

No. 10-01

Approved:

Original Signed by Maureen H. Dunn
General Counsel and Secretary

MINUTES OF MEETING
OF
THE BOARD OF DIRECTORS
TENNESSEE VALLEY AUTHORITY
FEBRUARY 11, 2010

A meeting of the Board of Directors of the Tennessee Valley Authority was held at the Holiday Inn Hotel and Suites, Bristol Convention Center, Ballrooms B/C, 3005 Linden Drive, Bristol, Virginia, on February 11, 2010, at 8:35 a.m. (EST). The meeting was called to order immediately following the listening session which began at 8:30 a.m. The meeting was announced to the public on February 4, 2010. The meeting was open to public observation.

Present were Robert M. (Mike) Duncan, Director and Chairman; Directors Dennis (Denny) Bottorff, Thomas C. (Tom) Gilliland, William H. Graves, and Howard A. Thrailkill. Also present were Tom D. Kilgore, President and Chief Executive Officer; Maureen H. Dunn, Executive Vice President and General Counsel; Kimberly S. (Kim) Greene, Group President, Strategy and External

Relations; John M. Hoskins, Acting Chief Financial Officer, Senior Vice President, Treasury; William R. (Bill) McCollum, Jr., Chief Operating Officer; and John M. Thomas, III, Executive Vice President, People and Performance.

Chairman Duncan presided over the meeting which was duly called, notice to each Director having been duly delivered pursuant to section 1.2 of the Bylaws governing meetings of the Board of the Tennessee Valley Authority. A quorum was present.

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Chairman Duncan called the meeting to order.

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The Board approved the minutes of the meeting held November 19, 2009.

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New Business

10-01-1. Chairman's Report

Chairman Duncan welcomed those in attendance, including Mayor James (Jim) Rector of Bristol and representatives from Bristol Virginia Utilities and Tennessee Valley Public Power Association. Chairman Duncan reflected on the

2006 change in the structure of the Board, noted that he was elected Chairman of the Board almost one year ago, and reviewed events that have occurred during that year. He discussed falling fuel prices, increased rainfall, TVA's efforts to reduce air emissions, the effects of the economy, and TVA's Kingston ash spill recovery efforts. He also discussed TVA's organizational improvements and its development of an Integrated Resource Plan. He further provided an overview of the agenda items to be considered at today's meeting. After concluding his report, the Chairman asked the President and Chief Executive Officer to provide the President's Report. A copy of the transcript of the Chairman's report is filed with the records of the Board as Exhibit 2/11/10A.

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10-01-2. President's Report

Tom D. Kilgore, President and Chief Executive Officer, briefed the Board on TVA's power sales and supply, its operations, and its financial status, including a report on TVA's highlights and hardspots. He outlined TVA's highlights as January's record for high energy sales days; above normal hydro generation; relatively low fuel prices; competitive residential rates; agreements to purchase additional wind power; continued progress with the Kingston cleanup; introduction of electric vehicles; and issuance by the NRC of a favorable change in status for

Bellefonte. In addition, he reported that TVA's Aaa bond rating has been reconfirmed.

Mr. Kilgore outlined TVA's hardspots as legislative and regulatory uncertainties which make planning difficult, uncertainties in long-term financial planning, a breaker failure at the John Sevier Fossil Plant, a small fire at the Shawnee Fossil Plant, and uncertainties surrounding the deliverability of newly purchased wind generation. A copy of Mr. Kilgore's report is filed with the records of the Board as Exhibit 2/11/10B.

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**10-01-3. Report of the Finance, Strategy, and Rates,
and Administration Committee**

Director Bottorff, Chairman of the Finance, Strategy, Rates, and Administration Committee, reported that the committee is recommending for consideration by the Board the items outlined in Minute Entry Nos. 10-01-4 through 10-01-6.

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**10-01-4. Winning Performance/Long-Term Incentive
 Compensation for Fiscal Year 2010**

The Board adopted the following resolutions:

WHEREAS in a memorandum dated February 8, 2010, a copy of which is filed with the records of the Board as Exhibit 2/11/10C (Memorandum), the Chief Executive Officer (CEO) recommended approval of the Winning Performance corporate measures for Fiscal Year 2010 which contain proposed goals on which TVA's performance will be measured and Winning Performance payouts may be made for Fiscal Year 2010; and

WHEREAS in that same memorandum, the CEO recommended that the Load Not Served, Cultural Health Index, and Stakeholder Survey measures, and the goals associated with them, be added for Executive Long-Term Incentive Plan (ELTIP) performance cycles ending on and after September 30, 2012, and that the Connection Point Interruptions and Non-Fuel Operations and Maintenance (O&M) measures and goals be removed for such ELTIP performance cycles; and

WHEREAS the Finance, Strategy, Rates, and Administration Committee has reviewed the proposed Winning Performance corporate measures and goals and the proposed revision of ELTIP measures and goals and recommends their approval;

BE IT RESOLVED, That the Board approves the Winning Performance corporate measures and goals for Fiscal Year 2010 (including the accompanying definition sheets), a copy of which is included as an attachment to the Memorandum;

RESOLVED further, That, for ELTIP performance cycles ending on or after September 30, 2012, the Board approves the removal of the Connection Point Interruptions and Non-Fuel O&M measures and goals and the addition of the Load Not Served, Cultural Health Index, and the Stakeholder Survey measures and goals, and the definition sheets for all ELTIP measures, all as summarized in the chart and its accompanying definition sheets, a copy of which is included as an attachment to the Memorandum;

RESOLVED further, That the Board reserves to itself the authority to approve an adjustment to payout levels generated by the Winning

Performance corporate measures results and the authority to review TVA results and peer group comparisons at the end of any ELTIP performance cycle and to approve adjustments in ELTIP payouts, if it determines the circumstances warrant it.

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WHEREAS a memorandum from the Executive Vice President, People and Performance, dated February 8, 2010 (Memorandum), a copy of which is filed with the records of the Board as Exhibit 2/11/10D, recommends that the Board approve revisions in the design of, and guiding principles for, TVA's incentive and long-term deferred compensation plans as set out in the attachment to that Memorandum; and

WHEREAS those revisions and guiding principles have been discussed with and reviewed by the Board's Finance, Strategy, Rates, and Administration (FSRA) Committee in conjunction with the Board's independent compensation consultant; and

WHEREAS upon the recommendation of the FSRA Committee, the Board has determined that the proposed design revisions and guiding principles will, among other things, simplify plan structures, strengthen alignment of compensation plans to TVA performance, strengthen focus on overall corporate goals and measures, more closely align the compensation plans with those of market competitors, and improve plan credibility;

BE IT RESOLVED, That the Board hereby approves the TVA incentive and long-term deferred compensation plan design revisions and guiding principles as set out in the Memorandum and its attachment;

RESOLVED further, That the Board hereby authorizes the Chief Executive Officer, or designee, to take actions necessary or desirable to implement the Board-approved design revisions and guiding principles to include, without limitation, the revision of TVA's incentive and long-term deferred compensation plans and policies and procedures related to them.

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10-01-5. Executive Compensation

The Board adopted the following resolution:

WHEREAS, as part of TVA's Organizational Effectiveness Initiative, a new senior leadership structure has been adopted to take TVA into the future; and

WHEREAS a memorandum from the Chief Executive Officer (CEO), dated February 2, 2010 (Memorandum), a copy of which is filed with the records of the Board as Exhibit 2/11/10E, recommends that the Board approve certain compensation adjustments related to changes in TVA's senior leadership and the realignment of duties and responsibilities within TVA's senior leadership structure; and

WHEREAS such Memorandum also recommends that the Board approve ranges of compensation based on market data, as well as participation in certain supplemental benefit plans such as the Supplemental Executive Retirement Plan (SERP), for individuals who are members of TVA's senior leadership team and managerial direct reports to the CEO, while assuring that Board members are kept fully apprised of selectees to such positions and their compensation;

BE IT RESOLVED, That the Board hereby approves the adjusted compensation of Kimberly S. Greene as Group President of Strategy and External Relations and John M. Thomas III as Executive Vice President of People and Performance, as recommended in the Memorandum and its attachment;

RESOLVED further, That the Board approves compensation ranges for the managerial direct reports to the CEO of 80 percent to 110 percent of the median total direct compensation for comparable positions, as established by benchmarking sources outside of TVA, and authorizes the CEO to set or adjust compensation for the CEO's present or future managerial direct reports within such compensation ranges, as well as to approve the parameters under which such executives may participate in certain supplemental benefit plans such as the SERP; provided that the CEO will not finally set or adjust such compensation until Board members and the Board's compensation consultant

have been notified of it and Board members are given the opportunity to ask the appropriate Board Committee, or the full Board, to review the proposed action before it is put into effect.

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The Chairman invited Jack Simmons, President and Chief Executive Officer of the Tennessee Valley Public Power Association, to speak before consideration of the following item. Mr. Simmons spoke in favor of approval of the item.

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**10-01-6. Extension of Interim Joint-Ownership Arrangements
with Seven States Corporation for Southaven Power Plant**

The Board adopted the following resolution:

WHEREAS TVA, pursuant to Board authorization granted on February 15, 2008, entered into interim joint-ownership arrangements for the Southaven Power Plant (“Southaven”) with Seven States Power Corporation and its affiliate Seven States Southaven, LLC (collectively “Seven States”); and

WHEREAS under the interim arrangements, Seven States presently owns ninety percent (90%) of Southaven and TVA owns the remaining ten percent (10%) of Southaven; and

WHEREAS under the interim arrangements, TVA currently leases Seven States’ ownership interest in Southaven, operates the plant, and receives all power and energy generated by the plant; and

WHEREAS TVA and Seven States have been engaged in negotiations regarding long-term arrangements for distributor ownership of generation that would replace the interim arrangements; and

WHEREAS absent further agreement by TVA and Seven States, the interim arrangements will expire on April 30, 2010, and TVA will repurchase Seven States' ninety-percent (90%) interest in Southaven; and

WHEREAS TVA and Seven States do not anticipate being able to conclude the negotiation of long-term arrangements by April 30, 2010; and

WHEREAS a memorandum from the Group President, Strategy & External Relations, dated January 22, 2010 (Memorandum), a copy of which is filed with the records of the Board as Exhibit 2/11/10F, recommends that the interim arrangements be extended for an additional interim period of up to three years;

BE IT RESOLVED, That after a review of said Memorandum, the Board of Directors finds it appropriate and in the interest of TVA to authorize the proposed extension of interim arrangements for an additional term that does not exceed three years, subject to any revised terms and conditions for the extension period being coordinated with the Chairperson of the Finance, Strategy, Rates, and Administration Committee, and with the Chairperson of the Operations, Environment, and Safety Committee.

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10-01-7. Report of the Operations, Environment and Safety Committee

Director Thrailkill, Chairman of the Operations, Environment, and Safety Committee, reported that among the committee's recent activities was a review of TVA's nuclear performance and a tour of Browns Ferry Nuclear Plant. Director Thrailkill then reported that the committee is recommending for consideration by the Board the item as outlined in Minute Entry Nos. 10-01-8.

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10-01-8. TVA Transmission Standards of Conduct

The Board adopted the following resolution:

WHEREAS in conjunction with TVA offering open access transmission service under the TVA Transmission Service Guidelines, the Board of Directors adopted Standards of Conduct providing for the functional separation of TVA marketing functions from its transmission system operations and reliability functions; and

WHEREAS the Standards of Conduct employed by TVA have been based on those adopted by the Federal Energy Regulatory Commission (FERC) for application to those entities which it regulated, which TVA determined did not conflict with TVA's responsibilities under the TVA Act; and

WHEREAS FERC has made various changes in its standards which include changes to facilitate integrated resource planning activities and other improvements in the standards, making them less burdensome to administer; and

WHEREAS TVA has followed a policy of adopting industry practices, including adopting FERC policies where they are found to be consistent with TVA's responsibilities under the TVA Act; and

WHEREAS the changes in the standards have been determined to not conflict with TVA's responsibilities under the TVA Act and further provide TVA with greater efficiency in carrying out its important resource planning activities for the Tennessee Valley Region; and

WHEREAS a memorandum from the Chief Operating Officer, dated November 23, 2009 (Memorandum), a copy of which is filed with the records of the Board as Exhibit 2/11/10G, recommends approval of the TVA Standards of Conduct, 2010 Edition, attached to that Memorandum and includes related recommendations described in the Memorandum;

BE IT RESOLVED, That after review of said Memorandum, the Board of Directors hereby finds it to be appropriate and in the interest of TVA to adopt the TVA Standards of Conduct, 2010 Edition;

RESOLVED further, That the Board of Directors hereby continues to authorize the General Counsel to make minor, incidental changes in TVA's then current Standards of Conduct as necessary to conform to evolving FERC precedent when consistent with Board policy and with applicable Federal law, including without limitation, the TVA Act.

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10-01-9. Report of the Audit, Governance, and Ethics Committee

Director Gilliland, Chairman of the Audit, Governance, and Ethics Committee, reported on the committee's review of TVA's FY 2010 quarterly report (10-Q), which was filed on February 3, 2010, and that it has reviewed reports from staff on a number of issues, including ethics, TVA's hedging strategy, risk management, TVA's role as regulator, and Sarbanes Oxley compliance. No Board actions were recommended. A copy of Director Gilliland's report is filed with the records of the Board as Exhibit 2/11/10H.

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10-01-10. Report of the Community Relations and Energy Efficiency Committee

Director Graves, Chairman of the Community Relations and Energy Efficiency Committee, reported that the committee was briefed on a number of topics, including the Commercial Recreation Management Guidelines being

implemented by TVA and two proposed land requests which will involve application of the Land Policy. No Board actions were recommended. A copy of Director Graves' report is filed with the records of the Board as Exhibit 2-11-10I.

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The meeting was adjourned at 9:30 a.m. EST.

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