





President's Report

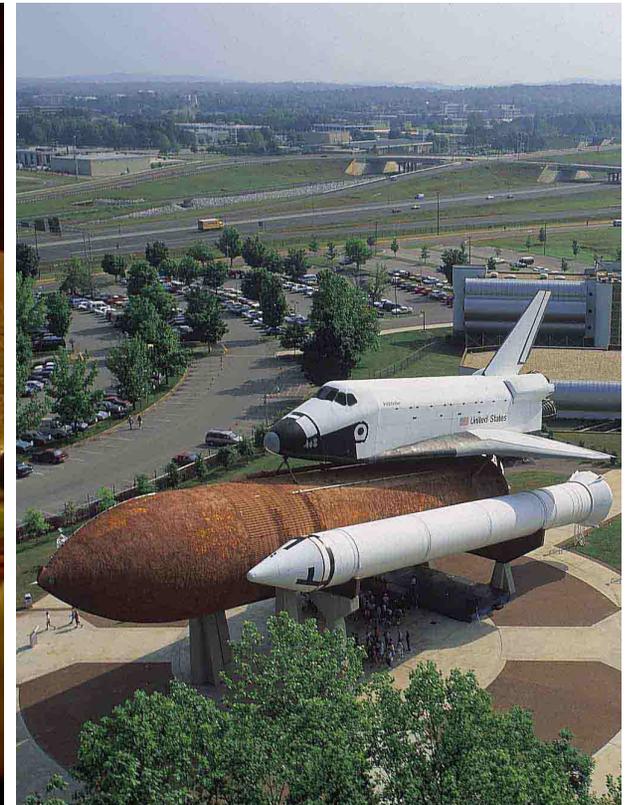
May 7, 2015

BILL JOHNSON
PRESIDENT AND CEO

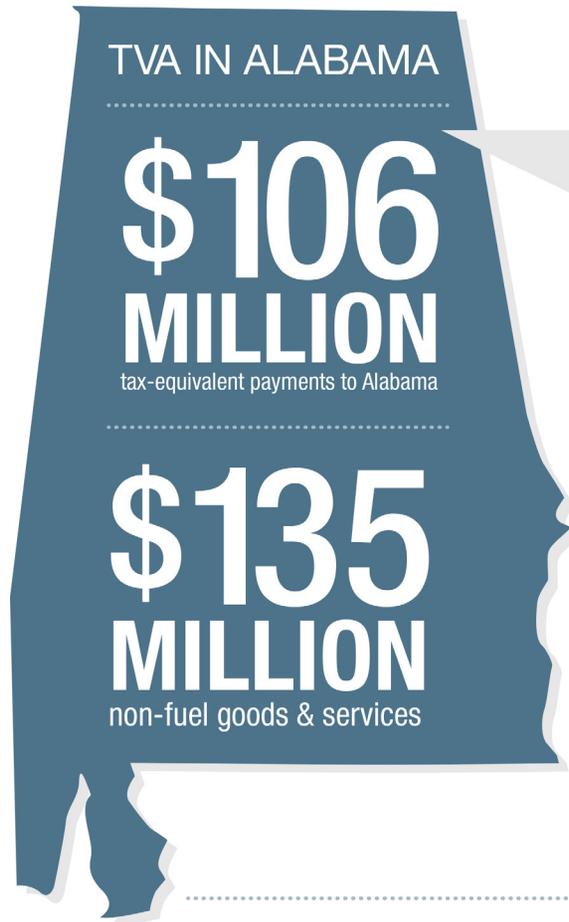
Huntsville



Huntsville



TVA in North Alabama

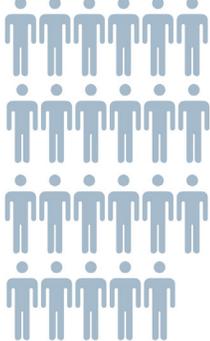


REDSTONE ARSENAL &

TEN LARGE INDUSTRIES
LOCATED HERE IN NORTH AL

500,000 HOMES
IN **17** COUNTIES
POWERED BY
TVA ELECTRICITY
IN PARTNERSHIP WITH
LOCAL POWER COMPANIES

2,400
EMPLOYEES


4,600
RETIREES


TVA in North Alabama



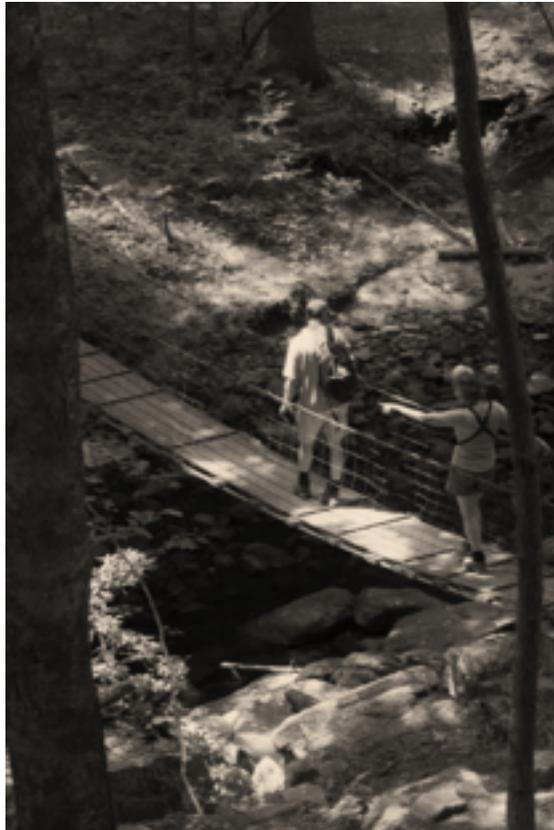
3,000 Miles of Shorelines



Energy | Environment | Economic Development



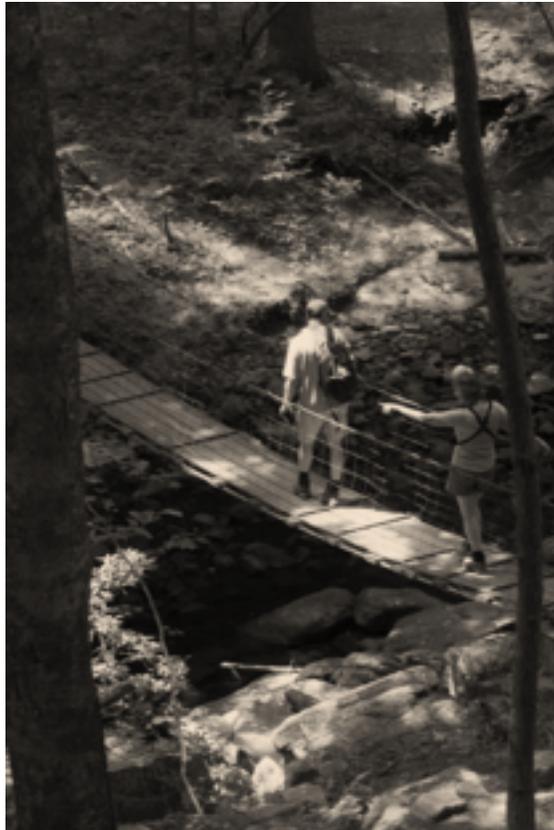
Energy | Environment | Economic Development



Integrated Resource Plan



Energy | Environment | Economic Development



Energy | **Environment** | Economic Development



Tennessee River System



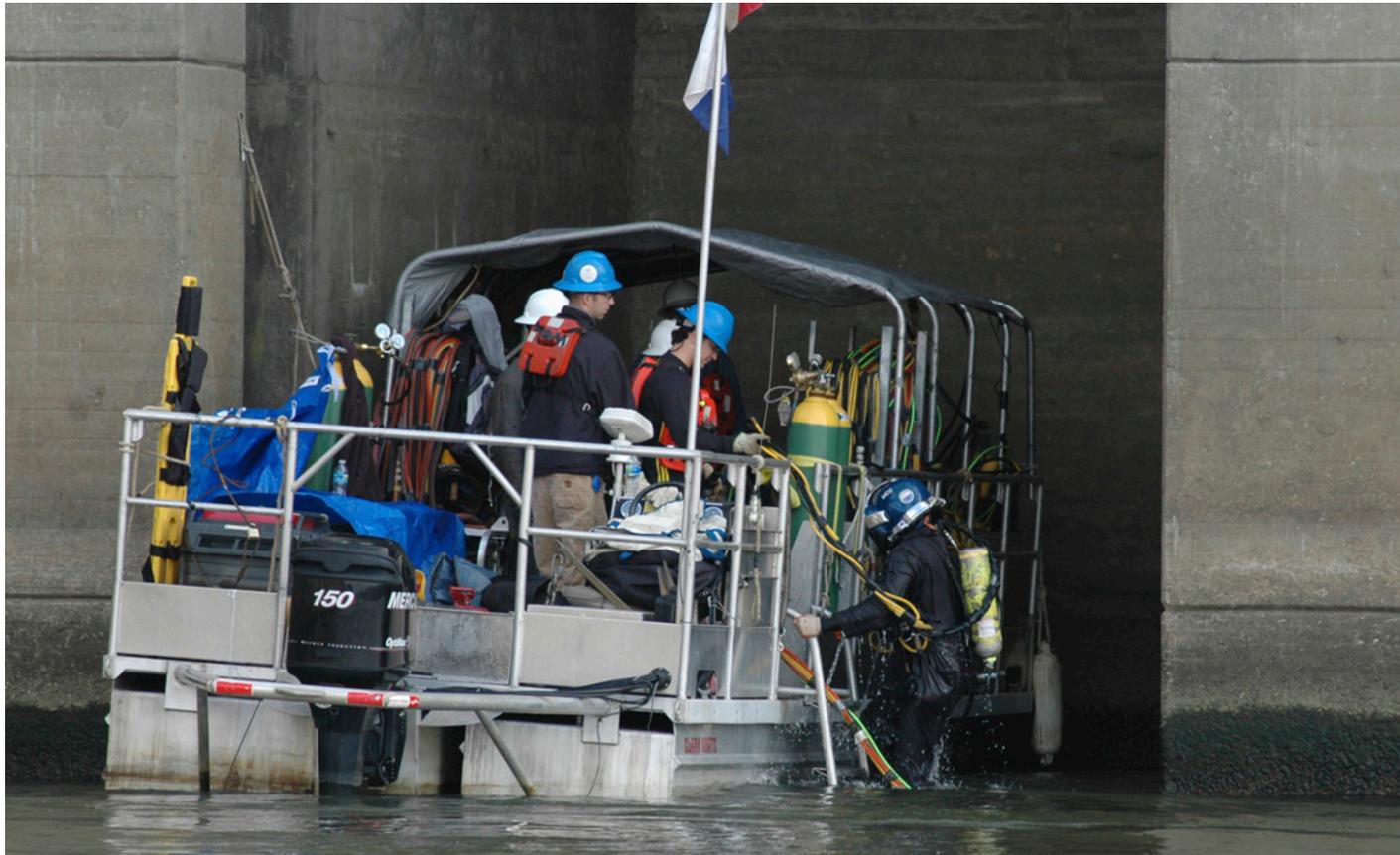
Living Lands and Waters



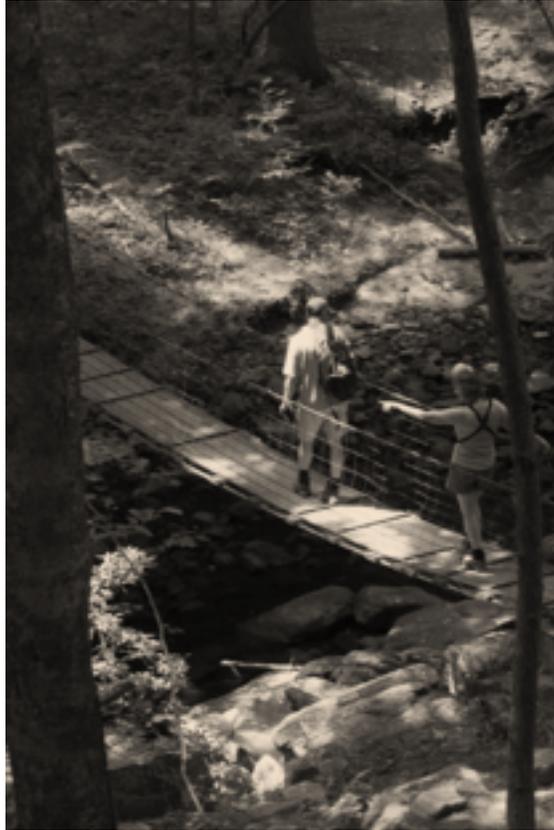
Recreation



Dam Safety



Energy | Environment | Economic Development



Energy | Environment | Economic Development



44,000 Jobs
Attracted
and/or
Retained

\$4.9 Billion
In Capital
Investments

Strategic Imperatives

Serve the people of the Tennessee Valley

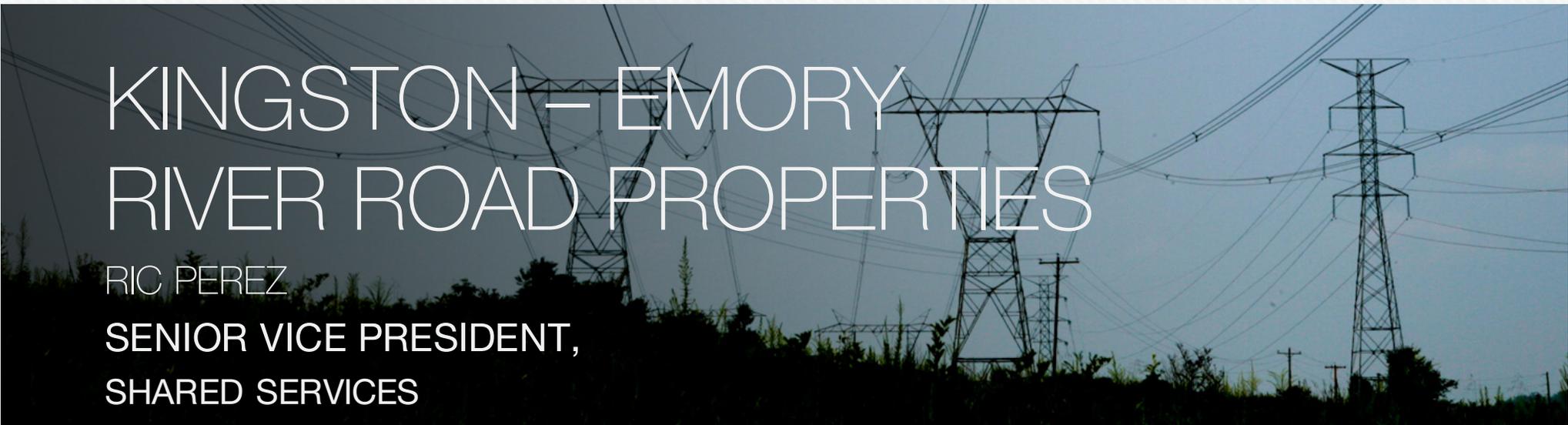






External
Relations
Committee





KINGSTON – EMORY RIVER ROAD PROPERTIES

RIC PEREZ

SENIOR VICE PRESIDENT,
SHARED SERVICES

For Board Consideration

- Declare surplus and authorize a public auction sale, pursuant to Section 31 of the TVA Act, affecting approximately 76.8 acres of land that includes 39 vacant parcels and 23 parcels with houses located along Emory River Road in Roane County, Tennessee.
- Authorize the sale, pursuant to Section 4(k)(a) of the TVA Act, of those properties which are not disposed of during the Section 31 public auction.

Background

- TVA acquired 62 parcels near the Kingston Fossil Plant (KIF). Of these parcels, 39 are vacant parcels of land and 23 parcels are improved with houses.
- TVA's decision to purchase the parcels was primarily due to anticipated visual impacts and noise disturbance that the property owners would likely experience during TVA's recovery and restoration activities.
- The proposed sale of these properties would relieve TVA of the annual maintenance costs.

Desired Outcome

- The KIF restoration project is mostly complete and these 62 parcels are no longer necessary for TVA operations. Returning these properties to their pre-spill state of residential use would be in the best interest of the local community.

Proposed Sale Area



Recommendation

- Staff recommends that the Board declare surplus and authorize the sale at public auction, pursuant to Section 31 of the TVA Act, or by negotiation pursuant to Section 4(k)(a), of approximately 76.8 acres consisting of 39 vacant parcels of land and 23 parcels with houses.



Audit, Risk, and Regulation Committee





People and Performance Committee





Finance, Rates, and Portfolio Committee





Financial Performance Update

JOHN THOMAS
CHIEF FINANCIAL OFFICER

Q2 Fiscal Year 2015

Net Income: \$509M better than plan and \$349M better than last year

Operating Revenue (\$327M above plan)

- Colder weather resulting in 10% more heating degree days

Fuel Cost (\$33M favorable to plan)

- Increased lower cost generation and lower gas prices

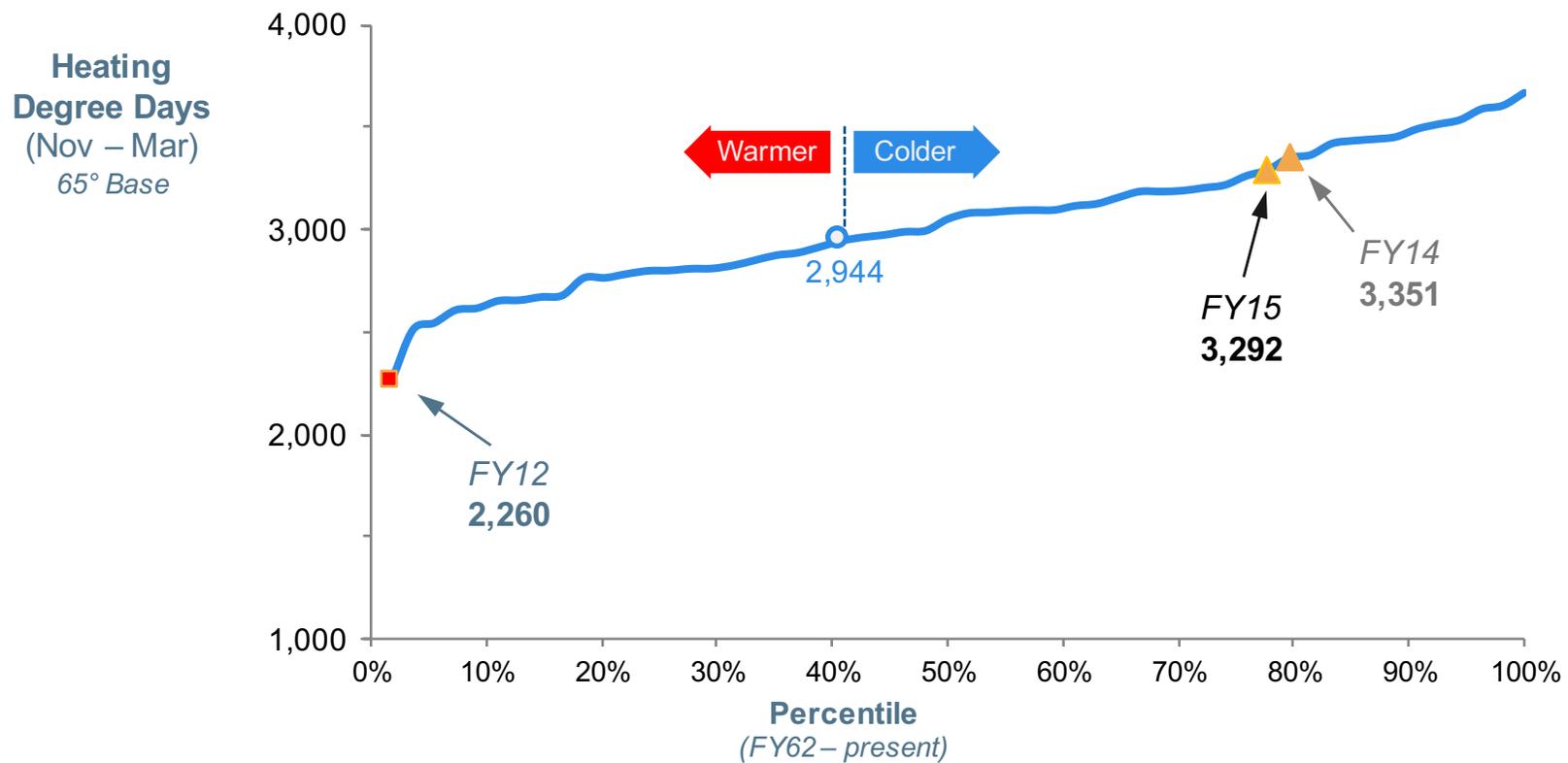
Operating & Maintenance (\$116M favorable to plan)

- Cost reduction initiatives
- Timing of outage and project spending
- On track to meet \$500M reduction in FY15

Interest Expense (\$15M favorable to plan)

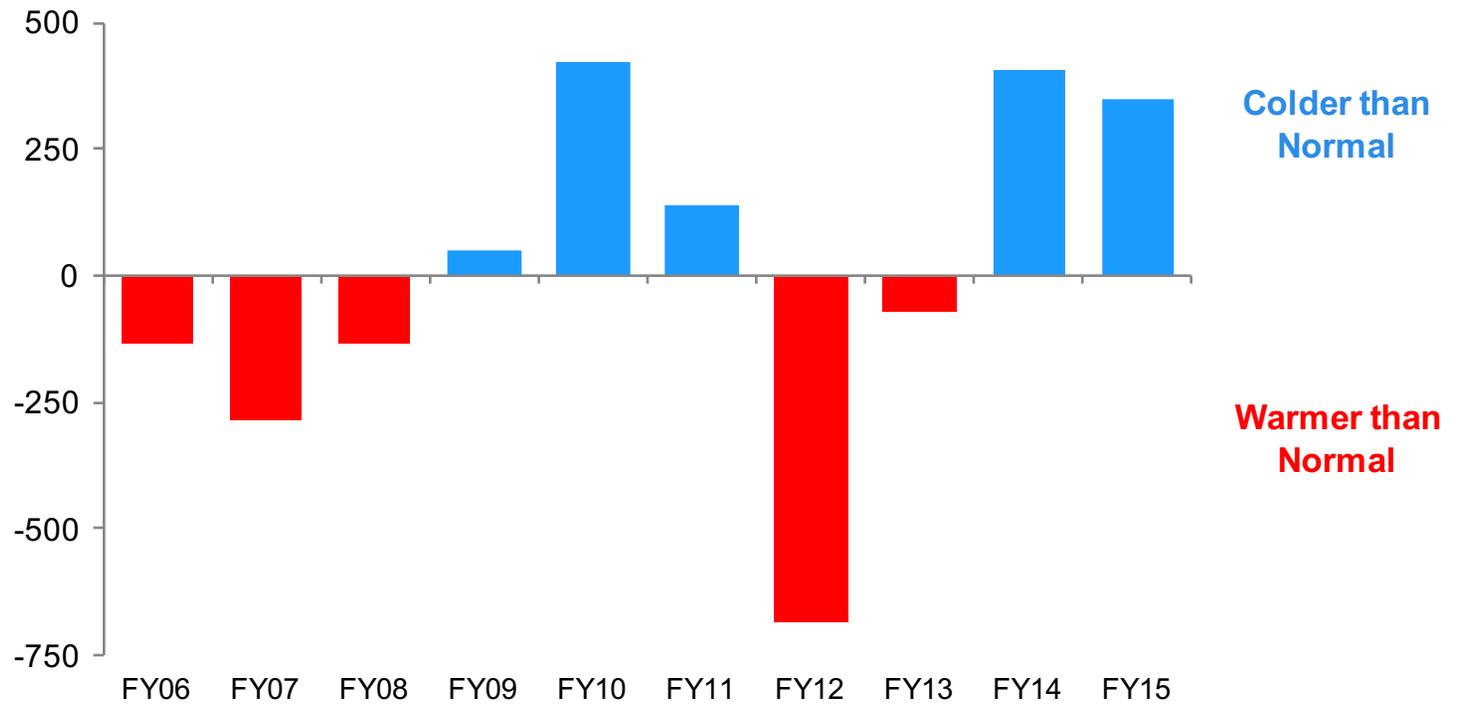
- Less debt and lower interest rates

Cool Winter Temperatures



Winter Temperature Deviations

Heating
Degree Day
Deviation
from Normal
(Nov – Mar)
65° Base



Revenue and Sales

Maintaining low rates

(\$ million)	FYTD 2015	FYTD 2014	Change	% Change
Total Operating Revenues	\$ 5,274	\$ 5,320	\$ (46)	(0.9)%
Power Sales (GWh)	78,467	79,699	(1,232)	(1.5)%
Effective Rates⁽¹⁾ (¢/kWh)				
Total Effective Rate	6.6	6.6	0.0	—

(1) Excludes other revenue and off-system sales and revenue

Q2 Summary Income Statement

Net Income favorability due to higher revenues and lower operating spend

\$ million	FYTD 2015			FYTD 2014	
	Actual	Budget	Variance Fav/(Unfav)	Actual	'15 v '14 Fav/(Unfav)
Operating Revenue	\$ 5,274	\$ 4,947	\$ 327	\$ 5,320	\$ (46)
Fuel & Purchased Power	1,628	1,661	33	1,770	142
Business Unit O&M	1,173	1,252	79	1,267	94
Other O&M, Reagents	172	209	37	333	161
Total Operation & Maintenance	1,345	1,461	116	1,600	255
Taxes, Depreciation, Other	1,144	1,162	18	1,129	(15)
Interest	580	595	15	593	13
Net Income (Loss)	\$ 577	\$ 68	\$ 509	\$ 228	\$ 349

Q2 Summary Cash Flow Statement

\$ million	FYTD 2015			FYTD 2014	
	Actual	Budget	Variance	Actual	'15 v '14
Cash Flow from Operating Activities	\$ 1,412	\$ 1,273	\$ 139	\$ 1,426	\$ (14)
Cash Flow used in Investing Activities	(1,644)	(2,126)	482	(1,374)	(270)
Cash Flow from Financing Activities	234	853	(619)	(1,148)	1,382
Net Change in Cash & Cash Equivalents	2	-	2	\$ (1,096)	\$ 1,098
Ending Cash & Short-Term Investments	\$ 502	\$ 500	\$ 2	\$ 506	\$ (4)
Ending Debt and Financing Obligations	\$ 26,247	\$ 27,163	\$ (916)	\$ 26,284	\$ (37)
Statutory Debt	23,917	24,833	(916)	23,747	170



Second Quarter Summary (v. Plan)

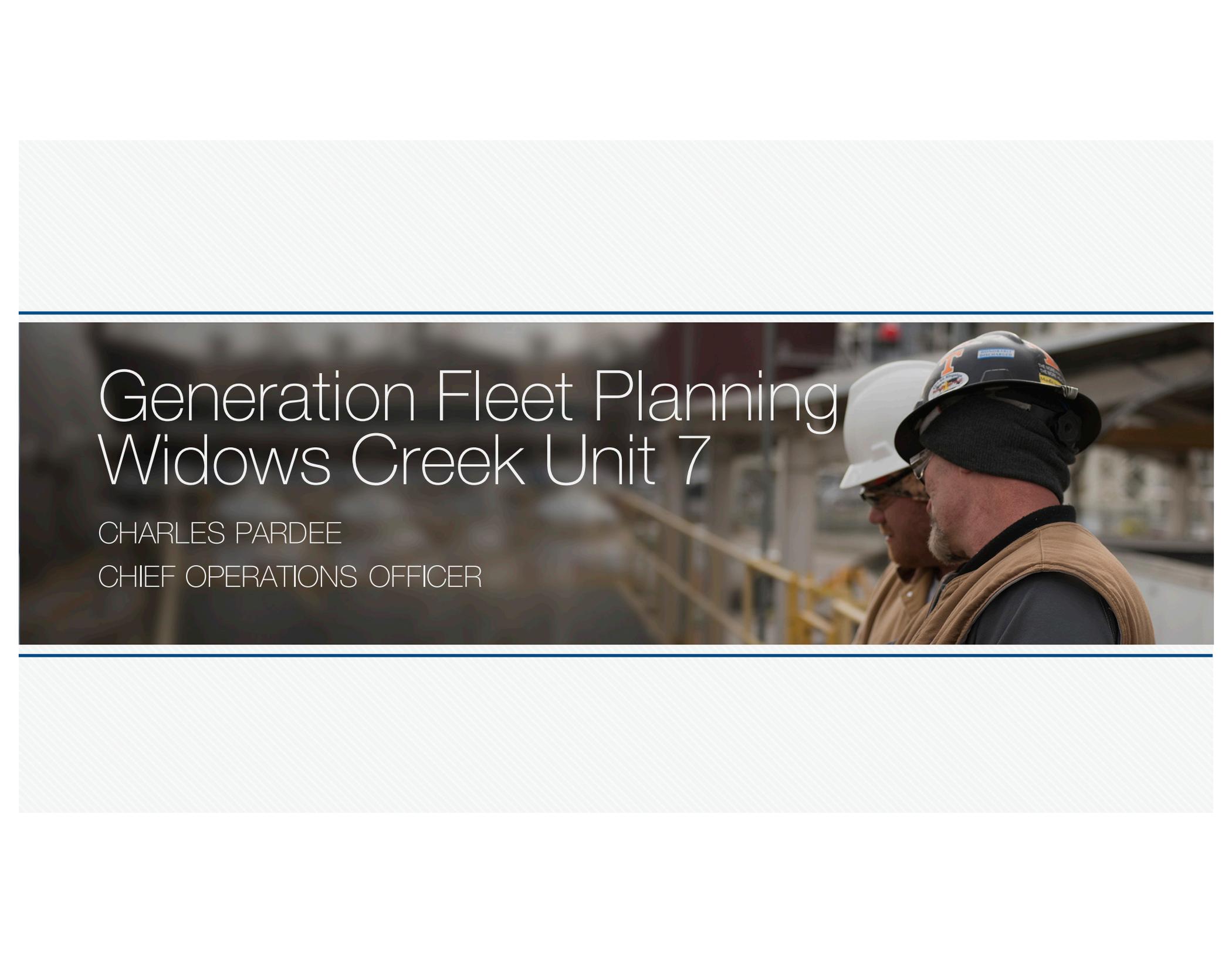
Higher Revenue

Lower Fuel Cost

Lower Expenses:

- Operation & Maintenance
- Interest

Higher Net Income and Lower Debt

A photograph of two workers in profile, facing right. They are wearing hard hats and safety vests. The worker in the foreground is wearing a black hard hat with a logo and a tan safety vest over a dark shirt. The worker behind him is wearing a white hard hat and a tan safety vest. They appear to be in an industrial or construction setting with metal structures and equipment in the background.

Generation Fleet Planning Widows Creek Unit 7

CHARLES PARDEE

CHIEF OPERATIONS OFFICER

Background

- Widows Creek Fossil Plant is a coal-fired generation station with eight units located in North Alabama
- Per the EPA Consent Decree, units 1 – 6 were retired in stages between May 2012 and July 2013
- Unit 8 was idled in October 2014
- Unit 7 is the only remaining unit in operation and is scheduled for idling in 2019
- Unit 7 is rated at approximately 470 MWe

CCR Rule Impacts

- EPA's final Coal Combustion Residual (CCR) rule was signed in December 2014 and published in the Federal Register April 2015
- The CCR rule regulates ash impoundments that are used to store coal ash created from fueling the plant
- Increased requirements for storing, monitoring, and reporting require additional investment in the facility
- Ash impoundment areas are reaching capacity
- Further capital investment is not economic
- Units ceasing operation by October 2015 will be exempt

Recommendation

- Direct the CEO to retire Widows Creek Fossil Unit 7
- Specific date to be determined by CEO but no later than October 2015



Nuclear Oversight Committee



A photograph of an industrial facility, likely a power plant, featuring large blue and white pipes, machinery, and structural elements. The scene is dimly lit with some green and blue highlights.

Watts Bar Unit 2 Update

MIKE SKAGGS
SENIOR VICE PRESIDENT,
WATTS BAR OPERATIONS & CONSTRUCTION

Watts Bar Unit 2 Overview



- Project-to-date recordable incident rate at 0.26 – better than goal
- Quality Control Acceptance Rate continues to trend above 97%
- On track with revised estimate to complete developed in 2012
 - Included ranges up to \$4.5 billion for completion costs and June 2016 for commercial operation

Over 32.9 million work-hours achieved without a lost-time incident

Watts Bar Unit 2 Completion Progress



- Open vessel testing
- Primary hydrostatic testing
- Secondary hydrostatic testing
- Unit 2 transformers energized
- Condenser vacuum established

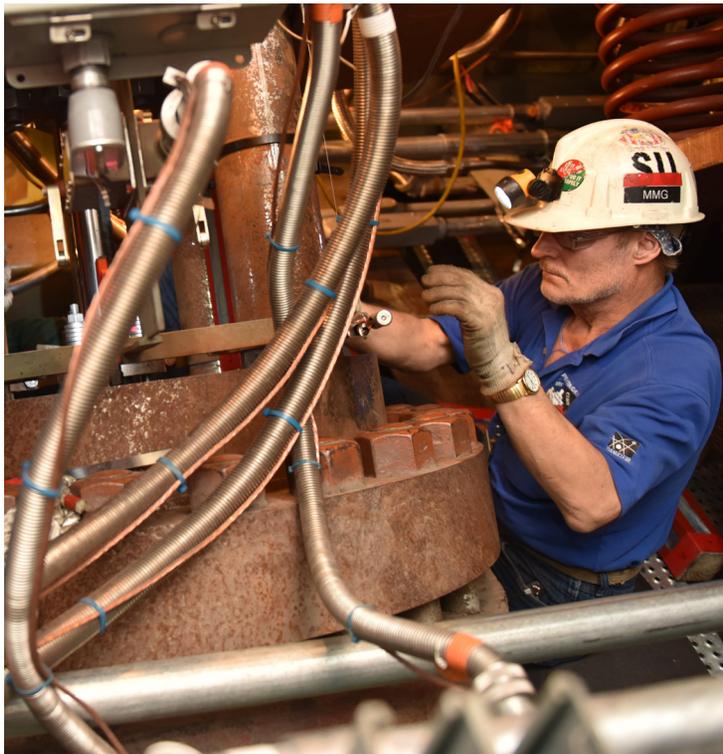
Watts Bar Unit 2
- Approximately 98% complete
- Major construction finishing
- Pre-operational testing in progress

Watts Bar Unit 2 Upcoming Milestones

- Hot functional testing
- Operational readiness assessment team inspection
- Integrated leak rate test
- Engineered safety features testing
- Regulatory approval
- Fuel load



Watts Bar Unit 2 Challenges and Risks



- Component and pre-operational testing
- Emergent equipment issues and repairs
- Readiness for hot functional testing
- System and area turnovers
- Emergent licensing issues

Protect the safe,
reliable operation of Unit 1

Watts Bar Unit 2

- Safe, quality work being done
- Cost and schedule within established plans
- Progress being made, milestones being achieved
- Component and pre-operational testing current focus
- Significant work and challenges remain
- Actions continue to mitigate risks to forecast
- Watts Bar Unit 2 being completed the right way



