

TVA Reduces Budget Requirements and Continues Investment in Cleaner Power

KNOXVILLE, Tenn. — The Tennessee Valley Authority will invest more than \$2 billion in cleaner energy sources in the coming year as it continues to reduce operational costs and debt. The Board of Directors today approved TVA's capital plan and budget for fiscal year 2017. The \$10.37 billion budget is \$330 million less than the prior year.

“Our work is bounded by certain strategic imperatives – rates, debt, assets and stewardship – that require us to deliver excellent performance in order to maintain low rates, be responsible stewards, live within our means and manage TVA's power system to deliver reliable, low-cost energy,” said TVA President and CEO Bill Johnson. “This budget is in keeping with TVA's long-term financial plan, which has helped us manage our business to a lower cost structure as businesses and consumers use less energy. It reflects a modest, incremental rate increase that ensures we make necessary investments in the power system and manage down debt.”

The budget contains a 1.5 percent effective retail rate increase, slightly below the rate of inflation, amounting to about \$1.50 more a month for the average Valley resident using 1,000 kilowatt-hours per month. The increase will take effect with the 2017 budget year that begins Oct. 1, 2016.

Johnson highlighted TVA's continued work in diversifying the energy generation fleet including the completion of Watts Bar Nuclear Plant [Unit 2](#) as it nears commercial operations; the [Paradise](#), Ky., plant's new natural gas units expected to begin operation next summer; and, the [Allen](#) gas plant in Memphis that's nearing 25 percent completion and scheduled to begin operations in 2018. In addition, TVA is investing more than a billion dollars in clean air equipment at [Gallatin](#) (Tenn.) and [Shawnee](#) (Ky.) plants.

Cost-effective, renewable energy is also playing a more important role in TVA's diverse portfolio. In 2015, 13 percent of the electricity TVA generated or bought was renewable, including hydro production.

“Our diverse portfolio has helped us deliver superior financial performance in recent periods,” Johnson said. “We are making significant investments to balance our asset portfolio further in order to keep rates affordable and stable for our customers under a variety of conditions.”

During Johnson's report to the Board, he said that energy demand is not growing and even with healthy economic growth overall, the growth in power demand has been essentially flat for the past five years. “We expect load growth to stay flat for the foreseeable future,” Johnson said. “Our market is changing, and we and our customers are working to adapt to new business conditions that include reduced energy needs and increased demand for energy efficiencies and renewables.”

TVA recently announced the establishment of a new business unit focused on Distributed Energy Resources and the energy delivery marketplace. The group will be responsible for working with TVA's customers in business development, pricing and contracts, technology innovation, energy efficiency and demand response and renewable programs and products.

The Board also approved amendments to the TVA Retirement System that will improve the long-term health of the system. These amendments included increasing the yearly TVA contribution to \$300 million, changing current employees meeting specific tenure requirements to a 401(k) plan and continuing to provide a cost-of-living adjustment benefit for retirees.

Cost-of-living adjustments have been the subject of a lawsuit between several retirees and TVA for several years. TVA recently received a decision from the Sixth Circuit Court that cost-of-living adjustments are not vested benefits. Despite this ruling, TVA stands behind the amendments that have been accepted including a vesting of COLA increases.

"We wanted to move this direction, regardless of the outcome of the litigation, because we believe it removed uncertainty on this topic for employees and retirees," said TVA Vice President and Deputy General Counsel Rebecca Tolene, during her presentation to the Board. "The changes address the current demographic, economic, business and funding realities, and are designed to lessen the impact on retirees while giving employees more flexibility with their retirement plan options."

In other business, the board approved:

- A resolution to direct the CEO to set and approve the performance measures and goals for FY 2017.
- Contracts with BlueCross BlueShield of Tennessee, Inc., and Express Scripts for medical and pharmaceutical benefits for eligible employees, non-Medicare retirees and their dependents.
- A seven-year contract with Day & Zimmerman for nuclear maintenance and modifications services.
- Continuing the EY external auditor contract to serve for fiscal 2017.

The Tennessee Valley Authority is a corporate agency of the United States that provides electricity for business customers and local power distributors serving more than 9 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.

#

Media Contact: Gail Rymer, Knoxville, 865-632-2911
TVA Public Relations, Knoxville, 865-632-6000
www.tva.com/news
Follow TVA news on [Facebook](#) and [Twitter](#)

(Distributed: Aug. 25, 2016)