

TVA Reports Higher Operating Revenues and Power Sales

TVA reported higher operating revenues and power sales for the reporting period which ended March 31. In its second quarter report to the Securities and Exchange Commission, TVA reported total revenues of nearly \$2.5 billion for the quarter, up 7.6 percent from the same period in the prior year. This was due to recovery of increased fuel and purchased power costs and increased power sales. Power sales in the second quarter were 45.4 billion kilowatt-hours or 3.7 percent higher than the same period in the prior year. Total operating expenses for the second quarter totaled \$2.1 billion, an increase of 8.4 percent from the same period in the prior year, mainly due to higher fuel and purchased power expenses.

Hydroelectric power was 44 percent of normal in the second quarter, causing TVA to purchase replacement power or use more expensive forms of generation. TVA reported net income of \$73 million for the three months that ended March 31, 2008, compared to \$126 million for the same period in the prior year. Net income for the first two quarters of the fiscal year was \$56 million compared to a net income of \$177 million for the same period a year ago. The lower net income in both periods is primarily due to accounting changes implemented in fiscal year 2008.

“TVA still faces challenges related to fuel, purchased power and reduced hydroelectric generation for the remainder of the year,” said TVA President and CEO, Tom Kilgore. “Drought conditions continue to impact our financial results. Although rainfall totals for the first six months of the fiscal year were about 80 percent of normal, the amount of water reaching the rivers and reservoirs was less than 50 percent of the normal amount. Reduced hydro generation continues to drive up the total cost of power.”

Browns Ferry Unit 1, which entered commercial operation in 2007, added an additional source of less expensive generation to TVA’s power supply mix for the six months ended March 31, 2008. TVA also announced the purchase of a combined-cycle, combustion turbine facility in Southaven, Miss., which closed on May 9, 2008 and is expected to help meet growing demand. Another highlight for the second quarter was the return of Bristol Virginia Utilities as a TVA customer in January.

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