



NEWS RELEASE

TVA Board Implements Vision

KNOXVILLE, Tenn. — The Tennessee Valley Authority board of directors on Thursday began putting into action the Integrated Resource Plan that will meet the region's electricity needs today and into the future. The actions embrace TVA's vision for cleaner, reliable and competitively priced power.

"With today's actions, TVA will add more clean energy from nuclear and natural gas sources to its generating fleet and install air-quality controls at two additional coal-fired power plants," said Tom Kilgore, president and CEO.

The TVA board authorized completion of one nuclear unit at TVA's Bellefonte site near Scottsboro, Ala.; approved the purchase of a combined cycle gas plant in north Mississippi; and announced plans to add emissions controls at Gallatin and Allen fossil plants to reduce sulfur dioxide and particulate emissions.

"These strategic investments are key to providing reliable, low-cost electricity now and into the future while being responsible, good stewards of Tennessee Valley resources," Kilgore said. "To achieve our vision of being one of the nation's leading providers of low-cost and cleaner energy by 2020, TVA must continue to reduce air emissions, offer a balanced power mix and encourage energy efficiency."

To meet the power requirements in the Valley, make nuclear safety modifications as a result of Fukushima, bolster cyber-security and continue investing in clean-air initiatives and energy efficiency, the board approved a 2 percent rate increase in TVA's average wholesale rate, effective Oct. 1. The average increase amounts to about \$1.60 a month on a 1,000 kilowatt-hour residential electric bill.

"As we build Bellefonte we will integrate safety modifications from the extensive review of the lessons learned from the Fukushima nuclear plants in Japan," Kilgore said. "Making Bellefonte a productive asset with state-of-the-art equipment will add an additional supply of clean, base-load power to TVA's generating mix."

Nuclear energy is the best option for clean, reliable and lower-cost electricity, compared to coal, gas and alternative fuels, Kilgore said. Once complete, Bellefonte will generate 1,260 megawatts, enough to power about 750,000 homes in the region.

The \$4.9 billion project is expected to add about 2,800 construction jobs in the north Alabama area with about 650 permanent jobs once the plant is completed. The plant is about 55 percent complete and is expected to go into operation by 2020.

The air-quality controls, including flue gas desulfurization systems, or scrubbers, at Allen and Gallatin will take about six years to complete. Scrubbers can reduce sulfur dioxide emissions by more than 95 percent.

The Magnolia Combined Cycle Gas Plant that TVA will buy is a three-unit, natural gas-fired electric generating plant near Ashland, Miss. With 909 megawatts of summer dependable capacity, the plant is a modern, fully permitted generating facility with a proven operational history, located in the TVA service area and already connected to the TVA electrical grid.

“Those advantages make it a strong strategic, operational and financial fit for TVA and the purchase price is less than half the expected cost of future new construction,” Kilgore said.

The plant is owned by Kelson Limited Partnership, a wholly owned subsidiary of Kelson Energy Inc. The closing of the transaction is expected to occur before the end of August.

In other actions, the board:

- Approved a budget with \$9.9 billion for operating expenses and \$3.8 billion in capital expenditures for fiscal year 2012, which begins Oct. 1.
- Reviewed and accepted the final Natural Resource Plan and Environmental Impact Statement that will help TVA prioritize efforts in managing recreation facilities, wildlife and plants, protecting water resources, and preserving historical and cultural sites on TVA-managed reservoir lands. To view the Natural Resource Plan and the programs it outlines, go to www.tva.com/nrp.

For high resolution photographs and broadcast quality video of various TVA plants discussed at the board meeting, go to <http://www.tva.com/press>.

The Tennessee Valley Authority, a corporation owned by the U.S. government, provides electricity for 9 million people in parts of seven southeastern states at prices below the national average. TVA, which receives no taxpayer money and makes no profits, also provides flood control, navigation and land management for the Tennessee River system and assists utilities and state and local governments with economic development.

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Our VISION

ONE OF THE NATION'S **LEADING** PROVIDERS OF LOW-COST
AND CLEANER ENERGY **BY 2020**

**Acting to meet the region's needs for the future,
while improving our core business today.**



Low Rates



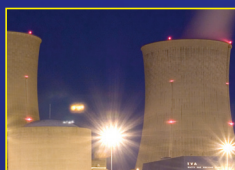
High Reliability



Responsibility



Cleaner Air



More Nuclear Generation



Greater Energy Efficiency

Our VISION



ONE OF THE NATION'S LEADING PROVIDERS OF LOW-COST
AND CLEANER ENERGY BY 2020

Our VALUES

Safety

- We value the safety of our employees and the public we serve.
- We show our commitment to safety in our behavior, performance, leadership and teamwork.
- We are responsible for safety—our own, our teammates' and the public's.
- We think about safety 24/7—at home and at work.
- We intervene to stop unsafe behavior or conditions—and—appreciate others intervening for us.

Integrity and Respect

- We treat each other with integrity and respect.
- We do what we say we will do.
- Our actions and words are consistent, honest and ethical.
- We work to earn each other's trust.
- We value everyone and everyone's work.
- We assume innocence.

Honest Communication

- We listen to understand. We speak to be understood.
- We give and receive meaningful feedback.
- We seek other opinions. We value different perspectives.

Accountability

- We work on the right things.
- We are accountable for results.
- We follow the rules. We use TVA resources wisely.

Teamwork

- We play on a bigger TVA team.
- We value a diverse workforce.
- We collaborate. We strive for engagement.

Continuous Improvement

- We set high standards and goals based on external benchmarks.
- We are self critical. We innovate and seek new ideas.
- We investigate and solve problems.
- We learn from our mistakes.

Flexibility

- We welcome and adapt to change.
- We respond quickly to customer needs.

Bellefonte Nuclear Project

Executive Summary – August 2011

The Tennessee Valley Authority has a vision to lead the nation in low-cost and cleaner energy by 2020. This will require fewer emissions, greater energy efficiency and added nuclear generation. TVA knows it will need more energy capacity by the end of the decade. The 9 million people of the Tennessee Valley will demand it, and TVA's clean-air commitment to retire 20 coal units by 2017 will require it. Against this background, the TVA Board of Directors will consider at its meeting on August 18, 2011, whether to approve completion of a reactor unit at the Bellefonte site in north Alabama.

- TVA's Integrated Resource Plan, completed in March after more than two years of development, determined that completing Bellefonte Unit 1 was the least-cost option for meeting TVA's future base load power and environmental requirements.
- Construction on the twin-reactor Bellefonte plant began in 1974 and was idled in 1988 after electricity growth fell sharply in a slowing economy. Unit 1 was nearly complete then and is considered about 55 percent complete today.
- The Bellefonte reactors are a Babcock & Wilcox design not yet licensed in the United States but similar to a B&W design now used in seven operating U.S. reactors.
- When completed, Bellefonte Unit 1 could generate 1,260 megawatts, enough to power about 750,000 homes. It would be the largest reactor in TVA's nuclear fleet.
- Bellefonte Unit 1 would put to use existing site assets, including a containment building, cooling tower and infrastructure, which are valued today at \$1.9 billion. Cost of completing the unit is estimated to be \$4.9 billion, including more than \$2 billion in new equipment, steam generators, a modern control room and state-of-the-art digital instruments.
- Bellefonte Unit 1 would meet or exceed current regulatory standards for natural disasters, including tornadoes, floods and earthquakes, and incorporate improvements stemming from the earthquake and tsunami at the Fukushima plant in Japan.
- Bellefonte Unit 1 would be completed in the 2018 to 2020 timeframe. TVA projects it will need additional capacity by then, even with increases in energy efficiency and demand response programs, to meet demand in TVA's service area.
- The project would create about 2,800 jobs during construction and about 650 permanent jobs once it is operating.



Nuclear power currently provides about one-third of the electricity generated by TVA and about 70 percent of TVA's clean generation. TVA operates six reactor units at three plant sites – Browns Ferry in Alabama and Sequoyah and Watts Bar in Tennessee – and expects to complete a seventh reactor, Watts Bar Unit 2, in 2013.





Fact Sheet

Integrated Resource Plan

The Tennessee Valley Authority's Integrated Resource Plan, *TVA's Environmental and Energy Future*, is a roadmap to help guide the federal utility in meeting the region's electricity needs through 2029. The plan recommends a strategic direction that focuses on a diverse mix of energy sources, including nuclear energy, renewable energy, natural gas and energy efficiency, as well as traditional coal and hydroelectric power. The Recommended Planning Direction contained in the plan was approved by the TVA board of directors on April 14, 2011.

Background

Many electric utilities use an integrated resource planning process to determine the most cost-effective ways to prepare for the future power needs of their customers. TVA's 20-year Integrated Resource Plan was developed over two years, with extensive business, technical and economic analysis and public input. It provides direction for decisions that require long lead times and is consistent with TVA's Environmental Policy and renewed vision to be one of the nation's leading providers of low-cost and cleaner energy by 2020.

Key points

- This plan positions TVA to respond to a dynamic and evolving environment for the electric industry with resource options to increase supply (new power plants) and to reduce demand (programs to increase energy efficiency and reduce peak power demand).
- The recommendations give a direction for TVA in supplying low-cost, reliable power for the region while balancing the risk of future uncertainties.
- The direction represents the best combination of strategy components based on cost, risk and strategic considerations.
- The plan describes ranges of resource options; it does not make specific commitments or prescribe the timeline for new generating resources.
- TVA continuously sought public input while developing the IRP. It created a Stakeholder Review Group, held two rounds of public meetings, and conducted surveys, briefings and webinars to give the public opportunities to share their views on TVA's IRP process and the available options.
- TVA also prepared an associated Environmental Impact Statement to assess potential environmental effects of the plan's resource strategies.
- To respond to changes in the utility industry, TVA is committed to begin the next integrated resource planning effort by 2015.

Summary of the recommended planning direction

- Expand the contribution of energy efficiency and demand side options by an additional 3,600 to 5,100 megawatts by 2020. (This includes energy efficiency and demand reduction savings achieved since 2008.)

- Pursue cost-effective renewable energy (for a total of 1,500 to 2,500 megawatts from out-of-region purchases and in-region options by 2029).
- Increase the amount of idled coal-fired capacity beyond the 1,000 megawatts already announced in August 2010 (a total of 2,400 to 4,700 megawatts by 2017). This will result in nuclear overtaking coal as TVA's leading energy source.
- Increase the contribution of nuclear generation (1,150 to 5,900 megawatts, including the completion of the 1150-megawatt Watts Bar Unit 2 in 2013) with the first new unit after Watts Bar coming online no sooner than 2018.
- Add pumped-storage hydro capacity (850 megawatts) between 2020 and 2024 to increase power system reliability and operational flexibility.
- Preserve the option of additional coal-fired generation with carbon capture (zero to 900 megawatts).
- Use natural gas as an intermediate supply source – in most cases after 2020, but earlier when needed to meet high-load growth or to support the reliability of the power grid. (A range of 900 to 9,300 megawatts is indicated, including the 900-megawatt combined cycle plant under construction at the John Sevier site.)

Other information on IRP process

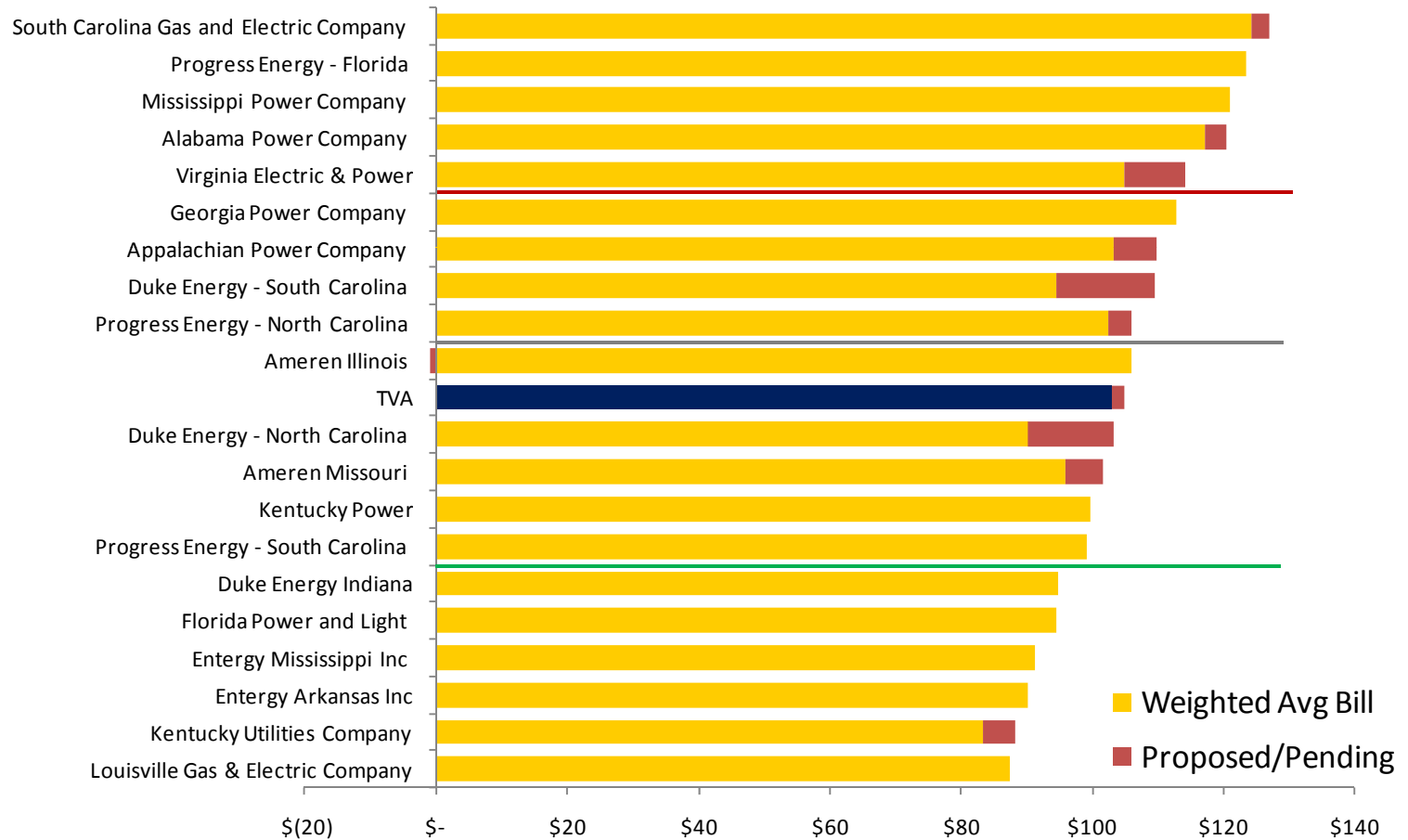
- TVA developed various scenarios that could impact future power requirements based on a number of factors outside of TVA's control, including economic growth, inflation, fuel prices and the regulatory environment.
- The scenarios did not attempt to predict the future; they only described future uncertainties that TVA should be prepared for.
- Planning strategies were developed to address the business decisions that TVA can control, such as nuclear expansion, idling of coal-fired plants or expansion of the energy efficiency and demand response programs.
- Each planning strategy was analyzed in each of the different scenarios to create a matrix of 20-year portfolio options for TVA to consider. Each portfolio described how a particular strategy performed under a certain scenario.
- Portfolios were then ranked according to cost, risk and strategic factors (such as environmental and economic impacts) that should be considered when selecting preferred planning strategies for the draft plan.
- The top ranking strategies were further evaluated, and, with public input from the draft plan, TVA evaluated new combinations of strategy components to improve alternatives.



Current and Proposed Rate Changes

1,000 kWh per Month Residential Service

--- Top Quartile - - - - Median - - - - Bottom Quartile



Adjustments to peer rate information is directional, based on recent SNL data and news releases

TVA assumes impact of planned rate adjustments

Based on weighted averages from September 2010 to June 2011



Current and Proposed Residential Rate Changes - Reference

	Proposed / Pending Rate Changes
Alabama Power	3% increase to base rate
Ameren Illinois	(1.2%) reduction to base rate
Ameren Missouri	7.1% increase to base rate
Appalachian Power	9.3% increase to base rate
Duke - N. Carolina	15.2% increase to base rate
Duke - S. Carolina	17% increase to base rate
Kentucky Utilities	.5 cents / kWh fuel increase
Progress Energy - N. Carolina	3.48% increase to base rate
South Carolina Elec & Gas	2.43% increase to base rate
TVA	\$1.60 added per 1,000 kWh of residential power
Virginia Power	\$9.45 increased fuel and rider changes



Fact Sheet

Renewable and Clean Energy

TVA's renewed vision is to be one of the nation's leading providers of low-cost and cleaner energy by 2020. To make that vision a reality, TVA is taking significant strides to increase renewable power and clean energy in its generation mix to reduce or avoid emissions and improve regional air quality.

Background

Renewable energy is made from fuels that are sustainable or naturally replenished, such as water, wind, biomass and the sun. While nuclear energy is not a renewable source, it is considered a "clean" energy source because it does not produce emissions like carbon dioxide.

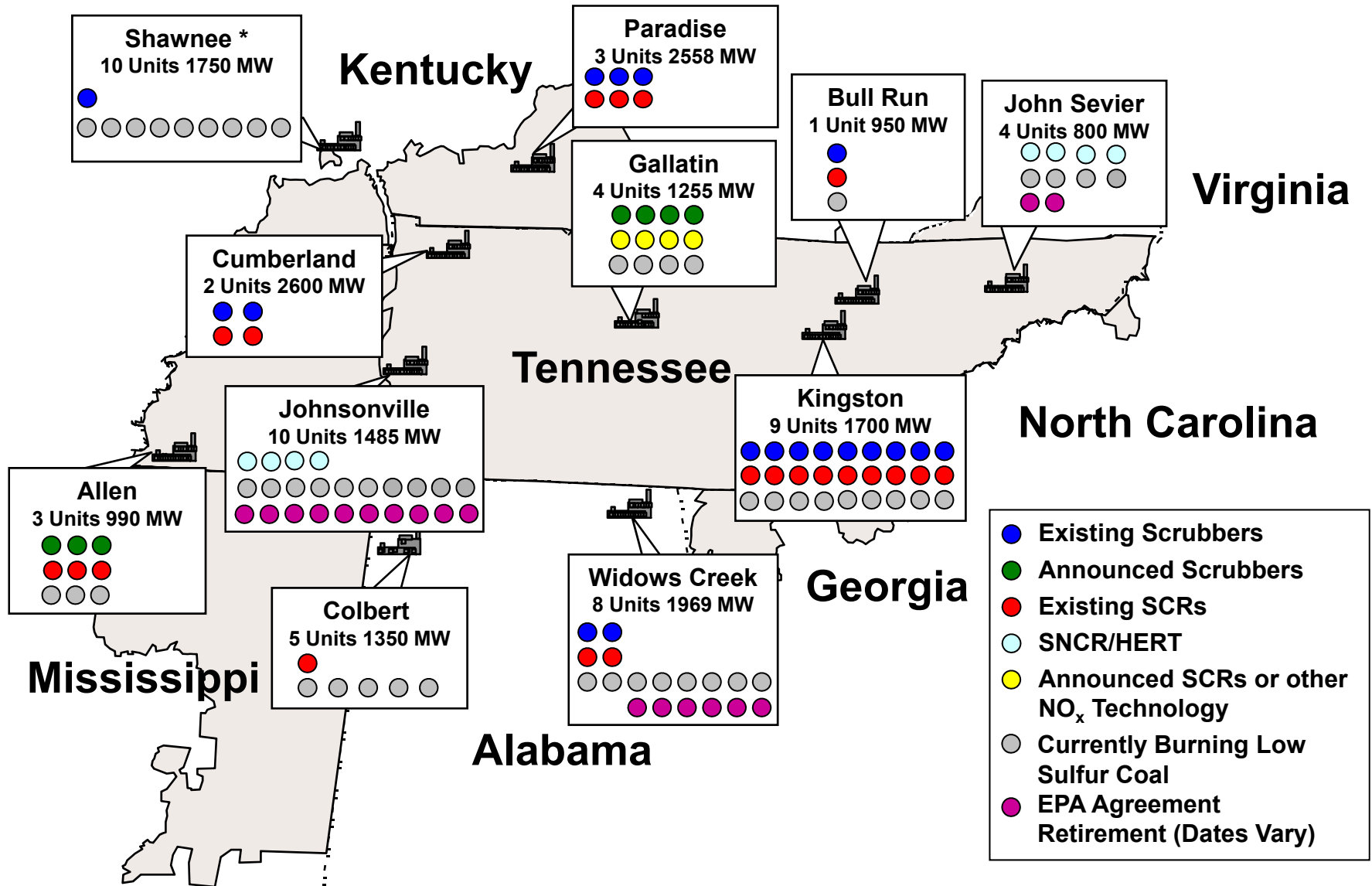
Key points

- In 2010, about 40 percent of the energy that TVA supplied came from clean or carbon-free energy sources – nuclear, hydro and renewable power sources. In 2010, TVA generated or purchased more than 17 million megawatt-hours of renewable energy, including hydro, wind, solar, landfill gas and wastewater treatment gas.
- As of July 2011, TVA's owned and purchased renewable energy capacity is nearly 4,800 megawatts, including hydro, with commitments to add nearly 1,300 megawatts of combined wind, solar, landfill, methane and biomass.
- TVA is completing construction on Watts Bar Nuclear Plant Unit 2, which is scheduled to be online in 2013. TVA is also considering whether to complete a unit at Bellefonte Nuclear Plant, which would support TVA's renewed vision to provide the region with cleaner, low-cost energy.

Other information

- TVA's Hydro Modernization program has increased generating capacity of its hydroelectric dams by 565 megawatts, while increasing efficiency by 5 percent.
- TVA's renewable wind resources include nine contracts with eight wind farms for the purchase of up to 1,352 megawatts of renewable wind energy. As of July 2011, energy is delivered to TVA for two of the contracts.
- In 2000, TVA became the first utility in the Southeast to offer consumers the choice to purchase renewable energy. As of July 2011, the Green Power Switch program has about 11,000 participants through 116 participating TVA power distributors. For the Green Power Switch program, TVA developed the Southeast's first wind farm, and erected more than a dozen solar sites and a methane gas co-firing site, all within the TVA region.
- Launched in 2003, TVA's Generation Partners pilot program supports homeowners and businesses that install renewable generating resources of less than 200 kilowatts, like wind, low-impact hydro, biomass and solar. As of July 2011, TVA had 121 participating distributors, with more than 535 installations and 15.8 megawatts of capacity in operation.
- TVA has issued a Renewable Standard Offer to purchase energy from solar, wind, methane and biomass projects ranging from 200 kilowatts to 20 megawatts. TVA will purchase the energy at fixed rates from 4 to 16 cents per kilowatt-hour (varies by season, day, and time of day). As of July 2011, TVA has received applications for five projects totaling 9 megawatts of capacity from landfill gas and solar.

Scrubbers and Advanced NO_x Controls on TVA's Coal Fired Power Plants



* Shawnee Unit 10 is an Atmospheric Fluidized Bed Combustion (AFBC) boiler which lowers SO₂ and NO_x emissions without the use of external controls.

NOTE: In addition to 21 selective catalytic reduction systems, TVA has installed low NO_x burners or over-fire air on 40 of the 59 coal-fired units. The other units have installed boiler optimization systems and Shawnee Unit 10 is a boiler with low NO_x technology.



STATEMENT
TVA Chief Financial Officer John Thomas
Rating Agencies Review of TVA Debt

TVA's top credit rating has been reaffirmed by one agency, unchanged by another and downgraded one notch to AA plus by the third major agency. TVA understands that as a government-owned enterprise, a change in the rating of U.S. government securities can impact our own.

However, the fundamental financial strength of TVA is unchanged. TVA receives no taxpayer dollars and its debt is not part of the national debt.

Investors continue to seek the relative safety of U.S. Treasury and TVA investments, and the downgrade by one rating agency is not expected to have a material impact.

TVA has not seen a significant change in borrowing rates since the downgrade announcement, and 94 percent of TVA's debt portfolio would not be impacted by interest rate changes within the next year.

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