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# Third Quarter Fiscal Year 2021 Investor Webcast

August 3, 2021

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# Introduction



**Tammy Wilson**  
**Vice President, Treasurer &**  
**Chief Risk Officer**

# Agenda

## Third Quarter Fiscal Year 2021 Review

- Jeff Lyash, President & Chief Executive Officer

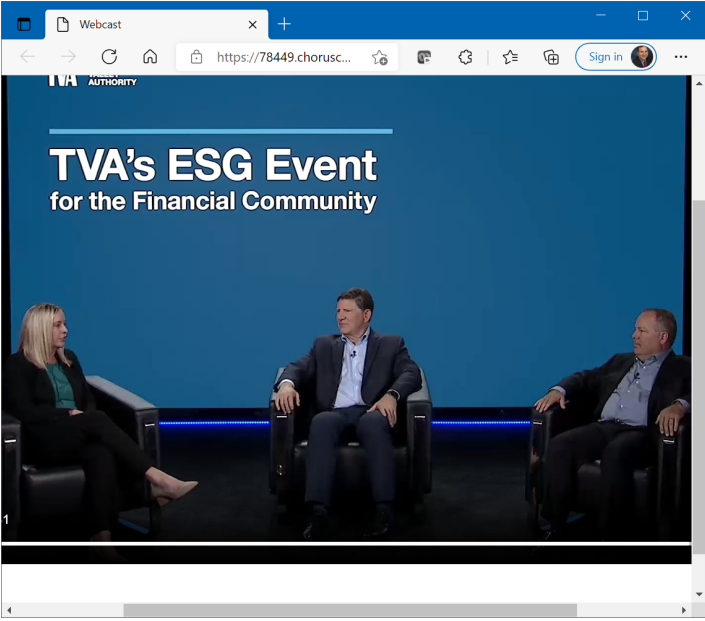




## Review of Financial Performance

- John Thomas, Executive Vice President & Chief Financial and Strategy Officer

## Question and Answer Session

## Closing Remarks

# ESG Resources for the Financial Community

<p><b>ESG Event for the Financial Community</b></p> 	<p><b>Sustainability Report</b></p>  <p><b>FY 2020 Sustainability Report</b></p> <p>Providing a Better Future for the People of the Valley</p>	<p><b>Carbon Report</b></p>  <p><b>Leadership &amp; Innovation on a Path to Net-Zero</b></p> <p>TVA and the Energy Revolution of the Future</p>
	<p><b>TVA EEI ESG Template Report</b></p>  <p><b>Tennessee Valley Authority</b></p> <p>2019-2020 Sustainability Reporting Template</p> <p>September 2020</p> <p>Introduction and Purpose</p> <p>The Tennessee Valley Authority (TVA) provides the people of the Tennessee Valley with one of the most reliable, clean, and affordable energy sources in the world. As a public utility, TVA is committed to providing a better future for the people of the Valley. This report is a key component of TVA's commitment to transparency and accountability. It provides a comprehensive overview of TVA's environmental, social, and governance (ESG) performance, as well as the challenges and opportunities facing the organization. The report is designed to be a template for TVA's future sustainability reporting efforts.</p> <p>ESG: Sustainability Governance at TVA</p> <p>TVA's Governance Board of Directors, the Board, serves as the governing body for TVA. As provided by the TVA Act and the TVA Statute, the principal responsibility of the Board is to establish TVA's mission, vision, and values, and to oversee the organization's performance. The Board is responsible for setting the organization's strategic direction and for ensuring that the organization is operating in a sustainable and responsible manner. The Board is also responsible for overseeing the organization's financial performance and for ensuring that the organization is providing a high quality of service to its customers. The Board is composed of representatives from the federal government, the private sector, and the public. The Board meets regularly to discuss and approve the organization's major decisions. The Board is also responsible for appointing and removing the organization's senior executives. The Board is the ultimate authority on all matters relating to the organization's operations. The Board is also responsible for ensuring that the organization is complying with all applicable laws and regulations. The Board is also responsible for ensuring that the organization is providing a high quality of service to its customers. The Board is the ultimate authority on all matters relating to the organization's operations. The Board is also responsible for ensuring that the organization is complying with all applicable laws and regulations. The Board is also responsible for ensuring that the organization is providing a high quality of service to its customers.</p>	<p><b>Strategic Intent &amp; Guiding Principles</b></p>  <p><b>TVA Strategic Intent and Guiding Principles</b></p> <p>May 2020</p> <p>The document provides TVA's Strategic Intent and Guiding Principles, which are the foundation for the organization's mission and vision. The document is designed to be a template for TVA's future strategic planning efforts.</p>

Link: [TVA - Environmental, Social, & Governance Website](https://tva.q4ir.com/esg) (https://tva.q4ir.com/esg)

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## “Safe Harbor” Statement

This document contains forward-looking statements relating to future events and future performance. All statements other than those that are purely historical may be forward-looking statements. In certain cases, forward-looking statements can be identified by the use of words such as “may,” “will,” “should,” “expect,” “anticipate,” “believe,” “intend,” “project,” “plan,” “predict,” “assume,” “forecast,” “estimate,” “objective,” “possible,” “probably,” “likely,” “potential,” “speculate,” the negative of such words, or other similar expressions. Although TVA believes that the assumptions underlying the forward-looking statements are reasonable, TVA does not guarantee the accuracy of these statements. Numerous factors could cause actual results to differ materially from those in the forward-looking statements. For a discussion of these factors, please see the annual, quarterly, and periodic reports that TVA files with the Securities and Exchange Commission. New factors emerge from time to time, and it is not possible for management to predict all such factors or to assess the extent to which any factor or combination of factors may impact TVA’s business or cause results to differ materially from those contained in any forward-looking statement. TVA undertakes no obligation to update any forward-looking statement to reflect developments that occur after the statement is made.

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## Third Quarter Fiscal Year 2021 Review



**Jeff Lyash  
President &  
Chief Executive Officer**

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# FY21 Strategic Priorities



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**Powerful  
Partnerships**



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**People  
Advantage**



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**Operational  
Excellence**



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**Igniting  
Innovation**



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**Financial  
Strength**

# Powerful Partnerships

143 long-term partners\*

74% of TVA's revenues thru Q3 2021

3.1% long-term partner credit

71 partners with flexibility agreements

\*As of August 2, 2021, 143 LPCs had signed the 20-Year Partnership Agreement with TVA





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# People Advantage



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**Code of Excellence**



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**Safety**



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**Inclusive Culture**



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**Internal Programs**

# Operational Excellence

Operational **leadership** transition

Meeting summer demand – **reliability** and **resiliency**

Continued **99.999%** **system reliability**

**59%** of power from carbon-free sources so far in 2021

**43%** of power from nuclear generation so far in 2021

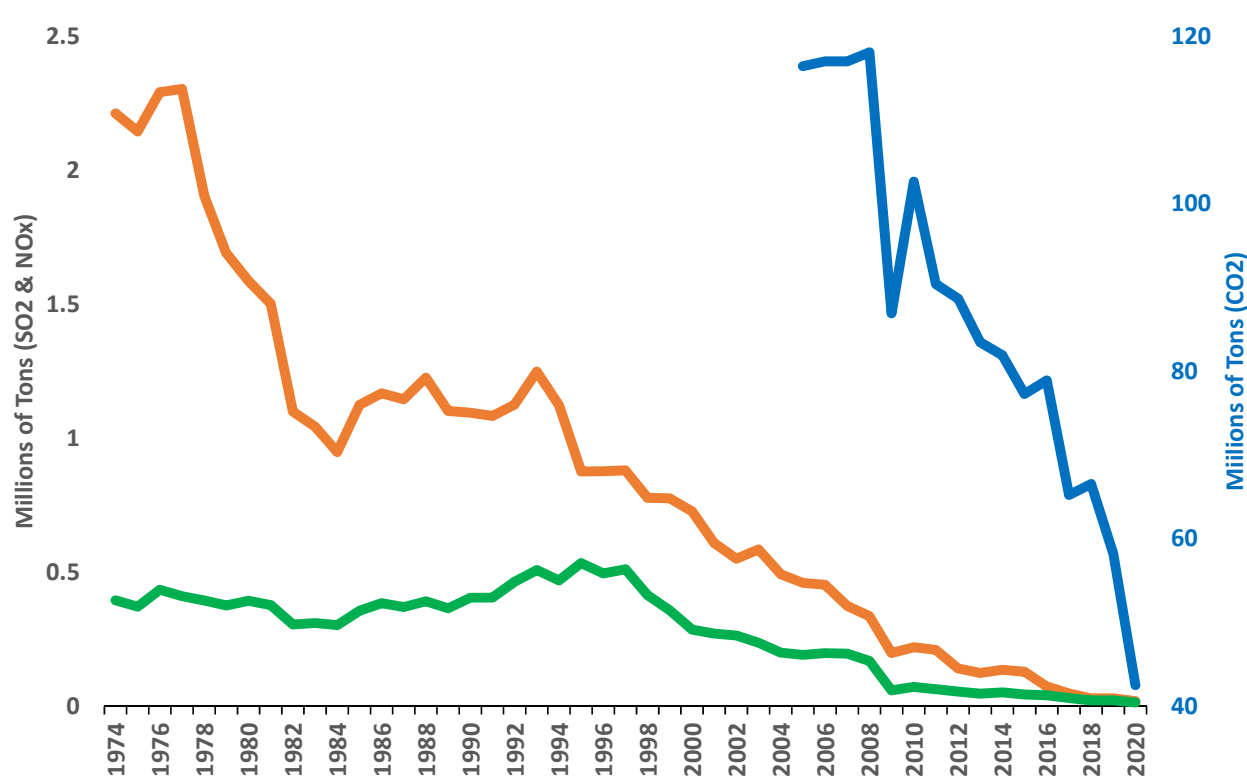
Executing **Asset Strategy**



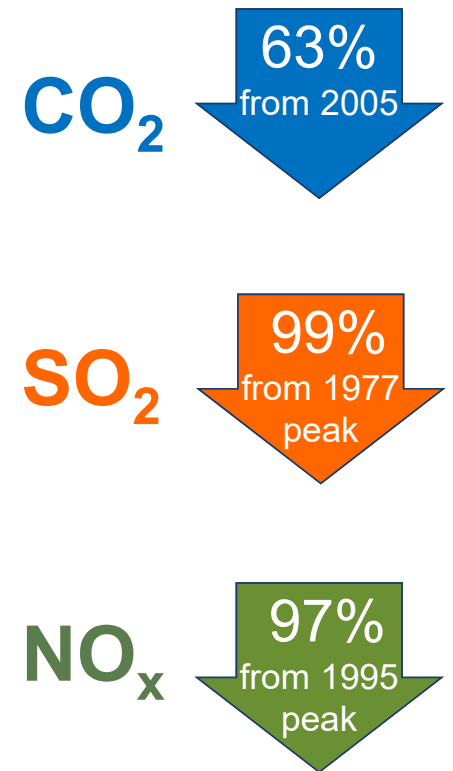
# Operational Excellence: Meeting Summer Demand



# Operational Excellence: Leadership in Reducing Emissions



\*CO<sub>2</sub> figures represent TVA system-wide emissions, SO<sub>2</sub> and NO<sub>x</sub> figures are for TVA-owned and operated units.



# Carbon Goals

*TVA is a national leader in carbon reduction*

Progress

**63%**

Accomplished

Plan

**70%**

Plan by 2030

Path

**~80%**

Path by 2035

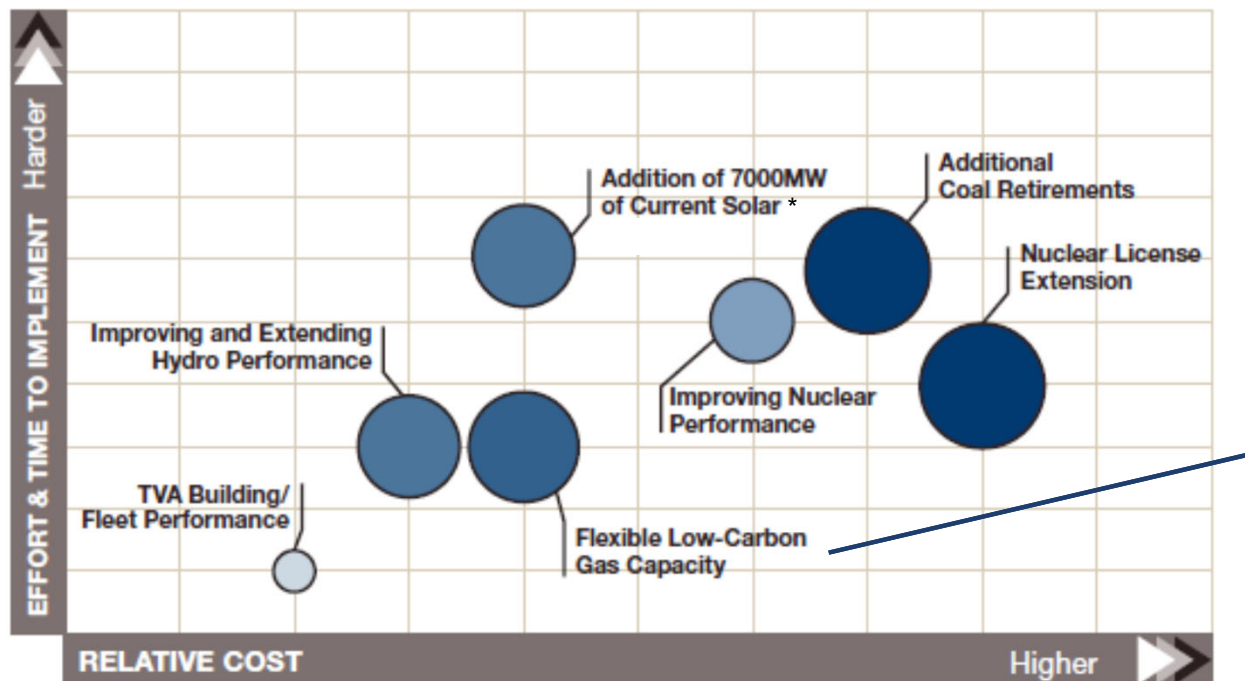
Purpose

**Net-Zero**

Aspiration by 2050

# Resource Considerations to Support Carbon Goals

## CARBON REDUCTION OPTIONS- PILOT ANALYSIS OF IMPACT



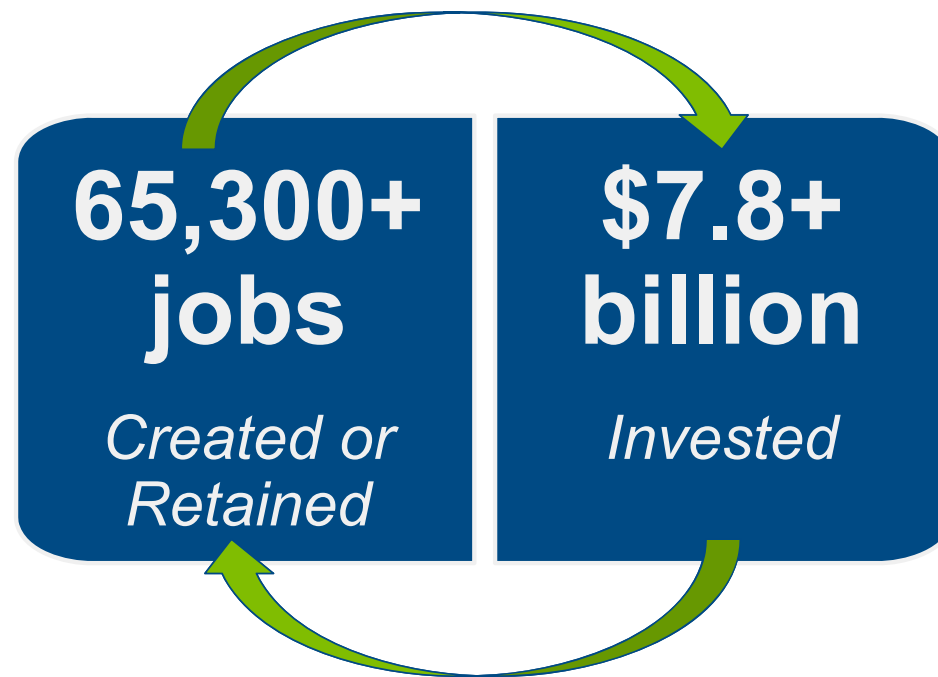
Larger-size bubble represents larger carbon emission reductions; data is generalized based on preliminary analysis

\* About 7,000 MW of solar additions expected by 2030 and 10,000 MW by 2035





# Leadership in Economic Development



\*Fiscal Year To Date

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## Review of Financial Performance



**John Thomas  
Executive Vice President &  
Chief Financial and  
Strategy Officer**



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# Summary of Financial Results

For Nine Months Ended June 30, 2021 - Comparison to Prior Year

Operating revenues 1% higher

*Driven by higher sales volume; offset by lower effective rates*

Total effective power rate 4% lower

*Driven primarily by Pandemic Relief Credit (\$156 million)*

Fuel and purchased power expense 3% higher

*Driven mainly by higher effective fuel and purchased power rates and higher volume*

Interest expense 4% lower

*Driven primarily by lower debt balances*

Net income \$909 million

# Sales & Revenue

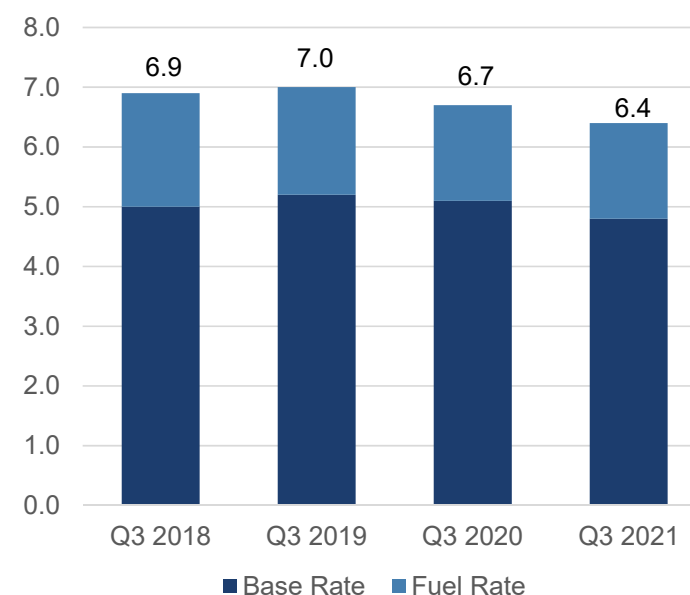
Nine Months Ended June 30	2021	2020	Change	Percent Change
Power Sales (GWh)	113,606	108,396	5,210	5 %
Total Operating Revenues (\$ millions)	\$ 7,403	\$ 7,350	\$ 53	1 %
Base Revenue	5,486	5,510	(24)	(0)%
Fuel Cost Recovery	1,803	1,724	79	5 %
Average Base Rate (¢/kWh)	4.8	5.1	(0.3)	(5)%
Average Fuel Rate	1.6	1.6	-	- %
Total Effective Rate*	6.4	6.7	(0.3)	(4)%

Calculations may be impacted by rounding

\* Excludes other revenue and off-system sales impact; total effective rate numbers based on unrounded base and fuel rates

## Total Effective Rate Trend

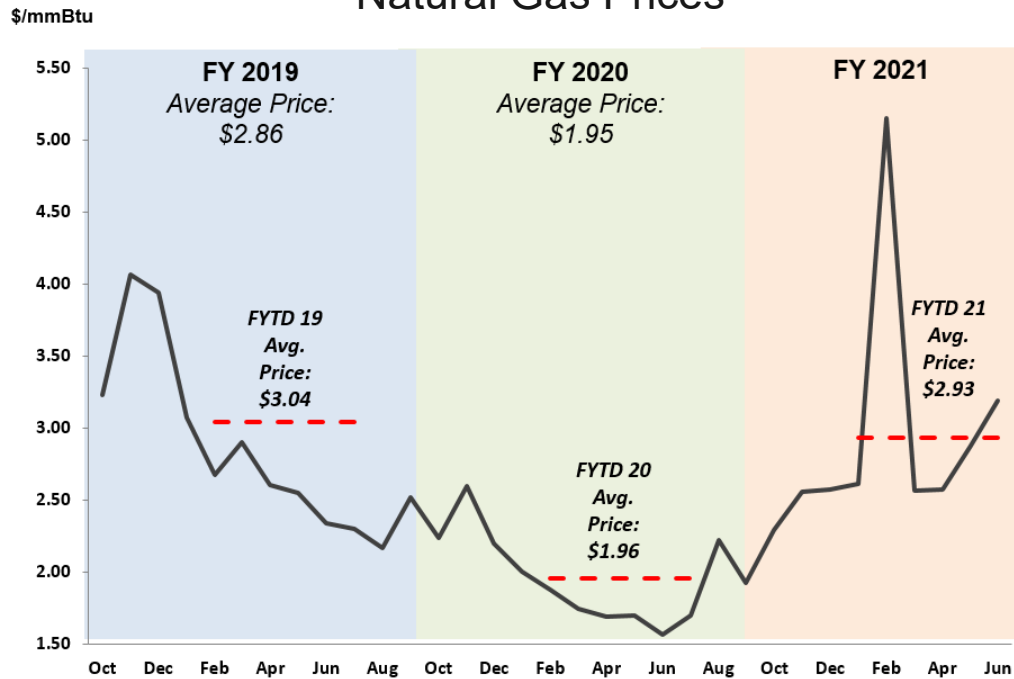
Nine Months Ended June 30th



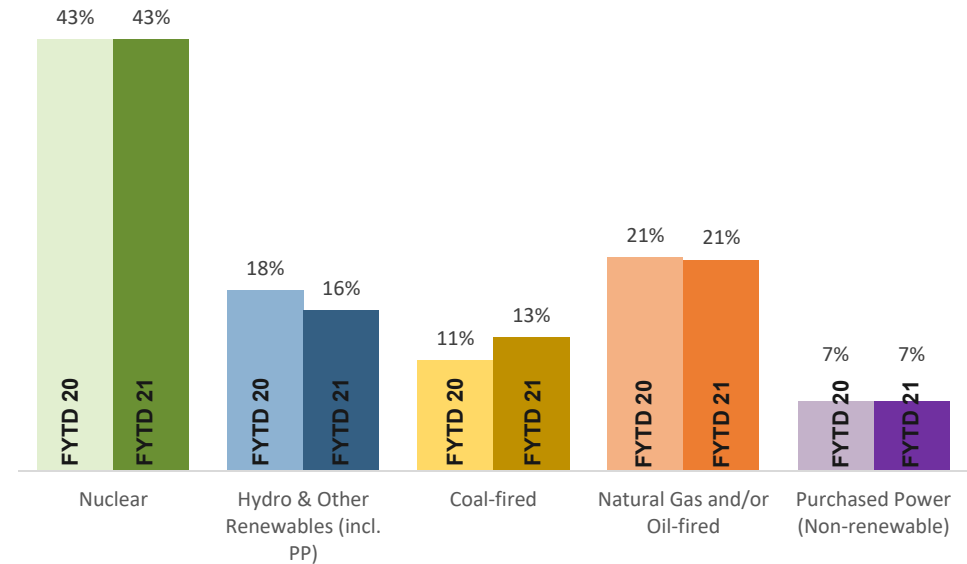
# Power Supply Summary – FYTD 2021

59% of power from carbon-free sources

## Natural Gas Prices



## Power Supply by Source



## Expenses & Net Income

Nine Months Ended June 30	2021	2020	Change	Percent Change
Total Operating Revenues (\$ millions)	\$ 7,403	\$ 7,350	\$ 53	1 %
Fuel & Purchased Power Expense	\$ 1,892	\$ 1,844	\$ 48	3 %
Operating & Maintenance Expense	2,106	2,014	92	5 %
Depreciation & Amortization	1,144	1,430	(286)	(20)%
Tax Equivalents	371	388	(17)	(4)%
Interest Expense	824	859	(35)	(4)%
Net Income*	\$ 909	\$ 652	\$ 257	39 %

\* Net income includes Other income (expense), net and Other net periodic benefit cost

## Cash Flow & Balance Sheet Metrics

Nine Months Ended June 30			
Net Cash Provided by / (Used in) (\$ millions)	2021	2020	Change
Operating Activities	\$ 2,227	\$ 2,496	\$ (269)
Investing Activities	\$ (1,698)	\$ (1,467)	\$ (231)
Financing Activities	\$ (531)	\$ (528)	\$ (3)

Select Balance Sheet Metrics <sup>(1)</sup> (\$ millions)	June 30 2021	Sept. 30 2020	Change
Total Debt and Other Financing Obligations <sup>(2)</sup>	\$ 20,904	21,421	(517)
Cash and Cash Equivalents	500	500	-
Total Debt and Other Financing Obligations Net of Cash and Cash Equivalents	20,404	20,921	(517)

(1) See Appendix - Regulation G Reconciliation

(2) Statutory Debt balance that counts towards TVA's \$30 billion debt ceiling was \$19.8 billion at 6/30/2021

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# Recap of Financial Results

For Nine Months Ended June 30, 2021 - Comparison to Prior Year

Minimal COVID-19 impacts

Higher sales volume

Lowest effective rates in over a decade

Continuing to benefit from lower debt



# Question & Answer Session







## Appendix – Regulation G Reconciliation

	June 30, 2021	September 30, 2020
<b>Total Outstanding Debt</b>	<b>\$ 20,668</b>	<b>\$ 20,889</b>
Exchange Gain - Current	-	73
Exchange Gain - Long-Term	44	80
Unamortized Discounts, Premiums, Issue Costs and Other	122	131
Notes Payable	-	-
Debt of Variable Interest Entities	(1,077)	(1,098)
<b>Bonds and Notes, Gross</b>	<b>\$ 19,757</b>	<b>\$ 20,075</b>
Notes Payable	-	-
Leaseback Obligations	46	223
Membership Interests of Variable Interest Entity Subject to Mandatory	24	25
Debt of Variable Interest Entities	1,077	1,098
<b>Total Debt and Other Financing Obligations, Gross ("TFO")</b>	<b>\$ 20,904</b>	<b>\$ 21,421</b>

Note numbers may be adjusted for rounding