



TENNESSEE VALLEY AUTHORITY

2008 REQUEST FOR PROPOSALS

FOR

**INTERMEDIATE and PEAKING
GENERATION CAPACITY**

February 29, 2008

Reference: FEB2008RFP

TVA REQUEST FOR PROPOSAL FOR INTERMEDIATE AND PEAKING CAPACITY

Purpose

TVA is seeking proposals from qualified and eligible proposers to meet portions of its intermediate and/or peaking power supply requirements beginning as early as January 1, 2009 and as late as January 1, 2013. TVA is interested in term proposals for power supply of 3 to 20 years' in duration. Proposals must offer "firm" capacity from identified generating resources. TVA will also consider offers for the outright sale of facilities and leases.

Description of Capacity Requirements

TVA is seeking up to 1000 MW of intermediate and/or peaking-load type, capacity and energy beginning January 1, 2009. TVA will also accept proposals with a start date up to January 1, 2013. Proposals must be a minimum of 400 MW for intermediate-load type and 100 MW for peaking. Offers of capacity and energy may be from one or more resources. Such resources must be suitable to meet TVA's firm load and/or reserve obligations (i.e, TVA must have first-call priority for shared resources). TVA will not consider proposals of non-firm capacity.

Delivery to the TVA System

TVA will only consider offers that deliver capacity and energy to the TVA transmission system. Wheeling and interconnection arrangements and costs to deliver the capacity and energy to the TVA transmission system delivery points are the responsibility of the proposer. Prices quoted must be based upon net capacity and associated energy delivered to the delivery point. All proposals must identify any wheeling and interconnection agreements with third parties that are required to deliver the capacity and associated energy. TVA requires transmission arrangements to deliver the offered capacity and associated energy to be firm.

Pricing

Proposers shall provide firm price quotes. All price quotes must be communicated on the attached forms except for any price quotes for items not described in said forms (e.g. facility sale price). Capacity prices should be quoted in the form of a flat amount per month or nominal dollars per kilowatt-month. If capacity price is quoted on the basis of \$/kW-month, the kW to which the capacity price is applied must be stated. Non-fuel energy pricing should be quoted in nominal dollars or dollars per megawatt hour. The proposal shall specify the methodology for determining fuel billings, if that is utilized. Prices quoted must include all costs and amounts that TVA would be expected to pay for the capacity and energy delivered to the delivery point.

Energy pricing that is based on a heat rate must clearly state the associated guarantees with all aspects of pricing clearly stated.

If feasible for a generating resource inside its service territory, TVA may be interested in being the fuel manager under a conversion services/tolling form of arrangement. If such an arrangement is offered then clearly state all aspects of the proposed arrangement.

Environmental and Regulatory Requirements

Each proposal (and correspondingly the proposer's plant operation) must comply with all applicable federal and state laws. All federal, state, and local approvals, permits, licenses, fees, emissions allowances, environmental reviews, and other environmental requirements are the responsibility of the proposer for the entire term covered by each proposal. This should include any rezoning, land-use permits, and other discretionary approvals that may be required by the local government. The proposer is responsible for assuring the availability and adequacy of all fuel handling and transportation facilities, including all necessary infrastructures to support such transportation.

TVA is an agency of the Federal government and accordingly shall be responsible for any environmental review necessary under the National Environmental Policy Act (NEPA). The successful proposer(s) will be responsible for reimbursing TVA for all reasonable costs of performing the necessary environmental review under NEPA.

Proposers will be responsible for any and all applicable approvals and other regulatory actions required under the Federal Power Act, PURPA, and other applicable Federal and State laws.

Other Terms and Conditions

Proposals must include detailed descriptions of guarantees and related remedies for failure to perform. Each proposal must provide guarantees for in-service dates, contract capacity, heat rates (if applicable to the pricing proposal), and availability. Operational characteristics such as (but not limited to) capacity limitations, ramp limitations, maximum or minimum run-times, maximum or minimum down-times, and fuel limitations should also be specified. If a resource included in a proposal is not yet in-service, a detailed milestone schedule describing major project activities leading up to commencement date for commercial service shall be provided.

Credit Assurance

The proposer will be required to provide certain financial information in order to establish creditworthiness with TVA. Proposers should provide the following information as part of the proposal:

- ∞ Audited financial statements for the three (3) preceding years that include balance sheets, income statements, statements of cash flows, and notes to the financial statements.
- ∞ Bank name, address, phone number, and officer contact.
- ∞ Credit references from three (3) sources that include name, address, phone number, and contact.
- ∞ Annual report or company brochure, if available.

TVA requires secure and reliable physical delivery of the capacity and associated energy corresponding to all purchase power agreements. Security and reliability of physical delivery (credit assurance) covering both the option and the physical delivery of capacity and energy will be provided in the form of either a:

- (1) Letter of Credit issued by a financial institution that has a long-term debt rating by Standard & Poor's of A- or better and by Moody's Investors Service of A3 or better;
- (2) Parent guaranty issued by an entity located in the United States that has a long-term debt rating by Standard & Poor's of BBB- or better and by Moody's Investors Service of Baa3 or better; or
- (3) Various combinations of the foregoing, as determined by TVA.

The cost of such credit assurance must be borne by the proposer.

Reservation of Rights

TVA reserves the right, without qualification and at its sole discretion, to amend or withdraw this request for proposals and to reject any or all proposals or portion of proposals received. In addition, TVA reserves the right to consider other alternatives outside of this solicitation at its sole discretion in order to satisfy its desired capacity and energy objectives. Those who submit proposals to TVA do so without recourse against TVA for either rejection by TVA or failure to execute a purchased power agreement for any reason. TVA also reserves the right in its sole discretion: (i) to request of and discuss with proposers, individually or collectively, further information as part of its evaluation of the proposals received, (ii) to waive any requirements of this RFP, and (iii) to negotiate separately with any proposers or other parties at any time.

Procedures for Application

The application forms are attached. Respondents are requested to submit their proposals via e-mail to the e-mail address below. In addition, an original proposal (to be marked so) signed by an authorized officer, plus four (4) copies must be mailed or hand-delivered. The mailing/delivery address is:

∞ By Courier or U.S. Mail

Tennessee Valley Authority
Attention: Mr. Jim Howell, Senior Trader-Energy Origination
1101 Market Street, MR 2B
Chattanooga, TN 37402-2801

∞ By e-mail

jthowell@tva.gov

All proposals must arrive via e-mail by May 2, 2008, 12:00 noon Eastern Prevailing Time (EPT). Paper copies must arrive at TVA's Chattanooga office by 4:45 p.m. EPT the same date. TVA is not obligated to contact proposers concerning missing or incomplete forms. Only versions of the form attached to this RFP may be used to submit proposals, although additional material may be submitted by the proposer to the extent appropriate or necessary to communicate to TVA about one or more items of a proposal that are not specifically identified in said attached form (e.g. proposals to sell a facility).

The proposer must designate a contact person with whom TVA can communicate with questions about the proposal.

All offer packages should include any additional information required to support evaluation of the proposal. Documents requested in support of the Credit Assurance must accompany the mailed versions of the proposals.

Confidentiality

TVA recognizes that certain information contained in proposals submitted may be confidential and, as permitted by applicable law, will treat each proposal in its entirety as confidential to the same degree it treats its own confidential information. If TVA is formally requested and required by any regulatory or judicial authority, or is otherwise required by law, to disclose information with regard to a proposal, TVA will disclose such information in accordance with applicable laws and regulations.

TVA also reserves the right to disclose any or all of the information submitted in response to this request to any consultant(s) retained by TVA to assist with the various aspects of this process. TVA will take reasonable steps to ensure that its consultant(s) will also treat information received from proposers as confidential; however, TVA will not be liable for any failure of any consultants(s) to do so.

Proposers are required to treat this RFP in its entirety and any submissions to or communications with TVA as confidential to at least the same degree they treat their own confidential information. If a proposer is formally requested and required by any regulatory or judicial authority or otherwise required by law to disclose information with regard to a proposal, such proposer will disclose such information only in accordance with, and to the extent required by, applicable laws and regulations.

Communication

This RFP is available to interested parties as of February 29, 2008. The RFP is available by TVA website, e-mail, fax, or U.S. mail.

If interested parties have any questions or desire any additional information related to this RFP, such questions or requests should be made in writing and directed via fax to (423) 751-3387 or via e-mail to the address above to Mr. Jim Howell, Senior Trader, Energy Origination.

Schedule

The tentative schedule as outlined below is based on TVA's expectations as of the release date of this RFP.

Release of RFP	February 29, 2008
Proposal Submittal	May 2, 2008
Notification of Short List	August 1, 2008
Completion of Negotiation	November 1, 2008
Contract Signed	November 21, 2008