



Associated Valley Industries

Murfreesboro, TN

February 9, 2018

Agenda

1. Pricing Update
2. Total Monthly Fuel Cost Update
3. “Fun Facts”
4. Looking Forward At Fuel

Pricing Update

Rate Design Objectives



Keeps rates low



Ensure fairness in rates



Brings more bill stability



Allows companies and consumers to make more informed investment decisions



Better reflects the value of the grid



Stimulates economic growth

DER choices highlight the need for further alignment between costs and rates.

The Value of the Grid

***TVA's grid
strengthens the
communities we
serve***

99.999%

Highly reliable and resilient, delivering energy with 99.999% reliability.



Fuels modern life, from lighting to air conditioning to computers.



Keeps the Valley's economy working, allowing factories, office buildings and small businesses to thrive, which means a higher standard of living.



Enables customer renewable solutions with reliable on-demand access to grid services.

Guiding Principles of Pricing Improvement

✓ Overall Objectives

- Send appropriate pricing signals by pricing energy closer to cost
- Achieve class-level revenue neutrality
- Minimize uneconomic bypass

✓ Design Evaluation Criteria

- Encourage energy usage
- Maximize alignment; minimize bill impacts

Total Monthly Fuel Cost Update

Proposed TMFC Improvements

TVA's Rate Change Proposal



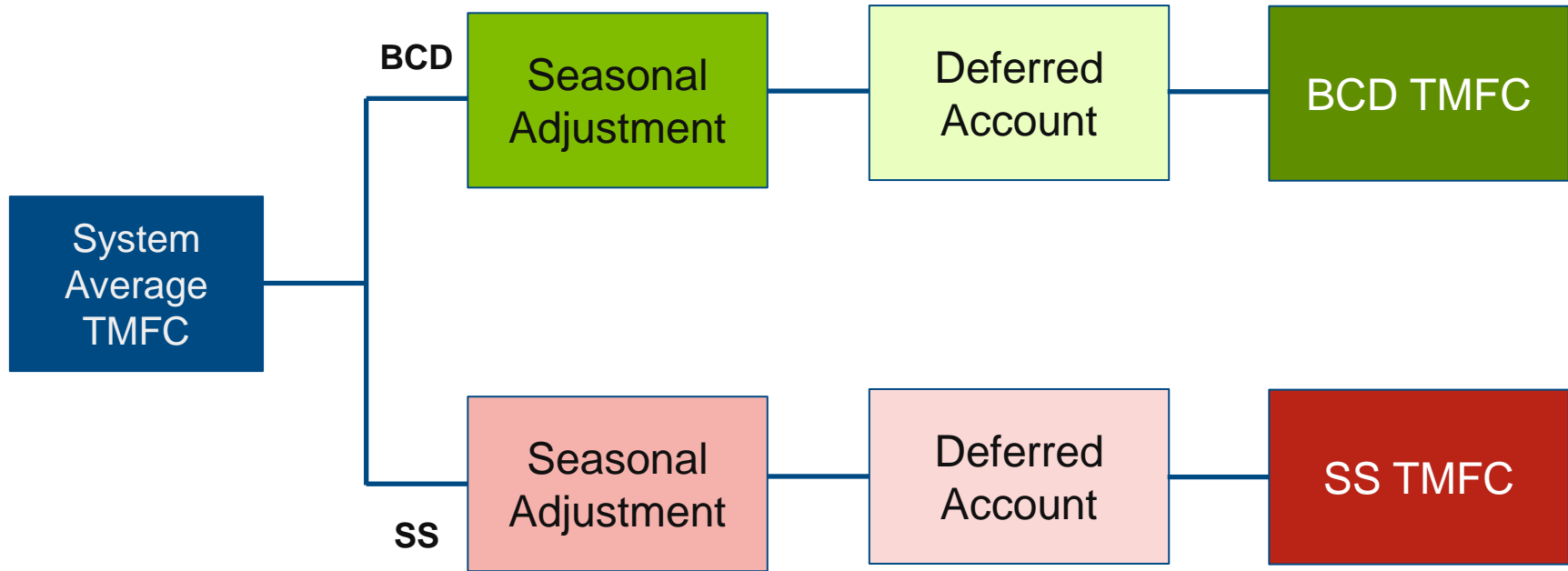
1. Dispatch Cost Used in Resource Cost Allocation (RCA)
 - **Top 100 MW of Stack (No Change)**



2. Fuel Cost Class Allocations:
 - Standard Service, TDGSA, TDMSA
 - General Service BCDs
 - Manufacturing BCDs

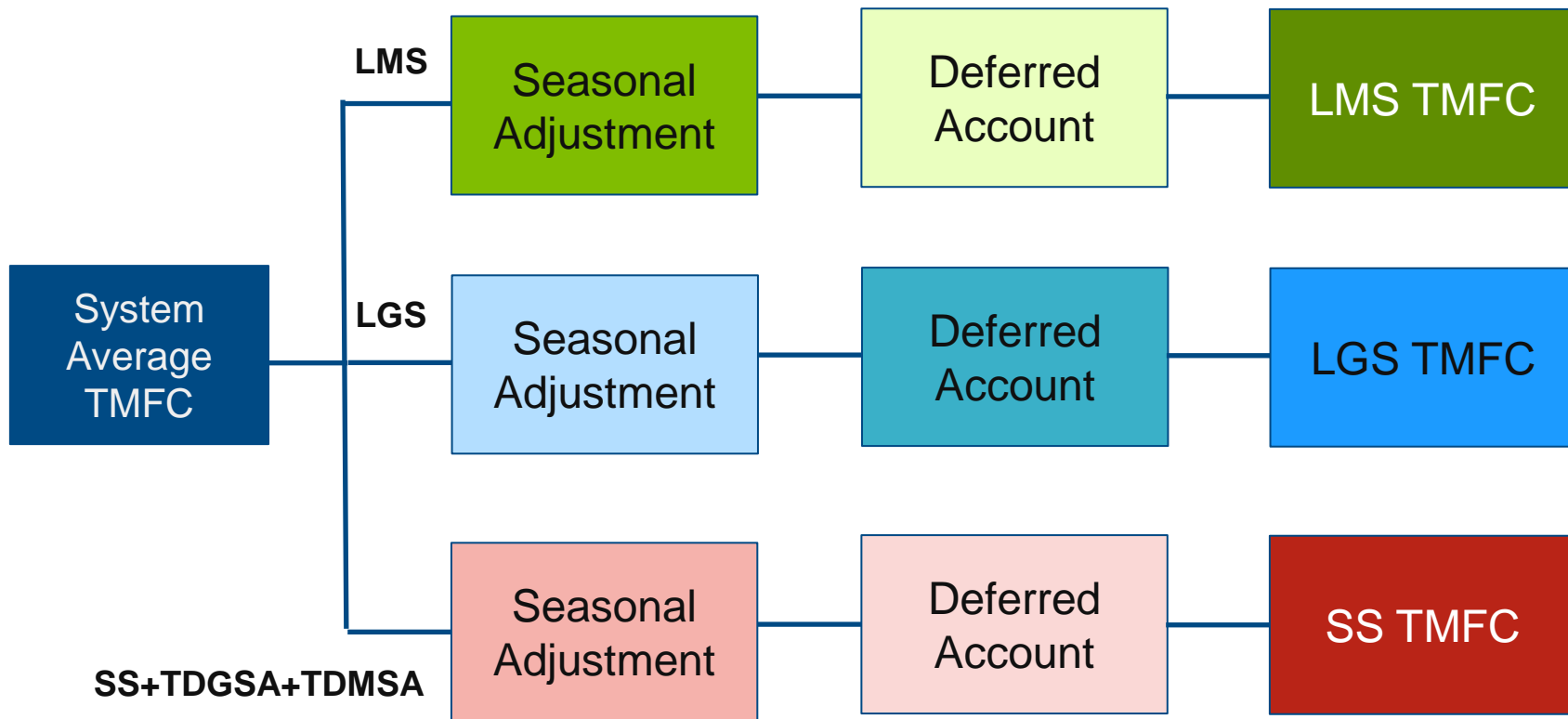
Continuous improvement in fuel allocation while minimizing impacts to customers

Current TMFC: 2 Classes



System Average Fuel Costs are seasonally adjusted to develop class level fuel costs

Proposed TMFC: 3 Classes



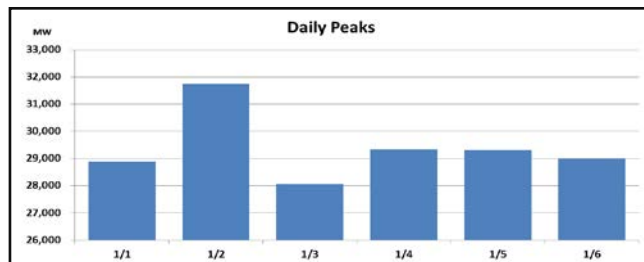
Seasonal Adjustments developed using historical relationships

“Fun Facts”

Week of January 2nd Overview

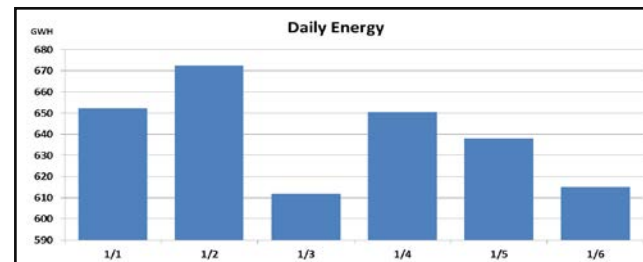
Peaks

- Jan 1 28,891 MW at 9 PM CST at 15 degrees
 - **Highest holiday load ever**
- Jan 2 31,740 MW at 8 AM CST at 11 degrees
 - **10th highest winter peak of all time**



Energy

- Jan 1 652.2 GWh
 - **22nd All-Time Highest Holiday / Weekend Day ever**
- Jan 2 672.5 GWh
 - **10th All-Time**



Six Consecutive Days above 600 GWH Jan 1-6
2nd longest stretch in TVA history (#1 was Jan 3-13,2010)

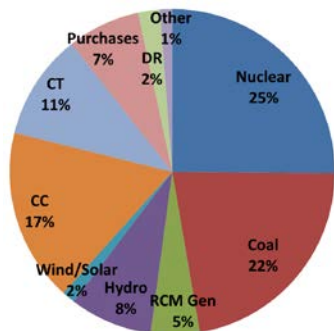
Weather

**133 of 137 hours
at or below freezing**

12/30/17

1/5/18 NOON

How we
met the
peak on
January
2nd



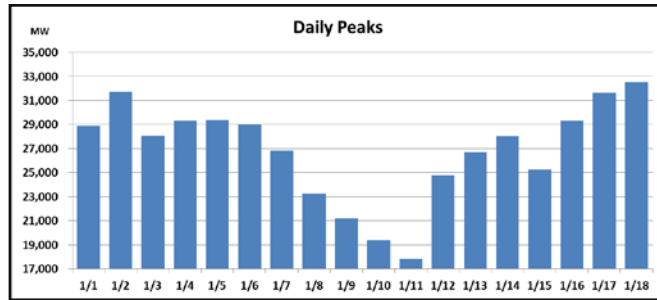
TVA Restricted Information – Deliberative and Pre-Decisional Privileged

*Other includes digester gas, cogen, and system inadvertent

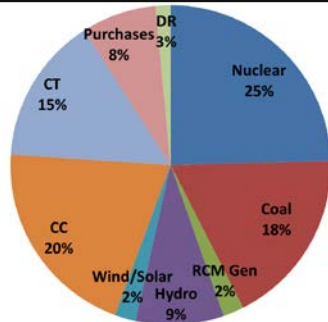
Week of January 18th Overview

Peaks

- Jan 17 31,640 MW at 8 AM CST at 12 degrees
 - 12th highest winter peak
- Jan 18 32,513 MW at 7 AM CST at 14 degrees
 - 6th highest winter peak; 14th highest all-time peak

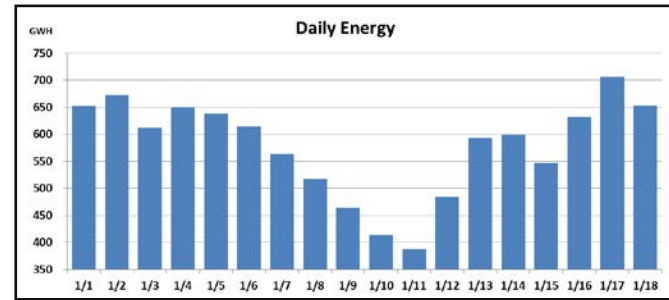


How we
met the
peak on
January
18th



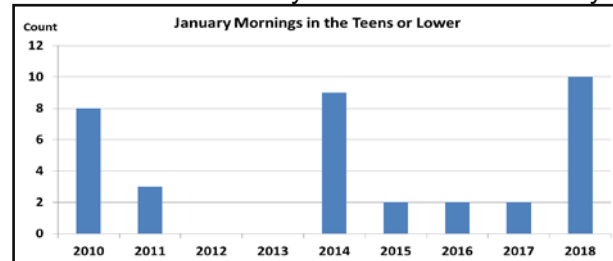
Energy

- Jan 17 706 GWh
 - Highest day ever
- Jan 18 653 GWh
 - In the top 25 daily energy days



Weather

- Coldest start to January in at least the last 20 years



Total Monthly Fuel Cost – February 2018

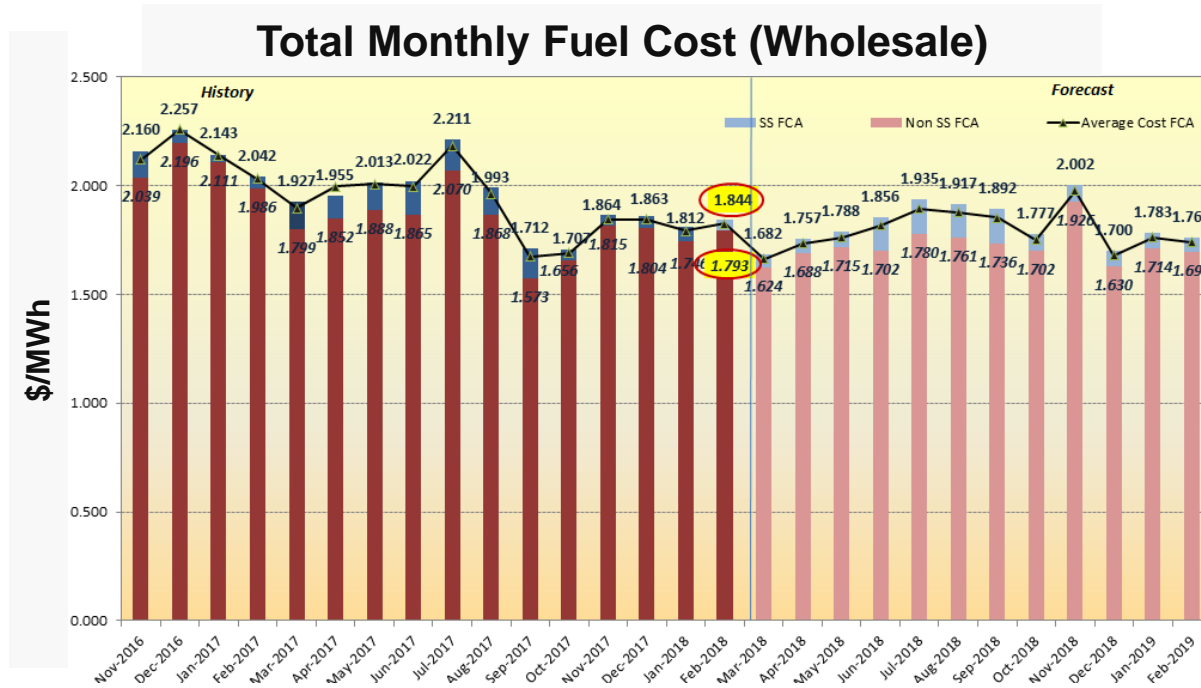
The Total Monthly Fuel Cost for February 2018:

- Standard Service: 1.844 cents per kWh (before losses)
- BCD Service: 1.793 cents per kWh (before losses)

The overall system average fuel rate for February 2018 is ~4% less than the three-year average for February.

Gas rates and sales projections are lower compared to the three-year average for February.

February 2018 TMFC & Forecast



All of TVA's customers have benefited from competitive fuel costs