

Confronting Challenge

TVA GEARS UP

By Tom Kilgore

LAST YEAR WAS a year of significant challenge for the electric utility industry. Price volatility and fuel supply issues pressured the bottom lines of even the best utilities and increased the urgency of preparations for uncertain times ahead.

It was a challenging year for the Tennessee Valley Authority, the nation's largest public power utility, and a year for renewing our connection to our roots. Since 1933, TVA has served a three-part mission for providing reliable, affordable power; managing the natural resources of the Tennessee Valley; and helping bring good jobs and quality investments to our region and keeping them here.

In a nutshell, TVA has always been about energy, the environment and economic development, and the crux of our mission has been to make life better for the people we serve. We provide power to 158 distributors that serve 8.7 million consumers in seven Southeastern states and we directly serve 62 industries. TVA is completely self-financing and receives no tax dollars.

In 2006, the new, expanded nine-member TVA Board reaffirmed the importance and relevance of TVA's mission. My job, and that of my management team, is to ensure that TVA serves its mission better than ever by improving TVA's numbers and strengthening the TVA name.

Our goal is for TVA to be measurably better – in the top 25 percent on metrics that matter and in the top 10 percent on numbers that matter most. We also intend to change the way our customers think of us, the way our partners do business with us, and even the way our critics and competitors view us. Our goal is to add value to the TVA name in all three areas of our mission.

Electricity demand in the Tennessee Valley region continues to grow at a healthy rate of 2 percent a year, and in 2006 TVA met the highest power demand in its history. To keep pace with our region's growth, TVA is evaluating the best options for increasing generating capacity. In the spring, TVA will bring online the nation's first nuclear unit since 1996 at our Browns Ferry nuclear plant in Alabama, adding enough capacity to serve 650,000 homes with clean, cost-effective generation. By the end of the summer, we will present to the TVA Board results of a detailed engineering and cost study on the feasibility of completing a second nuclear unit at Watts Bar nuclear plant in Tennessee.

TVA is considering the possibility of adding a combined-cycle facility to our fleet, and we plan to apply to the Nuclear Regulatory Commission for a combined operating and construction license for two new nuclear reactors at our Bellefonte site in Alabama as part of our participation in the NuStart Energy Development consortium. A decision by the Board on building a new nuclear plant could be made in 2009. We also continue to make improvements and additions

Our goal is for TVA to be measurably better – in the top 25 percent on metrics that matter and in the top 10 percent on numbers that matter most.

to our transmission system and have added more than 670 miles of new lines during the past six years.

TVA manages the Tennessee River system – the nation's fifth largest – to provide a broad range of benefits for Valley residents. We have an aggressive program to improve air quality in the region with an investment of \$4.6 billion to reduce emissions from coal-fired plants, and we plan to invest another \$1.2 billion in additional controls. Our investments already are paying off with targeted emissions reaching their lowest level ever in 2005.

TVA is proud of its role as one of our region's most important catalysts for quality investment and job creation. In the 2006 fiscal year, TVA helped its economic development partners create or retain some 50,000 jobs and leverage investments of \$4 billion. TVA is strongly committed to further efforts that support the economic vitality of the communities we serve.

Energy, the environment and economic development have been the pillars of TVA's mission for more than 73 years. Today, they are the yardsticks by which we will measure our progress toward stronger numbers and a better name for TVA and an even better quality of life for the people of our region.

By remembering our roots, the people of TVA are building for the future, a time when our families will live more prosperously, our children will grow up in a cleaner environment, and we all will have an abundant supply of reliable electricity that makes our boldest dreams possible.



Tom Kilgore is president and chief executive officer of the Tennessee Valley Authority.

NewsFLASH

www.energycentral.com

OPEN CANADA

Energy markets between Canada and the United States should become more open, according to Pat Wood, former chairman of the Federal Energy Regulatory Commission.

"In all the major commodities – gas, oil, electricity and now biofuel development, I see there's a lot of common interest," Pat Wood said in a recent speech in Calgary, Alberta, according to the *Associated Press*.