

TENNESSEE VALLEY AUTHORITY

CHATTANOOGA, TENNESSEE 37401  
400 Chestnut Street Tower II

August 23, 1982

Mr. Jerome Saltzman, Assistant  
Director  
State and Licensee Relations  
Office of State Programs  
U.S. Nuclear Regulatory Commission  
Washington, DC 20555

Dear Mr. Saltzman:

In the Matter of the ) Docket Nos. 50-259, 50-260, 50-296  
Tennessee Valley Authority ) 50-327, 50-328, and 50-390

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 1981.
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 Licensing

Sworn to and subscribed before me  
this 23<sup>rd</sup> day of August, 1982

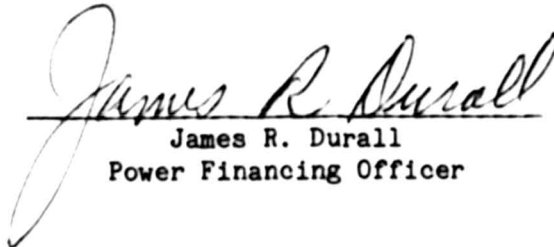
*Paulette H. White*  
Notary Public  
My Commission Expires 9-5-84

Enclosures

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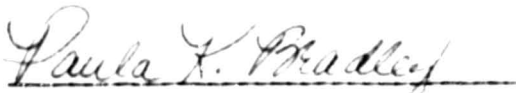
CERTIFICATION OF INTERNAL CASH FLOW PROJECTIONS  
FOR THE PERIOD SEPTEMBER 1, 1982 TO AUGUST 31, 1983

I, James R. Durall, Power Financing Officer for the Tennessee Valley Authority, hereby certify that the one year cash flow, projections for the TVA power system for the period September 1, 1982 to August 31, 1983, 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 13<sup>th</sup> day of August 1982.

  
Paula K. Bradley

My commission expires 12-4-84

INFORMATION REGARDING THE ADEQUACY OF CASH FLOWS  
REQUIRED TO ASSURE PAYMENT OF RETROSPECTIVE PREMIUMS

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, 1982 to August 31, 1983. 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 units at Browns Ferry and two units at Sequoyah Nuclear Plants currently operating on the TVA system, and one unit at Watts Bar Nuclear Plant scheduled for fuel loading in the summer of 1983, the maximum quarterly cash flow requirement will be \$60 million. The average quarterly cash estimated for the 12-month period exceeds \$107.9 million. The revenues estimated for the projected period include the effects of a budgeted increase of \$326 million for the fiscal year beginning October 1, 1982. TVA will be conducting quarterly rate reviews throughout the period and the actual timing and amount of the projected rate change to ensure 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>Sept. '82-Nov. '82</u>	<u>Dec. '82-Feb. '83</u>	<u>Mar. '83-May '83</u>	<u>June '83-Aug. '83</u>	<u>Total 12-Month Period</u>
Net Income	-35.675	167.507	80.814	177.588	390.234
Non-Cash Charges (Credits) to Income	67.417	83.755	83.755	83.755	318.682
Depreciation & Depletion	62.432	60.440	61.266	63.144	247.282
Other - (Allowance for funds used in construction.)	<u>-113.164</u>	<u>-134.449</u>	<u>-136.289</u>	<u>-140.470</u>	<u>-524.372</u>
Total Funds From Operations	<u>-18.990</u>	<u>177.253</u>	<u>89.546</u>	<u>184.017</u>	<u>431.826</u>



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.

## POWER ASSETS AND LIABILITIES

	At June 30	
	1982	1981
	(Thousands)	
ASSETS		
Property, Plant, and Equipment		
Completed plant, see note	\$ 8,852,049	\$ 7,697,198
Less accumulated depreciation	<u>2,332,154</u>	<u>2,166,730</u>
Net completed plant	<u>6,519,895</u>	<u>5,530,468</u>
Construction in progress	<u>8,540,355</u>	<u>8,207,767</u>
Nuclear fuel	314,142	176,507
Less accumulated amortization	<u>275,267</u>	<u>214,617</u>
Nuclear fuel, net	<u>38,875</u>	<u>38,110*</u>
Total property, plant and equipment	15,099,125	13,700,125
Current Assets	1,272,443	1,087,421
Deferred Charges	<u>671,353</u>	<u>557,665</u>
TOTAL ASSETS	<u>\$17,042,921</u>	<u>\$15,345,211</u>
LIABILITIES		
Proprietary Capital		
Appropriation investment	\$ 880,880	\$ 900,146
Less requirement for repayment of appropriation investment	15,000	15,000
Retained earnings reinvested in power program	<u>1,445,023</u>	<u>1,472,750</u>
Total proprietary capital	<u>2,310,903</u>	<u>2,357,896</u>
Long-Term Debt		
Principal	12,975,000	11,025,000
Less unamortized discount	<u>5,017</u>	<u>5,393</u>
Total long-term debt	<u>12,969,983</u>	<u>11,019,607</u>
Other Liabilities	<u>76,397</u>	<u>—</u>
Current Liabilities		
Short-term notes		
U.S. Treasury	150,000	150,000
Federal Financing Bank	<u>740,000</u>	<u>1,035,000</u>
Short-term notes	890,000	1,185,000
Other current liabilities	<u>795,638</u>	<u>782,708</u>
Total current liabilities	<u>1,685,638</u>	<u>1,967,708</u>
TOTAL LIABILITIES	<u>\$17,042,921</u>	<u>\$15,345,211</u>

\*Deduct

Note: Total single use power plant plus portions of multipurpose dams allocated to power. The total investment in multipurpose dams at June 30, 1982, was \$1,263 million, classified as follows: power, \$507 million; other programs, \$756 million.

TVA is an equal opportunity employer, and is committed to ensuring that the benefits of programs receiving TVA financial assistance are available to all eligible persons regardless of race, color, national origin, handicap, or age.

TVA/OP/PINF-82/4

# TVA Power Quarterly Report

**Nine Months Ended  
June 30, 1982**

**Tennessee Valley Authority**

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

	Nine Months Ended June 30		Twelve Months Ended June 30	
	1982	1981	1982	1981
	(Thousands)		(Thousands)	
<b>Operating Revenues</b>				
Sales of electric energy				
Municipalities and cooperatives	\$2,083,149	\$1,819,410	\$2,789,138	\$2,409,579
Federal agencies	497,539	352,293	620,174	446,130
Industries	486,934	528,832	673,027	675,079
Electric utilities	8,262	26,151	9,859	27,335
Interdivisional	11,116	13,794	14,538	17,368
Revenue credit due customers	—	—	—	57,000*
Total Sales of Electric Energy	3,087,000	2,740,480	4,106,736	3,518,491
Rents and other miscellaneous revenue	18,314	15,295	22,854	19,701
<b>TOTAL OPERATING REVENUES</b>	<b>3,105,314</b>	<b>2,755,775</b>	<b>4,129,590</b>	<b>3,538,199</b>
<b>Operating Expenses</b>				
Fuel	978,699	1,051,588	1,376,554	1,435,099
Other production expense	428,091	436,752	553,091	582,609
Taxes and payments in lieu of taxes	122,598	117,359	161,628	149,902
Depreciation	164,433	144,941	217,736	189,070
Other	147,013	159,529	211,961	196,708
<b>TOTAL OPERATING EXPENSES</b>	<b>1,840,834</b>	<b>1,910,169</b>	<b>2,520,970</b>	<b>2,553,388</b>
<b>Other Income and Deductions, Net</b>	<b>577*</b>	<b>354*</b>	<b>410,767*</b>	<b>56</b>
<b>TOTAL INCOME</b>	<b>1,263,903</b>	<b>845,252</b>	<b>1,197,853</b>	<b>984,867</b>
<b>Interest Charges</b>				
Interest on debt	1,023,533	855,130	1,340,858	1,088,518
Allowance for borrowed funds used during construction	171,659*	129,941*	219,961*	173,317*
Amortization of debt discount and expense, net	728	724	970	964
<b>TOTAL INTEREST CHARGES</b>	<b>852,602</b>	<b>725,913</b>	<b>1,121,867</b>	<b>916,165</b>
<b>NET INCOME</b>	<b>411,301</b>	<b>119,339</b>	<b>75,986</b>	<b>68,702</b>
Return on appropriation investment	82,108	64,812	103,713	84,415
INCREASE OR DECREASE* IN RETAINED EARNINGS	329,193	54,527	27,727*	15,713*
Retained earnings reinvested at beginning of period	1,115,830	1,418,223	1,472,750	1,488,463
<b>RETAINED EARNINGS REINVESTED AT END OF PERIOD</b>	<b>\$1,445,023</b>	<b>\$1,472,750</b>	<b>\$1,445,023</b>	<b>\$1,472,750</b>

## **NET POWER PROCEEDS**

<b>From Power Operations</b>				
Net income	\$ 411,301	\$ 119,339	\$ 75,986	\$ 68,702
Depreciation, depletion, and other amortization	186,659	153,940	658,800	205,123
Interest on debt	1,023,533	855,130	1,340,858	1,088,518
Allowance for borrowed funds used during construction	171,659*	129,941*	219,916*	173,317*
	1,449,834	998,468	1,855,683	1,189,026
<b>From Sale of Power Assets</b>	<b>193,703</b>	<b>167,632</b>	<b>215,675</b>	<b>223,330</b>
<b>TOTAL NET POWER PROCEEDS</b>	<b>1,643,537</b>	<b>1,166,100</b>	<b>2,071,358</b>	<b>1,412,356</b>
<b>Net Power Proceeds Uses</b>				
Interest on debt	1,023,533	855,130	1,340,858	1,088,518
Return on appropriation investment	82,108	64,813	103,713	84,415
Repayment of appropriation investment	15,000	15,000	20,000	20,000
<b>BALANCE AVAILABLE FOR INVESTMENT IN POWER ASSETS</b>	<b>\$ 522,896</b>	<b>\$ 231,157</b>	<b>\$ 606,787</b>	<b>\$ 219,423</b>
Net borrowings invested in power assets	<b>\$1,080,000</b>	<b>\$1,400,000</b>	<b>\$1,655,000</b>	<b>\$1,985,000</b>

\*Deduct

TENNESSEE VALLEY AUTHORITY



FINANCIAL STATEMENTS

FOR THE

FISCAL YEAR ENDED SEPTEMBER 30, 1981

**TENNESSEE VALLEY AUTHORITY**

(A CORPORATION WHOLLY OWNED BY THE UNITED STATES OF AMERICA)

**FINANCIAL STATEMENTS**

**FOR THE**

**FISCAL YEAR ENDED SEPTEMBER 30, 1981**

# TENNESSEE VALLEY AUTHORITY

## FINANCIAL STATEMENTS

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Prepared by the Division of Finance  
Willard R. Stinson, Comptroller

# TENNESSEE VALLEY AUTHORITY

(A CORPORATION WHOLLY OWNED BY THE UNITED STATES OF AMERICA)

BALANCE SHEETS SEPTEMBER 30, 1981 AND 1980

## ASSETS

	Power program		All programs	
	1981	1980	1981	1980
	(Thousands of Dollars)			
PROPERTY, PLANT, AND EQUIPMENT				
substantially all at original cost				
Completed plant; schedule A				
Multipurpose dams; note 1	\$ 506,496	\$ 503,880	\$ 1,260,824	\$ 1,253,201
Single-purpose dams	359,799	352,331	359,799	352,331
Steam production plant	2,802,487	2,754,449	2,802,487	2,754,449
Nuclear production plants	1,876,256	890,428	1,876,256	890,428
Other electric plant	2,342,877	2,139,924	2,342,877	2,139,924
Other plant	-	-	213,713	206,576
	<u>7,887,915</u>	<u>6,641,012</u>	<u>8,855,956</u>	<u>7,596,909</u>
Less accumulated depreciation and depletion; note 2	2,204,790	2,041,570	2,399,899	2,225,767
Completed plant, net	<u>5,683,125</u>	<u>4,599,442</u>	<u>6,456,057</u>	<u>5,371,142</u>
Construction and investigations in progress; schedule B and note 3	8,637,685	7,702,771	8,873,643	7,880,321
Less allowance for loss on deferred nuclear units; note 3	400,000	-	400,000	-
	<u>8,237,685</u>	<u>7,702,771</u>	<u>8,473,643</u>	<u>7,880,321</u>
Nuclear fuel; schedule B	255,635	226,284	255,635	226,284
Less accumulated amortization and allowance for disposal of spent fuel; schedule B and note 2	277,887	215,819	277,887	215,819
Nuclear fuel, net	<u>22,252*</u>	<u>10,465</u>	<u>22,252*</u>	<u>10,465</u>
Total	<u>13,898,558</u>	<u>12,312,678</u>	<u>14,907,448</u>	<u>13,261,928</u>
CURRENT ASSETS				
Cash	105,595	3,060	322,710	179,953
Accounts receivable	413,450	409,527#	421,264	421,347#
Inventories, principally at average cost	583,965	745,039	607,231	766,661
Total	<u>1,103,010</u>	<u>1,157,626</u>	<u>1,351,205</u>	<u>1,367,961</u>
DEFERRED CHARGES AND OTHER ASSETS				
Loans and other long-term receivables	240,573	121,779#	261,941	124,412#
Unamortized debt issue and reacquisition expense; note 2	7,703	8,254	7,703	8,254
Energy conservation cost, net; note 2	45,350	18,883	45,350	18,883
Mine and mill development costs, net; schedule B and note 2	284,403	263,404	284,403	263,404
Total	<u>578,029</u>	<u>412,320</u>	<u>599,397</u>	<u>414,953</u>
Total assets	<u>\$15,579,597</u>	<u>\$13,882,624</u>	<u>\$16,858,050</u>	<u>\$15,044,842</u>

Notes 1 through 9 following the exhibits are an integral part of the financial statements.

#Long-term amounts reclassified for comparative purposes.

\*Deduct

## LIABILITIES AND CAPITALIZATION

	Power program		All programs	
	1981	1980	1981	1980
	(Thousands of Dollars)			
PROPRIETARY CAPITAL				
Appropriation investment; note 5				
Congressional appropriations	\$ 1,391,602	\$ 1,390,675	\$ 3,735,054	\$ 3,533,118
Transfers of property from other Federal agencies, net	<u>23,855</u>	<u>23,808</u>	<u>58,105</u>	<u>57,785</u>
	1,415,457	1,414,483	3,793,159	3,590,903
Less repayments to General Fund of the U.S. Treasury; note 6	<u>535,059</u>	<u>515,059</u>	<u>576,785</u>	<u>556,774</u>
Appropriation investment	880,398	899,424	3,216,374	3,034,129
Retained earnings reinvested in the power program; exhibit II	1,115,830	1,418,223	1,115,830	1,418,223
Accumulated net expense of nonpower programs; exhibit III	<u>-</u>	<u>-</u>	<u>1,127,059*</u>	<u>1,035,226*</u>
Total	<u>1,996,228</u>	<u>2,317,647</u>	<u>3,205,145</u>	<u>3,417,126</u>
LONG-TERM DEBT				
Principal; note 7	11,325,000	9,025,000	11,325,000	9,025,000
Less unamortized discount; note 2	<u>5,299</u>	<u>5,675</u>	<u>5,299</u>	<u>5,675</u>
Total	<u>11,319,701</u>	<u>9,019,325</u>	<u>11,319,701</u>	<u>9,019,325</u>
CURRENT LIABILITIES				
Short-term debt; note 7				
U.S. Treasury	150,000	150,000	150,000	150,000
Federal Financing Bank	<u>1,310,000</u>	<u>1,635,000</u>	<u>1,310,000</u>	<u>1,635,000</u>
Short-term debt	1,460,000	1,785,000	1,460,000	1,785,000
Accounts payable	484,212	523,493	528,095	560,644
Employees' accrued leave	28,614	27,485	43,990	45,297
Payrolls accrued	32,886	24,345	43,163	32,121
Interest accrued	<u>257,956</u>	<u>185,329</u>	<u>257,956</u>	<u>185,329</u>
Total	<u>2,263,668</u>	<u>2,545,652</u>	<u>2,333,204</u>	<u>2,608,391</u>
COMMITMENTS AND CONTINGENCIES; notes 3, 4, and 9				
Total liabilities and capitalization	\$15,579,597	\$13,882,624	\$16,858,050	\$15,044,842



**TENNESSEE VALLEY AUTHORITY**  
**POWER PROGRAM**  
**STATEMENTS OF INCOME AND RETAINED EARNINGS**  
FOR THE YEARS ENDED SEPTEMBER 30, 1981, 1980, AND 1979

EXHIBIT II

	1981		1980		1979	
	kWh	Amount	kWh	Amount	kWh	Amount
				(Thousands of Dollars)		
OPERATING REVENUES						
Sales of electric energy						
Municipalities and cooperatives	76,680,264	\$2,525,399	78,682,740	\$2,130,799	75,936,357	\$1,810,848
Federal agencies	14,807,292	474,928	16,922,647	429,137	16,169,981	368,741
Industries	22,180,276	714,925	23,862,225	647,523	24,912,785	598,180
Electric utilities	709,330	27,748	707,890	20,666	171,642	4,722
Interdivisional	477,943	17,216	394,696	12,326	497,510	12,813
Revenue credit due customers	-	-	-	57,000*	-	163,000*
Total sales of electric energy	114,855,105	3,760,216	120,570,198	3,183,451	117,688,275	2,632,304
Rents		16,346		19,175		23,483
Discounts and penalties		524		194		108
Other miscellaneous revenues		2,965		1,459		994
Total operating revenues		3,780,051		3,204,279		2,656,889
OPERATING EXPENSES; schedule C						
Production						
Fuel		1,449,443		1,301,221		1,108,674
Other		561,752		479,296		463,399
Transmission		34,049		31,559		29,176
Customer accounts		841		818		767
Power consumer services		4,724		-		-
Demonstration of power use		10,936		5,407		10,224
Research, development, and demonstrations		52,461		47,191		29,670
General and administrative		121,466		113,125		90,408
Payments in lieu of taxes		137,438		113,569		100,024
Social security taxes		18,951		17,182		14,633
Provision for depreciation		198,244		169,032		160,573
Total operating expenses		2,590,305		2,278,400		2,007,548
Operating income		1,189,746		925,879		649,341
OTHER INCOME AND DEDUCTIONS						
Interest income		1,379		8,874		740
Provision for loss on deferred nuclear units; note 3		400,000*		-		-
Other, net		11,923*		6,597*		7,959*
Total other income and deductions		410,544*		2,277		7,219*
Income before interest charges		779,202		928,156		642,122
INTEREST CHARGES						
Interest on long-term debt		961,083		673,296		478,986
Other interest expense		211,372		207,563		179,153
Allowance for borrowed funds used during construction; note 2		178,243*		154,666*		153,749*
Amortization of long-term debt discount and expense; note 2		966		958		995
Net interest charges		995,178		727,151		505,385
NET INCOME (LOSS)		(215,976)		201,005		136,737
Return on appropriation investment; note 6		86,417		78,413		68,868
Increase (decrease) in retained earnings reinvested		(302,393)		122,592		67,869
Retained earnings reinvested at beginning of period		1,418,223		1,295,631		1,227,762
Retained earnings reinvested at end of period		\$1,115,830		\$1,418,223		\$1,295,631

Notes 1 through 9 following the exhibits are an integral part of the financial statements.

\*Debit

**TENNESSEE VALLEY AUTHORITY**  
**NONPOWER PROGRAMS**  
**STATEMENTS OF NET EXPENSE AND ACCUMULATED NET EXPENSE**  
**FOR THE YEARS ENDED SEPTEMBER 30, 1981, 1980, AND 1979**

EXHIBIT III

	1981	1980	1979
	(Thousands of Dollars)		
<b>REGIONAL RESOURCES DEVELOPMENT</b>			
Navigation operations	\$ 6,856	\$ 7,478	\$ 7,709
System flood control operations	6,022	6,448	6,016
Recreation development	5,587	5,687	4,747
Community economic development	5,244	4,993	3,886
Environmental protection of public lands and water	589	870	-
Rivers program	260	270	-
Regional water quality management	1,025	1,648	1,815
Fisheries and wildlife resources development	1,466	1,505	1,459
Environmental education	473	713	493
Valley agricultural development	3,761	5,683	2,720
Forest resources development	1,149	1,381	2,247
TVA lands planning	413	-	-
Regional development	2,127	657	775
Labor force development	1,897	862	764
Special opportunities cities and counties program	2,686	3,414	1,840
Local development	3,598	4,898	8,869
Land Between The Lakes operations	5,777	6,158	5,547
Other regional resources development projects	1,021	1,705	2,866
Net expense of regional resources development	49,951	52,370	51,753
<b>FERTILIZER DEVELOPMENT; note 2</b>			
Research and development	14,684	14,610	11,065
Fertilizer introduction			
Fertilizer industry demonstrations	3,074	3,106	2,737
Farm test demonstrations outside the Valley	1,483	1,321	1,126
Net expense of fertilizer introduction	4,557	4,427	3,863
Developmental production			
Cost of products distributed	37,047	31,394	28,716
General expenses			
Loss on retirements of manufacturing plant and equipment, net	570	444	417
Gain on sale of phosphate reserves, net	17,479*	313*	71*
General and administrative	166	218	226
Other	465*	1,427	890
Total general expenses	17,209*	1,776	1,462
Total production expense	15,838	33,170	30,178
Less transfers and sales of products			
Transfers to other TVA programs, at market prices	28,454	24,473	21,687
Direct sales	292	483	151
Total transfers and sales	28,746	24,956	21,838
Net expense of developmental production	8,908*	8,214	8,340
Net expense of fertilizer development	10,333	27,251	23,268
<b>NATIONAL ENERGY DEMONSTRATIONS</b>	29,674	4,375	4,698
<b>VALLEY MAPPING AND REMOTE SENSING</b>	944	977	1,012
<b>OTHER EXPENSE, NET</b>	931	959	1,188
<b>NET EXPENSE; schedule D</b>	91,833	85,932	81,919
Accumulated net expense at beginning of period	1,035,226	949,294	867,375
Accumulated net expense at end of period	\$1,127,059	\$1,035,226	\$949,294

Notes 1 through 9 following the exhibits are an integral part of the financial statements.

\*Deduct

**TENNESSEE VALLEY AUTHORITY**  
**STATEMENTS OF CHANGES IN FINANCIAL POSITION**  
FOR THE YEARS ENDED SEPTEMBER 30, 1981, 1980, AND 1979

EXHIBIT IV  
PAGE 1

	Power program			All programs		
	1981	1980	1979	1981	1980	1979
	(Thousands of Dollars)					
SOURCE OF FUNDS						
Program sources						
Net power income (loss); exhibit II	\$ 215,976*	\$ 201,005	\$ 136,737	\$ 215,976*	\$ 201,005	\$ 136,737
Items not requiring funds; note a	447,838	22,807	67,707	447,838	22,807	67,707
Funds from power operations	231,862	223,812	204,444	231,862	223,812	204,444
Sale of power assets, principally nuclear fuel in 1981 and 1980	189,604	702,114	2,669	189,604	702,114	2,669
Funds from power program; note b	421,466	925,926	207,113	421,466	925,926	207,113
Net expense of nonpower programs; exhibit III				91,833*	85,932*	81,919*
Add items not requiring funds; note a				7,090*	9,595	9,106
Funds used in nonpower operations				98,923*	76,337*	72,813*
Sale of nonpower facilities				30,326	459	362
Funds used in nonpower programs				68,597*	75,878*	72,451*
Debt sources						
Long-term bonds						
Issues	2,300,000	2,400,000	1,500,000	2,300,000	2,400,000	1,500,000
Redemptions	-	300,000*	100,000*	-	300,000*	100,000*
Short-term notes						
Issues	6,660,000	7,312,000	7,795,000	6,660,000	7,312,000	7,795,000
Redemptions	6,985,000*	7,602,000*	7,390,000*	6,985,000*	7,602,000*	7,390,000*
Total debt sources	1,975,000	1,810,000	1,805,000	1,975,000	1,810,000	1,805,000
Other sources						
Congressional appropriations	992	928	500	201,936	222,673	154,531
Property transfers	47	163	174	320	432	765
Total other sources	1,039	1,091	674	202,256	223,105	155,296
Total source of funds	\$2,397,505	\$2,737,017	\$2,012,787	\$2,530,125	\$2,883,153	\$2,094,958
DISPOSITION OF FUNDS						
Expended for plant and equipment, excluding allowance for borrowed funds used	\$2,220,560	\$2,212,560	\$1,797,320	\$2,296,635	\$2,299,425	\$1,860,624
Less:						
Depreciation and depletion allowances charged to construction clearing accounts and other asset categories	8,778	6,128	4,456	11,339	8,663	6,874
Cost of removing retired facilities and salvage from retained materials	3,571*	2,875*	2,487	12,869*	3,529*	2,321
	2,215,353	2,209,307	1,790,377	2,298,165	2,294,291	1,851,429
Payments to U.S. Treasury; note 6						
Return on appropriation investment	86,417	78,413	68,868	86,417	78,413	68,868
Repayments of appropriation investment	20,000	20,000	20,000	20,011	20,005	20,000
	106,417	98,413	88,868	106,428	98,418	88,868
Deferred charges and other assets changes						
Loans and other long-term receivables	118,795	121,779#	-	137,529	124,412#	-
Mine and mill development cost	20,998	67,289	119,627	20,998	67,289	119,627
Energy conservation cost	33,534	20,982	-	33,534	20,982	-
Debt issue expense	40	48	30	40	48	30
	173,367	210,098	119,657	192,101	212,731	119,657
Changes in working capital (increase or decrease*)						
Cash	102,534	1,158	36,347*	142,757	65,023	13,502*
Accounts receivable	3,924	12,046*#	93,538	83*	12,925*#	97,750
Inventories	161,074*	134,048	251,489	159,430*	138,024	254,550
	54,616*	123,160	308,680	16,756*	190,122	338,798
Less other current liabilities (excluding short-term debt)	43,016	96,039*	294,795	49,813	87,591*	303,794
	97,632*	219,199	13,885	66,569*	277,713	35,004
Total disposition of funds	\$2,397,505	\$2,737,017	\$2,012,787	\$2,530,125	\$2,883,153	\$2,094,958

#Long-term amounts reclassified for comparative purposes.

\*Deduct

TENNESSEE VALLEY AUTHORITY  
STATEMENTS OF CHANGES IN FINANCIAL POSITION  
FOR THE YEARS ENDED SEPTEMBER 30, 1981, 1980, AND 1979

EXHIBIT IV  
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NOTES:

a. Items not requiring funds:

	Power			Nonpower		
	1981	1980	1979	1981	1980	1979
	(Thousands of Dollars)					
Provision for depreciation	\$198,244	\$169,032	\$160,573	\$ 9,819	\$9,464	\$8,760
Provision for loss on deferred nuclear units	400,000	-	-	-	-	-
Provision for writeoff of uranium properties	3,000	-	-	-	-	-
Provision for depletion and depreciation of mining equipment	-	-	4,221	-	-	-
Amortization of nuclear fuel	-	-	47,708	-	-	-
Net loss or gain* on retirements and disposals of property, plant, and equipment	11,923	4,499	7,959	16,909*	131	346
Amortization of energy conservation cost	7,067	2,098	-	-	-	-
Provision for disposal of spent fuel	4,881	886	-	-	-	-
Amortization of long-term debt discount and expense	966	958	995	-	-	-
Allowance for borrowed funds used during construction	178,243*	154,666*	153,749*	-	-	-
	<u>\$447,838</u>	<u>\$ 22,807</u>	<u>\$ 67,707</u>	<u>\$ 7,090*</u>	<u>\$9,595</u>	<u>\$9,106</u>

b. Net power proceeds (see note 7) may be derived as follows:

	Year ended September 30		
	1981	1980	1979
	(Thousands of Dollars)		
Funds from power program	\$ 421,466	\$ 925,926	\$207,113
Add back interest	1,172,455	880,859	658,139
Net power proceeds	<u>\$1,593,921</u>	<u>\$1,806,785</u>	<u>\$865,252</u>

Notes 1 through 9 following the exhibits are an integral part of the financial statements.

\*Deduct

**TENNESSEE VALLEY AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

1. Allocation of cost of multipurpose projects--Section 14 of the TVA Act requires TVA's Board of Directors to allocate the cost of completed multipurpose projects, subject to the approval of the President of the United States. The cost of facilities installed exclusively for a single purpose is assigned directly to that purpose; the cost of multiple-use facilities is allocated among the various purposes served.

The total investment of \$1,260,824,000 in completed multipurpose dams at September 30, 1981, is classified as follows:

	Investment		
	Direct	Multiple-Use	Total
	(Thousands)		
Power	\$322,777	\$183,719	\$ 506,496
Navigation	162,276	143,848	306,124
Flood control	65,363	166,273	231,636
Recreation	3,379	99,522	102,901
Local economic development	144	113,523	113,667
Total	<u>\$553,939</u>	<u>\$706,885</u>	<u>\$1,260,824</u>

2. Summary of significant accounting policies--Power accounts are kept in accordance with the uniform system prescribed by the Federal Energy Regulatory Commission.

Plant additions and retirements--Additions to plant are recorded at cost, which includes material, labor, overhead, and allowance for funds used which is applicable to major generating facilities. The costs of generation during preliminary operations prior to commercial acceptance including amortization of nuclear fuel less credit for the fair value of energy generated are also included in the recorded costs of steam and nuclear generating plants. Except for chemical plant, plant retirements (including original cost and removal cost less salvage) are charged against appropriate accumulated depreciation accounts. Because of the experimental nature of fertilizer development, losses on early retirement of chemical plant are included in current year operations.

Depreciation and depletion--Straight-line depreciation is provided for substantially on a composite basis. Rates of depreciation, including decommissioning costs of nuclear units, are derived from engineering studies of useful life and are reviewed each year. The present cost estimates for decommissioning are based on the dismantling/removal method which on a current dollar basis amount to \$42 million and \$55 million per unit, respectively, for pressurized water and boiling water reactors. Depletion of coal land and landrights and phosphate land and mineral rights is provided on a unit of production basis.

Allowance for funds used--The practice of capitalizing an allowance for funds used during construction is followed in the power program. In accordance with the TVA Board of Directors criteria for establishing wholesale power rates, the allowance is applicable only to the construction of major generating facilities, not in a deferred status, and limited to the amount of depreciation less the amount of the repayment of the appropriation investment as prescribed in section 15d of the TVA Act. The method used provides for the calculation each month of the interest on the most recent debt issues that are equivalent to the average balance of construction work in progress for major generating facilities subject to the limitation described. The equivalent average capitalization rate for fiscal years 1981, 1980, and 1979 was 3.48 percent, 2.98 percent, and 3.95 percent, respectively.

Repairs and maintenance--The cost of current repairs and minor replacements is charged to appropriate operating expense and clearing accounts, and the cost of renewals and betterments is capitalized.

**TENNESSEE VALLEY AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS--CONTINUED**

**Nuclear fuel--**Nuclear fuel is obtained directly from vendors and through contractual arrangements for mining, milling and fabrication of raw materials obtained from land leased by TVA. During fiscal year 1980, TVA entered into an agreement whereby it will sell and lease back nuclear fuel on hand except prior to the milling stage or in a spent condition. The lease meets the criteria of a capital lease as defined by statement of Financial Accounting Standards No. 13 but is not accounted for as such in accordance with the ratemaking process. Certain nuclear fuel amounts included in the balance sheet at September 30, 1981, represents acquisition transactions that will be included in the sale-lease agreement during ensuing months. The nuclear fuel costs are charged to operations on a unit of production basis in amounts equal to lease payments (the cost of fuel burned plus finance charges) and a provision for spent nuclear fuel disposal.

**Energy conservation cost--**Certain energy conservation program costs are deferred and charged to operations over a five-year period.

**Mine and mill development costs--**Deferred mine and mill development costs are assigned to coal inventory and nuclear fuel on a unit of production basis determined in relation to estimated ore reserves. Beginning in 1981, determination was made that the cost related to certain uranium properties may not be recovered from future operations. The estimated unrecoverable amount of \$15 million will be charged to operations over a five-year period with a reevaluation of the provision to be made annually.

**Operating revenues--**Revenues from the sale of electric energy are recorded only when billed. Revenue credits due customers are recorded in accordance with authorization of the Board of Directors.

**Borrowing expenses--**Issue and reacquisition expenses and discounts on power borrowings from the public are amortized on a straight-line basis over the term of the related securities. Issue expenses on power borrowings from the Federal Financing Bank are amortized over a five-year period except that amounts under \$6,000 are expensed as incurred.

**Sales of fertilizer--**Sales of fertilizer materials are not made on a commercial basis, but are made to organizations collaborating in an experimental and educational program aimed at improving the manufacture, distribution, and use of fertilizers.

**3. Construction projects--**The construction budgets for fiscal year 1982 are \$2,507,003,000 for power projects and \$115,403,000 for multipurpose and nonpower projects. Substantial commitments have been incurred for these projects.

At September 30, 1981, TVA had deferred construction of five generating units at three nuclear plant sites. The costs recorded in construction and investigations in progress at September 30, 1981, for these deferred generating units were \$1.9 billion. The plants being constructed were to meet forecasted load requirements based upon projected growth in demand for electricity at the time construction began. Present trends in the demand for electricity indicate that the forecasts upon which the plants were being constructed may not be realized by the time the plants had been scheduled for completion, or during the time covered by present forecasts. Because of the probability that TVA will permanently curtail certain nuclear generating units presently in a deferred construction status, the estimated minimum cost of such curtailment of \$400 million for one unit was included in the expenses of TVA for fiscal year 1981. The minimum cost comprises costs incurred to date and estimated cancellation costs. If these deferred units are not completed, TVA will recognize additional losses for permanent curtailment of these projects. TVA will continue to review the construction program; additional provisions for loss may be required at the times of such reviews.

**4. Lease obligations--**At September 30, 1981, TVA had sold and leased back approximately \$877 million of nuclear fuel. Estimated lease payments (exclusive of finance charges) are estimated to be: 1982, \$84 million; 1983, \$111 million; 1984, \$167 million; 1985, \$254 million; 1986, \$330 million. These estimates include additional sale-lease transactions. Lease payments for nuclear fuel charged to operations for the years ended September 30, 1981 and 1980, amounted to approximately \$57 million and \$45 million, respectively.

At September 30, 1981, the aggregate minimum gross rental commitments of TVA under all noncancelable operating leases are as follows: 1982, \$18,331,000; 1983, \$17,246,000; 1984, \$15,522,000; 1985, \$9,237,000; 1986, \$6,412,000; and thereafter, \$63,043,000. The total rentals charged to power operating expenses and other operating clearing accounts for the years ended September 30, 1981, 1980, and 1979, amounted to approximately \$26,759,000, \$23,159,000, and \$20,128,000, respectively.



**TENNESSEE VALLEY AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**

Minimum gross rental commitments include rentals paid under agreements with the City of Memphis, Tennessee, which provide that (1) TVA sells to the City all the power and energy requirements of its electric distribution system, and (2) the City leases to TVA the Thomas H. Allen steam-electric generating plant with an installed capacity of 990,000 kilowatts. Each agreement is for a term of 20 years, beginning January 1, 1965. The lease agreement provides for annual rental payments of \$6,900,000 and grants TVA an option to buy the plant for \$2,000,000 at the end of the lease term.

5. Appropriation investment--Changes in appropriation investment during the years ended September 30, 1981 and 1980, were as follows:

	<u>Power program</u>		<u>All programs</u>	
	<u>1981</u>	<u>1980</u>	<u>1981</u>	<u>1980</u>
	(Thousands)			
Congressional appropriations, net	\$ 927	\$ 6,632	\$ 201,936	\$ 222,672
Transfers of property from other				
Federal agencies	47	164	320	433
	<u>974</u>	<u>6,796</u>	<u>202,256</u>	<u>223,105</u>
Less repayments to general Fund				
of the U.S. Treasury	<u>20,000</u>	<u>20,000</u>	<u>20,011</u>	<u>20,005</u>
Increase or decrease* for the				
period	19,026*	13,204*	182,245	203,100
Balance beginning of period	<u>899,424</u>	<u>912,628</u>	<u>3,034,129</u>	<u>2,831,029</u>
Balance, end of period	<u>\$880,398</u>	<u>\$899,424</u>	<u>\$3,216,374</u>	<u>\$3,034,129</u>
*Deduct				

Appropriations request totaling \$141,093,000 for the fiscal year beginning October 1, 1981, is pending action in the Congress.

6. Payments to the U.S. Treasury--Section 15d of the TVA Act requires the payment from net power proceeds of a return on the net appropriation investment in power facilities plus repayments of such investment, beginning with fiscal year 1961. The amount of return payable during each year is based on the appropriation investment as of the beginning of that year and the computed average interest rate payable by the U.S. Treasury on its total marketable public obligations as of the same date. The repayment schedule calls for payment of not less than \$10 million for each of the first five years (1961-1965), \$15 million for each of the next five years (1966-1970), and \$20 million for each year thereafter until a total of \$1 billion shall have been repaid. The payments required by Section 15d may be deferred under certain circumstances for not more than two years.

Required payments have been made as follows:

	<u>Return</u>	<u>Repayment</u>	<u>Total</u>
	(Thousands)		
Total to September 30, 1980	\$1,112,184	\$330,000	\$1,442,184
Year ended September 30, 1981	<u>86,417</u>	<u>20,000</u>	<u>106,417</u>
	<u>\$1,198,601</u>	<u>\$350,000</u>	<u>\$1,548,601</u>

For fiscal year 1982 the required payments will be \$109,478,000 as a return on the appropriation investment at the computed average interest rate of 12.435 percent and \$20,000,000 as a repayment, a total of \$129,478,000.

In addition to the payments from net power proceeds, \$11,000 of nonpower proceeds was paid to the U.S. Treasury in fiscal year 1981 under the provisions of Section 26 of the TVA Act. This brought the total payments from nonpower proceeds to \$41,726,000.

**TENNESSEE VALLEY AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**

Prior to 1961, under then existing legislation, TVA paid to the Treasury 185,059,000 of power proceeds. In addition to the repayments indicated in Exhibit I, \$65,072,000 of bonds sold to the Treasury and Reconstruction Finance Corporation in fiscal years 1939-1941 have been fully repaid from power proceeds. Section 26 of the TVA Act provides for annual payments to the Treasury of any power or nonpower proceeds not needed for the operation of dams and reservoirs, the conduct of the power program, and the manufacture and distribution of fertilizers.

7. Borrowing authority--Section 15d of the TVA Act authorizes TVA to issue bonds, notes, and other evidences of indebtedness up to a total of \$30 billion outstanding at any one time to assist in financing its power program. Debt service on these obligations, which is payable solely from TVA's net power proceeds, has precedence over the payment to the U.S. Treasury described in note 5. Issues outstanding on September 30, 1981, consist of the following:

	(Thousands)
Long-term debt	
4.40% 1960 Series A, due November 15, 1985	\$ 50,000
4-5/8% 1961 Series A, due July 1, 1986	50,000
4-1/2% 1962 Series A, due February 1, 1987	45,000
5.70% 1967 Series A, due May 15, 1992	70,000
6-3/8% 1967 Series B, due November 1, 1992	60,000
8-1/4% 1969 Series B, due October 15, 1994	100,000
7.30% 1971 Series B, due October 1, 1996	150,000
7% 1972 Series A, due January 1, 1997	150,000
7.35% 1972 Series B, due May 1, 1997	150,000
7.35% 1972 Series C, due July 1, 1997	150,000
7.40% 1972 Series D, due October 1, 1997	150,000
7.35% 1973 Series A, due January 1, 1998	100,000
7.35% 1973 Series B, due April 1, 1998	150,000
7-3/4% 1973 Series C, due July 1, 1998	150,000
7.70% 1973 Series D, due October 1, 1998	100,000
8.05% 1974 Series A, due January 1, 1999	100,000
8.05% 1975 Series A, due January 31, 1990 (FFB)	200,000
8.70% 1975 Series B, due March 31, 2000 (FFB)	100,000
8.35% 1975 Series C, due May 31, 1988 (FFB)	200,000
8.47% 1975 Series D, due July 31, 2000 (FFB)	200,000
8.485% 1975 Series E, due October 31, 2000 (FFB)	300,000
8.175% 1976 Series A, due February 28, 2001 (FFB)	300,000
7.97% 1976 Series B, due November 30, 2001 (FFB)	400,000
7.625% 1976 Series C, due January 31, 2002 (FFB)	200,000
7.975% 1977 Series A, due February 28, 2002 (FFB)	300,000
7.935% 1977 Series B, due May 31, 2002 (FFB)	400,000
8% 1977 Series C, due October 31, 2002 (FFB)	400,000
8.375% 1978 Series A, due January 31, 2003 (FFB)	400,000
9.296% 1979 Series A, due February 28, 1989 (FFB)	500,000
9.155% 1979 Series B, due May 31, 1987 (FFB)	500,000
9.195% 1979 Series C, due August 31, 2004 (FFB)	500,000
10.545% 1979 Series D, due October 31, 2004 (FFB)	400,000
11.225% 1980 Series A, due January 31, 2005 (FFB)	500,000
12.955% 1980 Series B, due March 31, 2005 (FFB)	500,000
10.475% 1980 Series C, due June 30, 1005 (FFB)	500,000
10.890% 1980 Series D, due August 31, 2005 (FFB)	500,000
12.425% 1980 Series E, due November 30, 2005 (FFB)	500,000
12.735% 1981 Series A, due March 31, 2011 (FFB)	500,000
12.925% 1981 Series B, due April 30, 2011 (FFB)	500,000
13.255% 1981 Series C, due June 30, 2011 (FFB)	500,000
14.905% 1981 Series D, due September 30, 2011 (FFB)	300,000
Total long-term debt	<u>11,325,000</u>
Short-term debt	
U.S. Treasury	150,000
Federal Financing Bank (FFB)	<u>1,310,000</u>
Total short-term debt	<u>1,460,000</u>
	<u>\$12,785,000</u>



TENNESSEE VALLEY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS--CONTINUED

During fiscal years 1981, 1980, and 1979, the maximum amount of short-term borrowings outstanding was \$2,000,000,000, \$2,122,000,000, and \$2,166,000,000, respectively, and the average amount (and weighted average interest rates) of such borrowings was approximately \$1,520,000,000 (14.5 percent), \$1,790,000,000 (11.6 percent), and \$1,920,000,000 (9.3 percent), respectively.

8. Retirement plan--TVA has a contributory retirement plan which covers substantially all of its salaried employees. The cost of currently accruing benefits is funded currently. The cost of the plan to TVA, including amortization of unfunded prior service costs over the average future careers of active members, was \$70,241,000 in 1981, \$59,978,000 in 1980, and \$48,823,000 in 1979. These costs are charged to all TVA activities in relation to direct labor charges.

The valuation information as of September 30, 1980, the latest actuarial valuation date, is as follows:

Assumed rate of return used in determining actuarial present value of accumulated plan benefits	8.5%
Actuarial present value of accumulated plan benefits (thousands)	
Vested	\$543,308
Nonvested	19,209
	<u>\$562,517</u>
Net assets at market value available for benefits	<u>\$646,034</u>

The above information for plan year 1979 is not available. As of September 30, 1979, the actuarially computed value of vested benefits exceeded the actuarially computed pension fund assets by \$13,000,000, but was \$20,612,000 less than the market value of pension fund assets.

9. Litigation--A consent decree, incorporating the terms of a settlement agreement in five cases, was approved and entered by the United States District Court for the Middle District of Tennessee in December 1980. The citizens' suits had been filed in five different district courts under the Clean Air Act. The complaints alleged that the sulfur dioxide emissions from eight of TVA's coal-fired steam plants and the particulate emissions from six coal-fired plants violate the emission standards set by the States. Plaintiffs include the Commonwealth of Kentucky and the United States of America at the request of the Environmental Protection Agency (EPA). The cases were consolidated in the United States District Court for the Middle District of Tennessee. A consent decree, incorporating the terms of a settlement agreement covering two plants in Alabama, was approved and entered by the United States District Court for the Northern District of Alabama in October 1979. Both settlements specify compliance schedules to control sulfur dioxide and particulate emissions at TVA steam plants and provide for stipulated daily penalties if TVA does not meet these compliance schedules. TVA liability for penalties and fines for past violations is waived. TVA's August 1979 proposal to delete the Cumberland scrubber project and any reference to activities in lieu of penalties and TVA's August 1980 proposal to delete the Johnsonville scrubber project and substitute therefore a low-sulfur coal compliance strategy for that plant were agreed to by all parties and incorporated into the settlements. TVA is potentially subject by law to mandatory noncompliance penalties under section 120 of the Clean Air Act Amendments of 1977 which, if levied by EPA, will be separate from the court action. Temple, Barker & Sloane, Inc., in a report prepared for EPA, estimated TVA's potential liability, calculated from July 1979 to the date TVA's plants will achieve compliance, at about \$320 million. Since the report was issued, EPA has promulgated final regulations implementing section 120. These final regulations provide for calculation of penalties from the date of receipt of a notice of violation until compliance is achieved and do not consider preceding periods of noncompliance. Under EPA regulations, notices of violation will be issued to noncomplying sources in phases commencing no sooner than January 1, 1981. It is EPA's stated policy to issue notices first to those sources not in compliance with approved compliance schedules. When TVA would be issued such a notice is unknown, and it is therefore impossible to calculate the amount of penalties TVA might be assessed. However, since the penalties are not retroactive and TVA is rapidly bringing its plants into compliance, the penalties which TVA may ultimately have to pay would be substantially less than the Temple, Barker & Sloane, Inc., estimates. Petitions for review of EPA's section 120 regulations have been filed with the Circuit Court of Appeals for the District of Columbia by several parties, including TVA. It is TVA's position that under the Clean Air Act no penalties are due.

**TENNESSEE VALLEY AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS--CONTINUED**

An action for declaratory relief was filed by the plaintiff in the United States District Court for the Eastern District of Tennessee. The plaintiff is a corporation which purchased electricity directly from TVA under a power contract. A judgment is sought declaring void certain provisions of its power contract with TVA, including the minimum bill provision. No money recovery is sought against TVA. TVA filed a counterclaim for the amount of the minimum bill and late payment charges which remain to be paid under this contract. The District Court found for TVA in the amount of \$1,616,114.79. The plaintiff has appealed the District Court's judgment to the United States Court of Appeals for the Sixth Circuit. TVA has cross-appealed from the District Court's order to the extent it did not award TVA late payment charges until the full amount due is paid and instead awarded statutory interest.

Suit was filed in the United States District Court for the Eastern District of Tennessee seeking to enjoin reconstruction and operation of the Ocoee No. 2 hydroelectric project, a single-purpose power project, as in violation of the National Environmental Protection Act (NEPA) and a number of other laws. On June 9, 1981, the Court upheld the adequacy of the environmental impact statement prepared by TVA, dismissed the other claims, but ordered the TVA Board to reconsider its reconstruction decision in light of NEPA and "without excluding recreational releases of water absent separate funding for such releases." The Board has reconsidered and reaffirmed its original decision to reconstruct the project, and has decided not to provide recreational releases without reimbursement to the power system for the cost of generation foregone thereby. TVA has moved for summary judgment which we believe should be granted. TVA has also asked the Court to reconsider and clarify a portion of its June 9 memorandum opinion which indicates that TVA may use power funds to finance the nonpower costs of operating a power facility for nonpower purposes, without reimbursement to the power system. It is TVA's position that such an indication is contrary to case law, the TVA Act, and the TVA Basic Bond Resolution. Subsequently, plaintiffs filed a complaint with the Tennessee State Water Quality Board asserting that TVA needs a permit under State law in order to divert the river from its bed for hydroelectric generation purposes. In TVA's view, no permit is required.

On November 18, 1977, TVA filed antitrust suits against 10 foreign uranium producers and 3 domestic firms. The complaints were filed in United States District Courts in Chattanooga, Denver, and New York City and alleged unlawful agreements among the defendants to fix uranium prices and allocate world uranium markets, which resulted in damages to TVA in an amount which has not yet been precisely determined. The cases were consolidated in Chicago for pretrial purposes by the Judicial Panel on Multidistrict Litigation. To date, settlements have been reached with seven foreign defendants and two domestic defendants. The benefits to TVA of this partial settlement of the suit total hundreds of millions of dollars. The case against two defendants was dismissed. As a result of these settlements, TVA v. Rio Algom Ltd., seeking as part of the antitrust relief to void a contract between the parties, another suit by TVA seeking to set aside a price determination under the contract and two related suits by Rio Algom against TVA in Canada, claiming \$2.2 billion damages for alleged breach of the contract, have been dismissed and the contract cancelled. Discovery is continuing against the remaining defendants, Gulf Oil Corporation and Gulf Minerals Canada Ltd.

A suit filed in the United States District Court for the Middle District of Tennessee challenges TVA's charging of rates to product revenues to pay interest costs on funds borrowed for construction of new facilities. Plaintiffs seek a declaratory judgment that TVA's action is unlawful and an injunction requiring TVA to "refund" to consumers about \$1 billion in alleged "overcharges," representing current interest charges collected from ratepayers. In TVA's opinion, plaintiffs are unlikely to prevail.

To the Board of Directors of  
Tennessee Valley Authority

We have examined the balance sheets (power program and all programs) of Tennessee Valley Authority as of September 30, 1981 and 1980, and the related statements of income and retained earnings (power program), net expense and accumulated net expense (nonpower programs), and changes in financial position (power program and all programs) for each of the three years in the period ended September 30, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances (Exhibits I through IV).

In our opinion, the financial statements referred to above present fairly the financial position of the power program and all programs of Tennessee Valley Authority as of September 30, 1981 and 1980, and the results of operations of the power program and nonpower programs and the changes in financial position of the power program and all programs for each of the three years in the period ended September 30, 1981, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examinations were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedules A through F are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Coopers & Lybrand*

Knoxville, Tennessee  
November 25, 1981

S C H E D U L E S