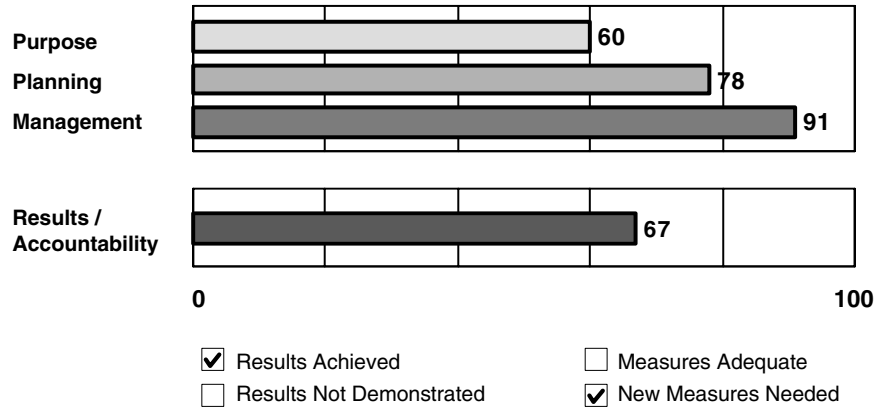


Program: TVA Power

Agency: Tennessee Valley Authority

Bureau:



Key Performance Measures

Year Target Actual

Long-term and Annual Measures: The Administration is establishing a debt reduction goal with annual targets for achieving these goals.			
Annual Measure: Cost of TVA's delivered power Metric is presented in cents/KWH. Metric also will be developed to account for financial advantages the federal government provides TVA (such as access to capital at AAA bond rates and no payments to the federal government in lieu of taxes).	2000	3.90	4.00
	2001	4.00	4.05
	2002	4.25	4.11
	2003	4.00	
Other measures are under development. The PART assessment gives TVA solid ratings for its operations but the agency needs to develop improved performance measures and complete its strategic plan together with useful goals for the plan.			

Rating: Moderately Effective

Program Type: Capital Assets

Program Summary:

The Tennessee Valley Authority (TVA) is the fifth largest electric utility in the country, generating power at 48 coal-fired, hydropower, nuclear and other power plants the federal agency operates to meet the electricity needs of 8.3 million people (3 percent of the U.S. market).

The assessment gave TVA's power program mixed reviews, and produced the following findings:

1. TVA does an excellent job generating power at its existing power plants. A decade ago TVA's nuclear power plants posed serious technical and safety problems. TVA has overcome these problems and today TVA's nuclear power plants set industry standards.
2. TVA lacks a strategic plan. This makes it hard to assess TVA's plans to spend billions of dollars on additional power plants and transmission lines.
3. TVA lacks a debt reduction plan, and has a high level of debt compared to many of its potential competitors in the electricity industry. "Debt" includes both traditional notes and bonds and equivalent long-term liabilities such as lease/leaseback arrangements. The high level of debt increases TVA's financial risk and compromises its competitive position in a restructured electricity market.

In response to these findings the Administration proposes:

1. TVA develop a strategic plan which should help TVA evaluate major TVA-proposed investments in new power plants and transmission lines.
2. TVA develop and adopt a debt reduction plan and targets by September 30th, 2003, to bring the agency's debt level into a range comparable with that of other utilities. The Budget proposes legislation that makes explicit that lease/leaseback arrangements are treated as equivalent to traditional financing with notes and bonds under TVA's \$30 billion "debt cap."

(For more information on this program, please see the Other Agencies chapter in the Budget volume.)

Program Funding Level (in millions of dollars)

<u>2002 Actual</u>	<u>2003 Estimate</u>	<u>2004 Estimate</u>
6,756	7,069	7,279