



NEWS RELEASE

TVA Board Approves 2010 Budget

The TVA Board today approved a 2010 budget of \$10.2 billion for operating expenses and \$2.3 billion in capital investments.

The Board also took several actions to reduce the impact on consumers of a projected \$7.2 billion shortfall for the period 2010 through 2012, including \$1.9 billion in budget cuts and \$2.8 billion in additional borrowing primarily to fund capital projects. The Board approved an 8 percent increase in the average wholesale rate that will be offset initially by an 11 percent decrease from the Fuel Cost Adjustment for the October billing period.

While amounts will vary across the Valley, residential consumers can expect decreases in the wholesale portion of their bills that range from about 50 cents to about \$4 in October.

The projected budget shortfall is primarily the result of the unprecedented decline in sales revenue, the need for increased contributions to TVA's employee pension fund, investments to maintain power plants and other system assets, and projects related to the impacts of the Kingston recovery effort, the North Carolina Clean Air lawsuit, and TVA's storage and disposal of coal combustion by-products.

"We have looked internally first, to find ways to hold down our costs and still provide the reliable electricity Valley businesses and residents need," said TVA President and CEO Tom Kilgore. "Unfortunately, this year has been a very difficult one for us on a number of fronts, and some of those challenges will continue into 2010."

As a result of the economic downturn, TVA had projected flat sales for 2009 compared with 2008, but actual sales have declined about 8 percent – the largest drop in sales in TVA's history. The 2010 forecast is slightly lower than 2009.

"Two bright spots during this recession have been the stabilization of fuel prices and easing of the drought," Kilgore said. "Those factors, when combined with the reduced demand on the system, mean TVA has had to spend less on expensive purchased power, helping to reduce our Fuel Cost Adjustment for October."

The TVA Board also approved the proposal to change the Fuel Cost Adjustment mechanism from a quarterly to a monthly calculation. This should result in more frequent

and more accurate forecasting of fuel and purchased power costs, as well as less dramatic swings in the FCA amounts.

The 2010 operating budget includes \$302 million in increased funding for the new Valley Investment Initiative, TVA's contribution to its employee pension fund, and for the Kingston recovery effort. The Valley Investment Initiative offers incentive awards to existing industries that demonstrate a long-term commitment to remaining in the Valley, promoting high-paying jobs, and improving efficiency in their operations.

The capital budget includes \$307 million for construction of the recently announced Northeast Tennessee Combined Cycle Gas Plant and \$681 million for Watts Bar Nuclear Unit 2.

TVA is the nation's largest public power provider and is completely self-financing. TVA provides power to large industries and 158 power distributors that serve approximately 9 million consumers in seven southeastern states. TVA also manages the Tennessee River and its tributaries to provide multiple benefits, including flood damage reduction, navigation, water quality and recreation.

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