



TVA BOARD
MEETING

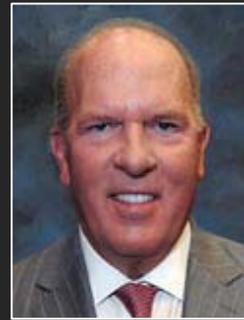
FEBRUARY 14, 2013



Lynn Evans



Peter Mahurin



Michael McWherter



Joe Ritch



TVA BOARD
MEETING

FEBRUARY 14, 2013



PRESIDENT'S REPORT

FIRST IMPRESSIONS



SAFETY



SAFETY



TVA'S UNIQUE MISSION, ROLE



TVA'S UNIQUE MISSION, ROLE



PARTNERING ON CLEAN AIR



WATTS BAR UNIT 2



SEQUOYAH STEAM GENERATOR PROJECT



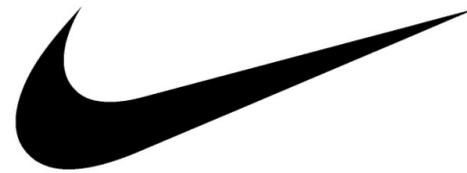
SEQUOYAH NUCLEAR



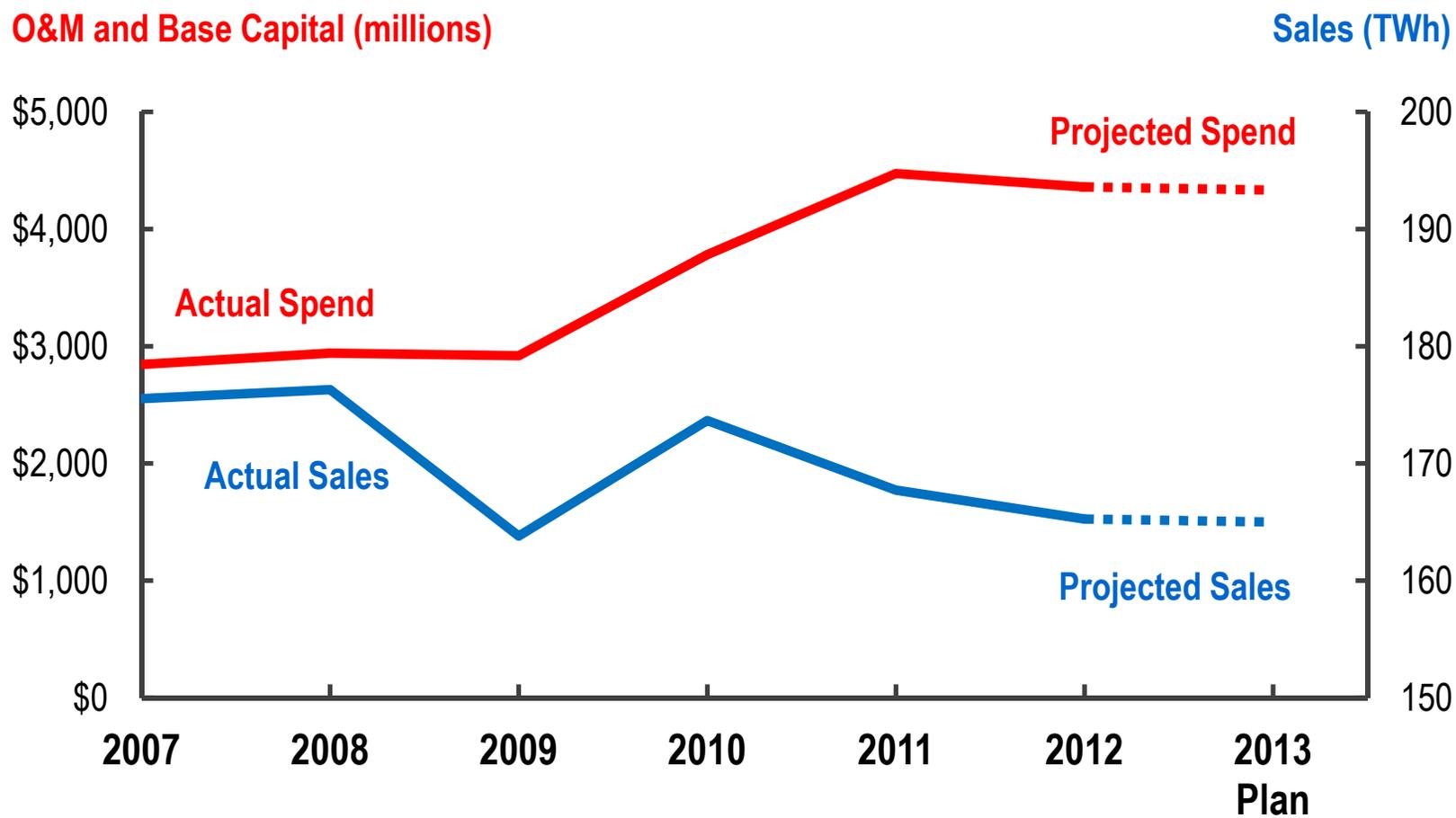
BROWNS FERRY NUCLEAR PLANT



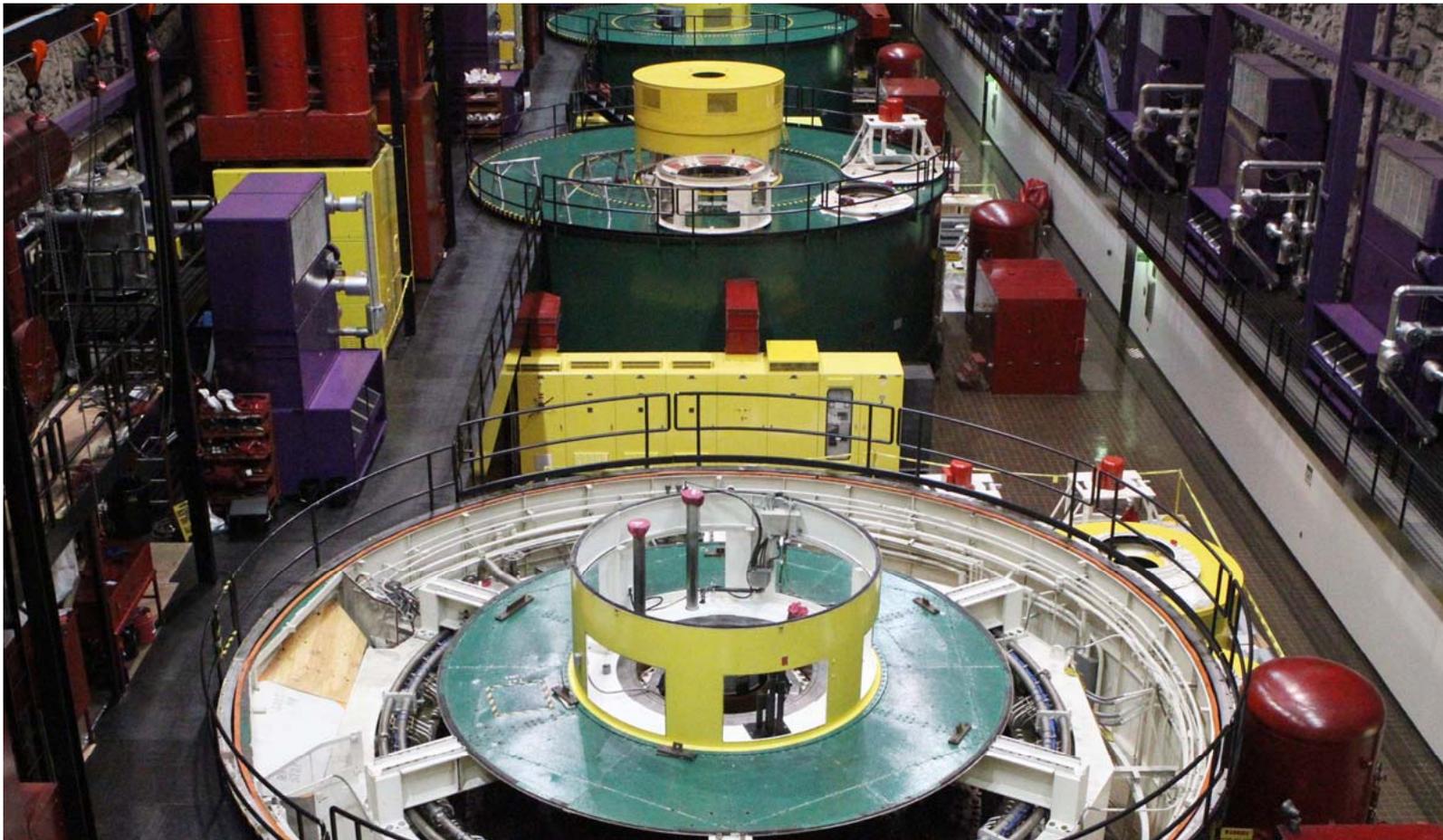
ECONOMIC DEVELOPMENT



RATE PRESSURE



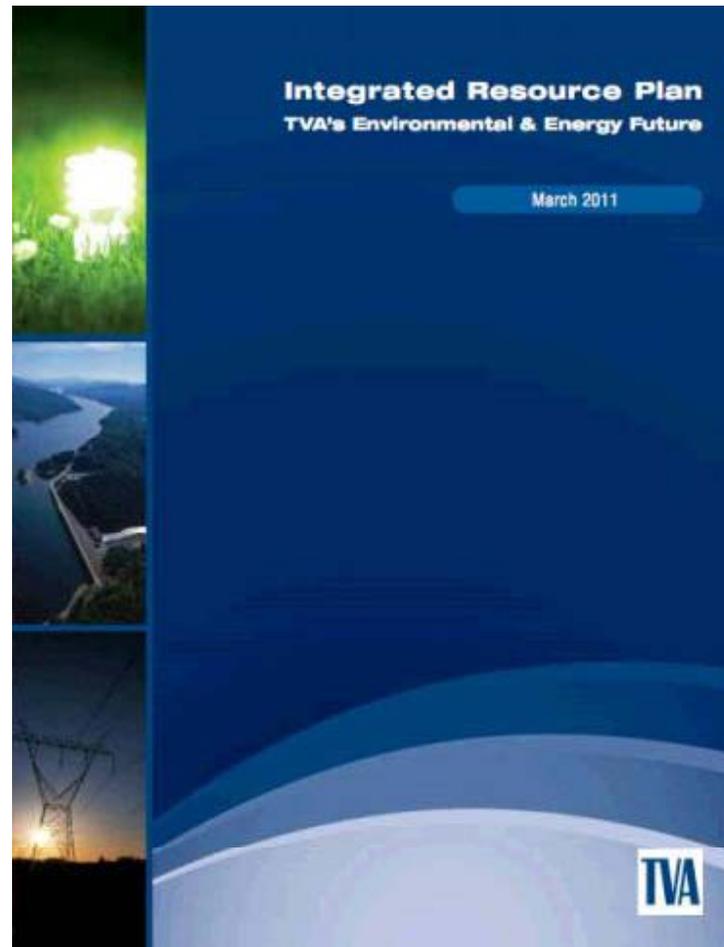
RACCOON MOUNTAIN PUMPED STORAGE



JOHN SEVIER COMBINED CYCLE



INTEGRATED RESOURCE PLAN



RIVER FORECAST CENTER



SPILLING AT FONTANA



PERSONAL COMMITMENT





PRESIDENT'S REPORT

FEBRUARY 14, 2013



EXTERNAL RELATIONS

COMMITTEE

FEBRUARY 14, 2013

EXTERNAL RELATIONS COMMITTEE

CLEAN ENERGY UPDATE

FEBRUARY 14, 2013

WHAT IS CLEAN ENERGY?

Definition

Energy that has a zero or near-zero carbon emission rate and energy efficiency improvements

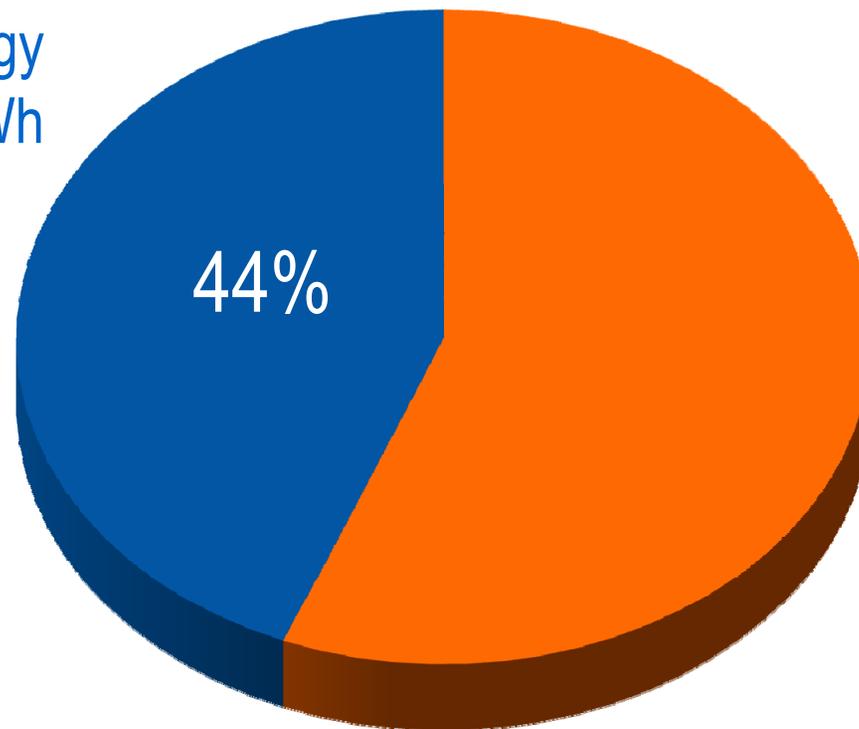
Examples

Nuclear, renewables (including hydro), demand reduction or waste heat recovery



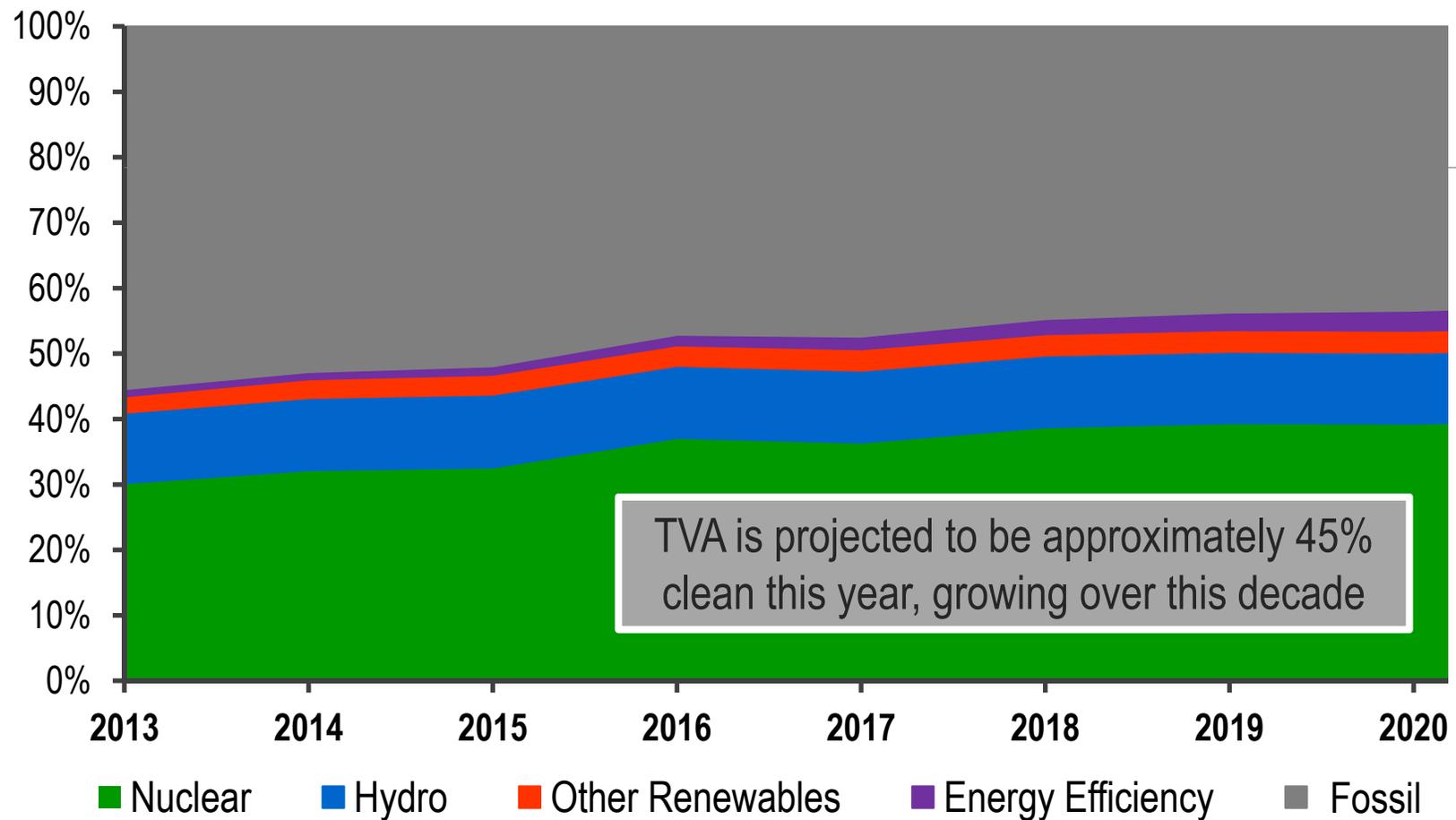
TVA'S CLEAN ENERGY PORTFOLIO

Clean Energy
74,019 GWh



FY12 Total Energy
168,614 GWh

CURRENT CLEAN ENERGY GENERATION (% OF TOTAL)





FINANCE, RATES, AND PORTFOLIO

COMMITTEE

FINANCE, RATES, AND PORTFOLIO COMMITTEE

FIRST QUARTER FINANCIAL UPDATE

FEBRUARY 14, 2013

FIRST QUARTER SUMMARY

Net Income \$60M Favorable to Plan but \$72M Less than Last Year

Base Revenues

- Mild weather drove lower non-fuel revenue
9% less degree days | 8% lower peak | 2% less sales
- Compared to prior year, lower non-fuel revenue due to time of use rates

Fuel and Purchased Power

- Higher natural gas prices
- Higher coal generation
- Compared to prior year, less nuclear generation and higher gas prices

Non-Fuel O&M

- Less project and labor spend
- Compared to prior year, higher due to planned nuclear outages

Interest Expense

- Lower due to lower interest rates

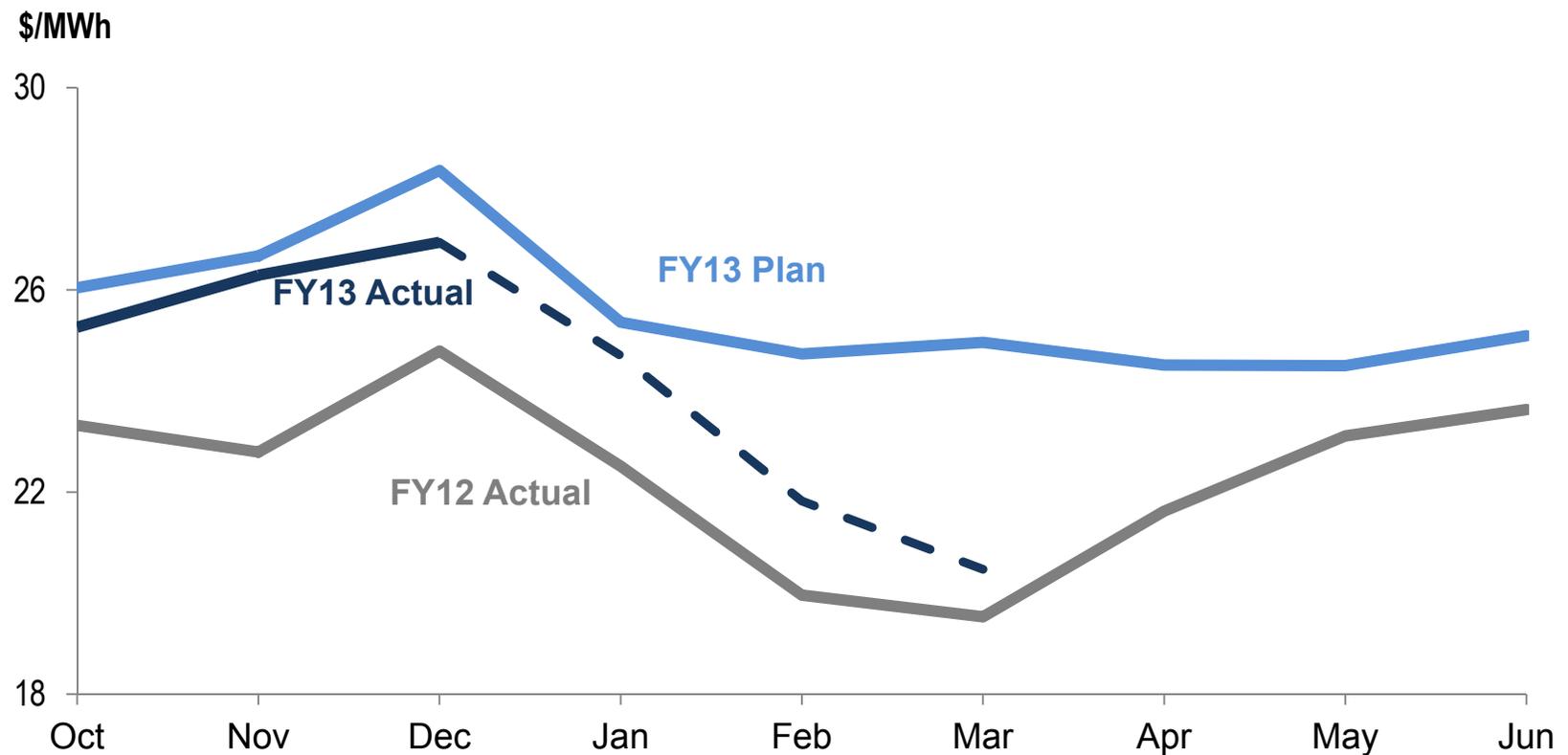
Q1 SUMMARY INCOME STATEMENT

Base Revenue Impacted by Weather and Offset by Less Spending In Projects and Labor

<i>(\$ millions)</i>	FY13 Q1 Actual	FY13 Q1 Budget	Variance Fav/(Unfav)	FY12 Q1 Actual
Operating Revenue	\$ 2,579	\$ 2,578	\$ 1	\$ 2,568
Base Revenue	1,539	1,590	(51)	1,624
Fuel Revenue	996	958	38	914
Other Revenue	44	30	14	30
Operating Expenses	2,523	2,554	31	2,431
Fuel & Purchased Power	1,039	1,021	(18)	959
O&M Routine and Projects	772	837	65	806
O&M - Outage	147	145	(2)	74
Depreciation / Amortization	428	413	(15)	441
Tax Equivalents, Other	137	138	1	151
Operating Income	\$ 56	\$ 24	\$ 32	\$ 137
Other Income (investments, external business)	15	4	11	9
Interest Expense	316	333	17	319
Net Income	\$ (245)	\$ (305)	\$ 60	\$ (173)

FUEL & PURCHASED POWER

FY13 Rates Higher than FY12 – Higher Natural Gas Prices and More Nuclear Outages



Q1 SUMMARY CASH FLOW STATEMENT

Fiscal Year to Date (\$ millions)	FY13 Q1 Actual	FY13 Q1 Budget	Variance Fav/(Unfav)	FY12 Q1 Actual
Cash Flow from Operating Activities	257	262	(5)	257
Cash Flow from Investing Activities	(652)	(680)	28	(822)
Cash Flow from Financing Activities	439	418	21	271
Net Change in Cash and Cash Equivalents	44	(0)	44	(294)

Beginning Cash and Short-term Investments	\$ 868	\$ 200	\$ 668	\$ 507
Ending Cash and Short-term Investments	\$ 912	\$ 200	\$ 712	\$ 213

FY Debt and Financing Obligations	\$ 27,364	\$ 27,318	\$ 46	\$ 26,910
<i>Statutory Debt</i>	<i>\$ 24,585</i>	<i>\$ 24,540</i>	<i>\$ 45</i>	<i>\$ 24,943</i>

Please see appendix for reconciliation information

SUMMARY

Challenges

- Mild weather and soft economy impacting revenue

Focus Areas

- Managing operations and maintenance spending
- Continue asset recovery and investment

Risks

- Weather
- Fuel prices



NUCLEAR OVERSIGHT

COMMITTEE

FEBRUARY 14, 2013

SEQUOYAH STEAM GENERATOR PROJECT



NUCLEAR FLEET



WATTS BAR UNIT 2





PEOPLE AND PERFORMANCE

COMMITTEE

FEBRUARY 14, 2013

PEOPLE AND PERFORMANCE COMMITTEE

FY13 INCENTIVE GOALS

FOR BOARD CONSIDERATION

- Enterprise-wide performance measures and goals for the Winning Performance Team Incentive Plan and the Executive Annual Incentive Plan for Fiscal Year 2013
- Performance measures and goals for the ELTIP for the Fiscal Years 2013-2015 performance cycle
- Adjustments to the Winning Performance Team Incentive Plan and the Executive Annual Incentive Plan Design

EXECUTING TVA'S MISSION

To execute TVA's **mission**, we must actively manage a portfolio of assets to deliver superior value to our **customers** as measured by...

Financial Excellence

Rates
Financial Health
Budget Commitment

Operational Excellence

Nuclear
Coal
Gas
Transmission
Construction

Stewardship

Safety
Environment
People

KEY PERFORMANCE METRICS

Incentive plans motivate and reward employees for achieving goals aligned to TVA's mission, vision and values

Financial Excellence	Rates	Retail Rate (ELTIP)
	Financial Health	Total Financing Obligations over Productive Assets (WP)
	Budget Commitment	Total Spending (SBU)
Operational Excellence	Nuclear	Nuclear Operating Availability Factor (WP)
	Coal	Nuclear Equipment Reliability Index (SBU)
	Gas	Critical Coal Seasonal Equivalent Forced Outage Rate (WP)
	Transmission	Combined Cycle Seasonal Equivalent Forced Outage Rate (WP)
	Construction	Load Not Served (ELTIP)
		Milestones (SBU)
Stewardship	Safety	Recordable Injury Rate (SBU)
	Environment	Reportable Environmental Events (SBU)
	People	Clean Energy Percentage (WP)
		Organizational Health Index (ELTIP)

ELTIP - Executive Long-Term Incentive Plan

WP - Enterprise-wide Winning Performance

SBU - Strategic Business Unit Winning Performance

TARGET SETTING GUIDELINES

Continuous Improvement with Top Quartile Aspirations

Where Performance Is...	Threshold 50%	Target 100%	Stretch 150%
Below Median	3-Year Average	Median	Top Quartile
Better than Median	3-Year Average	Top Quartile	Better than Top Quartile
Better than Top Quartile	Top Quartile / Judgment	Top Quartile or Better	Better than Top Quartile
Not Benchmarked	Business Plan -	Business Plan	Business Plan +

SUMMARY OF LONG-TERM GOALS

		Long-term Weight	3-YR Performance	Threshold	Target	Stretch
Financial Excellence	Retail Rate	40%	8.51 3 rd Quartile	8.51 3-Year average	8.36 Median	7.72 Top Quartile
Operational Excellence	Load Not Served	30%	4.4 Top Quartile	7.8 99.999% Reliable	6.5 Top Quartile	3.9 Top Decile
Stewardship	Organizational Health	30%	57% Median	57% 3-Year average	66% Top Quartile	69% Top Quartile +3% pts
	Total Weighting	100%				

SUMMARY OF ENTERPRISE-WIDE ANNUAL GOALS

		Weight	3 yr Performance	Threshold	Target	Stretch
Financial Excellence	Total Financing Obligations over Productive Assets	15%	77.4%	75.6% Business Plan + 0.4% pt	75.2% Business Plan	74.8% Business Plan - 0.4% pt
Operational Excellence	Nuclear Operating Availability Factor (OAF)	20%	96.0% 3 rd Quartile	96.1% 3 yr avg + 0.1% pt improvement	97.2% Median	98.1% Top Quartile
	Critical Coal Seasonal Equivalent Forced Outage Rate (EFOR)	10%	7.2% 3 rd Quartile	7.1% 3 yr avg - 0.1% pt improvement	4.6% Median	2.5% Top Quartile
	Combined Cycle Seasonal Equivalent Forced Outage Rate (EFOR)	5%	3.7% 3 rd Quartile	3.6% 3 yr avg - 0.1% pt improvement	2.7% Median	1.6% Top Quartile
Stewardship	Clean Energy Percentage	10%	40% Median	41% 3 yr avg + 0.1% pt improvement	43% Top Quartile	45% Top Quartile + 2% pts
	Total Enterprise-wide Goal Weighting	60%				
	Business Unit Goal Weighting	40%				
	Total	100%				
	Corporate Modifier	75% to 125%	Based on attainment of threshold level metrics and key events			

ANNUAL INCENTIVE PLAN DESIGN CHANGES

Adjustments to the Winning Performance Team Incentive Plan and the Executive Annual Incentive Plan Design

- Adjust corporate modifier
 - Range from 75% to 125%
 - Consider all financial and non-financial performance factors
- Adjust weighting of enterprise-wide metrics
 - Increase enterprise-wide metrics from 50% to 60%

RECOMMENDATION

- Enterprise-wide performance measures and goals for the Winning Performance Team Incentive Plan and the Executive Annual Incentive Plan for Fiscal Year 2013
- Performance measures and goals for the ELTIP for the Fiscal Years 2013-2015 performance cycle
- Adjustments to the Winning Performance Team Incentive Plan and the Executive Annual Incentive Plan Design



AUDIT, RISK, AND REGULATION

COMMITTEE

TVA BOARD MEETING

PROPOSED COMMITTEE MEMBERSHIP

PROPOSED COMMITTEE MEMBERSHIP

Audit, Risk, and Regulation

- Neil McBride
- Lynn Evans
- Joe Ritch

External Relations

- Richard Howorth
- Mike McWherter
- Neil McBride

Finance, Rates, and Portfolio

- Pete Mahurin
- Richard Howorth
- Barbara Haskew
- Bill Sansom

People and Performance

- Barbara Haskew
- Pete Mahurin
- Lynn Evans

Nuclear Oversight

- Bill Sansom
- Joe Ritch
- Mike McWherter

APPENDIX: REGULATION G RECONCILIATION

	Dec. 31, 2012
Total Debt and Other Financing Obligations, gross	\$ 27,364
Exchange loss	46
Unamortized discounts, premiums, and other	(85)
Energy prepayment obligations	(586)
Leaseback obligations	(1,199)
Total outstanding debt	<u><u>\$ 25,540</u></u>

(figures are unaudited)



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