

No. 10-03

Approved:

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

MINUTES OF MEETING
OF
THE BOARD OF DIRECTORS
TENNESSEE VALLEY AUTHORITY
JUNE 10, 2010

A meeting of the Board of Directors of the Tennessee Valley Authority was held at Lane College, Graves Auditorium, 545 Lane Avenue, Jackson, Tennessee 38301, on June 10, 2010. The meeting was called to order at 8:55 a.m. after a short intermission following the listening session at 8:30 a.m. (CDT). The meeting was announced to the public on June 3, 2010. The meeting was open to public observation.

Present were Director and Chairman Dennis (Denny) Bottorff; Directors Robert M. (Mike) Duncan, Thomas C. (Tom) Gilliland, William H. Graves, and Howard A. Thraikill. Also present were Tom D. Kilgore, President and Chief Executive Officer; Kenneth R. (Ken) Breeden, Executive Vice President, Customer Relations; Janet C. Herrin, Executive Vice President, People and Performance;

Joseph J. Hoagland, Vice President, Office of the Chief Executive Officer; David G. Jolley, Vice President, TVA Police and Physical Security; William R. (Bill) McCollum, Jr., Chief Operating Officer; Robert A. Morris, Vice President, Customer Service; David R. Mould, Senior Vice President, Communications; Ronald L. Owens, Vice President, Valley Relations; Anda A. Ray, Senior Vice President, Environment and Technology; Emily J. Reynolds, Senior Vice President, Government Relations; Ralph E. Rodgers, Acting General Counsel; Bruce S. Schofield, Vice President, Land and Shoreline Management; John M. Thomas, III, Chief Financial Officer; and John G. Trawick, Senior Vice President, Commercial Operations and Pricing.

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.

* * *

Chairman Bottorff called the meeting to order.

* * *

New Business

10-03-1. Chairman's Remarks

Chairman Bottorff welcomed those in attendance at his first meeting as the newly elected Chairman of the Board and expressed his appreciation to Director Duncan for his service as Chairman during the past year. Chairman Bottorff further invited the public to attend the Board meetings and reminded them that, for those who cannot attend, the meetings are broadcast over the TVA website.

A copy of the transcript of Chairman Bottorff's remarks is filed with the records of the Board as Exhibit 6/10/10A.

* * *

The Board approved the minutes of the meeting held April 16, 2010.

* * *

Before asking Tom Kilgore to present the President's report, Chairman Bottorff presented Mr. Kilgore a certificate of service in recognition of his fifth anniversary at TVA.

* * *

10-03-2. President's Report

Tom D. Kilgore, President and Chief Executive Officer, benchmarked TVA's performance with regard to capital investment, plant reliability, power sales, energy supply, and expenses (including fuel and purchased power). His analysis included comparisons of how TVA is performing versus TVA's plan, TVA's Fiscal Year 2009 performance, and the performance of TVA's peers.

Mr. Kilgore next updated the Board on industry news and outlined TVA's highlights and hardspots. He described the worst hardspots as the Middle and West Tennessee flood, the rock slide that destroyed the Ocoee River flume, and encroachments on TVA public land.

He outlined highlights as reopening the Emory River at Kingston, approval by the Environmental Protection Agency to store Kingston ash on site, 452 days online for Browns Ferry 1, issuance of the supplemental environmental impact statement at Bellefonte, completion of TVA's first audit by the Southern Electric Reliability Council, installation of scrubbers on all units at Kingston Fossil Plant, delivery of wind in connection with the renewable energy wind power project, and the low energy use and solar generation achieved by the near zero energy house at the Campbell Creek research homes site in Knoxville.

A copy of Mr. Kilgore's report is filed with the records of the Board as Exhibit 6/10/10B.

* * *

10-03-3. Report of the Finance, Strategy, Rates, and Administration Committee

Chairman 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. 10-03-4 and 10-03-5.

* * *

10-03-4. Executive Goals

The Board adopted the following resolution:

WHEREAS the Board desires to establish a documented process for the establishment of individual performance goals for, and the evaluation of the performance during the year of, the CEO and the CEO's managerial direct reports; and

WHEREAS in a memorandum dated June 3, 2010, a copy of which is filed with the records of the Board as Exhibit 6/10/10C, the Executive Vice President, People and Performance, recommended Board approval of delegations of authority for the establishment and approval of individual goals for the CEO and the CEO's managerial direct reports; and

WHEREAS his June 3, 2010, memorandum also recommended Board approval of delegations of authority for the review and evaluation of the annual performance of the CEO and the CEO's managerial direct reports and further recommended approval of a delegation of authority to approve any payout to the CEO under the Executive Annual Incentive Plan (EAIP) based on, among other things, the CEO's evaluated performance during the year; and

BE IT RESOLVED, That the Board delegates to the Chairman of the Board, in consultation with the appropriate Board committee and with input from individual members of the Board, the authority to approve individual performance goals for the CEO, the authority to evaluate and rate the performance of the CEO during the year, and the authority to approve any payout to the CEO under the EAIP based on, among other things, the CEO's evaluated performance during the year;

RESOLVED further, That the Board delegates to the CEO, in consultation with the appropriate Board committee and with input from individual Board members, the authority to approve the individual performance goals for the CEO's managerial direct reports and the authority to evaluate and rate the performance of the CEO's managerial direct reports during the year.

* * *

10-03-5. Pricing of Alcoa Power Contract Extension

The Board adopted the following resolution:

WHEREAS TVA supplies electric energy to the Aluminum Company of America (ALCOA) under a Power Contract providing for real time pricing for all of the electric power needs of ALCOA's aluminum reduction and fabricating plant at Alcoa, Tennessee; and

WHEREAS TVA and ALCOA's subsidiary Alcoa Power Generating Inc. (APGI) are parties to an Exchange Agreement under which TVA purchases the entire electric energy output of the APGI Tapoco hydroelectric project and dispatches the Tapoco generation for benefit of the TVA system; and

WHEREAS the same real time pricing applies as the purchase price paid by TVA under the Exchange Agreement for the portion of the Tapoco generation hourly output equal to the hourly energy supplied by TVA and purchased by ALCOA under the Power Contract; and

WHEREAS both the Power Contract and the Exchange Agreement are currently scheduled to expire on June 20, 2010; and

WHEREAS the parties have been discussing various options for new long-term arrangements but have not yet reached agreement upon either a new long-term Power Contract or a new long-term Exchange Arrangement; and

WHEREAS to allow more time for new long-term arrangements to be developed and considered by each party, TVA and ALCOA propose to enter into extensions of no more than 12 months of the current Power Contract and the current Exchange Agreement, subject to up-dated real time Power Contract pricing reflecting TVA's current pricing of similar real time power offerings being applicable for the limited amount of power required for ALCOA's current needs; and

WHEREAS a memorandum from the Group President, Strategy and External Relations, dated May 24, 2010 (Memorandum), a copy of which is filed with the records of the Board as Exhibit 6/10/10D, recommends that the Board approve updated real time pricing for the power that would be available under the proposed 12-month extension of the ALCOA Power Contract;

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 proposed updated real time pricing set forth in Attachment A to this memorandum.

* * *

10-03-6. Report of the Operations, Environment, and Safety Committee

Director Thrailkill, Chairman of the Operations, Environment, and Safety Committee, reported that the staff has provided the committee a safety report, the focus of which was the Paradise Fossil Plant electrical shock incident. He reported the committee was also briefed on the condition of TVA's coal fleet and the progress of key projects such as the Watts Bar Unit 2 construction and the Kingston cleanup. Director Thrailkill also indicated that the committee had been briefed on the status of the combined cycle plants at Lagoon Creek and John Sevier and was provided an overview of river operations and dam safety. No Board actions were recommended.

* * *

10-03-7. Report of the Audit, Governance, and Ethics Committee

Director Gilliland, Chairman of the Audit, Governance, and Ethics Committee, reported that the committee is recommending revisions to the committee structure, membership, and revisions to the bylaws and is recommending for consideration by the Board the item outlined in Minute Entry No. 10-03-8.

* * *

10-03-8. Board Governance Update

The Board adopted the following resolution:

WHEREAS Section 2(g)(1) of the TVA Act requires that the Board create and maintain an “audit committee” and directs the Board to create such other committees of Board members as the Board considers to be appropriate; and

WHEREAS Section 2.1 of the Bylaws of The Tennessee Valley Authority (Bylaws) provides that the Board may from time to time designate one or more committees of Board members and specify the responsibilities and duties of each such committee; and

WHEREAS Section 2.1 of the Bylaws further provides that appointees for the membership of committees shall be submitted by the Chairman of the Board to the Board for its approval as a single slate of appointees; and

WHEREAS there has been presented to the Board a memorandum from the Acting General Counsel, dated June 10, 2010 (Memorandum), a copy of which is filed with the records of the Board as Exhibit 6/10/10E, which has been prepared at the request of the Chairman of the Board and which (i) describes the Chairman’s recommendations to the Board for revising the Board’s current committee structure and assigning responsibilities to each resulting committee; (ii) submits to the Board the Chairman’s recommended appointments of committee members under the revised Board committee structure; (iii) proposes a revised Board Practice for Engagement of Outside Advisors; and (iv) recommends amendments to the TVA Bylaws to modify Section 1.1 dealing with the appointment of a successor to the Board Chairman, to modify Section 2.1 dealing with the appointment of Board committees, to add a new Section 2.3 dealing with the retention and dismissal of outside advisors, and to amend Section 6.8 to address the amendment of the Bylaws; and

WHEREAS in light of the proposed committee structure and to ensure continuity of expert advice to the Board and the Board committees, the Board deems it desirable to update the existing Board Practice pertaining to retention of outside advisors in the manner set forth in Attachment B of the memorandum; and

WHEREAS as part of its review of the provisions of the Bylaws, the Board deems it prudent and appropriate to make certain amendments to the Bylaws to designate the appropriate time to appoint a successor to the Chairman of the Board, to address appointment of committee members and the retention of outside advisors by committees; and to revise the procedure for amending the Bylaws;

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 recommendations of the Chairman for a revised Board committee structure as proposed in said Memorandum;

RESOLVED further, That the Chairman, in consultation with the Audit, Governance and Ethics Committee of the Board, hereby appoints the recommended slate of committee members under the revised Board committee structure as set forth in Attachment A of the Memorandum;

RESOLVED further, That the Board hereby directs each committee to draft an appropriate proposed charter to govern its operations and that these committee charters ultimately be presented to the Board for approval;

RESOLVED further, That the Board hereby adopts the revised TVA Board Practice, Engagement of Outside Advisors, as set forth in Attachment B of the Memorandum, in order to support the committees in the fulfillment of their responsibilities;

RESOLVED further, That the Board hereby adopts amendments to the Bylaws to modify Section 1.1 dealing with the appointment of a successor to the Board Chairman, to modify Section 2.1 dealing with the appointment of Board committees, to add a new Section 2.3 dealing with the retention and dismissal of outside advisors, and to amend Section 6.8 to address the amendment of the Bylaws, all as set forth in Attachment C of the Memorandum.

* * *

Director Gilliland then briefed the Board on the April-May activities of the Audit, Governance, and Ethics Committee, which included a review of the second

quarter financial statement and a status report on the testing of TVA's internal controls and financial reporting. He reported that the committee had also been briefed on improvements to the cultural health index and enterprise risk management processes.

* * *

10-03-9. Report of the Community Relations and Energy Efficiency Committee

Director Graves, Chairman of the Community Relations and Energy Efficiency Committee, reported that the committee is recommending for consideration by the Board the items outlined in Minute Entry Nos. 10-03-10 through 10-03-13.

* * *

10-03-10. EnerNOC Capacity Expansion Agreement

The Board adopted the following resolution:

WHEREAS in June 2008, as part of TVA's goal to achieve peak demand reduction, TVA entered into a three-year contract with EnerNOC, Inc., implementing EnerNOC's turnkey demand response program (Phase I) to pilot the program as a means of meeting TVA system capacity and energy needs through demand response; and

WHEREAS there has been presented to the Board a memorandum from the Group President, Strategy and External Relations, dated May 25, 2010 (Memorandum), a copy of which is filed with the records of the Board as Exhibit 6/10/10F, describing and recommending approval of a proposed Phase II of the TVA/EnerNOC Demand Response Program as a significant part

of TVA's efforts to acquire sufficient capacity and energy to meet TVA system needs; and

WHEREAS the Proposed Phase II EnerNOC contract would be for an initial ten-year term and would further expand TVA's demand response potential by providing an expected additional 400 MW of peak demand reduction, and an expected total peak demand reduction of 560 MW, by 2012, supporting TVA's energy efficiency and demand response efforts to meet future demand by delaying capital investments in peak generation expansion;

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 proposed Phase II of the TVA/EnerNOC Demand Response Program;

RESOLVED further, That the Board hereby authorizes the Group President, Strategy and External Relations, or that person's designee, to enter into an EnerNOC Capacity Expansion Agreement with the key terms described in the Memorandum to implement said Phase II.

* * *

**10-03-11. Northeastern Tributary Reservoirs
Land Management Plan**

The Board adopted the following resolution:

WHEREAS throughout its history, TVA has used the reservoir shorelands in its custody and control to meet a broad range of resource management and development needs and to enhance and improve the quality of life in the Tennessee Valley; and

WHEREAS in furtherance of these objectives and in accordance with TVA's Land Policy, a plan for the use and management of approximately 4,933 acres of project lands on seven Northeastern Tributary Reservoirs consisting of Beaver Creek, Boone, Clear Creek, Fort Patrick Henry, South Holston, Watauga, and Wilbur Reservoirs ("Plan") has been prepared by TVA staff; and

WHEREAS the Plan has evolved through careful consideration of best available information about reservoir land, resource data, socioeconomic and environmental data, and TVA expertise, as well as extensive public review and comment; and

WHEREAS the Plan considered three alternatives for categorizing the TVA properties on the seven Northeastern Tributary Reservoirs; and

WHEREAS *Alternative C, Modified Proposed Land Use Alternative*, reflects staff's recommendation of the best use and management for TVA land on the Northeastern Tributary Reservoirs as arrived at through this extensive planning process; and

WHEREAS Alternative C would set aside approximately 1,550 acres for project operations, approximately 888 acres for developed recreation, approximately 125 acres for industrial uses, and approximately 2,322 acres for natural resource conservation and sensitive resource management; and

WHEREAS an environmental impact statement was prepared to assess the impact of the Plan on the environment;

BE IT RESOLVED, That the Board of Directors hereby approves the Northeastern Tributary Reservoirs Land Management Plan, consisting of the Beaver Creek and Clear Creek, Boone, Fort Patrick Henry, South Holston, and Watauga and Wilbur Reservoir Land Management Plans, copies of which are filed with the records of the Board as Exhibit 6/10/10G, and which reflect *Alternative C, Modified Proposed Land Use Alternative*.

* * *

10-03-12. Hornsby Hollow Commercial Recreation Easement

The Board adopted the following resolution:

WHEREAS Andrew and Kimberly Klinker have requested that TVA, as agent of the United States of America, grant them a 30-year term commercial recreation easement for operation of a campground recreation area, affecting

approximately 39.4 acres of TVA land on Watts Bar Reservoir in Meigs County, Tennessee, such land being designated in TVA land records as Tract No. XWBR-719RE and shown on a map filed with the records of the Board as Exhibit 6/10/10H; and

WHEREAS the Board has determined that the granting of the aforesaid easement will not be adverse to the interest of the United States of America or TVA; and

WHEREAS it has been determined that the granting of such easement is not a major federal action having a significant impact on the human environment and that, accordingly, an environmental impact statement is not required;

BE IT RESOLVED, That the Board of Directors, pursuant to 40 U.S.C. § 1314, hereby authorizes and directs the Senior Manager, Realty Services and Land Records, to execute and deliver to Andrew and Kimberly Klinker, upon payment of the first year's minimum rent plus \$10,000 for TVA's administrative costs, a grant of easement for commercial recreation purposes in such form as the General Counsel shall approve, subject to such terms and conditions as may be necessary to cover and protect TVA's statutory obligations, program requirements, and other interests.

* * *

**10-03-13. Regional Resource Stewardship Council
Charter Renewal and Revision**

The Board adopted the following resolution:

WHEREAS the Tennessee Valley Authority (TVA) established the Regional Resource Stewardship Council (Council) to advise TVA about its resource stewardship activities, and Council members have worked diligently to reach a common understanding of resource issues and a common approach to the resolution of such issues; and

WHEREAS the Council's fifth term is scheduled to expire on February 2, 2011;
and

WHEREAS numerous public and private entities are traditionally involved in the stewardship of the natural resources of the Tennessee Valley region, and the Council continues to be needed to provide an additional mechanism for public input; and

WHEREAS the charter has been revised to reflect the formatting guidance of the General Services Administration Committee Management Secretariat, the statutory government entity responsible for Federal Advisory Committee Act oversight, and to reflect recent TVA organizational name changes;

BE IT RESOLVED, That the Board of Directors hereby approves the renewal of the Regional Resource Stewardship Council charter as amended, a copy of which is filed with the records of the Board as Exhibit 6/10/10I, for an additional two years and directs the Designated Federal Officer to complete the charter renewal process in accordance with the Federal Advisory Committee Act.

* * *

The meeting was adjourned at 9:45 a.m. CDT.

* * *