

No. 11-01

Approved by the Board of Directors
at its April 14, 2011, meeting:

Original Signed by Ralph E. Rodgers
Acting General Counsel and
Secretary

MINUTES OF MEETING
OF
THE BOARD OF DIRECTORS
TENNESSEE VALLEY AUTHORITY
FEBRUARY 18, 2011

A meeting of the Board of Directors of the Tennessee Valley Authority was held at the Tri-County Community College Auditorium, 21 Campus Circle, Murphy, North Carolina, on February 18, 2011. The meeting was called to order at 9:10 a.m. after a short intermission following the listening session which began at 8:30 a.m. (EDT). The meeting was announced to the public on February 11, 2011. The meeting was open to public observation.

All current Board members were in attendance, as follows: Director and Chairman Dennis (Denny) Bottorff, and Directors Robert M. (Mike) Duncan, Thomas C. (Tom) Gilliland, William H. Graves, Marilyn A. Brown, Barbara S. Haskew, Neil G. McBride, and William B. (Bill) Sansom.

Also present were Tom Kilgore, President and Chief Executive Officer; Kimberly S. Greene, Group President, Strategy & External Relations; William R. (Bill) McCollum, Chief Operating Officer; Ralph E. Rodgers, Acting General Counsel; and Sylvan R. (Russ) Steward, Vice President, Supply Chain.

Chairman Bottorff 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 Bottorff called the meeting to order.

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New Business

11-01-1. Welcome

In his opening remarks, Chairman Bottorff welcomed and recognized current and former customer representatives in attendance and recognized and commended the Cherokee County School District's energy efficiency efforts and its decision to host a solar energy farm at its Martin's Creek Elementary School in conjunction with TVA's Generation Partners program.

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The Board approved the minutes of the meeting held November 4, 2010.

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11-01-2. President's Report

Tom Kilgore, President and Chief Executive Officer, briefed the Board on TVA's progress in each of the six components of the TVA Vision: rates, reliability, responsibility, clean energy, new nuclear generation, and energy efficiency. Mr. Kilgore also updated the Board on recent industry developments and TVA's recent performance results, including power sales and operating expenses.

Copies of the slides used in Mr. Kilgore's report are filed with the records of the Board as Exhibit 2/18/11A.

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Board Governance Matters

11-01-3. Nuclear Oversight Committee Charter Amendment

As recommended by Director Brown, the Board adopted the following resolution:

WHEREAS, at its November 4, 2010 meeting the Board established a new committee of the Board of Directors, the "Nuclear Oversight Committee," that is dedicated to overseeing TVA's nuclear projects, operations and activities;

WHEREAS the Board also adopted a charter to govern the activities of the committee;

WHEREAS the Nuclear Oversight Committee has reviewed the charter and, after further consideration and conducting benchmarking with several other nuclear utilities, recommends some changes to the charter to provide greater flexibility regarding the scope, timing, and depth of the Nuclear Oversight Committee's reviews, and a copy of the proposed amended charter is attached and designated as Exhibit 2/18/11B;

BE IT RESOLVED, that the Board hereby adopts the proposed amended Nuclear Oversight Committee charter.

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11-01-4. Report of the Audit, Risk, and Regulation Committee

Director Gilliland, Chairman of the Audit, Risk, and Regulation Committee, reported on the activities of that committee, including review of the filing of TVA's 10-K with the Securities and Exchange Commission and the monitoring of civil litigation filed by the State of New York against the external auditor (Ernst & Young) in connection with the bankruptcy of Lehman Brothers. Further, Director Gilliland stated that the committee was making inquiries into TVA's role in establishing regulatory policy regarding distributor rates and financial health and distributor compliance with existing contract provisions and regulations, and went on to state that upon completion of these inquiries the committee would report back on whether additional guidance is needed. Director Gilliland also reported that at its February 2, 2011 meeting, the committee reviewed TVA's 10-Q filing for the first quarter of the fiscal year and received an explanation of quarterly financial results from management.

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11-01-5. Report of the People and Performance Committee

Director Graves, Chairman of the People and Performance Committee, reported that during its February 8, 2011 conference call meeting the committee reviewed information regarding the organizational health of TVA, received an overview of the winning performance scorecard, and examined TVA's processes and objectives for succession planning.

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11-01-6. Report of the Finance, Rates, and Portfolio Committee

Director Sansom, Chairman of the Finance, Rates, and Portfolio Committee, reported that the committee met February 2 and February 17. Director Samson then reported that the committee is recommending for consideration by the Board the items outlined in Minute Entry Nos. 11-01-7 through 11-01-12. Presentations were requested and made on certain of those items from Bill McCollum, Chief Operating Officer (Minute Entry Nos. 11-01-7 through 11-01-9), Kim Greene, Group President, Strategy and External Relations (Minute Entry No. 11-01-10), and Russ Steward, Vice President, Supply Chain (Minute Entry No. 11-01-11). Director Sansom presented for the Board's consideration the item outlined in Minute Entry No. 11-01-12.

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11-01-7. Contract with American Centrifuge Enrichment, LLC for Uranium Enrichment Services

The Board adopted the following resolution:

WHEREAS TVA requires uranium enrichment services for its nuclear power plants and is currently engaged in negotiations with American Centrifuge Enrichment, LLC (ACE), for the supply of such services; and

WHEREAS in contemplation of such negotiations resulting in contract terms that are satisfactory to the Chief Executive Officer, a memorandum from the Chief Operating Officer dated February 17, 2011, which is filed with the records of the Board as Exhibit 2/18/11C, recommends that the Board delegate to the Chief Executive Officer the authority to approve the award of a contract to ACE for uranium enrichment services from 2016 through 2025 for a total spend not to exceed \$500 million;

BE IT RESOLVED, That subject to presentation of any proposed agreement to the individual members of the Finance, Rates, and Portfolio Committee for their review and concurrence, the Board delegates to the Chief Executive Officer the authority to approve the award of a contract to ACE for uranium enrichment services as recommended in the Chief Operating Officer's February 17, 2011, memorandum.

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11-01-8. Contract with Cameco, Inc. for Uranium Hexafluoride

The Board adopted the following resolution:

WHEREAS TVA requires Uranium Hexafluoride (UF₆) for its nuclear power plants; and

WHEREAS a memorandum from the Chief Operating Officer dated January 7, 2011, which is filed with the records of the Board as Exhibit 2/18/11D, recommends that the Board authorize entry into a contract with Cameco, Inc., for the purchase of UF₆ from 2017 through 2021 for a total spend not to exceed \$250 million;

BE IT RESOLVED, That subject to any needed final negotiations, the Board authorizes the award of a contract to Cameco, Inc., for the purchase of UF₆ as recommended in the Chief Operating Officer's January 7, 2011, memorandum.

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11-01-9. Construction of New Gypsum Dewatering Facility at Kingston Fossil Plant

The Board adopted the following resolution:

WHEREAS TVA has made a public commitment to close all wet ponds containing Coal Combustion Residuals (CCR) and as part of this commitment a project was initiated to pursue construction of a gypsum dewatering facility at Kingston Fossil Plant (the “Project”); and

WHEREAS TVA has further determined that specific benefits could be gained by the incorporation into the Project of gypsum dewatering facility enhancements enabling elimination of all wet waste streams being discharged to the on-site Gypsum Disposal Area and that these enhancements will require the total cost of the Project to be \$53 million; and

WHEREAS a memorandum from the Chief Operating Officer dated January 24, 2011, which is filed with the records of the Board as Exhibit 2/18/11E, recommends that the Board authorize a total Project budget of \$53 million to incorporate these facility enhancements;

BE IT RESOLVED, That the Board authorizes a total budget of \$53 million for the Project as recommended in the Chief Operating Officer’s January 24, 2011, memorandum.

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11-01-10. Adjustment Addendum (Fuel Cost Adjustment) and Other Rate Change Implementation Matters

The Board adopted the following resolution:

WHEREAS the terms and conditions to TVA’s wholesale power contracts provide that TVA may adjust rates “from time to time ... in order to assure TVA’s ability to continue to supply the power requirements of [Distributors] and TVA’s other customers on a financially sound basis

with due regard for the primary objectives of the TVA Act, including the objective that power shall be sold at rates as low as feasible"; and

WHEREAS those terms and conditions also provide for TVA to implement any such adjustment by publishing an Adjustment Addendum, including a Fuel Cost Adjustment (FCA), setting forth the adjustments that TVA determines are needed to assure revenues to TVA adequate to meet TVA Act requirements and bond requirements; and

WHEREAS the rate schedules incorporated into TVA's power supply contracts with its directly served customers also provide for rates to be adjusted as set forth in such an Adjustment Addendum; and

WHEREAS in August 2010, the TVA Board approved changes to the wholesale and retail rate structure to be effective in April 2011 that replaced the existing end use wholesale rates and removed fuel costs from base charges; and

WHEREAS TVA's 5 and 60 Minute Response Interruptible (5 MR and 60 MR) product arrangements allow for the TVA Board to adjust or change the credit amounts applicable to 5 MR and 60 MR participants; and

WHEREAS modifications to the Adjustment Addendum, including the FCA formula, are necessary to reflect the new rate structure and provide for recovery of TVA's fuel costs, and certain modifications to TVA's 5 and 60 Minute Response Interruptible products are necessary to align those demand response program products with the time-of-use rate structure that will be effective in April 2011; and

WHEREAS a memorandum from the Group President, Strategy and External Relations, dated February 8, 2011 (Memorandum), a copy of which is filed with the records of the Board as Exhibit 2/18/11F, recommends approval of the proposed Adjustment Addendum attached to the Memorandum and approval of the 5 MR and 60 MR modifications described in the Memorandum;

BE IT RESOLVED, That after review of said Memorandum, the Board of Directors hereby approves the proposed new Adjustment Addendum and the proposed 5 MR and 60 MR modifications;

RESOLVED further, That the TVA staff is authorized and directed to publish the approved Adjustment Addendum in accordance with applicable contract requirements.

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11-01-11. Contract(s) for Operations Materials and Industrial Equipment

The Board adopted the following resolution:

WHEREAS TVA has an ongoing need to obtain operations materials and industrial equipment across the enterprise; and

WHEREAS a memorandum from the Chief Financial Officer dated January 25, 2011, and attached hereto as Exhibit 2/18/11G recommends that the Board delegate to the Chief Executive Officer the authority to approve one or more blanket contracts for the supply of such items;

BE IT RESOLVED, That, the Board delegates to the Chief Executive Officer the authority to approve one or more long-term (up to five years) blanket contracts for the supply of operations materials and industrial equipment across the enterprise, subject to an aggregate ceiling on expenditures under such contract(s) of no more than one hundred twenty million dollars (\$120,000,000) per fiscal year, as recommended in the Chief Financial Officer's January 25, 2011, memorandum.

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Director Duncan requested that the Board receive a report in one year on the vendor(s)' success in meeting the subcontracting goals set forth in any contract(s) entered into under the foregoing delegation.

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11-01-12. Power Contracts - (i) Extension of an Existing Power Supply Agreement and (ii) Authorization of Service to New Firm Load

The Board adopted the following resolutions:

WHEREAS TVA is currently supplying electric energy to a directly served customer under a contract that will expire May 31, 2012; and

WHEREAS TVA and the directly served customer propose to agree upon arrangements for deferring some amounts of power made available under the existing power contract and extending the power contract through December 31, 2012; and

WHEREAS a memorandum from the Group President, Strategy and External Relations, which contains information that is confidential, dated January 24, 2011 (Confidential Memorandum), a copy of which is filed with the records of the Board as Exhibit 2/18/11H, recommends approval of the modifications and extension of the power contract;

BE IT RESOLVED, That after review of said Confidential Memorandum, the Board of Directors finds it to be appropriate and in the interest of TVA, and hereby approves, modification and extension of the power contract as described in the Confidential Memorandum.

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WHEREAS TVA is currently supplying electric energy to a directly served customer, and that customer has requested that TVA commit to making additional firm power available in an amount that would exceed 100 MW; and

WHEREAS TVA expects to have sufficient generating and transmission capacity to supply these projected firm power requirements; and

WHEREAS a memorandum, which contains information that the customer considers business sensitive, from the Group President, Strategy and External Relations, dated January 24, 2011 (Confidential Memorandum), a copy of which is filed with the records of the Board as Exhibit 2/18/11I, recommends that TVA make available firm power to meet the customer's power requirements;

BE IT RESOLVED, That after review of said Confidential Memorandum, the Board of Directors finds it to be appropriate and in the interest of TVA, and hereby approves, making available firm power to meet the power requirements described in the Confidential Memorandum.

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11-01-13. Report of the Customer and External Relations Committee

Director Duncan, Chairman of the Customer and External Relations Committee, reported that the committee met February 2. He then reported that the committee is recommending for

consideration the item outlined in Minute Entry No. 11-01-14, and asked Kim Greene, Group President, Strategy and External Relations, to present that item to the Board.

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11-01-14. Demand Response Program Delegation

Subject to the staff reporting back to the Customer and External Relations Committee at the end of one year with information regarding the development and implementation of demand response products under the proposed delegation, the Board adopted the following resolution:

WHEREAS in order to expand TVA's demand response potential and support TVA's efforts to meet future demand by delaying capital investments in peak generation expansion, TVA staff is in the process of developing demand response products that are consistent with the changed rate structure that will be effective in April 2011; and

WHEREAS a memorandum from the Group President, Strategy and External Relations, dated February 9, 2011 (Memorandum), a copy of which is filed with the records of the Board as Exhibit 2/18/11J, recommends that the Board authorize development, implementation, and revision of demand response products as described in the Memorandum with authority for final product design delegated to the Chief Executive Officer (CEO), or that officer's designee, within the parameters described in the Memorandum;

BE IT RESOLVED, That after review of said Memorandum, the Board of Directors finds it to be appropriate and in the interest of TVA to approve the staff recommendations set forth in the Memorandum;

RESOLVED further, That the recommendations set forth in the Memorandum are hereby approved, and that the Chief Executive Officer, or that officer's designee, is authorized to develop, implement, and revise demand response program products as described in the Memorandum.

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Director Duncan also reported that the committee had been briefed on TVA's efforts to acquire more renewable energy resources and to develop the natural resource plan.

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11-01-15. Report of the Nuclear Oversight Committee

Director Brown, Chairman of the Nuclear Oversight Committee, reported that the committee had met a total of four times beginning on November 23, 2010, including an on-site visit at the Watts Bar Nuclear Plant. During that on-site visit the committee toured the facility, observed the simulation of a shut-down, and were briefed on the status of Watts Bar 1 operations, the status of Watts Bar 2 construction, and plans to transition Watts Bar 2 from construction to operation. Director Brown stated that the committee would also be visiting the Sequoyah Nuclear Plant within the next few months. Director Brown reported that the committee was in the process of interviewing candidates with expertise in the nuclear field to provide advisory services directed at assisting the committee in the discharge of its duties. Further, Director Brown reported that the committee had met with representatives of the Institute of Nuclear Power Operations (INPO). Following a review by INPO of the committee's proposed revised charter and TVA's plans for overseeing construction and operations, Director Brown reported that INPO recommended no changes to the charter and indicated its support for the committee's planned oversight.

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The meeting was adjourned at 10:16 a.m. EDT.