



TVA's 2007 Strategic Plan

TVA Board Members

- **William (Bill) Sansom (2009)** **Knoxville, Tn.**
- **Dennis (Denny) Bottorff (2011)** **Nashville, Tn.**
- **Donald (Don) DePriest (2009)** **Columbus, Ms.**
- **Robert (Mike) Duncan (2011)** **Inez, Ky.**
- **Skila Harris (2008)** **Washington, DC**
- **Howard Thrailkill (2010)** **Huntsville, Al.**
- **Susan Williams (2012*)** **Knoxville, Tn.**
- **William Graves (2012*)** **Memphis, Tn.**
- **Thomas Gilliland (2011*)** **Blairsville, GA**



**Bill Sansom
Chairman**

*Pending Confirmation

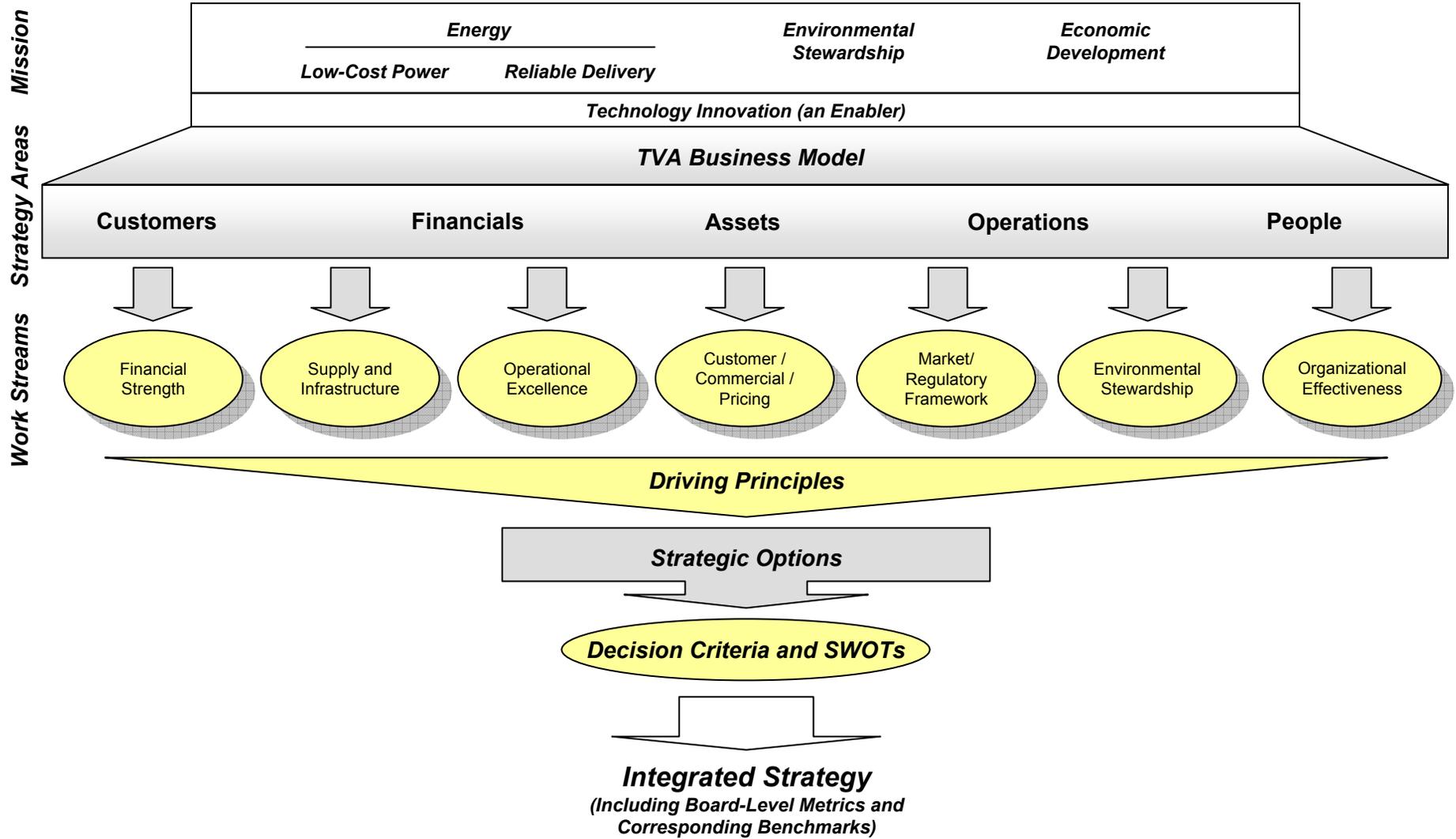
Purpose

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- **To reflect board policy-level strategy direction to foster the long-term health of TVA in accordance with the mission.**
- **To identify a strong, sustainable business model for securing low-cost, reliable power for the Tennessee Valley.**
- **To provide strategic alignment between the board’s objectives and TVA’s management performance and initiatives.**
- **To identify Board level metrics to use in monitoring progress toward meeting the Strategic objectives.**

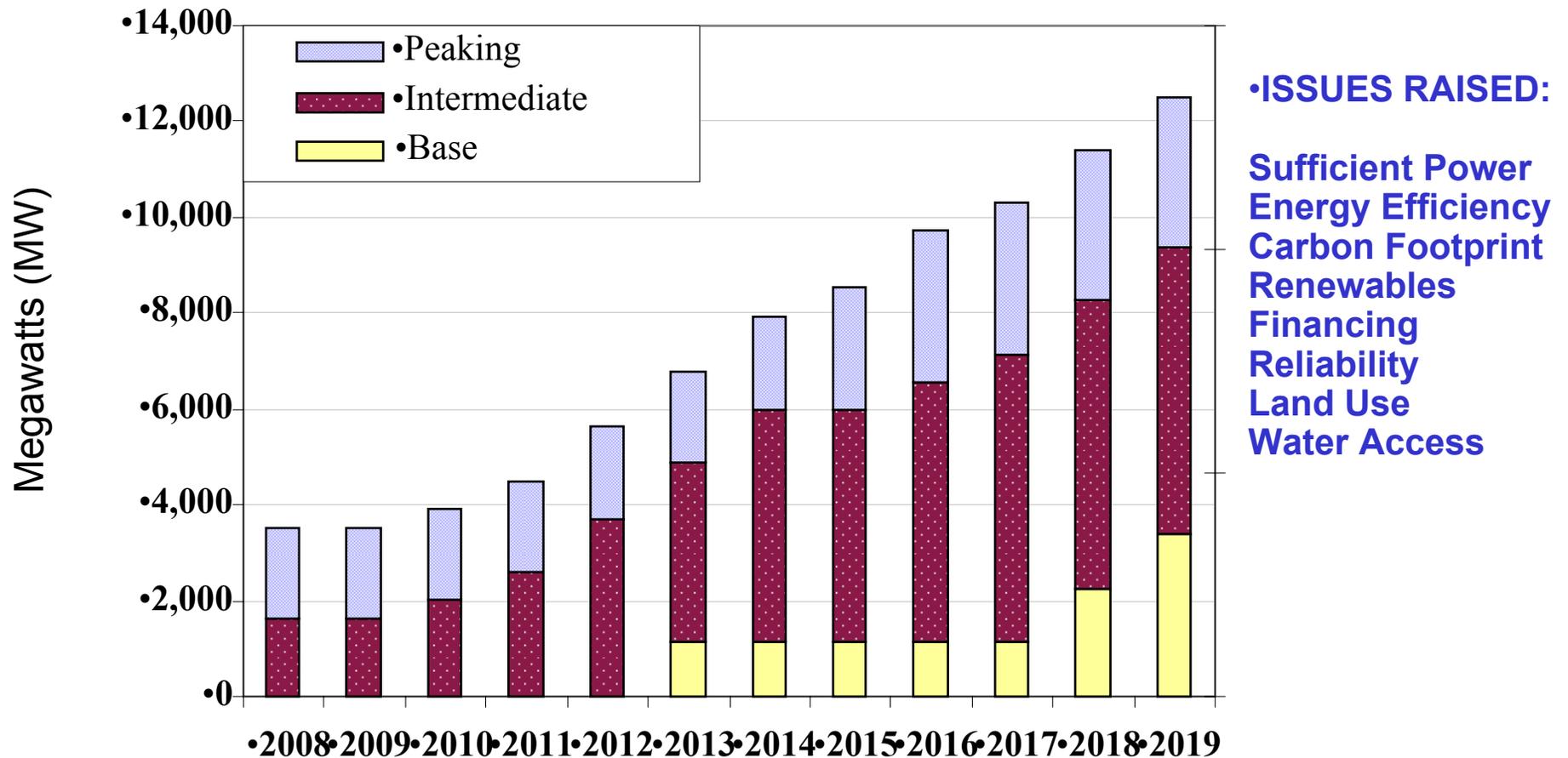
The Plan is not intended to address detailed resource planning issues such as forecasting future load requirements or assessing supply and demand alternatives for meeting those needs. Nor is it intended to address rate-setting or customer-specific issues. These issues will be addressed during strategy implementation.

TVA Strategic Development Framework

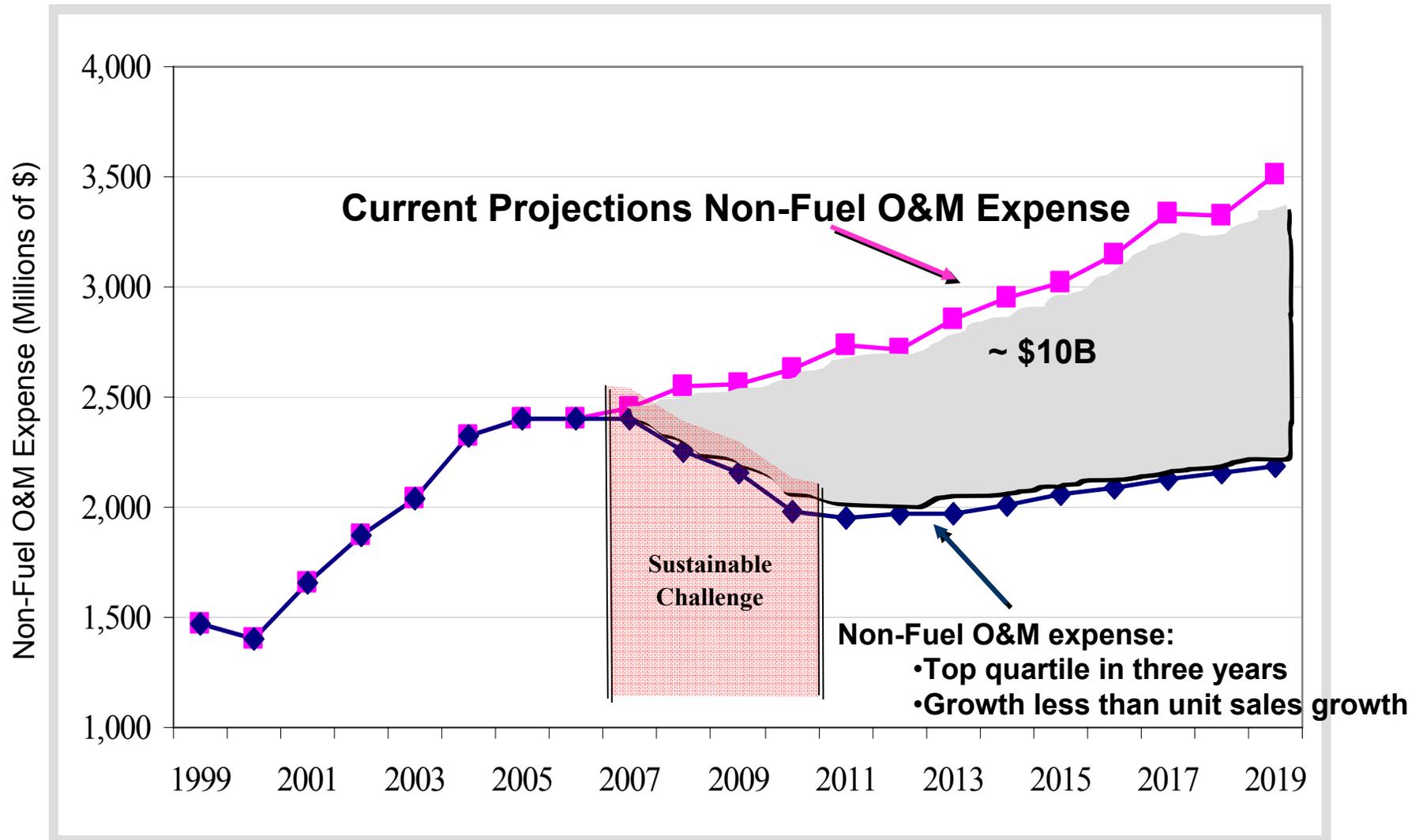


TVA Capacity Increase Needed

Capacity Increases Approximately 700 MW Annually

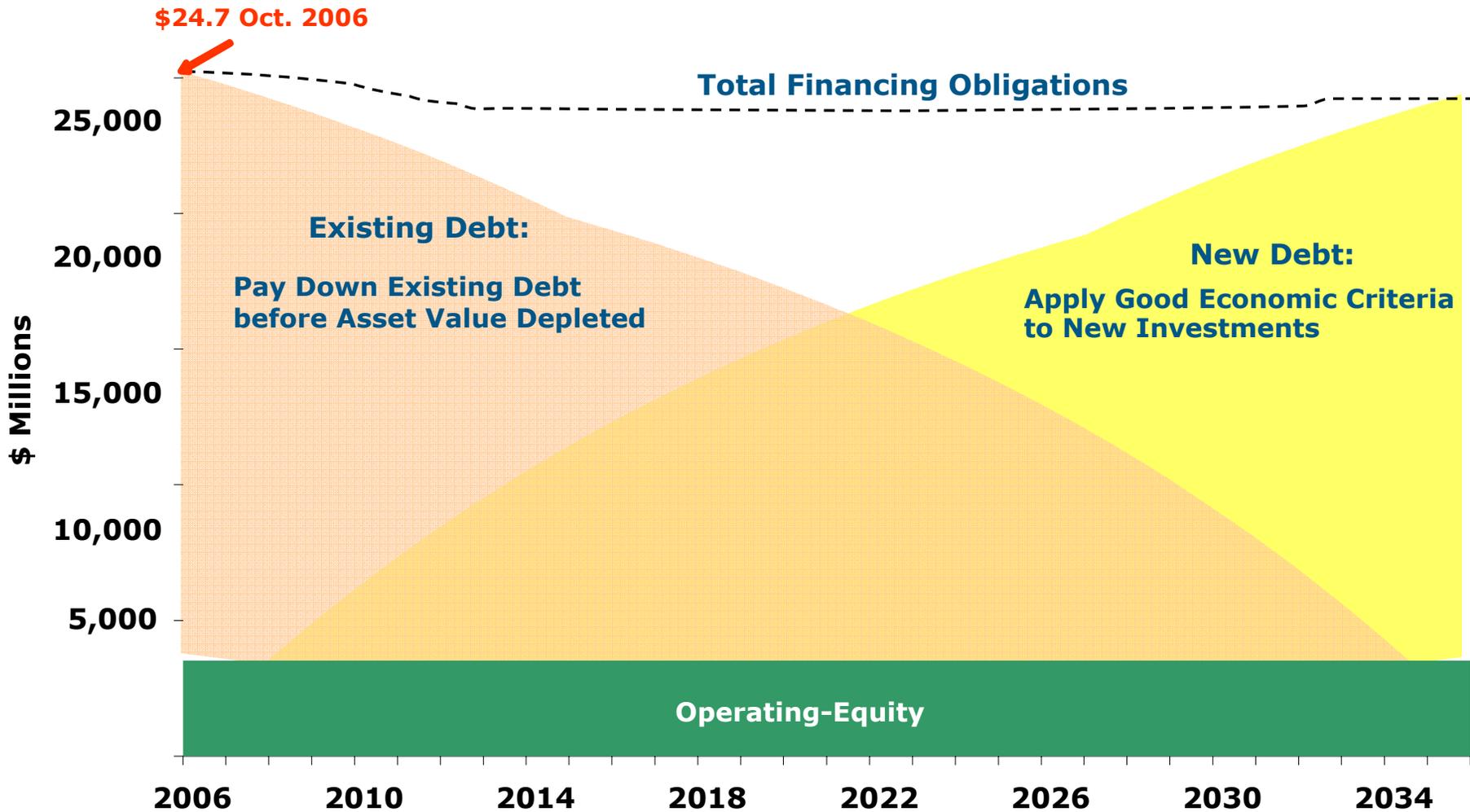


TVA Non-Fuel O&M to Top Quartile





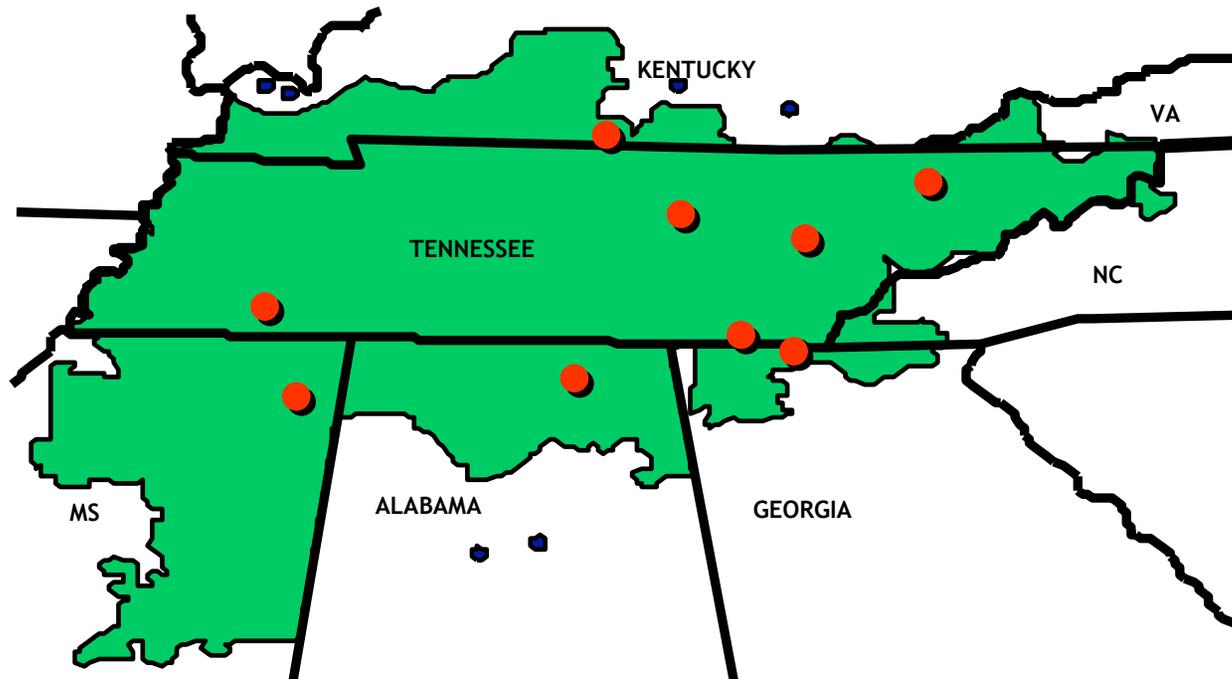
Sound Financial Principles



Illustrative

TVA Solicitation of Comments

- **Comments accepted via TVA Web site, e-mail and letters**
- **Nine public sessions held throughout the Valley**
- **Employee briefings**



TVA Strategic Plan Approved !



May 31, 2007



TVA Board Approves "Strengthened" 2007 Strategic Plan:

More Focus Placed On Energy Conservation

posted May 31, 2007



TVA Adopts New Blueprint

Thursday, May 31, 2007

Columbus, Mississippi
TVA Strategic Plan – A Renewed Emphasis
posted May 31, 2007



TVA Board Approves 10-year Plan:

Winds of Change

Posted Friday, June 1, 2007

Overall Components of the Plan

Reinforces:

- Commitment to TVA’s Three-Fold Mission
- Self-Funding Structure
- Bundled Generation and Transmission Services
- Assets Sufficient to Serve the Valley’s Electricity Demands
- Partnership with Distributors on Power Supply

Identifies Several Strategic Topics:

- Energy Efficiency & Peak Reduction – *leader in 5 years*
- Renewable Portfolio – *increase to address carbon intensity*
- Global Climate Change – *nuclear is a component of carbon reduction strategy*
- Fossil Emission – *limited use of allowances; retire sooner if energy efficiency efforts reduce demand more than forecasted*
- Resource Stewardship – *retaining lands in public ownership and promoting balanced use of multiple demands on the reservoirs and adjacent lands*
- Economic Development – *expand recruiting criteria to include environmental impact, load volatility and capacity factor, in addition to the number and quality of jobs created and capital invested*





Assumed Environment 2008-2019

“IF”

- **Load grows approximately 1.9% annually (or less!)**
- **TVA capacity built, bought or contracted as assumed**
- **No Legislation passes that alters TVA business structure**
- **Energy efficiency offsets one year of load growth**
- **Environmental controls spending does not exceed \$4.2B**
- **Carbon legislation, a “Cap and Trade” program is passed**
- **Preservation capital equals 90% of asset depreciation**
- **TVA can achieve projected O&M savings, top quartile**
- **The Fuel Cost Adjustment mechanism remains in place**



Summary and Impact

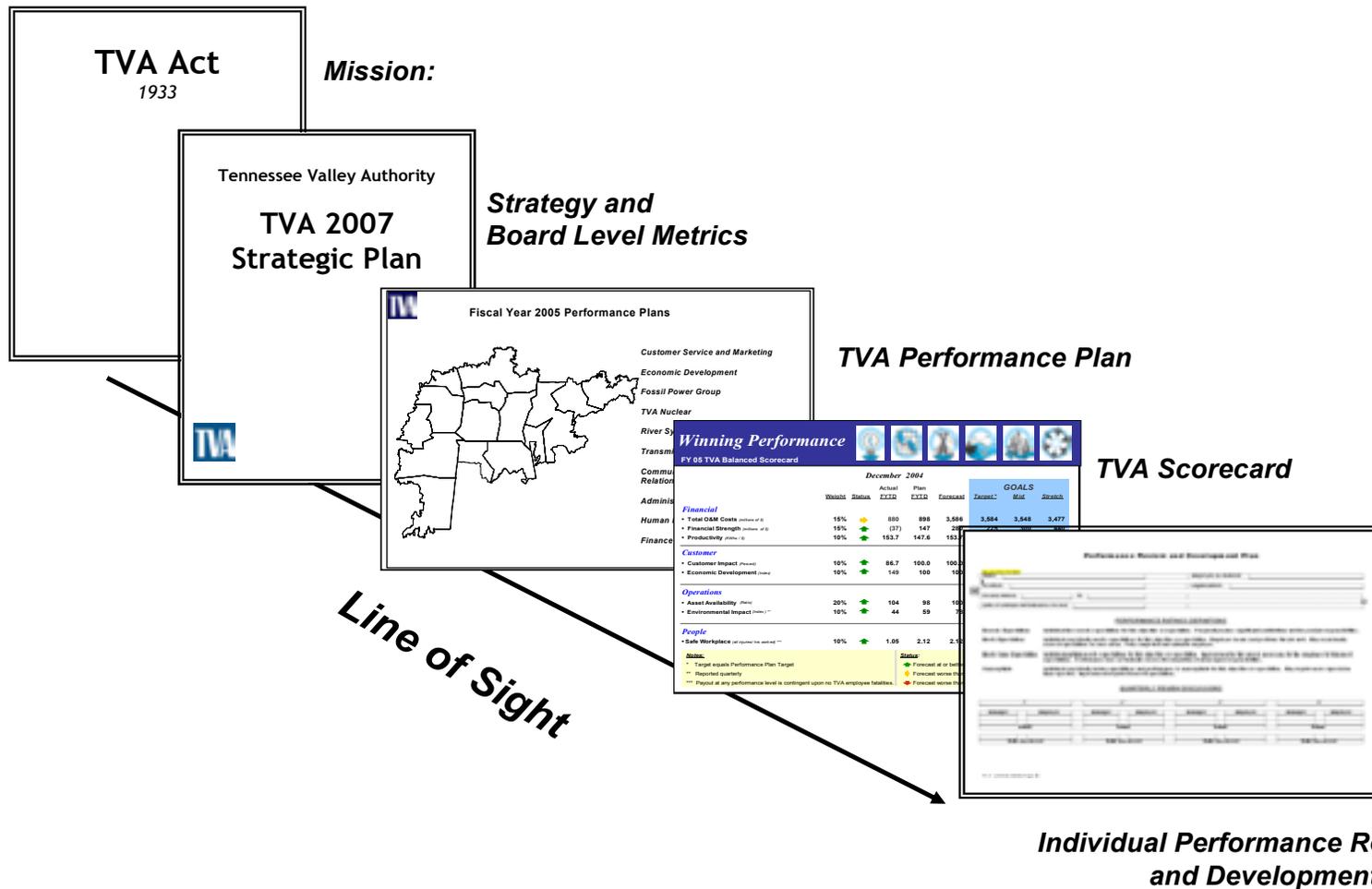
“IF” the Plan’s Assumptions Hold – “Then”:

- **Single digit rate increase would be expected early in the period**
- **TVA’s Total Financing Obligations remain below debt ceiling**
- **Market dependence will account for only 5% of TVA’s peak**
- **TVA meets existing environmental commitments**
- **The carbon footprint is reduced**
- **Energy efficiency is improved**



Strategic Alignment

Alignment to the TVA 2007 Strategic Plan establishes overall performance expectations for the enterprise



Winning Performance
FY 05 TVA Balanced Scorecard

Category	Metric	December 2004			GOALS		
		Actual	Plan	Forecast	Target	Mid	Stretch
Financial	Total O&M Costs (mm \$)	15%	880	898	3,585	3,584	3,477
	Financial Strength (mm \$)	15%	(37)	147	210		
	Productivity (mm \$)	10%	183.7	147.6	153		
Customer	Customer Impact (mm)	10%	86.7	106.0	100		
	Economic Development (mm)	10%	143	100	100		
Operations	Asset Availability (%)	20%	104	98	100		
	Environmental Impact (mm)	10%	44	59	75		
People	Safe Workplace (at risk for award)	10%	1.05	2.12	2.12		

Status:
 ● Target equals Performance Plan Target
 ● Forecast at or below Target
 ● Reported quarterly
 ● Forecast worse than Target
 ● Forecast better than Target
 ● Payroll at any performance level is contingent upon the TVA employee facilities.

Reaffirmation of the TVA's Mission



Environment

Act as a steward of the Valley's natural resources

“To fulfill its environmental stewardship mission, TVA manages the natural resources of the Valley for the benefit of the region and the nation. It manages the Tennessee River system and associated public lands to reduce flood damage, maintain navigation, support power production and recreational uses, improve water quality and supply, and protect shoreline resources.”

TVA 2007 Strategic Plan

Key Stewardship Components

Policy-level Components in TVA's 2007 Strategic Plan:

- **RESERVOIRS & LANDS:**

- **Manage reservoirs and adjacent lands**
- **Retain reservoir lands in public ownership**
- **Balance conservation of water resources**
- **Manage the multiple demands on the reservoir system**
- **Apply Science and Technology innovation**
- **Be proactive in addressing environmental concerns**
- **Work with customers and stakeholders to improve the environment**



Operational-level FY08 Report Card

Environmental Stewardship Metrics:

- **Clean Marina Certifications (# gained)**
- **Water Stewardship (positive change in water quality)**
- **Land Stewardship (positive change in lands actively managed)**
- **Land & Water Stewardship (objectives accomplished)**
- **Reservoir Operations Compliance (% completion)**
- **Stakeholder Responsiveness (under development)**
- **Recreation Projects (% spend to plan)**
- **Water Use Facility Permitting (% appeals completed < 51 days)**
- **Stakeholder Responsiveness (TBD)**





What Next...

- Reservoir Operations Policy – May 2004**
- TVA Land Policy – December 2006**
- Natural Resource Management Strategy- 2008**
- TVA Environmental Policy Level Strategy- 2008**



TVA