

REMARKS BY TOM KILGORE AT TVA BOARD MEETING July 21, 2009

This is tough medicine.

Tough medicine is sometimes hard to take. But we take it, because we know we need to get better.

It was not easy to listen to these descriptions of our shortcomings, but we have listened and will continue to listen so that we can remedy all of our ills.

The MLA report details many shortcomings in TVA's organizational effectiveness. And we too have been looking at missed opportunities and lessons learned. I'd like to have Bill McCollum share some of those with you.

As you see, our own lessons learned that reinforce and parallel some of what you have heard this afternoon but adds some important details about opportunities that TVA missed which might have stopped the progress of the eventual Kingston failure.

I am pleased that the MLA report notes that we have moved quickly to act on some of the identified deficiencies. Within weeks of the Kingston spill, we had assigned clear accountability to a single group reporting to the COO. The report notes improvements in organization, systems, planning, and accountability. It ends with a word of caution about sustainability.

Those of us who have experienced this event are determined to see that we do not regress but rather that we keep improving. We intend to employ a top-notch national firm to conduct an organizational assessment with a particular eye on the culture change necessary to achieve excellence in our Fossil and Environmental functions, and throughout TVA.

When you appointed me as your CEO a little less than three years ago, I set out to have top quartile performance in all of our operations. We made good progress in some areas, but it became evident to me after a couple of years that the fleet was more run down and was probably not collectively capable of top quartile performance without a very different approach. With the Kingston event, that point was driven home with a big exclamation point. Today we are rethinking our coal fleet to look at dry ash storage, to see which ponds need to be closed, to plan the "how and where" of future storage sites for ash, to see whether we could convert some units to biomass or other fuel, and I am sure other options will emerge.

Today is a milestone in that we now have both our technical report and the report on management systems, controls, standards and culture.

We have learned and we intend to keep learning.

We have much to do both at Kingston and across our coal fleet.

My thanks again to McKenna Long for this report.

We will use it to make improvements in our practices and procedures, and in our organization and its culture. Our goal is always to make sure that TVA's facilities are as safe and efficient as we can make them – for our employees, for our neighbors in the communities where we operate, and for the customers we serve.

We have fallen short of that goal. In retrospect, regardless of the details of the exact failure mechanism, the design and construction of this ash pond was not adequate for the stresses to which it was subjected. We want our neighbors to be proud that TVA is part of their community. We know we have a big job ahead of us in achieving that goal, but we're determined to succeed. It won't be easy, and it won't be quick. But we are committed to get the job done.