

TENNESSEE VALLEY AUTHORITY

CHATTANOOGA, TENNESSEE 37401

400 Chestnut Street Tower II

August 31, 1979

Mr. Jerome Saltzman, Chief
Antitrust and Indemnity Group
Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Washington, DC 20555

Dear Mr. Saltzman:

To satisfy the requirements of 10 CFR Part 140 and as stated in our December 9, 1977, letter to you, TVA has selected alternative five to meet the guarantee requirement of the retrospective premium system. The enclosed statements are submitted to meet this guarantee requirement:

1. TVA financial statements for FY 1978.
2. TVA Power Quarterly Report.
3. A one-year internal cash flow projection for the TVA power system (tabulation A) with an explanation for underlying assumptions.
4. A narrative statement regarding the curtailment of capital expenditures if retrospective premiums should be paid.

Very truly yours,

TENNESSEE VALLEY AUTHORITY

L. M. Mills
L. M. Mills, Manager
Nuclear Regulation and Safety

Enclosures

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POWER ASSETS AND LIABILITIES

ASSETS	At June 30	
	1979	1978
	(Thousands)	
Property, Plant, and Equipment		
Completed plant, see note	\$ 6,230,299	\$5,738,059
Less accumulated depreciation	<u>1,858,630</u>	<u>1,719,143</u>
Net completed plant	<u>4,371,669</u>	<u>4,018,916</u>
Construction in progress	<u>5,705,785</u>	<u>4,265,985</u>
Nuclear fuel	532,776	443,677
Less accumulated amortization	<u>127,662</u>	<u>79,440</u>
Nuclear fuel, net	<u>405,114</u>	<u>364,237</u>
Total property, plant and equipment	10,482,558	8,649,138
Current Assets	1,025,690	635,323
Deferred Charges	<u>138,959</u>	<u>58,022</u>
TOTAL ASSETS	<u>\$11,647,207</u>	<u>\$9,342,483</u>
LIABILITIES		
Proprietary Capital		
Appropriation investment	\$ 932,372	\$ 952,516
Less requirement for repayment of appropriation investment	15,000	15,000
Retained earnings reinvested in power program	<u>1,612,088</u>	<u>1,148,249</u>
Total proprietary capital	<u>2,529,460</u>	<u>2,085,765</u>
Long-Term Debt		
Principal	6,425,000	5,525,000
Unamortized discounts* and premium, net	<u>6,144*</u>	<u>6,578*</u>
Total long-term debt	<u>6,431,144</u>	<u>5,531,578</u>
Current Liabilities		
Short-term notes		
U.S. Treasury	150,000	150,000
Federal Financing Bank	<u>1,910,000</u>	<u>1,050,000</u>
Short-term notes	2,060,000	1,200,000
Other current liabilities	<u>638,891</u>	<u>538,296</u>
Total current liabilities	<u>2,698,891</u>	<u>1,738,296</u>
TOTAL LIABILITIES	<u>\$11,647,207</u>	<u>\$9,342,483</u>

*Deduct

Note: On April 1, 1979, a \$200 million public bond issue matured and was retired. An 8 year \$300 million bond was sold to the Federal Financing Bank in May, 1979 at an effective interest rate of 9.133 percent. Short-term borrowings outstanding increased \$20 million, making the net increase in borrowings \$425 million for the quarter. Total debt outstanding on June 30, 1979, was \$6,431 million.

Total single use power plant site portions of multipurpose dams allocated to power. The total investment in multipurpose dams at June 30, 1979, was \$1,117 million, classified as follows: power, \$495 million; other programs, \$622 million.

TVA Power Quarterly Report

Nine Months Ended
June 30, 1979

Tennessee Valley Authority

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**NET POWER INCOME
(And Retained Earnings Reinvested)**

	Nine Months Ended June 30		Twelve Months Ended June 30	
	1979	1978	1979	1978
	(Thousands)		(Thousands)	
Operating Revenues				
Sales of electric energy				
Municipalities and cooperatives	\$1,350,992	\$1,095,081	1,796,037	\$1,451,210
Federal agencies	290,666	329,900	366,571	326,315
Industries	441,834	320,662	577,129	423,682
Electric utilities	3,910	3,199	4,608	3,723
Interventional	9,764	4,478	11,809	5,643
TOTAL SALES OF ELECTRIC ENERGY	<u>2,097,166</u>	<u>1,653,320</u>	<u>2,756,154</u>	<u>2,210,573</u>
Rents and other miscellaneous revenue	19,344	30,115	27,055	41,171
TOTAL OPERATING REVENUES	<u>2,116,510</u>	<u>1,683,435</u>	<u>2,783,209</u>	<u>2,251,744</u>
Operating Expenses				
Fuel	794,242	732,077	1,097,221	994,789
Other production expenses	372,498	388,437	488,929	492,571
Taxes and payments in lieu of taxes	86,086	69,215	108,470	88,170
Depreciation	119,229	112,244	157,432	151,515
Other	98,841	83,291	129,567	108,395
TOTAL OPERATING EXPENSES	<u>1,470,896</u>	<u>1,385,264</u>	<u>1,981,619</u>	<u>1,835,440</u>
Other Income and Deductions, Net	1,495*	8	1,202*	1,287*
TOTAL INCOME	<u>644,119</u>	<u>298,179</u>	<u>800,388</u>	<u>415,017</u>
Interest Charges				
Interest on debt	476,948	353,284	609,475	456,251
Allowance for borrowed funds used in construction and nuclear fuel	269,562*	177,508*	341,021*	226,621*
Amortization of debt discount, premium and expense, net	756	777	1,015	1,036
TOTAL INTEREST CHARGES	<u>742,266</u>	<u>531,569</u>	<u>951,511</u>	<u>683,908</u>
NET INCOME	435,977	121,626	530,919	184,351
Return on appropriation investment	51,651	46,287	67,080	62,291
INCREASE IN RETAINED EARNINGS	384,326	75,339	463,839	122,060
Retained earnings reinvested at beginning of period	1,227,762	1,072,910	1,148,249	1,026,189
RETAINED EARNINGS REINVESTED AT END OF PERIOD	<u>\$1,612,088</u>	<u>\$1,148,249</u>	<u>\$1,612,088</u>	<u>\$1,148,249</u>

NET POWER PROCEEDS

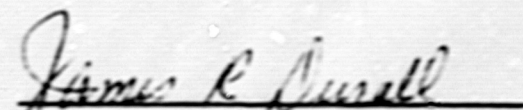
From Power Operations				
Net income	\$ 435,977	\$ 121,626	\$ 530,919	\$ 184,351
Nuclear fuel amortized to operations	34,845	24,825	48,223	34,620
Depreciation, depletion, and other amortization	121,726	113,281	160,388	154,336
Interest on debt	476,948	353,284	609,475	456,251
Allowance for borrowed funds used in construction and nuclear fuel	269,562*	177,508*	341,021*	226,621*
TOTAL NET POWER PROCEEDS	<u>1,339,058</u>	<u>789,524</u>	<u>1,680,926</u>	<u>1,056,180</u>
From Sale of Power Facilities	1,921	1,125	2,967	1,527
TOTAL NET POWER PROCEEDS	<u>801,855</u>	<u>436,633</u>	<u>1,010,951</u>	<u>604,464</u>
Net Power Proceeds / Less				
Interest on debt	476,948	353,284	609,475	456,251
Return on appropriation investment	51,651	46,287	67,080	62,291
Repayment of appropriation investment	15,000	15,000	20,000	20,000
BALANCE AVAILABLE FOR INVESTMENT IN POWER ASSETS	<u>\$ 258,256</u>	<u>\$ 22,062</u>	<u>\$ 314,396</u>	<u>\$ 65,922</u>
Net borrowings invested in power assets	<u>\$1,290,000</u>	<u>\$ 870,000</u>	<u>\$1,760,000</u>	<u>\$1,205,000</u>

*Deduct

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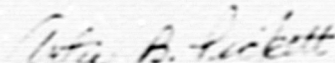
CERTIFICATION OF INTERNAL CASH FLOW PROJECTIONS
FOR THE PERIOD SEPTEMBER 1, 1979, TO AUGUST 31, 1980

I, James R. Durall, Power Financing Officer for the Tennessee Valley Authority, hereby certify that the one year internal cash flow projections for the TVA power system for the period September 1, 1979, to August 31, 1980, attached hereto represents the current projection of the cash flow of the TVA power program.


James R. Durall
Power Financing Officer

STATE OF TENNESSEE
COUNTY OF HAMILTON

Subscribed and sworn to before
me this 24th of August 1979.


Artie B. Pickett
Notary Public

My commission expires 10-6-80.

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Tabulation A attached provides a one-year projection of quarterly cash flow for the TVA power system. The period of this projection extends from September 1, 1979, to August 31, 1980. The cash shown is the amount available from current revenues after paying all operating expenses and interest charges during the quarters shown. TVA's payments to the U.S. Treasury have been excluded since these payments may be delayed up to two years when, in the judgment of the TVA Board of Directors, such payments cannot feasibly be made because of inadequate funds occasioned by factors beyond the control of the corporation.

TVA Act Sec. 15d Subsection (e)

With three reactors currently operating on the TVA system and a fourth, Sequoyah Nuclear Plant Unit 1, scheduled to begin preliminary operation during the second quarter, the maximum quarterly cash flow requirement will be \$40 million. The average quarterly cash estimated for the 12-month period is 68.6 million.

The revenues estimated for the projected period include the effects of a budgeted increase of \$324 million for the fiscal year beginning October 1, 1979. TVA will be conducting quarterly rate reviews throughout the period and the actual timing and amount of the projected rate change to insure adequate cash flows will be determined by the TVA Board.

Projected TVA power system loads are based on normal weather conditions. Estimated generation is based on the assumption of normal scheduled and emergency maintenance outage requirements.

Tabulation A
Tennessee Valley Authority
Estimated Sources of Funds
Millions of Dollars

	<u>Sep. '79-Nov. '79</u>	<u>Dec. '79-Feb. '80</u>	<u>Mar. '80-May '80</u>	<u>June '80-Aug. '80</u>	<u>Total 12-Month Period</u>
Net Income	9,716	98,188	23,553	57,701	189,158
Non-Cash Charges (Credits) to Income					
Depreciation & Depletion	40,549	40,861	47,786	48,243	177,439
Amortization (Nuclear Fuel)	11,012	14,961	20,401	21,506	67,880
Other - (Allowance for funds used in construction)	<u>-35,128</u>	<u>-36,829</u>	<u>-43,754</u>	<u>-44,211</u>	<u>-159,922</u>
Total Funds From Operations	<u>26,149</u>	<u>117,181</u>	<u>47,986</u>	<u>83,239</u>	<u>274,555</u>

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STATEMENT REGARDING THE CURTAILMENT OF
CAPITAL EXPENDITURES IF RETROSPECTIVE PREMIUMS SHOULD BE PAID

No curtailment in capital expenditures is expected in the event retrospective premiums have to be made available for payment during this period. It is assumed that sufficient short-term and long-term borrowing capacity will continue to be available to provide funds for continuing capital expenditures at the projected level.