



# Fact Sheet

## Fiscal Year 2011 Budget

TVA's Fiscal Year 2011 budget provides \$9.6 billion for operating expenses and \$2.9 billion in capital projects in a well-balanced plan to meet current and future demand during a period of modest economic recovery and regulatory uncertainty.

### ***Background***

The annual budget provides the framework that guides the operation of TVA for the 12-month period beginning Oct. 1, addressing both immediate needs and long-term challenges facing TVA and its seven-state service territory.

### ***Key points***

- The FY 2011 budget includes the impact of restructured wholesale rates to more accurately reflect the seasonal or time-of-use costs of power production. The effect is designed to be revenue-neutral to TVA.
- There is no general rate increase in the FY 2011 budget.
- Capital spending includes \$248 million for the next phase of Bellefonte Nuclear Plant Unit 1. This would fund initial engineering design, asset preservation and facilities preparation, regulatory framework development and procuring long-lead components. This does NOT constitute final approval for the Bellefonte Unit 1 project.
- TVA forecasts some growth in regional Gross Domestic Product in FY2011, yet a slight decline in sales due to a return to normal weather. Industrial production has been recovering faster than expected, but commercial activity continues to be weak and regional unemployment remains high.

### ***Other information***

- Other major capital items include: \$635 million toward FY 2013 completion of Watts Bar Nuclear Plant Unit 2, \$314 million toward FY 2012 completion of the John Sevier Combined Cycle Plant and \$351 million for environmental improvements for coal-fired power plants, including ash management projects.
- Fuel and purchased power costs are forecast to rise to \$4.3 billion, up from \$3.8 billion in FY 2010, primarily due to the impacts of increased coal and purchased power prices, and the impacts of expected reductions in hydro generation.
- Key non-fuel operating expenses include \$135 million (up \$45 million from FY 2010) for energy efficiency and demand response programs, and \$70 million (up \$40 million from FY 2010) for economic development.
- Total debt and debt-like obligations will rise from \$26 billion at the end of FY 2010 to \$26.9 billion in FY 2011. Still, TVA's capitalization-to-asset ratio is below most major investor-owned utilities in the region, according to 2009 financial statements. To ensure future fuel supplies, the budget authorizes a contract for natural gas pipeline delivery from Texas Gas Transmission LLC for up to 10 years and uranium enrichment services from GE Hitachi Global Laser Enrichment LLC from 2015 to 2025.
- TVA's monthly fuel cost adjustments known as FCA also will change slightly beginning with October bills to more closely reflect costs of fuel and purchased power expenses. But there will be no general rate increase.