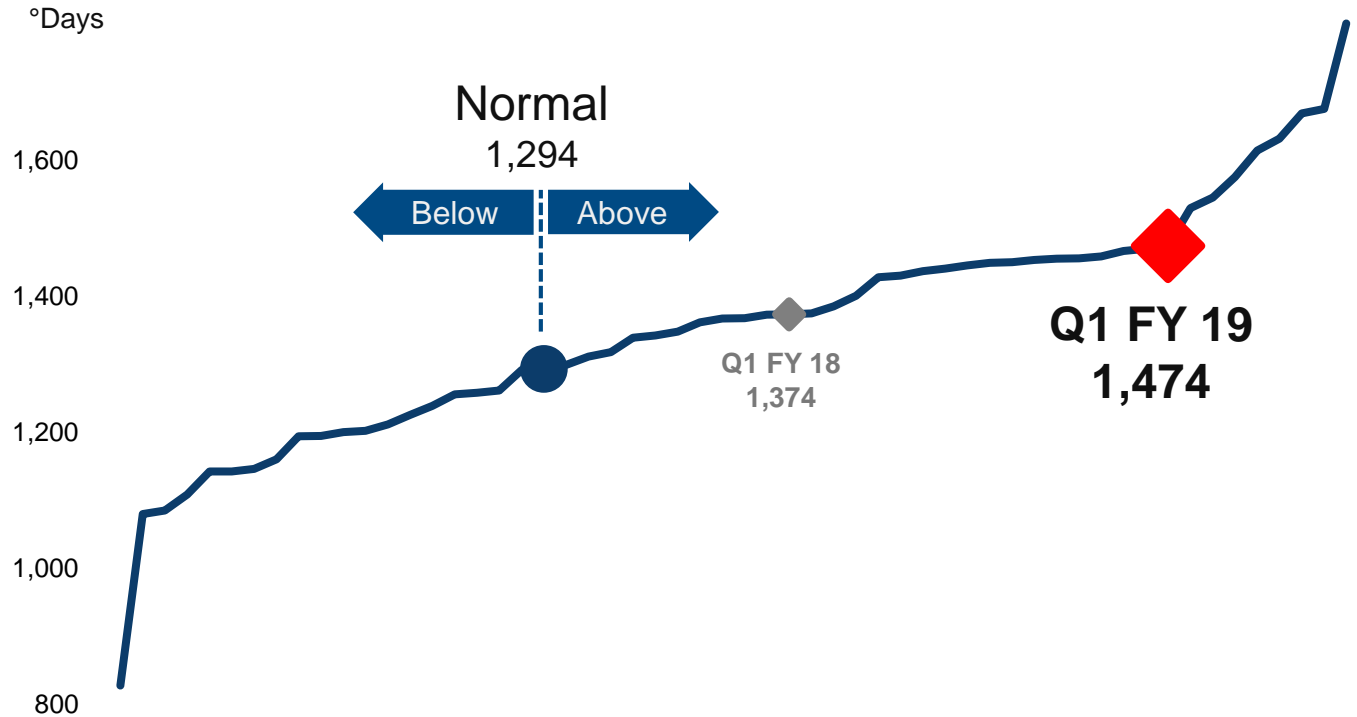
Net income of \$423 million – \$135 million higher

Financing obligations down \$1.6 billion* – 6% lower

* See Appendix – Regulation G Reconciliation

Q1 Combined Degree Days Above Normal

Hot Start to October; Colder November with Second Highest Peak



Sales & Revenue

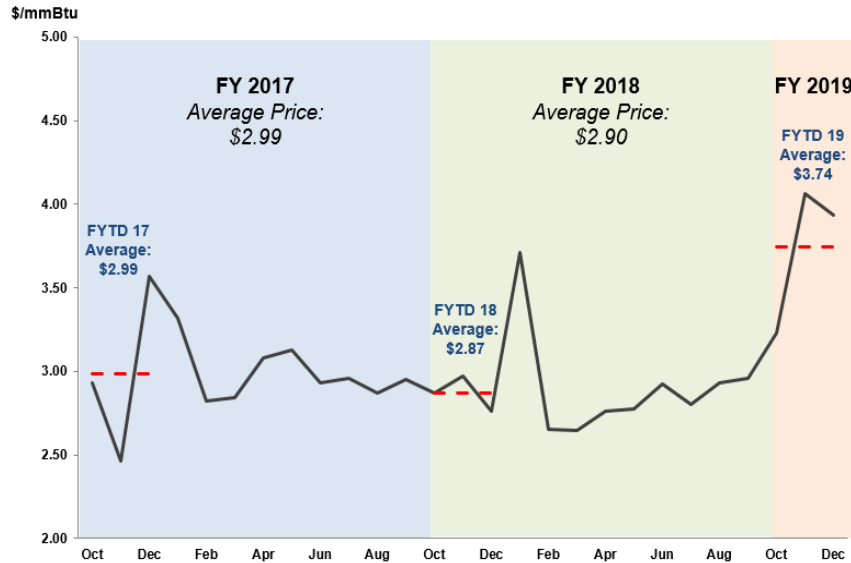
Three Months Ended December 31	2018	2017	Change	Percent Change
Power Sales (GWh)	38,099	37,283	816	2 %
Total Operating Revenues (\$ millions)	\$ 2,725	\$ 2,549	\$ 176	7 %
Base Revenue	1,974	1,837	137	7 %
Fuel Cost Recovery	707	670	37	6 %
Average Base Rate (¢/kWh)	5.18	4.94	0.24	5 %
Average Fuel Rate	1.86	1.80	0.06	3 %
Total Effective Rate*	7.04	6.74	0.30	4 %

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

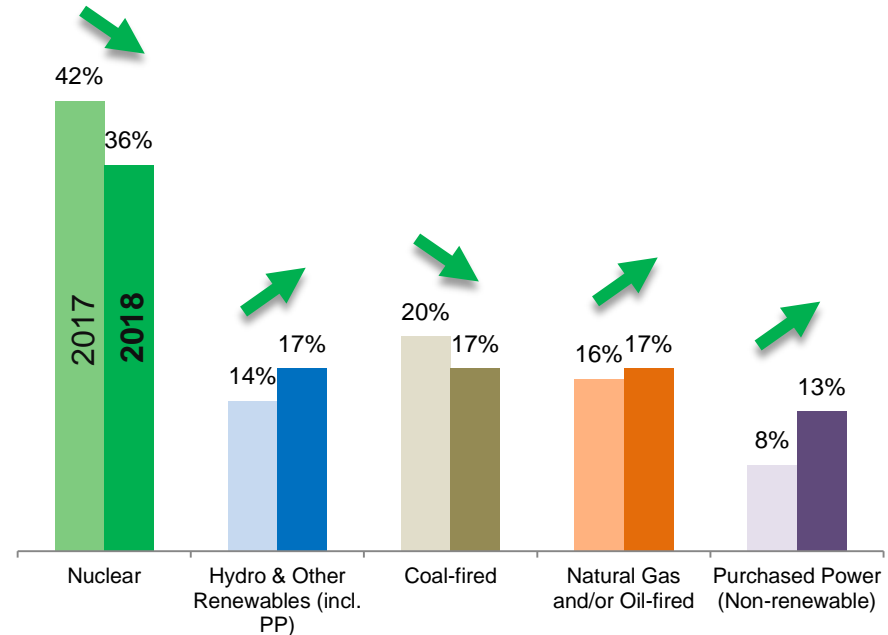
Power Supply Summary

Rainfall 153% of normal; hydro generation 42% higher compared to prior year

Natural Gas Prices



Power Supply by Source



Expenses & Net Income

Three Months Ended December 31	2018	2017	Change	Percent Change
Total Operating Revenues (\$ millions)	\$ 2,725	\$ 2,549	\$ 176	7 %
Fuel & Purchased Power Expense	\$ 738	\$ 695	\$ 43	6 %
Operating & Maintenance Expense	745	646	99	15 %
Depreciation & Amortization	345	423	(78)	(18)%
Tax Equivalents	132	124	8	6 %
Interest Expense	302	322	(20)	(6)%
Net Income*	\$ 423	\$ 288	\$ 135	47 %

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

Cash Flow & Balance Sheet Metrics

Three Months Ended December 31			
Net Cash Provided by / (Used in) (\$ millions)	2018	2017	Change
Operating Activities	\$ 502	\$ 626	\$ (124)
Investing Activities	(601)	(628)	27
Financing Activities	101	15	86

Select Balance Sheet Metrics ⁽¹⁾	Dec. 31	Sept. 30	
(\$ millions)	2018	2018	Change
Property, Plant & Equipment, gross	\$ 63,242	\$ 63,113	\$ 129
Total Debt and Other Financing Obligations ⁽²⁾	24,387	24,281	106

(1) See Appendix - Regulation G Reconciliation

(2) Statutory Debt balance that counts towards TVA's \$30 billion debt ceiling was \$22.8 billion at 12/31/18

Summary of Financial Results

For Three Months Ended December 31, 2018 - Comparison to Prior Year

Sales volume 2% higher due to weather effects

Interest expense 6% lower

Net income \$135 million higher

Financing obligations of \$24.4 billion



Questions

Appendix

Regulation G Reconciliation

	December 31, 2018	September 30, 2018	December 31, 2017
Property, Plant & Equipment, gross (Completed Plant plus Construction in Progress)	\$ 63,242	\$ 63,113	\$ 62,090
Accumulated depreciation	(29,384)	(29,335)	(28,587)
Nuclear fuel	1,470	1,487	1,370
Capital leases	146	149	158
Total property, plant and equipment, net	<u>\$ 35,474</u>	<u>\$ 35,414</u>	<u>\$ 35,031</u>
Total Debt and Other Financing Obligations, gross ("TFO")	\$ 24,387	\$ 24,281	\$ 26,021
Energy prepayment obligations	-	(10)	(85)
Notes payable	(67)	(69)	(120)
Leaseback obligations	(301)	(301)	(339)
Membership interests of variable interest entity subject to mandatory redemption	(30)	(30)	(32)
Debt of variable interest entities	(1,175)	(1,175)	(1,211)
Bonds and Notes, gross	\$ 22,814	\$ 22,696	\$ 24,233
Exchange loss / (gain)	(163)	(147)	(118)
Unamortized discounts, premiums, issue costs and other	(153)	(154)	(160)
Notes payable	67	69	120
Debt of variable interest entities	1,175	1,175	1,211
Total outstanding debt	<u>\$ 23,740</u>	<u>\$ 23,639</u>	<u>\$ 25,286</u>

Note: Numbers may be adjusted for rounding

