

# TVA NEWS RELEASE

## **TVA Reports Third Quarter Fiscal Year 2022 Financial Results**

### ***Key Points -***

- Continued economic growth helps drive a 3% increase in TVA's power sales for the first nine months of the year.
- TVA's diversified power system helps maintain low power rates despite higher fuel prices, with 53% of TVA's total power supply coming from carbon-free sources -- nuclear, hydroelectric and renewables -- in the nine months ended Jun. 30, 2022.
- TVA's results reflect strong financial health, with 30-year-low debt levels that helped TVA provide over \$161 million in pandemic credits to customers so far this fiscal year.

KNOXVILLE, Tenn. — The Tennessee Valley Authority reported \$8.4 billion in total operating revenues on 118 billion kilowatt-hours of electricity sales for the nine months ended Jun. 30, 2022. Total operating revenues increased 14% over the same period last year, primarily due to an increase in fuel cost recovery revenue driven by higher fuel rates.

Sales of electricity increased approximately three percent compared to the same period of the prior year. The increase in sales volume was primarily driven by economic growth in the Tennessee Valley.

"TVA and our local power company customers continue to meet record power demand this summer with industry-leading reliability and resiliency while maintaining rates that are among the lowest in the nation," said Jeff Lyash, TVA president and CEO. "More than half of TVA's energy comes from carbon-free sources like nuclear, hydroelectric, and renewables, which provide a major source of price stability."

Fuel and purchased power expense increased \$879 million in the first nine months of 2022 over the same period of the prior year, primarily due to higher fuel and purchased power prices. Lower nuclear output due to the Watts Bar Unit 2 steam generator replacement project and fewer significant rain events resulting in lower hydroelectric generation also contributed to higher fuel and purchased power costs.

“We understand the impact that rising fuel costs and high energy demand on our customers,” said Lyash. “However, our customers are seeing far less of a cost impact than the rest of the nation.”

Natural gas prices were 141% higher this June verses last year, and coal prices are also up significantly. However, TVA’s effective power rate, inclusive of fuel cost, is only 11% higher this year, which demonstrates the value of TVA’s diverse generation fleet and proactive hedging programs.

As an extension of these existing practices, TVA is executing a defined strategy laid out in our Strategic Intent and Guiding Principles document to maintain its national leadership in carbon reduction.

“At TVA, we are outcome focused and, along with significant investments in our existing carbon-free generation, such as the Watts Bar Unit 2 steam generator replacement, we know there is more we can do,” said Lyash.

“TVA recently issued an industry-leading request for proposal for 5,000 megawatts of carbon-free energy to be available by 2029 and, knowing the critical role advanced nuclear technology will play in our nation’s drive to decarbonization, we signed a partnership with GE Hitachi to advance our pursuit of small modular reactor technology.”

Depreciation and amortization expense increased \$391 million for the nine months ended on Jun. 30, 2022, primarily due to a change in depreciation rates following an updated depreciation study. The study included planning assumptions to potentially retire the remainder of TVA’s coal-fired fleet by 2035. Operating and maintenance expense increased by \$163 million over the same period last year, driven by labor escalation, routine nuclear maintenance work, an increase in nuclear outage days, natural gas and hydroelectric maintenance projects, and additional inventory reserves and write-offs.

Interest expense decreased by \$33 million for the nine months ended Jun. 30, 2022 – a 4% decrease from the prior year – due to lower debt balances and lower average long-term rates.

“In addition to the higher peaks from weather, TVA is meeting underlying growth in sales as the local economy continues to recover and people and businesses are moving to our region,” said TVA’s chief financial and strategy officer John Thomas. “TVA’s effective wholesale rate continues to run at the same rate as a decade ago, while our financial strength has allowed TVA to give back over \$161 million in pandemic recovery credits to customers so far this year.”

TVA’s net income was \$476 million for the first nine months of fiscal year 2022, which was \$433 million lower than the same period of the prior year due mainly to higher operating expenses.

*Additional highlights from TVA’s third quarter fiscal year 2022 include:*

- TVA met multiple record-setting peak and daily energy records this summer, and the TVA power system was able to deliver energy reliably through these demands.
- In July 2022, TVA issued a carbon-free RFP for up to 5,000 megawatts of carbon-free and new renewable energy projects.
- Watts Bar Unit 2 returned to service in July 2022 after an outage to replace its four original steam generators with four new, more efficient models that will support reliable, carbon-free generation in the Tennessee Valley.
- TVA entered a two-party agreement with GE Hitachi to support TVA’s planning and preliminary licensing for a potential deployment of a BWRX-300 small modular reactor at the Clinch River Nuclear site and provide additional information needed as TVA continues to analyze the viability of SMRs in the Valley subject to future Board approval. This follows an April 2022 collaboration agreement with Ontario Power Generation to support the development of small modular reactors as an effective long-term source of 24/7 carbon-free energy in both Canada and the U.S. Such collaborations could help reduce the financial risk that comes from development of innovative technology, as well as future deployment costs.

- As of August 1, 146 local power companies have long-term partnerships with TVA. Bill credits to partners totaled \$141 million for the nine months ended Jun. 30, 2022.
- In 2021, the TVA Board approved a 2.5 percent monthly base rate credit for all customers, the Pandemic Recovery Credit, which is effective for 2022. These pandemic credits apply to service provided to TVA's LPC's, their large commercial and industrial customers, and TVA directly served customers. For the nine months ended Jun. 30, 2022, pandemic credits totaled \$161 million, which is money staying in local communities to help with recovery efforts.
- Rainfall and runoff in the Tennessee Valley through the third quarter of 2022 were 105% and 110% of normal, respectively.
- TVA's economic development efforts, combined with TVA's reliable, resilient, low-cost, and cleaner energy, continue to help attract and encourage the expansion of business and industries in the Tennessee Valley, with over \$9.6 billion in investments and more than 57,200 jobs created or retained through the third quarter of 2022.

Selected Financial Data – Nine Months Ended June 30		
Sales, Revenues & Expenses	2022	2021
Sales (millions of kWh)	117,547	113,606
Operating Revenues (\$ millions)	\$ 8,437	\$ 7,403
Fuel & Purchased Power Expense	2,771	1,892
Operating & Maintenance Expense	2,269	2,106
Interest Expense	791	824
Net Income	476	909
<b>Net Cash Provided by / (Used in) (\$ millions)</b>		
Operating Activities	\$ 1,834	\$ 2,227
Investing Activities	(1,978)	(1,698)
Financing Activities	147	(531)

TVA's executive management team will host a conference call to discuss third quarter fiscal year 2022 results at 9:30 a.m. ET, on Tuesday, Aug. 2. The event will be conducted as a webcast and as a dial-in teleconference. Participants will be able to hear the discussion and see slides via webcast, but will need telephone access to ask questions. Pre-registration for the conference call is required. Please click [here](#) to pre-register. Once pre-registered, the dial-in number will be provided via an email. If you are unable to pre-register, you may access the conference call by dialing toll free 844-308-6432 in the United States, or 412-717-9611 outside the United States.

A replay will be available one hour after the end of the conference call, by calling toll free 877-344-7529 in the United States or 412-317-0088 outside the United States and using the conference number 1518604. A webcast replay and transcript will also be available for one year on TVA's website at <http://www.tva.com/investors>.

TVA's quarterly report on Form 10-Q provides additional financial, operational, and descriptive information, including unaudited financial statements for the quarter ended Jun. 30, 2022. TVA's quarterly report and other SEC reports are available without charge on TVA's website at <http://www.tva.com/investors>, on the SEC's website at <http://www.sec.gov>, or by calling TVA toll free at 888-882-4975.

This release may contain forward-looking statements relating to future events and future performance. Although TVA believes that the assumptions underlying these statements are reasonable, numerous factors could cause actual results to differ materially from those in the forward-looking statements. Please refer to TVA's most recent annual report on Form 10-K and quarterly report on Form 10-Q for a discussion of factors that could cause actual results to differ from those in the forward-looking statements.

The Tennessee Valley Authority is a corporate agency of the United States that provides electricity for business customers and local power companies serving nearly 10 million people in parts of seven southeastern states. TVA receives no taxpayer funding, deriving virtually all of its revenues from sales of electricity. In addition to operating and investing its revenues in its electric system, TVA provides flood control, navigation and land management for the Tennessee River system, and assists local power companies and state and local governments with economic development and job creation.

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