



BOARD MEETING

Memphis, Tennessee

May 8, 2014

CHAIRMAN'S REPORT



BOARD MEETING

Memphis, Tennessee

May 8, 2014

Allen Fossil Plant



PROPOSED COMMITTEE ROSTER

Audit, Risk, and Regulation

Lynn Evans, Chair
Marilyn Brown
Mike McWherter
Joe Ritch

External Relations

Richard Howorth, Chair
Marilyn Brown
Mike McWherter
Joe Ritch

Finance, Rates, and Portfolio

Pete Mahurin, Chair
Barbara Haskew
Richard Howorth
Bill Sansom

People and Performance

Barbara Haskew, Chair
Lynn Evans
Pete Mahurin

Nuclear Oversight

Bill Sansom, Chair
Marilyn Brown
Richard Howorth
Joe Ritch

Bill Johnson

President & CEO

PRESIDENT'S REPORT



BOARD MEETING

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75th

Celebrating Brilliant
Service for 75 Years



BOARD MEETING

Memphis, Tennessee

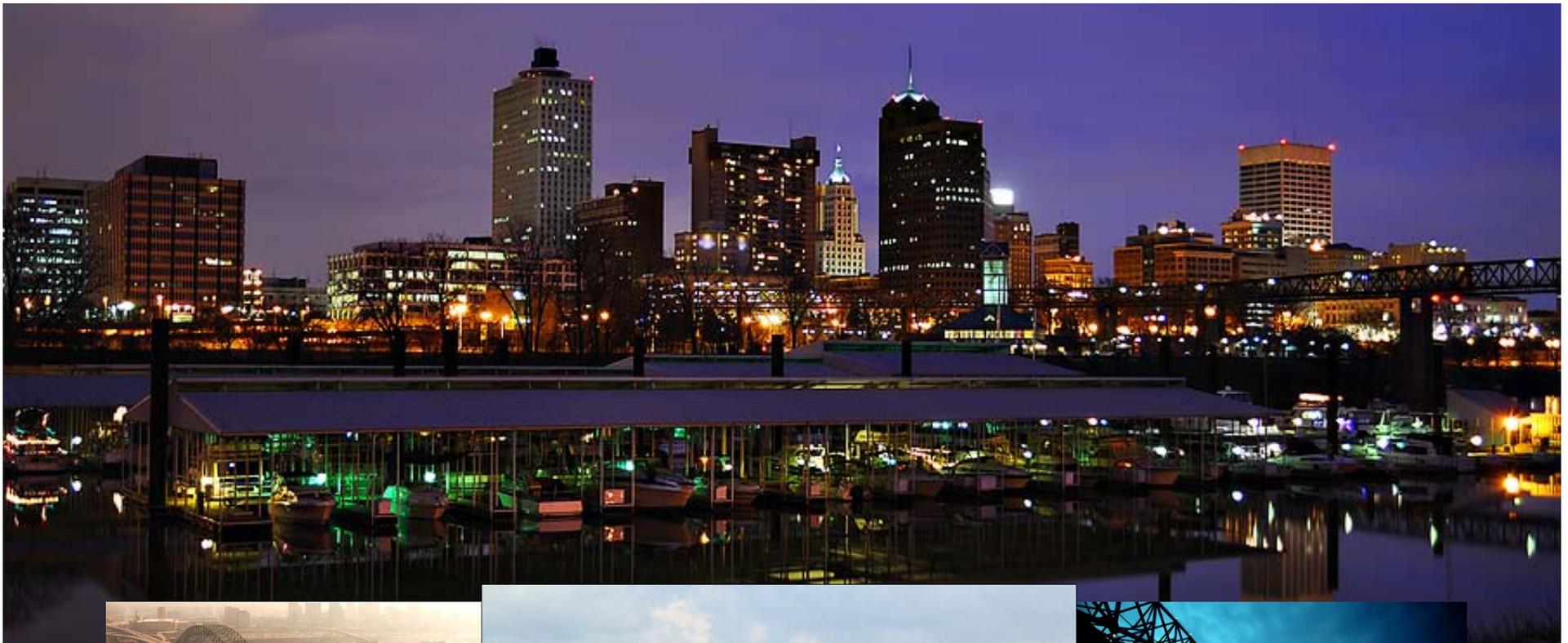
May 8, 2014

Tupelo, Mississippi

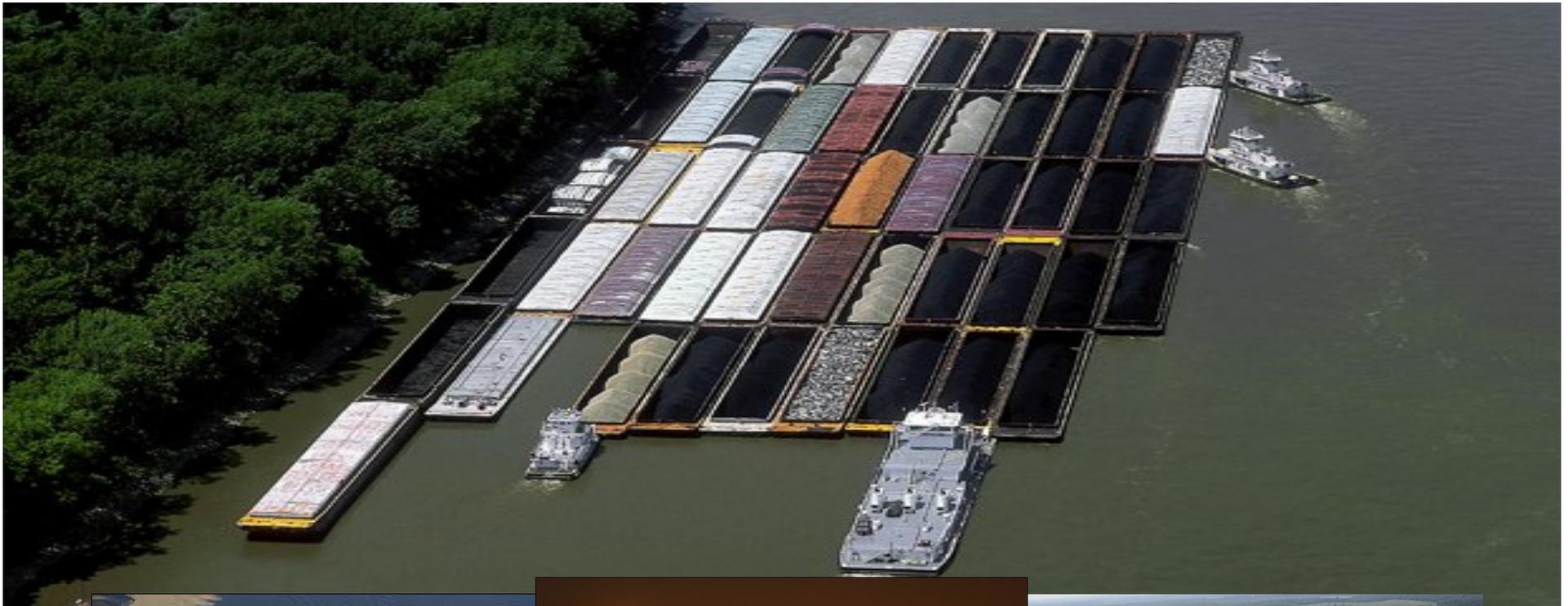




Connected to the Mississippi River



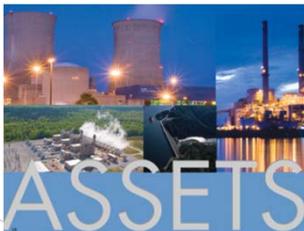
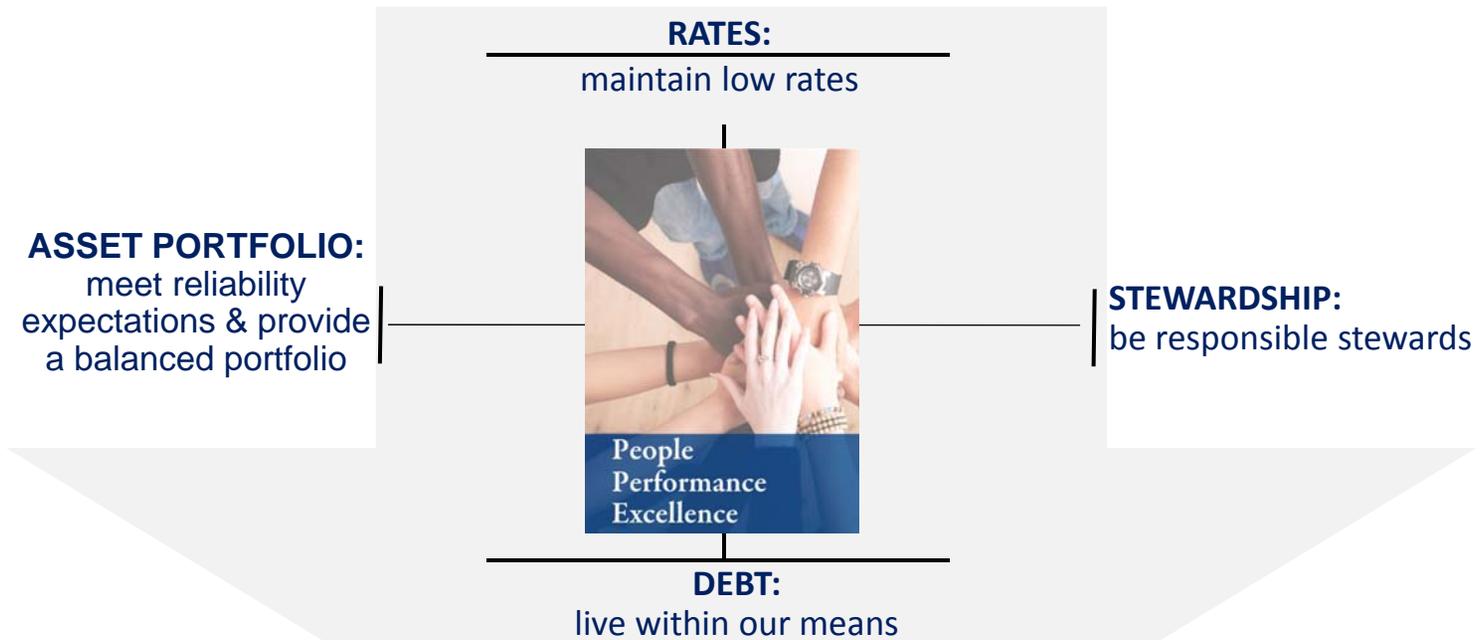
Tennessee River System



Energy | Environment | Economic Development



TVA Strategic Imperatives



Operation Objectives

Energy | Environment | Economic Development



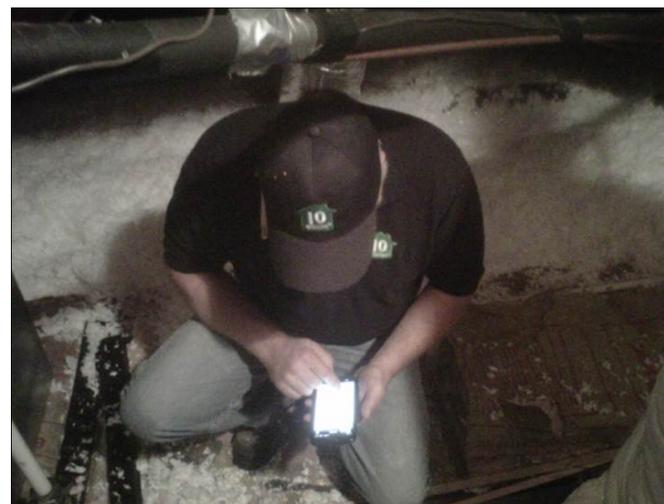
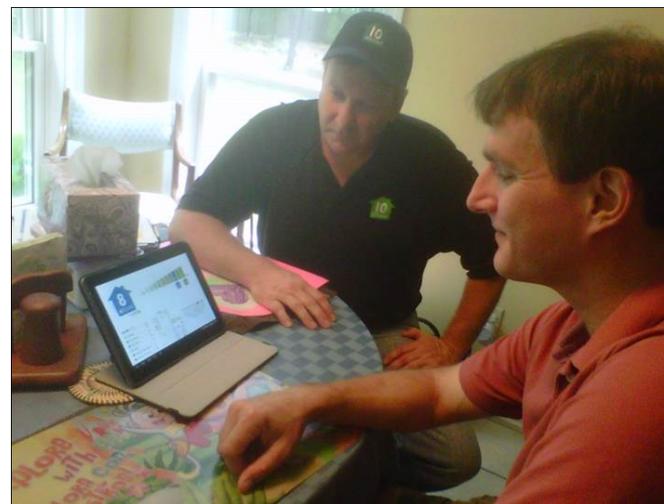


WATTS BAR UNIT 2
FIRST
NEW NUCLEAR
GENERATION





energyright[®] solutions TVA



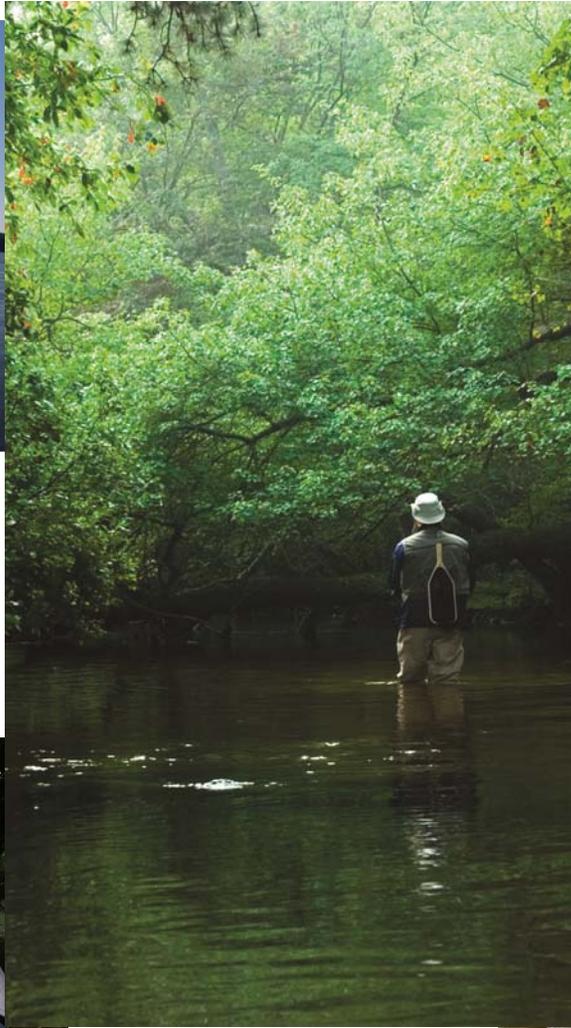
Energy | **Environment** | Economic Development



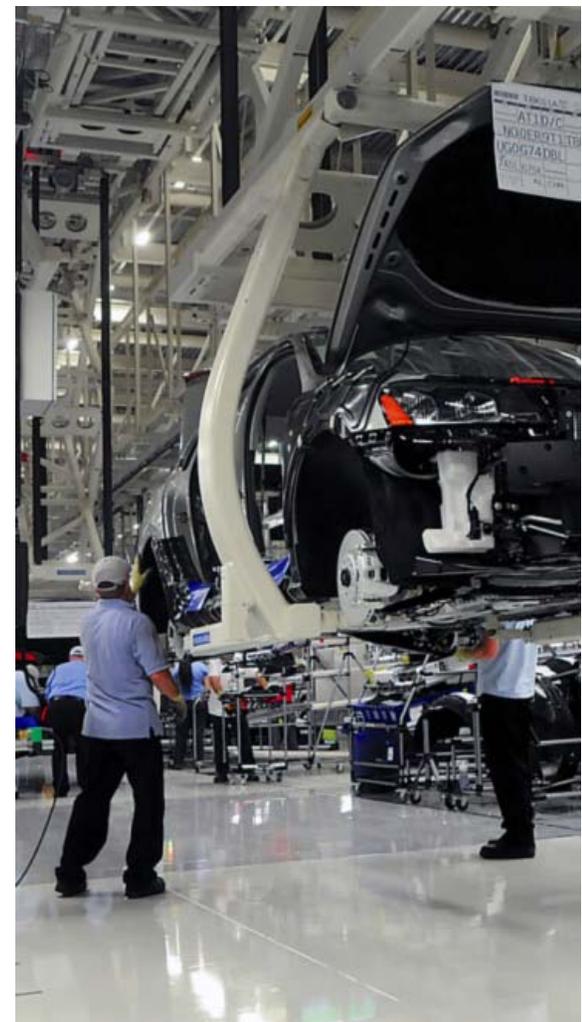
Energy | **Environment** | Economic Development



Energy | **Environment** | Economic Development



Energy | Environment | Economic Development



Partnerships Resulted in...

- 33,000 jobs created and retained
- Capital Investment of \$5.2 billion



 **Electrolux**



Energy | Environment | Economic Development



BERETTA

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INDUSTRIES**



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MEDICAL CARE**



Energy | Environment | Economic Development



PRESIDENT'S REPORT



BOARD MEETING

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COMMITTEE
**EXTERNAL
RELATIONS**



BOARD MEETING

Memphis, Tennessee

May 8, 2014

COMMITTEE
AUDIT, RISK,
AND REGULATION



BOARD MEETING

Memphis, Tennessee

May 8, 2014

AUDIT, RISK, AND REGULATION COMMITTEE

END-USER EXEMPTION UNDER DODD-FRANK ACT

COMMITTEE
FINANCE, RATES,
AND PORTFOLIO



BOARD MEETING

Memphis, Tennessee

May 8, 2014

FINANCE, RATES, AND PORTFOLIO COMMITTEE

FINANCIAL PERFORMANCE UPDATE

MAY 8, 2014

SUMMARY

Net Income: \$504M better than plan and \$419M better than Last Year

Base Revenues (+\$312M to plan)

- Colder weather resulting in 12% more degree days

Operating Expenses (+\$12M to plan)

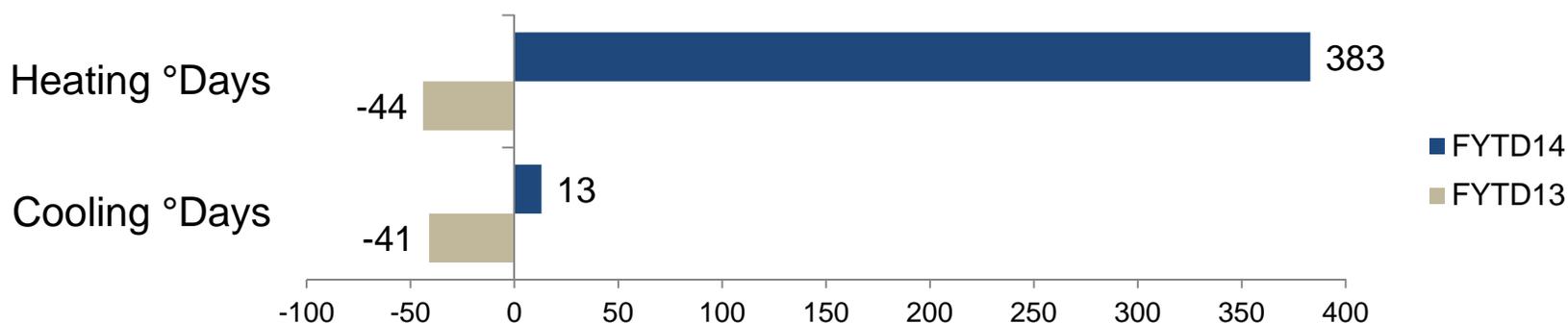
- Fuel expense unfavorable \$124M due to increased generation
- Routine and projects spending favorable \$87M

Interest Expense (+\$38M to plan)

- Reduced debt

WEATHER DRIVES HIGHER SALES

FYTD 14 Heating °Days were 12% above normal



GWh	FYTD14		Var to Bud		FYTD13	'14 v '13	
	Budget	Actual	Fav/(Unfav)		Actual	Fav/(Unfav)	
Power Sales – with USEC	75,133	79,699	4,566	6 %	81,411	(1,712)	(2)%
USEC Power Sales	131	120	(11)	(8)%	6,466	(6,346)	(98)%
Power Sales – without USEC	75,002	79,579	4,577	6 %	74,945	4,634	6 %

Q2 SUMMARY INCOME STATEMENT

Net Income favorability due to higher revenues and less routine spend

(\$ millions)	FYTD14 Q2	FYTD14 Q2	Variance	FYTD 13	'14 v '13
	Budget	Actual	Fav/(Unfav)	Actual	Fav/(Unfav)
Operating Revenue	\$ 4,849	\$ 5,320	\$ 471	\$ 5,320	\$ 0
Base Revenue	3,212	3,524	312	3,305	219
Fuel Revenue	1,574	1,708	134	1,929	(221)
Other Revenue	63	88	25	86	2
Operating Expenses	4,514	4,526	(12)	4,903	377
Fuel & Purchased Power	1,646	1,770	(124)	1,999	229
O&M Routine and Projects	1,178	1,091	87	1,241	150
O&M - Outage	184	177	7	219	42
Pension, Tax Equiv, Other O&M	618	594	24	608	14
Depreciation / Amortization	888	894	(6)	836	(58)
Operating Income	\$ 335	\$ 794	\$ 459	\$ 417	\$ 377
Other Income	20	27	7	26	1
Interest Expense	631	593	38	634	41
Net Income (Loss)	\$ (276)	\$ 228	\$ 504	\$ (191)	\$ 419

Q2 SUMMARY CASH-FLOW STATEMENT

<i>\$ millions</i>	FYTD14		Var to Bud	FYTD13	'14 v '13
	Budget	Actual	Fav/(Unfav)	Actual	Fav/(Unfav)
Cash Flow from Operating Activities	\$ 1,210	\$1,426	\$ 216	\$ 1,148	\$ 278
Cash Flow used in Investing Activities	(1,745)	(1,374)	371	(1,204)	(170)
Cash Flow used in Financing Activities	435	(1,148)	(1,583)	107	(1,255)
Net Change in Cash & Cash Equivalents	\$ (100)	\$ (1,096)	\$ (996)	\$ 51	\$ (1,147)

Cash

Beginning Cash & Short-Term Investments	\$ 1,287	\$ 1,602	\$ 315	\$ 868	\$ 734
Ending Cash & Short-Term Investments	\$ 1,187	\$ 506	\$ (681)	\$ 919	\$ (413)

Debt

FY Debt and Financing Obligations	\$ 27,882	\$26,284	\$ 1,598	\$27,043	\$ (759)
Statutory Debt	\$ 25,335	\$23,747	\$ 1,588	\$24,345	\$(598)

SECOND QUARTER SUMMARY

Higher Sales for Local Power Companies

- Colder weather with some growth

Operating Expense

- Productivity increases
- Fuel cost unfavorable to budget with higher sales

Financial

- Net Income better than budget
- Less debt

FINANCE, RATES, AND PORTFOLIO COMMITTEE

SUPPLEMENT TO DZNPS MAINTENANCE AND MODIFICATIONS CONTRACT

MAY 8, 2014

BACKGROUND

- Day & Zimmerman NPS (DZNPS) performs managed task projects for nuclear utilities
- At TVA, DZNPS performs a broad scope of nuclear plant modifications and maintenance work, including both capital projects and O&M tasks
- DZNPS tends to provide non-core work with cyclical labor requirements
- The existing contract authorizes expenditures up to \$900 million and expires later this year

RECOMMENDATION

Increase the total value of the DZNPS contract by \$350 million, and extend the contract term by two years

FINANCE, RATES, AND PORTFOLIO COMMITTEE

COMBINED HEAT AND POWER PROJECT

MAY 8, 2014

COMMITTEE
NUCLEAR
OVERSIGHT



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COMMITTEE
PEOPLE
AND PERFORMANCE



BOARD MEETING

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