

No. 11-03

Approved by the Board of Directors  
at its November 17, 2011, meeting:

Original Signed by Ralph E. Rodgers  
General Counsel and  
Secretary

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

A meeting of the Board of Directors of the Tennessee Valley Authority was held in the TVA West Tower Auditorium at the TVA Knoxville Office Complex, 400 West Summit Hill Drive, Knoxville, Tennessee, on August 18, 2011. The meeting was called to order at 12:33 p.m. after a one-hour lunch break following the listening session which began at 8:30 a.m. (EDT). The meeting was announced to the public on August 11, 2011. The meeting was open to public observation.

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

Also present were Tom Kilgore, President and Chief Executive Officer; William R. (Bill) McCollum, Chief Operating Officer; John M. Thomas, Chief Financial Officer; Ralph E. Rodgers, General Counsel and Secretary; Kimberly S. (Kim) Greene, Group President, Strategy and External Relations; Janet C. Herrin, Executive Vice President, People and Performance; Anda A. Ray, Senior Vice President, Environment and Technology; John M. Hoskins, Senior Vice President and Treasurer; and Steven E. (Steve) Birchfield, Vice President and Chief Risk Officer, Enterprise Risk Management.

Chairman Bottorff presided over the meeting which was duly called, notice to each Director having been 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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**11-03-1. Welcome**

In his opening remarks, Chairman Bottorff introduced and welcomed the newest member of the Board, Director Richard Howorth, noting that this was Director Howorth's first official public Board meeting. Chairman Bottorff acknowledged those who had joined the meeting over TVA's web site and welcomed them along with everyone in the audience. He then expressed

appreciation to everyone who had spoken during the morning's listening session and stated that the Board had already started to process some of the information received during the listening session. Finally, Chairman Bottorff thanked those representatives of directly served and distributor customers who were in the audience for their attendance, and also acknowledged the presence of several members of the Regional Resource Stewardship Council, thanking them for their hard work.

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## **New Business**

### **11-03-2. President's Report**

Tom Kilgore, President and Chief Executive Officer, presented his report detailing recent progress toward meeting each of TVA's six Vision goals. With regard to the goal of low rates, Mr. Kilgore noted that TVA has dropped to forty-third out of one hundred utilities nationally, and explained that the drop in rank occurred due to the increase in the Fuel Cost Adjustment caused by tornado damage. Mr. Kilgore expressed his intent for TVA to regain its former top quartile position in that ranking, which he expects will take more than one year to achieve. Mr. Kilgore also discussed the April 2011 storms in the reliability and responsibility portions of his report, commending those TVA employees who worked to quickly restore power and assist the communities damaged by the storms, including assistance to other TVA employees.

With regard to clean air and new nuclear, Mr. Kilgore presented slides detailing CO<sub>2</sub> emissions reductions and progress on the construction of new mechanical cooling towers at

TVA's Browns Ferry nuclear plant. In addressing the final TVA Vision goal of energy efficiency, Mr. Kilgore announced completion of the 25,000th Energy Efficiency Audit and urged everyone to take advantage of the opportunity to have an audit done on their home.

Mr. Kilgore closed his report by providing a scorecard showing actual fiscal year to date results versus planned results with respect to rates, reliability, and responsibility.

Copies of the slides used in Mr. Kilgore's report are filed with the records of the Board as Exhibit 8/18/11A.

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### **11-03-3. Financial Report**

John Thomas, Chief Financial Officer, presented the Fiscal Year 2011 Financial Report. Mr. Thomas stated that sales had been higher than projected, primarily due to weather, and that while the volume of fuel use and purchased power had also been higher than projected, the unexpectedly high volume of purchasing had been more than offset by lower than projected fuel and purchased power prices. Mr. Thomas reported that spending had been higher than planned and identified operations and maintenance costs as the primary driver of that result, a fact he attributed largely to the unusually high number and length of nuclear outages as well as the costs of storm response and recovery efforts. Debt service, base capital spending, and spending on energy efficiency/demand response were all reported as slightly better than planned, but were more than offset by the higher than planned operations and maintenance spending. Mr. Thomas

then discussed TVA's cash flow noting that, as of the end of the fiscal year, a surplus in cash flow is projected which will be used to offset next year's planned expenditures.

Copies of the slides used in Mr. Thomas's report are filed with the records of the Board as Exhibit 8/18/11B.

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### **Old Business**

The Board approved the minutes of the meeting held April 14, 2011.

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### **New Business**

#### **11-03-4. Report of the Nuclear Oversight Committee**

Director Brown, Chairman of the Nuclear Oversight Committee, stated that at the last meeting the Board had asked management to provide a report on the safety of TVA's existing nuclear fleet in light of events in Fukushima, Japan. Director Brown reported the Committee received briefings weekly in the period immediately after those events, then moved to monthly briefings involving extensive discussions. She stated since the last Board meeting the Committee had met officially five times, on one occasion at TVA's Sequoyah Nuclear Plant where the Committee took a tour and spent the day observing a meeting of the Nuclear Safety Review Board. In addition, she reported that she and Director Sansom had visited the Nuclear Regulatory Commission, where they met with three commissioners and discussed their role in overseeing nuclear power in the Valley. In concluding her report, Director Brown stated the Committee

understands the public's desire to be reassured that TVA's nuclear fleet is safe and secure, and then asked Bill McCollum, TVA's Chief Operating Officer, to provide an overview on Nuclear Safety.

Mr. McCollum's overview addressed a wide range of safety issues, including a summary of TVA actions in response to the events at the Fukushima Daiichi plant, TVA's actions at the Browns Ferry Nuclear Plant in response to the April tornadoes, and a review of the valve failure at Brown's Ferry Unit 1 resulting in a red finding by the Nuclear Regulatory Commission and TVA's actions in response to that failure. McCollum also described the increasingly rigorous level of regulation of nuclear plants and gave information correcting any perceptions that the regulation of nuclear plants, including the relicensing process, is too lax. Mr. McCollum concluded by stating that the people who operate TVA's nuclear plants take their responsibility for safety very seriously and work every day to ensure continuous improvement and attention to safety because safety is TVA's first responsibility.

Copies of the slides used in Mr. McCollum's report are filed with the records of the Board as Exhibit 8/18/11C.

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#### **11-03-5. Report of the Finance, Rates, and Portfolio Committee**

Director Sansom, Chairman of the Finance, Rates, and Portfolio Committee, reported the Committee had spent recent meetings working on portfolio decisions in addition to the budget.

A presentation was requested and received from Kim Greene, Group President, Strategy and External Relations, regarding Minute Item Nos. 11-03-6, 11-03-7, 11-03-8, and 11-03-10.

Copies of the slides used in Ms. Greene's presentation are filed with the records of the Board as Exhibit 8/18/11D.

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**11-03-6. Sequoyah Relicensing**

The Board adopted the following resolution as recommended in a memorandum from the Chief Operating Officer dated July 21, 2011, and filed with the records of the Board as Exhibit 8/18/11E:

WHEREAS TVA currently operates Units 1 and 2 of the Sequoyah Nuclear Plant in Soddy Daisy, Tennessee; and

WHEREAS Sequoyah Unit 1 received a license from the Nuclear Regulatory Commission (NRC) to operate for a 40-year period beginning on August 17, 1980, and will reach the end of this term on August 17, 2020; and

WHEREAS Sequoyah Unit 2 received a license from the NRC to operate for a 40-year period beginning on August 15, 1981, and will reach the end of this term on August 15, 2021; and

WHEREAS the two Sequoyah nuclear units provide 2,274 MW of carbon-free emission energy generation capability to TVA's electricity generation portfolio; and

WHEREAS in June 2011, TVA completed a Supplemental Environmental Impact Statement (SEIS) updating previous environmental reviews and considering a number of alternatives to extending the operating licenses for the Sequoyah nuclear units including various sources of baseload generation, nuclear and non-nuclear, and alternative energy sources requiring and not requiring new generating capacity, that identified Sequoyah Nuclear Units 1 and 2 License Renewal as the preferred alternative; and

WHEREAS TVA desires to extend the operation of the Sequoyah units to maximize the use of existing assets and support TVA's vision of being one of the nation's leading providers of low-cost and cleaner energy;

BE IT RESOLVED, That the Board approves proceeding with an application to extend the operating licenses for Sequoyah Units 1 and 2 for an additional 20 years and authorizes the CEO to take such actions as necessary to accomplish NRC approval of this license extension application.

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#### **11-03-7. Environmental Controls at Allen and Gallatin Fossil Plants**

The Board adopted the following resolution:

WHEREAS in August 2010 the Board affirmed TVA's commitment to its statutory mission and set forth its vision to be one of the Nation's leading providers of low-cost and cleaner energy by 2020, including the objective of leading the Nation in improved air quality; and

WHEREAS TVA initiated a portfolio optimization study that concluded that the installation of dry scrubbers, baghouses, and associated equipment at the Allen Fossil Plant (collectively, the ALF Project) and dry scrubbers, baghouses, a selective catalytic reduction system, and associated equipment at the Gallatin Fossil Plant (collectively, the GAF Project) would assist TVA in fulfilling its air quality goals and commitments while also serving the TVA goals of meeting electricity demand, minimizing costs to TVA customers, and maintaining reliability; and

WHEREAS, the Projects will lower the current emission levels of sulfur dioxide, nitrogen oxides, and acid gases, as well as particulate matter, mercury and other metals, and organics from the two fossil plants to meet the emission limits of emerging regulatory requirements and enable TVA to utilize these assets to serve customers reliably and in a manner that keeps rates as low as feasible; and

WHEREAS based on the foregoing and on other justifications set forth by TVA management in its presentation of this item to the Board, TVA management has recommended that the Board approve the ALF Project and the GAF Project; and

WHEREAS should the Board approve the ALF Project and the GAF Project, the Projects would constitute a Board approved project or activity under ***TVA Board Practice Standard Format for Approval of Delegations of Authority*** (the "Practice") and the Chief Executive Officer (CEO) would have the authority, pursuant to the Practice, to enter into such contracts and take



such actions as are necessary to implement the ALF Project and the GAF Project, provided that such actions are within the project scope and budget approved by the Board;

BE IT RESOLVED, That the Board approves the ALF Project, with a budget of up to \$650 million, and approves the GAF Project, with a budget of up to \$1.1 billion, and recognizes, pursuant to the Practice, that the CEO has the authority to take such actions, including the execution of such agreements and other instruments as may be necessary to implement the ALF Project and the GAF Project within the scope and budget approved by the Board;

RESOLVED further, That implementation of this Board action will be subject to satisfactory completion of all required environmental reviews under the National Environmental Policy Act and other applicable environmental reviews.

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#### **11-03-8. Magnolia Combined Cycle Plant**

The Board adopted the following resolution:

WHEREAS TVA has negotiated and entered into a facility purchase agreement with Magnolia Energy, L.P., and Kelson Limited Partnership, which are wholly-owned subsidiaries of Kelson Energy, Inc., to acquire the Magnolia Combined Cycle Electricity Generating Facility (“Magnolia”) located in Benton County, Mississippi, for a purchase price of Four Hundred Thirty-Six Million Dollars (\$436,000,000) (the “Purchase Price”), subject to completion of certain conditions to closing, including receipt by the seller of final Federal Energy Regulatory Commission approval and approval of the Board of Directors of TVA, among other customary conditions to closing and representations, warranties, and covenants between the parties; and

WHEREAS following the closing of the acquisition of Magnolia, it is anticipated that capital and improvement-related expenditures for Magnolia will average approximately Twenty-Five Million Dollars (\$25,000,000) per year in fiscal years 2012 through 2014 (the acquisition of Magnolia for the Purchase Price and the aforesaid capital and improvement-related expenditures are hereinafter referred to collectively as the “Magnolia Acquisition”); and

WHEREAS based on the justifications set forth by TVA management in its presentation of this item to the Board, TVA management has recommended that the Board approve the Magnolia Acquisition; and

WHEREAS should the Board approve the Magnolia Acquisition, the Magnolia Acquisition would constitute a Board approved project or activity under ***TVA Board Practice Standard***

**Format for Approval of Delegations of Authority** (the “Practice”) and the Chief Executive Officer (CEO) would have the authority, pursuant to the Practice, to enter into such contracts and take such actions as are necessary to implement the Magnolia Acquisition, provided that such actions are within the project scope and budget approved by the Board;

BE IT RESOLVED, That the Board approves the Magnolia Acquisition, and recognizes, pursuant to the Practice, that the CEO has the authority to take such actions, including the execution of such agreements, bills of sale and assignment and assumption agreements, warranty deeds, documents, and other instruments, as may be necessary to implement the Magnolia Acquisition within the scope and budget approved by the Board.

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**11-03-9. Joint Report of the Nuclear Oversight Committee and the Finance, Rates, and Portfolio Committee**

Director Sansom reported that the Finance, Rates, and Portfolio Committee and the Nuclear Oversight Committee had worked together, including holding joint meetings, to review the proposed completion of licensing and construction of Bellefonte Unit 1. He then requested and received a presentation from Bill McCollum, Chief Operating Officer, regarding Minute Item No. 11-03-10. In addition to Mr. McCollum’s presentation, the Board heard assessments of the proposed action from the Nuclear Oversight Committee’s outside experts, Barney Beasley and Sam Collins.

Copies of the slides used in Mr. McCollum’s presentation are filed with the records of the Board as Exhibit 8/18/11F.

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**11-03-10. Bellefonte Nuclear Plant**

The Board adopted the following resolution incorporating an amendment (relating to resumption of construction activities not proceeding until initial fuel loading at Watts Bar Unit 2 has been accomplished) adopted by the Board at the request of Director Duncan made during the instant meeting:

WHEREAS at TVA's request, the construction permits for Bellefonte Units 1 and 2 were reinstated by the Nuclear Regulatory Commission in March 2009; and

WHEREAS in May 2010, TVA completed a Supplemental Environmental Impact Statement (SEIS) that updated previous environmental reviews, which considered a number of alternatives to constructing Bellefonte Unit 1 (BLN1), including various sources of baseload generation, nuclear and non-nuclear, and alternative energy sources, requiring and not requiring new generating capacity, that identified completing and operating BLN1 as the preferred alternative; and

WHEREAS in August 2010, as part of the fiscal year (FY) 2011 budget, the Board approved a budget request in the amount of \$248 million for BLN1 which included funding for initial engineering and design, development of a regulatory framework, asset preservation and facilities preparation, and procurement of long-lead components (collectively, the Initial Workslope) but specifically reserved its ability to determine whether to proceed with construction and completion of BLN1 following the completion of TVA's Integrated Resource Planning (IRP) process; and

WHEREAS TVA's IRP process was completed in March 2011 and its results, which were accepted by the Board in April 2011, included a recommended planning direction calling for an increase in the amount of nuclear generation capacity on the TVA system, and the completion and commencement of commercial operation of BLN1 is consistent with and supports the IRP's planning direction to add such generation in the 2018 to 2020 timeframe; and

WHEREAS in March 2011, there occurred a number of earthquake- and tsunami-related events affecting several of Japan's reactors that delayed staff's recommendation of whether to proceed with final project authorization for BLN1 while the impacts of such events were evaluated; and

WHEREAS in May 2011, TVA completed a review of the earthquake- and tsunami-related events in Japan that confirmed the ability of the current BLN1 design to withstand such events and that also identified certain mitigation measures and strategies that can be incorporated into

the BLN1 design to further protect the plant and increase its ability to deal with beyond design basis events; and

WHEREAS completion of construction and operation of BLN1 has been determined to be the most advantageous and cost-effective means of adding additional baseload capacity to meet the future energy needs of the Tennessee Valley and help TVA achieve its vision of being one of the nation's leading providers of low-cost and cleaner energy by 2020; and

WHEREAS a memorandum from the Chief Operating Officer, dated August 16, 2011, a copy of which is filed with the records of the Board as Exhibit 8/18/11G (Memorandum), recommends that the Board authorize completing licensing, construction, and placing BLN1 into commercial operation (collectively, the Project) with a total cost for completion of the Project by 2020 not exceeding \$4,900,000,000, excluding transmission system upgrades other than system interconnect costs, cash costs associated with initial fuel load, and interest costs during the construction period, including amounts previously authorized by the Board; and

WHEREAS the Board, as TVA's regulator, wants to make certain decisions about the use of regulatory accounting in connection with its decision to complete the licensing and construction of BLN1; and

WHEREAS the Finance, Rates, and Portfolio Committee has reviewed the proposal to authorize the Project in light of information provided by TVA management, including the proposed costs and schedule and the need for future generation, and the Committee recommends approval of this resolution to the full Board; and

WHEREAS the Nuclear Oversight Committee has reviewed the proposal to authorize the Project in light of information provided by TVA management and external independent advisors to the Board, including information about nuclear safety as well as regulatory and licensing requirements and associated risks, and the Committee recommends approval of this resolution to the full Board;

BE IT RESOLVED, That the Board approves proceeding with the Project to complete licensing, construction, and placing BLN1 into commercial operation at a total Project cost not exceeding \$4,900,000,000, and authorizes the CEO to enter into such contracts and take such actions as are necessary to implement the Project within budgetary limitations;

RESOLVED further, That the resumption of construction activities associated with the Project, as those activities are addressed in the 120-day notice provision of the Nuclear Regulatory Commission's Policy Statement on Deferred Plants, shall not take place until the initial loading of fuel at Watts Bar Unit 2 has been accomplished;

RESOLVED further, That in addition to oversight provided by Board committee(s) having responsibility for such matters, the Board shall be presented, at least annually, with a report on

the progress of the Project, which shall include but not be limited to a description of Project activities completed in relation to plan, including specifically those associated with licensing, budget, and schedule performance and any safety-related considerations;

RESOLVED further, That the Board makes the following determinations with respect to the use of regulatory accounting in connection with its decision to complete the licensing and construction of BLN1:

The preliminary survey and investigation costs incurred in FY2011 and deferred as a regulatory asset will be transferred to construction work in progress accounts upon approval of the Project,

Costs incurred during the previous work to construct BLN1 that will continue to have value in connection with the new work to complete the licensing and construction of BLN1 will be transferred from a regulatory asset to construction work in progress accounts upon completion of the Project, and

Training costs associated with completing the licensing and construction of BLN1 shall be deferred as a regulatory asset and amortized over the life of the completed plant.

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**11-03-11. Continuation of Finance, Rates, and Portfolio Committee**

Director Sansom requested and received presentations from John Thomas, Chief Financial Officer, (Minute Item Nos. 11-03-12 and 11-03-13) and John Hoskins, Senior Vice President and Treasurer, (Minute Item No. 11-03-14). Director Sansom made a brief presentation himself with regard to Minute Item No. 11-03-15.

Copies of the slides used in Mr. Thomas' presentation are filed with the records of the Board as Exhibit 8/18/11H. Copies of the slides used in Mr. Hoskins' presentation are filed with the records of the Board as Exhibit 8/18/11I.

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**11-03-12. Fiscal Year 2012 Budget and Business Plan**

The Board adopted the following resolution:

WHEREAS a memorandum from the Chief Financial Officer, dated August 16, 2011 (Memorandum), a copy of which is filed with the records of the Board as Exhibit 8/18/11J, recommends the approval of the proposed Fiscal Year (FY) 2012 budget and certain related items as described in the Memorandum; and

WHEREAS the Memorandum lists in Attachment 3 capital projects that exceed \$50 million; and

WHEREAS approval of the capital projects in Attachment 3 is subject to satisfactory completion of required environmental reviews; and

WHEREAS the Memorandum lists in Attachment 5 projects requiring land acquisition and recommends that the Board of Directors approve acquiring the land rights associated with these projects, including acquiring the land rights through condemnation, contingent upon the Chief Executive Officer's approval for those projects for which such approval is required or upon such further review of any individual actions which the Board of Directors may subsequently require; and

WHEREAS the Memorandum's Attachment 6 is the FY 2012 Fuel, Purchased Power, and Contracting Plan and the Memorandum recommends that the Board of Directors approve the plan; and

WHEREAS the Memorandum recommends that TVA continue to account for certain regulatory accounting matters as it did in FY 2011; and

WHEREAS the Memorandum recommends that the Board of Directors, in accordance with section 26 of the TVA Act, approve retaining for use in the operation of the TVA power system the entire margin of net power proceeds remaining at the conclusion of FY 2012; and

WHEREAS the Memorandum recommends that the Board of Directors authorize the Chief Executive Officer to approve TVA making a discretionary contribution of up to \$300 million to the Tennessee Valley Authority Retirement System (TVARS) for FY 2012 upon such terms as the Chief Executive Officer may approve, subject to review by members of the Finance, Rates, and Portfolio Committee, provided such contribution is to be credited by TVARS, in the same manner as the FY 2010 contribution, to its Accumulation Account and not to its Excess COLA Account; and

WHEREAS the Memorandum recommends that it would be administratively efficient for the Board to delegate to the Chief Executive Officer the authority to appoint, upon the recommendation of the Chief Financial Officer, individuals to serve as Assistant Treasurers as long as there are no more than two Assistant Treasurers serving at any one time, which authority would be exercised only after the Finance, Rates, and Portfolio Committee of the Board, or successor committee, has been informed of the proposed appointment; and

WHEREAS the Memorandum recommends that the Board of Directors authorize TVA to enter into up to \$4,400,000,000 of alternative financing arrangements that may include, but are not limited to, lease, lease-purchase, power purchase, or similar agreements involving new generation facilities, or new assets that are substantially related to existing facilities such as clean air equipment, as well as electricity prepayment transactions;

BE IT RESOLVED, That the Board of Directors hereby approves the FY 2012 budget as described in the Memorandum;

RESOLVED further, That the Board of Directors approves acquiring the land rights associated with the capital projects listed in the Memorandum's Attachment 5, including acquiring the land rights through condemnation, contingent upon the Chief Executive Officer's approval for those projects for which such approval is required or upon such further review of any individual actions which the Board may subsequently require;

RESOLVED further, That the Board of Directors approves the FY 2012 Fuel, Purchased Power, and Contracting Plan;

RESOLVED further, That the Board of Directors approves that TVA continue to account for the regulatory accounting matters described in the Memorandum as it did in FY 2011;

RESOLVED further, That, in accordance with section 26 of the TVA Act, the Board of Directors approves retaining the entire margin of net power proceeds remaining at the conclusion of FY 2012 for use in the operation of the TVA power system;

RESOLVED further, That the Board of Directors authorizes the Chief Executive Officer to approve TVA making a discretionary contribution of up to \$300 million to TVARS for FY 2012 upon such terms as the Chief Executive Officer may approve, subject to review by members of the Finance, Rates, and Portfolio Committee, provided such contribution is to be credited by TVARS, in the same manner as the FY 2010 contribution, to its Accumulation Account and not to its Excess COLA Account;

RESOLVED further, That the Board of Directors hereby delegates to the Chief Executive Officer the authority to appoint, upon the recommendation of the Chief Financial Officer, individuals to serve as Assistant Treasurers as long as there are no more than two Assistant Treasurers serving at any one time, which authority would be exercised only after the Finance,

Rates, and Portfolio Committee of the Board, or successor committee, has been informed of the proposed appointment;

RESOLVED further, That the Board of Directors hereby authorizes TVA to enter into up to \$4,400,000,000 of alternative financing arrangements, including but not limited to lease, lease-purchase, power purchase, and similar agreements involving new generation facilities, or new assets that are substantially related to existing facilities such as clean air equipment, as well as electricity prepayments, which arrangements and related authorizations are described in more detail below, as long as on or prior to September 30, 2012, (1) the Finance, Rates, and Portfolio Committee is notified of the arrangement and (2) both the Chief Executive Officer and the Chief Financial Officer approve entering into the arrangement:

The lease-purchase financing arrangements may include, but are not limited to, transactions whereby TVA sells new generation facilities or portions thereof, or new assets that are substantially related to existing facilities, to third-party lessor(s) and TVA leases such assets from such third-party lessor(s) for a term upon the expiration of which such facility or asset may be returned to TVA; in connection therewith, TVA may also enter into construction agreements pursuant to which TVA may agree to complete construction and start-up and test such facilities or assets for a fixed or capped price, or on a cost, cost-plus, or other basis, and by deadlines to be agreed under such agreements; the lease-purchase arrangements may also contain terms, conditions, and covenants related to the ownership, operation, and maintenance of such facility or assets as well as events of default and remedies during the term thereof; such lease purchase may also include provisions related to early buyout, end-of-term purchase options, and termination purchase options upon the occurrence of various events at a price that may be pre-determined or may be the fair-market value or other value at such time as TVA may agree; TVA's rent payments under such lease purchase financing agreements may be fixed or variable and may be in amounts sufficient to cover any debt service or equity returns of such third-party lessor(s); and such lease-purchase financing arrangements may contain such other terms and conditions as may be appropriate for such transactions at such time;

The lease, lease-lease, and sale-lease financing arrangements may include, but are not limited to, transactions whereby TVA leases or sells a generation facility or portion thereof, or new assets that are substantially related to existing facilities, to third-party lessor(s) for value and leases such facilities or assets from such lessor(s) for a term that may be for a period less than the expected useful life of the facility or asset; in connection therewith, TVA may also enter into construction agreements pursuant to which TVA may agree to complete construction and start-up and test such facilities or assets for a fixed or capped price, or on a cost, cost-plus, or other basis, and by deadlines to be agreed under such agreements; such arrangements may contain terms, conditions, and covenants related to the ownership, operation, and maintenance of such facility or assets as well as events of default and remedies; such arrangements may also include provisions related to



early buyout, end-of-term purchase options, and termination purchase options upon the occurrence of various events at a price that may be pre-determined or may be the fair-market value or other value at such time as TVA may agree; TVA may agree under such arrangements to pay periodic rent and any payments related to repurchase of the facility or asset and other amounts as may be provided therein; and such arrangements may contain such other terms and conditions as may be appropriate for such transactions at such time;

The alternative power purchase arrangements may include, but are not limited to, transactions whereby TVA sells new generation facilities or portions thereof to a third party, including sales of in-service facilities pursuant to options granted during construction or operation, and TVA purchases the output thereof on terms that may require TVA to make fixed or variable payments, which payments may be based on cost of service or otherwise, and may be payable without regard to whether such facilities are completed, operating, or operable; in connection therewith, TVA may also enter into construction agreements pursuant to which TVA may agree to complete construction and start-up and test such facilities or assets for a fixed or capped price, or on a cost, cost-plus, or other basis, and by deadlines to be agreed under such agreements; such power purchase arrangements may also contain terms, conditions, and covenants related to the ownership, operation, and maintenance of such facility or assets as well as events of default and remedies; such power purchase arrangements may also include provisions related to early buyout, end of term purchase options, and termination purchase options upon the occurrence of various events at a price that may be pre-determined or may be the fair-market value or other value at such time as TVA may agree; and such power purchase arrangements may be executed in combination with other lease-purchase or lease financing arrangements in connection therewith;

The electricity prepayments may include, but are not limited to, transactions whereby customers of TVA power prepay TVA for certain electricity costs in exchange for reductions in the price that the customers pay TVA for electricity in the future, which reductions may be reflected as a credit or a discount on the customers' bill or otherwise and may be in amounts and for periods of time as agreed upon by TVA and the customers; in connection therewith, TVA may enter into commitment agreements, amend power contracts, and enter into other appropriate contractual arrangements; and such arrangements may contain such terms and conditions as may be appropriate for such transactions at such time;

The Board of Directors believes it is desirable for TVA to enter into such alternative financing arrangements, and that, subject to the other provisions of this Resolution, the grant by the Board of Directors of authority for TVA to enter into alternative financing transactions should be construed broadly to permit TVA to enter into the alternative financing transactions in amounts and as described in this Resolution or any similar transactions (including master financing facilities utilizing any one or more of these

alternative financing arrangements) on such terms and conditions as market conditions dictate at the time of such financings; provided, however, that the Chief Financial Officer shall notify the Finance, Rates, and Portfolio Committee before entering into any such alternative financing arrangements and shall keep said Committee informed about any such arrangements through periodic reports to the Committee;

The Chief Financial Officer, the Treasurer, and their respective duly authorized representatives, or any one or more of them, are hereby authorized, individually or jointly, to (1) engage advisors, appraisers, and independent engineers; (2) select equity investors and underwriters; (3) arrange for the listing of any lease debt; (4) approve offering materials; (5) execute term sheets; (6) execute transaction documents; and (7) make applications and filings in connection with the alternative financing arrangements;

The Chief Financial Officer, the Treasurer, and their respective duly authorized representatives, or any one or more of them, are hereby authorized, individually or jointly, to hedge interest rate risk in connection with entering into up to \$4,400,000,000 of alternative financing arrangements using swaps, options, futures, or Treasury locks, or any combination of these instruments, as long as these instruments are standard in the industry and as long as on or prior to September 30, 2012, (1) the Finance, Rates, and Portfolio Committee is notified of the hedge and (2) both the Chief Executive Officer and the Chief Financial Officer approve entering into the hedge;

The Chief Financial Officer, the Treasurer, the Controller, the General Counsel, and the Assistant General Counsel for Finance, and their respective duly authorized representatives, or any one or more of them, are hereby authorized to execute and deliver, separately or jointly, and under the seal of TVA, or otherwise as may be required, all other such instruments, documents, and certificates, receive and make all such payments, and do all such other acts and things as in their opinion or in the opinion of any of them may be necessary or appropriate in order to complete the alternative financing arrangements.

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### **11-03-13. Rate Adjustment**

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, setting forth the adjustments that TVA determines are needed to assure (i) revenues to TVA adequate to meet TVA Act requirements and bond requirements and (ii) revenues to distributors adequate to compensate distributors for changes in wholesale power cost resulting from adjustments to the wholesale rate; 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 accordance with the rate review provisions of the wholesale Power Contracts, TVA staff has met with distributor representatives, as well as representatives of directly served customers, to review pertinent data concerning the current and anticipated conditions and costs affecting TVA's operations and the adequacy of its revenues from both wholesale and other power customers to meet the requirements of the TVA Act and the tests and provisions of TVA's bond resolutions; and

WHEREAS such data demonstrates a need for a rate increase sufficient to produce an additional \$234 million during TVA fiscal year 2012;

BE IT RESOLVED, That the Board of Directors hereby approves the proposed Adjustment Addendum filed with the records of the Board as Exhibit 8/18/11K to be effective for bills rendered from meter readings taken for TVA and distributor monthly billing cycles scheduled to begin on or after October 1, 2011, which Adjustment Addendum incorporates the needed adjustments to the wholesale rate schedules and the schedules of customers served directly by TVA to reflect an across the board increase in the wholesale base rates designed to produce an additional \$234 million during TVA fiscal year 2012;

RESOLVED further, That TVA the Senior Vice President, Commercial Operations and Pricing, or his designee, is authorized and directed to calculate the retail adjustment amounts needed for each distributor's Adjustment Addendum as described in said Exhibit 8/18/11K;

RESOLVED further, That the Senior Vice President, Commercial Operations and Pricing, or his designee, is further authorized and directed to publish the Adjustment Addendum to each distributor and to each directly served customer;

RESOLVED further, That the Senior Vice President, Commercial Operations and Pricing, or his designee, is further authorized to calculate the Revenue Change Amount applicable under TVA's Power Contract with Memphis Light, Gas & Water Division and the City of Memphis and is directed to provide the same to said distributor in accordance with the requirements of that Power Contract;

RESOLVED further, That where a distributor revenue month does not coincide with TVA's revenue month, the Senior Vice President, Commercial Operations and Pricing, or his designee, is authorized to enter into arrangements, upon request by such a distributor, to better align the effective date of the distributor resale rate adjustments with the effective date for the wholesale adjustments.

\* \* \*

**11-03-14. Fiscal Year 2012 Financial Bond Issuance Authority**

The Board adopted the following resolutions as recommended in a memorandum from the Chief Financial Officer dated August 2, 2011, and filed with the records of the Board as Exhibit 8/18/11L:

Resolution #1

PROPOSED SUPPLEMENTAL RESOLUTION  
AUTHORIZING THE ISSUANCE OF UP TO \$4,400,000,000 OF  
TENNESSEE VALLEY AUTHORITY  
POWER BONDS

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BE IT RESOLVED by the Board of Directors of the Tennessee Valley Authority (the "Corporation") as follows:

ARTICLE I

AUTHORITY, DEFINITIONS, AND STATUS

SECTION 1.1. Authority. This Supplemental Resolution is adopted, and the Bonds to be issued hereunder are authorized, pursuant to the provisions of (i) the Tennessee

Valley Authority Act of 1933, as amended, and (ii) the Basic Tennessee Valley Authority Power Bond Resolution adopted by the Corporation on October 6, 1960, as amended by an Amendatory Resolution on September 28, 1976, and by the Second Amendatory Resolution and the Third Amendatory Resolution on October 17, 1989, and by the Fourth Amendatory Resolution on March 25, 1992 (as so amended, the “Resolution”). The Bonds issued pursuant to this Supplemental Resolution may be issued as Book-Entry Bonds in accordance with the Book-Entry Procedures and a Fiscal Agency Agreement (the “Fiscal Agency Agreement”) dated as of October 7, 1997, between the Corporation and the Federal Reserve Banks, as fiscal agents (together, the “Fiscal Agent”), or such Bonds may be issued as Certificated Bonds, and such Certificated Bonds shall be executed on behalf of TVA by a Designated Officer (as defined in Section 2.2 of this Supplemental Resolution)—or such officer’s duly authorized representative—whose signature may be manual or facsimile.

SECTION 1.2. Definitions. All terms which are defined in the Resolution shall have the same meanings in this Supplemental Resolution. The term “New Power Bonds” shall mean the Bonds authorized by this Supplemental Resolution.

SECTION 1.3. Supplemental Resolution to Constitute a Contract. In consideration of the purchase and acceptance of the New Power Bonds by those who shall hold them from time to time, this Supplemental Resolution, including all terms and conditions set out in the Officer’s Certificate as described in Section 2.1 below, shall constitute a contract between them and the Corporation. The covenants and agreements of the Corporation contained in this Supplemental Resolution shall be for the equal benefit, protection, and security of all holders of New Power Bonds.

## ARTICLE II

### AUTHORIZATION OF NEW POWER BONDS

SECTION 2.1. Principal Amount, Establishment of Terms. There is hereby authorized for the purpose of providing capital for the Corporation in order to assist in financing the Corporation’s Power Program (including refunding of Evidences of Indebtedness issued for such purposes) one or more series of New Power Bonds in the aggregate principal amount of up to \$4,400,000,000. The New Power Bonds must be issued on or before September 30, 2012, and may be (1) issued as Book-Entry Bonds, and the Book-Entry Procedures shall be applicable thereto, or (2) issued as Certificated Bonds. Each series of New Power Bonds will be denominated in United States dollars. The terms and conditions of the New Power Bonds of each series shall be established in accordance with the provisions of Section 2.2 of this Supplemental Resolution, and set forth in an Officer’s Certificate, prior to the issuance of New Power Bonds of each series. Such terms and conditions of the New Power Bonds of each series, subject to any limitation set out in this Supplemental Resolution, may include:

- (1) the title of the New Power Bonds of such series (which shall distinguish the New Power Bonds of such series from Bonds of all other series);
- (2) the aggregate principal amount of the New Power Bonds of such series which may be issued and delivered pursuant to this Supplemental Resolution;
- (3) the date or dates on which the principal of the New Power Bonds of such series is payable;
- (4) the rate or rates at which the New Power Bonds of such series shall bear interest or the method by which such rate or rates shall be determined, whether the rate shall be fixed or floating, the date from which such interest shall accrue, and the interest payment dates on which such interest shall be payable;
- (5) in the case of Certificated Bonds, designation of any paying agent, listing agent, or transfer agent therefore (which may be the Corporation);
- (6) in the case of Certificated Bonds, the form and method of issuance and transfer of any New Power Bonds of such series;
- (7) in the case of Certificated Bonds, the designation of a depository for the New Power Bonds of such series;
- (8) designation of the New Power Bonds of such series as Book-Entry Bonds or Certificated Bonds;
- (9) the period or periods within which, the price or prices at which, and the terms and conditions upon which New Power Bonds of such series may be redeemed at the option of the Corporation; and
- (10) any other terms or conditions of such series (which terms and conditions shall not be inconsistent with the provisions of the Resolution or this Supplemental Resolution).

All New Power Bonds of any one series shall be substantially identical except as to denomination and except as may otherwise be provided in or pursuant to this Supplemental Resolution and set forth in such Officer's Certificate.

The terms and conditions of each series of New Power Bonds shall be established as provided in Section 2.2 of this Supplemental Resolution. In the case of Certificated Bonds, the New Power Bonds of such series shall be substantially in the form established by the Designated Officer in the Officer's Certificate.

SECTION 2.2. Designated Officers. (a) The terms and conditions of each series of New Power Bonds shall be established by a designated officer of the Corporation (the “Designated Officer”) appointed by this Supplemental Resolution and shall be set forth in an Officer’s Certificate executed by the Designated Officer.

(b) The Designated Officers are the Chief Financial Officer and the Treasurer of the Corporation. Either of the Designated Officers is authorized to exercise any of the power and authority delegated herein to the Designated Officers.

(c) A Designated Officer may at any time prior to September 30, 2012, specify and determine the terms and conditions of the New Power Bonds of one or more series to be issued under this Supplemental Resolution and the terms and conditions of the sale of such New Power Bonds as permitted to be specified in Section 2.1 of this Supplemental Resolution, provided that:

(i) the aggregate principal amount of all New Power Bonds of all series issued hereunder prior to September 30, 2012, shall not exceed \$4,400,000,000 (including any New Power Bonds of any series issued in future installments pursuant to Section 2.3 of this Supplemental Resolution);

(ii) the Maturity Date (the date on which the principal and any accrued and unpaid interest shall be due on any such series of Bonds issued hereunder) of the New Power Bonds of each series shall not be more than 50 years from the date of issuance thereof; and

(iii) the maximum effective interest cost on the New Power Bonds of each series having fixed interest rates shall not exceed 8 percent per annum, and the sale price of the New Power Bonds of each series shall not be less than 90 percent of the principal amount.

(d) The Designated Officers are authorized, separately or jointly, in the name and on behalf of the Corporation, to take any and all such actions and to do, or authorize to be done, all such things as the Designated Officers may deem necessary or appropriate to effectuate the issuance and sale of New Power Bonds under this Supplemental Resolution including, but not limited to, amending this Supplemental Resolution for the purpose of issuing a future installment of New Power Bonds as set forth in Section 2.3 hereof.

SECTION 2.3. New Power Bonds Issuable in Installments. Notwithstanding any limitations established pursuant to Sections 2.1 and 2.2 of this Supplemental Resolution relating to the aggregate principal amount of any series of New Power Bonds or the date by which New Power Bonds must be issued, New Power Bonds of each series may be issued in one or more future installments of such series as determined to be appropriate by a Designated Officer, and, if so provided in an amendment (which amendment, pursuant to Section 7.2(d) of the Resolution, shall not require the consent of holders of Bonds and, if within the then-

current authorization of the Board of Directors of the Corporation (“Board”) for principal amount and time of issuance, shall not require approval of the Board) to this Supplemental Resolution, the aggregate principal amount of such future installments, together with all series initially issued hereunder, may exceed \$4,400,000,000 and the future installments may be issued after September 30, 2012. New Power Bonds of any series issued in future installments shall be identical in all respects with New Power Bonds of such series initially issued pursuant to Sections 2.1 and 2.2 of this Supplemental Resolution (with any appropriate related changes, including changes in the issue date, issue price, and interest commencement date).

SECTION 2.4. Interest, Maturity, and Place of Payment. Payments of principal (and premium, if any) and interest on the New Power Bonds will be made on the applicable payment dates to holders of the New Power Bonds (as described in Section 9.8 of the Resolution), which are holders as of the close of business on the Business Day preceding such payment dates, by credit of the payment amount to holders’ accounts at the Federal Reserve Banks in accordance with the Book-Entry Procedures in the case of Book-Entry Bonds, unless otherwise specified in the Officer’s Certificate. Such payments for Certificated Bonds shall be made in the manner described in the Officer’s Certificate. Interest payable on New Power Bonds of each series shall be computed on the basis of a 360-day year of twelve 30-day months, unless otherwise specified in the Officer’s Certificate.

In any case in which an interest payment date, redemption date, or the Maturity Date is not a Business Day, payment of interest or principal (and premium, if any), as the case may be, shall be made on the next succeeding Business Day with the same force and effect as if made on such interest payment date, redemption date, or the Maturity Date, unless otherwise specified in the Officer’s Certificate. The term “Business Day” shall mean any day other than (i) a Saturday or Sunday or (ii) a day on which banking institutions in New York City are authorized or required by law or executive order to be closed, unless otherwise specified in the Officer’s Certificate.

### ARTICLE III

#### DESCRIPTION OF NEW POWER BONDS

SECTION 3.1. General Description. In the case of Book-Entry Bonds, the New Power Bonds of each series will be issued and maintained and shall be transferable and exchangeable only in accordance with the Book-Entry Procedures on the book-entry system of the Federal Reserve Banks in minimum principal amounts set forth in the Officer’s Certificate for such series of New Power Bonds. Except as otherwise permitted in the Officer’s Certificate referred to in Section 2.1 above, in the case of Certificated Bonds, the New Power Bonds of each series may be issued, may be maintained, and may be transferable and exchangeable in accordance with the procedures of the depository, if any, named in the



Officer's Certificate referred to in Section 2.1 above or as otherwise provided in such Officer's Certificate. The New Power Bonds of each series will not be obligations of, nor will payment of the principal thereof or interest thereon be guaranteed by, the United States of America. Such principal and interest will be payable solely from the Corporation's Net Power Proceeds.

SECTION 3.2.  Holders of New Power Bonds . The New Power Bonds of each series may, in the case of Book-Entry Bonds, be held of record only by depository institutions (as such term is defined in the Book-Entry Procedures). The New Power Bonds of each series may, in the case of Certificated Bonds, be held of record only by the depository designated in the Officer's Certificate or as otherwise provided in the Officer's Certificate. Such entities shall be deemed to be the holders of the New Power Bonds for all purposes of the Resolution and this Supplemental Resolution.

SECTION 3.3.  Recital . The New Power Bonds of each series shall be issued, and shall be deemed to contain a recital that they are issued, pursuant to Section 15d of the Act.

SECTION 3.4.  Global Securities . In the case of Certificated Bonds, the New Power Bonds of such series may be represented by one or more global securities ("Global Securities") registered in the name of a depository nominee for the accounts of participants. Such Global Security or Securities of each series shall be delivered to such depository (the "Depository"), or a nominee or custodian thereof. Arrangements for any such Global Security or Securities will be as provided for in the Officer's Certificate referred to in Section 2.1 of this Supplemental Resolution.

SECTION 3.5.  Certificate of Authentication . In the case of Certificated Bonds, New Power Bonds, including any Global Securities representing such New Power Bonds, shall contain the following certificate of authentication:

This is one of the Tennessee Valley Authority Power Bonds described in the Basic Resolution and is a Tennessee Valley Authority Power Bond authorized by the Supplemental Resolution.

Tennessee Valley Authority

By \_\_\_\_\_  
Authorized Officer

SECTION 3.6. Transfer of New Power Bonds. In the case of Certificated Bonds, the New Power Bonds of such series issued may be transferred in such manner as described in the Officer's Certificate referred to in Section 2.1 of this Supplemental Resolution; provided, however, any such New Power Bonds may be transferred only for registered Certificated Bonds and may not be transferred for coupon Certificated Bonds.

#### ARTICLE IV

##### FISCAL AGENT

SECTION 4.1. Designation of Fiscal Agent. In the case of Book-Entry Bonds, the Federal Reserve Banks are hereby designated as Fiscal Agent for the New Power Bonds of each series, subject to all the provisions of the Book-Entry Procedures, the Resolution, and this Supplemental Resolution.

#### ARTICLE V

##### PUBLIC LAW NO. 105-62

SECTION 5.1. Public Law No. 105-62. Each holder of the New Power Bonds of each series, by such holder's acceptance thereof, shall thereby acknowledge and accept that, notwithstanding any language in the Resolution, any action that the Corporation may take pursuant to the paragraph captioned "TENNESSEE VALLEY AUTHORITY" in Title IV of the Energy and Water Development Appropriations Act, 1998, Pub. L. No. 105-62, 111 Stat. 1320, 1338 (1997) (such paragraph being hereinafter referred to as the "Appropriations Act Paragraph"), including, but not limited to, any use of revenues by the Corporation from its Power Program for "essential stewardship activities," as such term is used in the Appropriations Act Paragraph, shall not be considered an Event of Default or breach of any provision of the Resolution. The Appropriations Act Paragraph states:

For the purpose of carrying out the provisions of the Tennessee Valley Authority Act of 1933, as amended (16 U.S.C. ch. 12A), including hire, maintenance, and operation of aircraft, and purchase and hire of passenger motor vehicles, \$70,000,000, to remain available until expended, of which \$6,900,000 shall be available for operation, maintenance, surveillance, and improvement of Land Between the Lakes; and for essential stewardship activities for which appropriations were provided to the Tennessee Valley Authority in Public Law 104-206, such sums as are necessary in fiscal year 1999 and thereafter, to be derived only from one or more of the following sources: nonpower fund balances and collections; investment returns of the nonpower program; applied programmatic savings in the power and nonpower programs; savings from the suspension of bonuses and awards; savings from reductions in memberships and contributions; increases in collections resulting from nonpower activities, including user fees; or

increases in charges to private and public utilities both investor and cooperatively owned, as well as to direct load customers: *Provided*, That such funds are available to fund the stewardship activities under this paragraph, notwithstanding sections 11, 14, 15, 29, or other provisions of the Tennessee Valley Authority Act, as amended, or provisions of the TVA power bond covenants: *Provided further*, That the savings from, and revenue adjustments to, the TVA budget in fiscal year 1999 and thereafter shall be sufficient to fund the aforementioned stewardship activities such that the net spending authority and resulting outlays for these activities shall not exceed \$0 in fiscal year 1999 and thereafter.

\* \* \*

Resolution #2

RESOLVED, That in connection with the issuance of up to \$4,400,000,000 of Tennessee Valley Authority Power Bonds as authorized by a Supplemental Resolution adopted on August 18, 2011, the Board of Directors hereby approves the amendment of any previously issued Supplemental Resolution to permit the issuance of an additional installment of power bonds under such previously issued Supplemental Resolution and hereby authorizes the Chief Financial Officer and the Treasurer, separately or jointly, to execute any such amendment.

\* \* \*

Resolution #3

RESOLVED, That in connection with the issuance of up to \$4,400,000,000 of Tennessee Valley Authority Power Bonds as authorized by a Supplemental Resolution adopted on August 18, 2011 (the "Supplemental Resolution"), the Chief Financial Officer, the Treasurer, and their respective duly authorized representatives, or any one or more of them, are hereby authorized, individually or jointly, to (1) approve and execute underwriting agreements or subscription agreements with such underwriters or managers and incorporating such terms and conditions (not inconsistent with the Supplemental Resolution) as any such authorized individual may determine to be appropriate; (2) approve and issue invitations for bids for the purchase of bonds, accept and reject bids received, and execute any bond purchase contracts, incorporating such terms and conditions (not inconsistent with the Supplemental Resolution) as any such authorized individual may determine to be appropriate; (3) approve and execute documents for the listing of bonds authorized by the Supplemental Resolution on the New York Stock Exchange and other exchanges as any such authorized individual may determine to be appropriate; (4) in the case of Certificated Bonds, approve arrangements and execute documents for the issuance of bonds through the use of The Depository Trust Company or any

other depository that any such authorized individual may determine to be appropriate; (5) approve and execute any agreement with any paying agent, listing agent, global agent, or transfer agent as any such authorized individual may determine to be appropriate; (6) in the case of Certificated Bonds, execute and deliver bonds authorized by the Supplemental Resolution; and (7) approve and sign any offering circulars or any offering circular supplements or amendments as may be utilized in connection with the sale of any bonds authorized by the Supplemental Resolution;

RESOLVED further, That the Chief Financial Officer, the Treasurer, and their respective duly authorized representatives, or any one or more of them, are hereby authorized, individually or jointly, to hedge interest rate risk in connection with the issuance of up to \$4,400,000,000 of new bonds (even if the new bonds are not issued in fiscal year 2012) using swaps, options, futures, or Treasury locks, or any combination of these instruments, as long as these instruments are standard in the industry;

RESOLVED further, That the Chief Financial Officer, the Treasurer, the Controller, the General Counsel, and the Assistant General Counsel for Finance, and their respective duly authorized representatives, or any one or more of them, are hereby authorized to execute and deliver, separately or jointly, and under the seal of the Corporation, or otherwise as may be required, all other such instruments, documents, and certificates, receive and make all such payments, and do all such other acts and things as in their opinion or in the opinion of any of them may be necessary or appropriate in order to complete the issuance of Tennessee Valley Authority Power Bonds in the aggregate principal amount of up to the equivalent of \$4,400,000,000, in accordance with the Basic Tennessee Valley Authority Power Bond Resolution, the Supplemental Resolution, and any other resolutions relating thereto which may be adopted by the Board, and to hedge interest rate risk in connection with the issuance of up to \$4,400,000,000 of new bonds (even if the new bonds are not issued in fiscal year 2012).

\* \* \*

#### **11-03-15. Industrial Power Contracts**

The Board adopted the following resolutions:

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 July 15, 2011 (Confidential Memorandum), a copy of which is filed with the records of the Board as Exhibit 8/18/11M, 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.

\* \* \*

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 are negotiating arrangements for deferring some amounts of power made available under the existing power contract and extending the power contract through December 31, 2013; and

WHEREAS a confidential memorandum from the Group President, Strategy and External Relations, dated July 15, 2011 (Confidential Memorandum), a copy of which is filed with the records of the Board as Exhibit 8/18/11N, recommends that the Board authorize the Chief Executive Officer (CEO) to approve the power contract modification and extension described in the Confidential Memorandum;

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 authorizes the CEO to approve modification and extension of the power contract as described in the Confidential Memorandum.

\* \* \*

**11-03-16. Report of the People and Performance Committee**

Director Graves, Chairman of the People and Performance Committee, reported the Committee had met on June 30 and August 4, and had discussed a number of items, including the results of the TVA Cultural Health Survey. Director Graves stated the Committee is

encouraged by the efforts TVA is making to improve performance and health throughout the organization. He stated the Committee believes it is important for TVA to have a culture where employees feel free to raise issues and concerns, and where there is a shared vision for the future. Director Graves then requested and received a presentation from Janet Herrin, Executive Vice President, People and Performance, regarding Minute Item No. 11-03-17.

Copies of the slides used in Ms. Herrin's presentation are filed with the records of the Board as Exhibit 8/18/11O.

\* \* \*

**11-03-17. TVA Medical Plan Contract**

The Board adopted the following resolution:

WHEREAS TVA, as a part of the comprehensive benefits it provides for employees, provides health insurance and medical plans for eligible employees, retirees, and their dependents; and

WHEREAS TVA provides such benefits through self-insured health plans administered by a third-party medical plan administrator; and

WHEREAS a memorandum from the Executive Vice President, People and Performance, dated July 21, 2011, which is filed with the records of the Board as Exhibit 8/18/11P, recommends that the Board approve a new contract for medical plan administration services with BlueCross BlueShield of Tennessee, Inc., TVA's current medical plan administrator, for a five-year term from January 1, 2012, through December 31, 2016, with total estimated expenditures by TVA and health plan participants of \$904 million over the five-year term;

BE IT RESOLVED, That subject to any needed final negotiations, the Board approves the five-year contract with BlueCross BlueShield of Tennessee, Inc., for medical plan administration services as recommended in the July 21, 2011, memorandum from the Executive Vice President, People and Performance.

\* \* \*

Following adoption of the resolution, Director Graves stated that the Committee is currently working on a number of items for the next Board meeting, including review of the fiscal year 2011 incentive program and the annual compensation review. Director Graves stated the Committee would be making recommendations on these items at the November Board meeting.

\* \* \*

**11-03-18. Report of the Customer and External Relations Committee**

Director Duncan, Chairman of the Customer and External Relations Committee, reported that since the last Board meeting the Committee held a special teleconference meeting and also held a meeting in person, and looked at energy efficiency and progress on TVA's goal of becoming the Southeast's leader in energy efficiency. Director Duncan stated TVA is planning to hold a national meeting of energy efficiency experts in January 2012. In particular, he noted that the meeting will have a dedicated session for distributors and other interested groups to talk about energy efficiency in the Valley. Director Duncan then requested and received a presentation from Anda Ray, Senior Vice President, Environment and Technology, regarding Minute Item No. 11-03-19.

Copies of the slides used in Ms. Ray's presentation are filed with the records of the Board as Exhibit 8/18/11Q.

\* \* \*

**11-03-19. Natural Resource Plan**

The Board adopted the following resolution as recommended in a memorandum from the Chief Executive Officer dated July 22, 2011, and filed with the records of the Board as

Exhibit 8/18/11R:

WHEREAS the TVA Board of Directors (Board) adopted the Environmental Policy in 2008 with the objective to engage in proactive environmental stewardship in a balanced and ecologically sound manner; and

WHEREAS the Board reaffirmed in 2010 its vision for TVA to be one of the nation's leading providers of low-cost and cleaner energy by 2020, and one component of such vision is Responsibility, which encompasses the fulfillment of TVA's environmental stewardship mission; and

WHEREAS the TVA Land Policy, approved by the Board in 2006, states that TVA shall continue to develop reservoir land management plans for its reservoir properties with substantial public input and with approval of the Board; and

WHEREAS TVA has completed a Natural Resource Plan (NRP) to guide TVA's responsible management of natural resources over the next 20 years, addressing programs and activities in the areas of biological resources management, cultural resources management, water resources management, recreation management, and public engagement; and

WHEREAS the NRP also includes a Comprehensive Valleywide Land Plan that specifies the percentage of lands that will be allocated to each land use zone across TVA reservoirs as a whole during the reservoir lands planning process; and

WHEREAS the process used to develop the NRP was comprehensive and involved multiple opportunities for the public to contribute to and influence the NRP; and

WHEREAS TVA's Regional Resource Stewardship Council—a group which was created under the Federal Advisory Committee Act and represents a broad range of diverse views and interests, including recreational, environmental, industrial, business, consumer, educational, and community leadership interests—served as a stakeholder review group for the NRP to provide comments on and critique of analyses and process steps as the NRP was developed; and



WHEREAS the NRP prioritizes programs to ensure public health and safety issues are addressed, nonrenewable resources are protected, and existing assets are preserved; and

WHEREAS the NRP promotes collaboration and the formation of partnerships with state, local, and other federal agencies, nongovernmental organizations, Native American tribes, and distributors of TVA power to enhance natural resources management; and

WHEREAS the NRP delivers multiple benefits to TVA ratepayers and the public through the continuation of integrated river management leading to lower power rates, the use of public lands for recreation, the protection of natural and sensitive resources, and the support of economic development; and

WHEREAS the NRP programs are funded from power revenues and other sources such as fees, rents from land use agreements, and collaborative partnerships, as TVA does not receive government appropriated funds; and

WHEREAS TVA prepared and released for public comment an environmental impact statement pursuant to the National Environmental Policy Act that evaluated the potential environmental impacts of a range of natural resource management approaches; and

WHEREAS Section 2(g)(1) of the TVA Act states that the Board shall establish the broad goals, objectives, and policies of TVA, shall develop long-range plans to guide TVA in achieving these goals, objectives, and policies, and shall assist the Chief Executive Officer (CEO) in achieving these; and

WHEREAS the CEO has determined that the recommended management approach in the NRP is in TVA's best interest and has approved it;

BE IT RESOLVED, That the Board of Directors hereby expresses appreciation of and thanks for the hard work and thoughtful comments and analyses provided to TVA by members of the Regional Resource Stewardship Council;

RESOLVED further, That the Board of Directors hereby determines that the NRP recommended management approach is consistent with TVA's mission, renewed vision, and Environmental Policy;

RESOLVED further, That the Board of Directors hereby accepts the NRP, a copy of which is filed with the records of the Board as Exhibit 8/18/11S, and authorizes the CEO to implement the NRP to guide TVA's natural resource management in the areas of biological, cultural, and water resources management, recreation management, public engagement, and reservoir lands planning;

RESOLVED further, That the Board of Directors hereby approves the Comprehensive Valleywide Land Plan ranges specified in the NRP;

RESOLVED further, That the Board of Directors hereby delegates to the CEO the authority to approve, following an opportunity for Board review, reservoir land management plans whose allocations, when combined with other approved plans and Rapid Lands Assessment estimates, are within the ranges provided for each zone in the Comprehensive Valleywide Land Plan.

\* \* \*

**11-03-20. Report of the Audit, Risk, and Regulation Committee**

Director Gilliland, Chairman of the Audit, Risk, and Regulation Committee, reported the Committee met on May 2 and August 3, had reviewed the second and third quarter financial statements, and that the third quarter 10-Q report was filed on August 11. Director Gilliland stated the Committee had received reports from the Inspector General's office regarding ongoing audits and investigations. In addition, Director Gilliland reported that the Committee had reviewed Securities and Exchange Commission regulations requiring TVA to report in its 10-K whether or not there is a financial expert on the Committee, and had determined that both he and Chairman Bottorff meet those requirements. Director Gilliland then requested and received a presentation from Steve Birchfield, Vice President and Chief Risk Officer, Enterprise Risk Management, regarding Minute Item No. 11-03-21.

Copies of the slides used in Mr. Birchfield's presentation are filed with the records of the Board as Exhibit 8/18/11T.

\* \* \*

**11-03-21. Insurance Brokerage Contracts**

The Board adopted the following resolution:

WHEREAS TVA has an ongoing need for insurance brokerage services in order to obtain insurance coverages under TVA's integrated risk insurance program (the "Services"); and

WHEREAS TVA issued a Request for Proposal to potential providers of the Services and Marsh USA Inc., McGriff, Seibels and Williams, Inc., and Willis of Tennessee, Inc. (the "Brokers"), submitted the highest evaluated offers; and

WHEREAS a memorandum from the Chief Financial Officer dated August 5, 2011, which is filed with the records of the Board as Exhibit 8/18/11U, recommends that the Board authorize entry into a contract with each of the three Brokers for the performance of some or all of the Services, in TVA's discretion, with the contracts having a term of five years each, and with amounts paid under each of the contracts going to fund both the performance of the Services and payment of the premiums for the various insurance coverages to be acquired through the Broker; and

WHEREAS the memorandum further recommends that, although the amount to be spent under all three of the proposed contracts will not exceed \$350 million in the aggregate, the monetary limitation of each contract also be set at \$350 million in order to give TVA the maximum amount of flexibility to allocate work between the Brokers; and

WHEREAS the memorandum further recommends that the Board delegate to the Chief Executive Officer the authority to take such actions as are necessary to carry out the integrated risk insurance program, including acquiring necessary, customary, or appropriate nuclear insurance coverages;

BE IT RESOLVED, That, as recommended in the Chief Financial Officer's August 5, 2011, memorandum, the Board hereby authorizes the award of a contract to each of the three Brokers for the performance of the Services, and further delegates authority to the Chief Executive Officer to take such actions as are necessary to carry out the integrated risk insurance program, including acquiring necessary, customary, or appropriate nuclear insurance coverages.

\* \* \*

The meeting was adjourned at 4:07 p.m. EDT.