

No. 10-04

Approved by the Board of Directors
at its November 4, 2010, meeting:

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

MINUTES OF MEETING
OF
THE BOARD OF DIRECTORS
TENNESSEE VALLEY AUTHORITY
AUGUST 20, 2010

A meeting of the Board of Directors of the Tennessee Valley Authority was held at the TVA West Tower Auditorium, 400 West Summit Hill Drive, Knoxville, Tennessee 37902, on August 20, 2010. The meeting was called to order at 10:05 a.m. after a short intermission following the listening session which began at 8:30 a.m. (EDT). The meeting was announced to the public on August 13, 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. Thrailkill. Also present were Tom D. Kilgore, President and Chief Executive Officer; Ashok S. Bhatnagar, Senior Vice President, Nuclear Generation

Development and Construction; Kimberly S. Greene, Group President, Strategy and External Relations; Janet C. Herrin, Executive Vice President, People and Performance; John M. Hoskins, Senior Vice President and Treasurer; William R. (Bill) McCollum, Jr., Chief Operating Officer; David R. Mould, Senior Vice President, Communications; Anda A. Ray, Senior Vice President, Environment and Technology; Emily J. Reynolds, Senior Vice President, Government Relations; Ralph E. Rodgers, Acting General Counsel; and John M. Thomas, III, Chief Financial Officer.

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

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Chairman Bottorff called the meeting to order.

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New Business

10-04-1. Welcome

Chairman Bottorff welcomed those in attendance and invited members of the public to attend the Board meetings and reminded them that, for those who cannot attend in person, the meetings are broadcast over the TVA website.

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The Board approved the minutes of the meeting held June 10, 2010.

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10-04-2. President's Report

Tom D. Kilgore, President and Chief Executive Officer, reviewed TVA's scorecard and briefed the Board on TVA power sales, operations, and financial status, including industry news affecting TVA. He then provided an overview of highlights and hardspots.

Mr. Kilgore described the hardspots as high demand for power caused by the extreme heat, limited ability to cool the water at certain power plants, a fire at Shawnee Fossil Plant, the penalty imposed with regard to the Kingston ash spill, communications regarding TVA's Generation Partners' program, and the negative reaction by some to TVA's potential use of mixed oxide fuel in its nuclear reactors.

He outlined highlights as the improving regional economy and TVA power sales, 523-day run by Browns Ferry Unit 1, favorable ruling in the North Carolina lawsuit, Toyota resuming construction at the TVA megasite in Blue Springs, Mississippi, completion of a major 500-kilovolt transmission project, continuing progress on the Watts Bar Nuclear Plant construction, and positive results on the health screening of Kingston area residents conducted by Oak Ridge Associated Universities.

A copy of Mr. Kilgore's report is filed with the records of the Board as Exhibit 8/20/10A.

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10-04-3. Approval of TVA Board Committee Charters

Chairman Bottorff recommended consideration by the Board of the committee charters outlined below. In making his recommendation, Chairman Bottorff noted that the governance and strategic planning functions had previously been within committees and that under the revised committee structure these functions will now be performed by the full Board.

The Board then adopted the following resolution:

WHEREAS the Board of Directors approved a revised committee structure for the TVA Board of Directors at its June 10, 2010, Board meeting; and

WHEREAS proposed charters for the Audit, Risk, and Regulation Committee; the Customer and External Relations Committee; the Finance, Rates, and

Portfolio Committee; and the People and Performance Committee have been prepared; and

WHEREAS each committee has approved its proposed charter and the Board has reviewed all of the charters;

BE IT RESOLVED, That the Board of Directors hereby approves all four of the committee charters, copies of which are filed with the records of the Board as Exhibit 8/20/10B.

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10-04-4. Vision and Strategic Direction

Tom D. Kilgore, President and Chief Executive Officer, recommended that the Board approve a new strategic vision for TVA. In connection with this recommendation, Mr. Kilgore provided an overview of the strategic vision and Kimberly S. (Kim) Greene, President, Strategy and External Relations, made a presentation describing the alignment of the strategic vision with TVA's ongoing Integrated Resource Plan initiative.

Mr. Kilgore also noted that certain budget recommendations would be made later in the meeting which were consistent with the vision, including the idling of 1,000 megawatts of TVA's older coal plants, budgeting \$248 million in FY 2011 for Phase 2 work at TVA's Bellefonte Nuclear Plant, and investing in programs to increase energy efficiency. Copies of Mr. Kilgore's and Ms. Greene's presentations are filed with the records of the Board as Exhibit 8/20/10C.

The Board then adopted the following resolution:

WHEREAS Congress charged TVA with the mission to provide low-cost power, environmental stewardship, economic development, river management, and technological innovation in order to foster the physical, economic, and social development of the Tennessee Valley Region; and

WHEREAS TVA has responded to this charge by becoming the Nation's largest public power producer providing reliable, low-cost electricity, promoting economic development, managing the Tennessee River system to reduce the risk of flooding and enhance navigation, and improving the use of fertilizers and promoting agricultural development in the region, nationally, and worldwide; and

WHEREAS the Nation, including the Tennessee Valley, is facing economic hardship, increased unemployment, and environmental concerns, and in light of its statutory mission TVA has a responsibility to help lead the Tennessee Valley in meeting these challenges; and

WHEREAS as recommended in the August 18, 2010, memorandum from the Chief Executive Officer, a copy of which is filed with the records of the Board as Exhibit 8/20/10D, the Board desires to clearly state its strategic vision for TVA for the next decade; and

WHEREAS TVA is currently engaged in an Integrated Resource Planning process to consider ways to meet the Valley's future energy needs in a reliable, affordable manner with as little environmental impact as possible;

BE IT RESOLVED, That the Board of Directors affirms TVA's commitment to achieving its statutory mission as stated in the Expression of Strategic Vision, a copy of which is filed with the records of the Board as Exhibit 8/20/10E;

RESOLVED further, That the staff should complete the Integrated Resource Plan and other strategic planning activities to provide additional details on how to best achieve the stated vision.

The text of the Expression of Strategic Vision is as follows:

Congress has charged the Tennessee Valley Authority (TVA) with providing low-cost power, environmental stewardship, economic development, river management, and technological innovation. The men and women of TVA

have devoted themselves to achieving this mission for more than three-quarters of a century. As a result, TVA has become the largest public power producer in the Nation with an unprecedented record of accomplishment in providing reliable, low-cost electricity, economic development, flood control and river management, and fertilizer and agricultural development.

Now the entire Nation, including the Tennessee Valley, is grappling with economic uncertainty, unemployment, and environmental concerns that have people questioning the kind of lives their children and grandchildren will have. It is proper and fitting, therefore, that TVA reaffirm its commitment to fulfilling its mission to foster the quality of life in the Valley and to explain its vision in aspirational form for moving forward through the current decade.

In 2007, the TVA Board of Directors adopted a Strategic Plan. In this first year of the decade, TVA is focusing on longer term planning to determine how to meet the Valley's energy needs through an integrated resource planning process. While the integrated resource planning effort evaluates many options to find the right balance, it does not concisely express the Board's and TVA leadership's aspirations for TVA. It is important to do so. The vision expressed here and the conclusions from the integrated resource plan will together provide guidance that will help TVA lead the way toward the future.

As TVA is considering the new economic, environmental, and energy challenges facing the Valley and listening to the concerns and advice from the public and Valley stakeholders, TVA's strategic path forward is becoming clearer, more focused, and more necessary. That path has led us to state our aspirations as expressed in the following strategic vision:

To be one of the Nation's leading providers of low-cost and cleaner energy by 2020

By being:

- **The Nation's leader in improving air quality,**
- **The Nation's leader in increased nuclear production, and**
- **The Southeast's leader in increased energy efficiency.**

TVA will do this while continuing to focus on core business objectives—improving customer value, organizational effectiveness, business excellence, and financial stewardship.

Working toward this vision will continue to bring jobs to the Valley, improve the quality of life in the Valley, and ensure that TVA serves the public

as it has been charged to do as a flagship for public power, owned by the people of the United States.

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10-04-5. Report of the Finance, Rates, and Portfolio Committee

Director Thrailkill, Chairman of the Finance, Rates, and Portfolio Committee, reported that the committee is recommending for consideration by the Board the items outlined in Minute Entry Nos. 10-04-6 through 10-04-9.

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10-04-6. Fiscal Year 2011 Budget, Including (i) Limited Funding Relating to Bellefonte Nuclear Plant Unit 1; (ii) Contract with Texas Gas Transmission, LLC, for Gas Transportation; and (iii) Contract with Hitachi Global Laser Enrichment LLC for Uranium Enrichment Services

The Board adopted the following resolution:

WHEREAS a memorandum from the Chief Financial Officer, dated August 19, 2010 (Memorandum), a copy of which is filed with the records of the Board of Directors as Exhibit 8/20/10F, recommends the approval of the proposed Fiscal Year (FY) 2011 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 the proposed FY 2011 budget request contained in Attachment 3 includes funding for the next phase of the Bellefonte Nuclear Plant Unit 1

project (Bellefonte Project), which is comprised of first year project work including initial engineering and design; development of regulatory framework; asset preservation and facilities preservation; and procurement of long-lead components; provided, however, that with respect to the Bellefonte Project, only the specified expenditures for FY 2011 would be approved, and the determination regarding final project approval would be made following the ongoing Integrated Resource Planning (IRP) process; and

WHEREAS the most desirable way to account for FY 2011 Bellefonte expenditures would be to defer them as a regulatory asset until the decision is made whether to proceed with the construction and completion of Bellefonte Unit 1; 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 2011 Fuels and Purchased Power Contracting Plan and the Memorandum recommends that the Board of Directors approve the plan; and

WHEREAS the Memorandum also requests that, in addition to the contracting authorization that would result from approval of the FY 2011 Fuels and Purchased Power Contracting Plan, the Board of Directors also authorize the Chief Executive Officer to approve certain related contracting actions to purchase (1) firm natural gas transportation and related balancing services from Texas Gas Transmission, LLC, for a term of up to ten (10) years, and (2) uranium enrichment services from GE Hitachi Global Laser Enrichment LLC from 2015 to 2025; and

WHEREAS the Memorandum's Attachment 7 sets out at the strategic level financial guiding principles with respect to TVA's long-term decisions on retirement and use of debt, use of regulatory accounting, and rates; and

WHEREAS the Memorandum recommends that TVA continue to account for certain regulatory accounting matters as it did in FY 2010; 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 2011; and

WHEREAS the Memorandum recommends that the Board of Directors authorize the Chief Executive Officer to approve TVA making up to a \$270 million discretionary contribution to the Tennessee Valley Authority Retirement System (TVARS) for FY 2011 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;

BE IT RESOLVED, That the Board of Directors hereby approves the FY 2011 budget as described in the Memorandum;

RESOLVED further, That the Board of Directors approves the budget request for the Bellefonte Project and determines that Bellefonte Unit 1 is the preferred alternative for new nuclear base load generation at Bellefonte; provided, however, that with respect to said project, only expenditures for FY 2011 are approved, and, provided further, that the Board reserves its ability to determine whether to proceed with construction and completion of Bellefonte Unit 1, beyond the scope of the Bellefonte Project as approved herein, following completion of the IRP process;

RESOLVED further, That any potential termination charges that may be incurred in the event the Board does not subsequently determine to proceed with the construction and completion of Bellefonte Unit 1 must be within the approved \$248 million budgeted amount for the Bellefonte Project;

RESOLVED further, That the Board of Directors approves that the expenditures included in the FY 2011 budget for the Bellefonte Project be deferred as a regulatory asset until a decision is made whether to proceed with the construction and completion of Bellefonte Unit 1;

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 2011 Fuels and Purchased Power Contracting Plan;

RESOLVED further, That in addition to the contracting authorization resulting from the Board's approval of the FY 2011 Fuels and Purchased Power Contracting Plan, the Board of Directors hereby authorizes the Chief Executive Officer to approve certain contracting actions to purchase: (1) firm natural gas transportation and related balancing services from Texas Gas Transmission, LLC, for a term of up to ten (10) years, and (2) uranium enrichment services from GE Hitachi Global Laser Enrichment LLC from 2015 to 2025;

RESOLVED further, That the Board of Directors approves the financial guiding principles with respect to TVA's long-term decisions on retirement and use of debt, use of regulatory accounting, and rates set out in Attachment 7;

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 2010;

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 2011 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 up to a \$270 million discretionary contribution to TVARS for FY 2011 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.

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10-04-7. Fiscal Year 2011 Financial Bond Issuance Authority

As recommended by the Finance, Rates, and Portfolio Committee, and set out in a memorandum from the Chief Financial Officer, to the Board of Directors, dated August 9, 2010, a copy of which is filed with the records of the Board as Exhibit 8/20/10G, the Board:

- Approved the issuance of up to \$3,500,000,000 in new Power Bonds during Fiscal Year 2011, upon notification of the Finance, Rates, and Portfolio Committee, and the approval of both the Chief Executive Officer and the Chief Financial Officer;
- Approved, in connection with the issuance of up to \$3,500,000,000 in New Power Bonds during Fiscal Year 2011, the amendment of any previously issued Supplemental Resolution to permit the issuance of an additional installment of power bonds under such Supplemental Resolution and authorize the Chief Financial Officer and the Treasurer, separately or jointly, to execute the amendment;
- Approved permitting certain officers to take actions in connection with the issuance of up to \$3,500,000,000 in New Power Bonds during Fiscal Year 2011 and the use of certain financial instruments to hedge interest rates in Fiscal Year 2011 in connection with the issuance of up to \$3,500,000,000 of new bonds (even if the new bonds are not issued in Fiscal Year 2011) provided:
 - The approved financial instruments used to hedge interest rates include swaps, options, futures, Treasury locks, and combinations of these instruments as long as they are standard in the industry; and
 - Both the Chief Executive Officer and Chief Financial Officer approve the interest rate hedging transaction; and
- Approved the following Supplemental Resolution and Board Resolutions which implement this authorization:

SUPPLEMENTAL RESOLUTION
AUTHORIZING THE ISSUANCE OF UP TO \$3,500,000,000 OF
TENNESSEE VALLEY AUTHORITY
POWER BONDS

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 \$3,500,000,000. The New Power Bonds must be issued on or before September 30, 2011, 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, 2011, 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, 2011, shall not exceed \$3,500,000,000 (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) to this Supplemental

Resolution, the aggregate principal amount of such future installments, together with all series initially issued hereunder, may exceed \$3,500,000,000 and the future installments may be issued after September 30, 2011. 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.

Board Resolution

(FY 11 Financial Shelf - Reopening of Existing Power Bonds)

RESOLVED, That in connection with the issuance of up to \$3,500,000,000 of Tennessee Valley Authority Power Bonds as authorized by a Supplemental Resolution adopted on August 20, 2010, 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.

Board Resolution

(FY 11 Financial Shelf - Issuance of Bonds, Execution of Interest Rate Hedges)

RESOLVED, That in connection with the issuance of up to \$3,500,000,000 of Tennessee Valley Authority Power Bonds as authorized by a Supplemental Resolution adopted on August 20, 2010 (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 \$3,500,000,000 of new bonds (even if the new bonds are not issued in fiscal year 2011) 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, or 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 \$3,500,000,000, 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 \$3,500,000,000 of new bonds (even if the new bonds are not issued in fiscal year 2011).

* * *

10-04-8. Rate Actions, Including (i) Rate Structure Change, (ii) Related Rate Adjustment to Revise the Fuel Cost Adjustment Formula, and (iii) SDE and STOU Optional Rates

The Board adopted the following resolutions:

Board Resolution
(Rate Structure Change)

WHEREAS on July 8, 2009, TVA proposed certain structural changes in the rates and charges for electric power; and

WHEREAS there has been presented to the Board a memorandum from the Group President, Strategy and External Relations, dated August 4, 2010 (Memorandum), describing and recommending approval of the proposed rate changes as they have been further developed through discussions with both distributor customers and direct service customers, true copies of said Memorandum and attachments being filed with the Board's records as Exhibit 8/20/10H;

BE IT RESOLVED, That the Board, having examined, finds satisfactory and approves (1) the proposed rate changes to be made effective (a) for bills rendered from wholesale meter readings scheduled to be taken on and after April 2, 2011, and (b) for resale bills rendered from resale meter readings taken for the distributors' April 2011 revenue month; (2) the proposed standard form agreement for use in amending the wholesale power contracts to provide for the proposed rate changes, as set out in Attachment III of 8/20/10H; (3) continuation of the small manufacturing load credit program as modified, as described in Attachment II of Exhibit 8/20/10H; (4) the proposed Wholesale Schedules WS-TOU and WS-DE applicable to distributors where the Schedule of Rates and Charges in the Power Contracts includes resale schedules, as described in and attached to Attachment I of 8/20/10H; (5) the proposed default rates and guidelines establishing parameters governing the types of distributor resale rates to which TVA will agree, as described in Attachment II of Exhibit 8/20/10H; (6) the proposed Power Cost Recovery Guidelines as described in Attachment II of Exhibit 8/20/10H; (7) the proposed Wholesale Schedules WSA-TOU and WSA-DE applicable to distributors where the Schedule of Rates and Charges in the Power Contracts no longer includes resale schedules, as described in and attached to Attachment I of Exhibit 8/20/10H; (8) the proposed changes to the Direct Service Power Rate Schedules as described in and attached to Attachment II of Exhibit 8/20/10H.

RESOLVED further, That the Board hereby authorizes and directs the Group President, Strategy & External Relations, or that officer's designee, to (i) execute amendatory agreements, substantially in the form approved, for the purpose of placing in effect the rate changes; (ii) put the rate changes into effect in accordance with the provisions of the Power Contract in any case where an

amendatory agreement is not executed by the distributor; and (iii) enter into contract amendments with distributors as necessary to (a) approve revisions to the resale rate schedules as described in the Memorandum and (b) continue the modified small manufacturing credit program.

* * *

Board Resolution
(Related Rate Adjustment to Revise the Fuel Cost
Adjustment Formula)

WHEREAS the terms and conditions to TVA's wholesale power contracts provide that TVA may adjust rates "from time to time ... in order to assure TVA's ability to continue to supply the power requirements of [Distributors] and TVA's other customers on a financially sound basis with due regard for the primary objectives of the TVA Act, including the objective that power shall be sold at rates as low as feasible"; and

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

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

WHEREAS a memorandum from the Group President, Strategy and External Relations, dated August 4, 2010 (Memorandum), a copy of which is filed with the records of the Board as Exhibit 8/20/10I, recommends approval of the proposed Adjustment Addendum described in the Memorandum to provide for modifications to TVA's Fuel Cost Adjustment (FCA) formula;

BE IT RESOLVED, That after review of said Memorandum, the Board of Directors hereby approves the proposed new Adjustment Addendum described in the Memorandum;

RESOLVED further, That the approved Adjustment Addendum shall remain in effect indefinitely, subject to any future rate change or rate adjustment, and

subject to the previously established environmental adjustment which was set to remain in effect for ten (10) years from the date of said environmental adjustment;

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

* * *

Board Resolution
(SDE and STOU Optional Rates)

WHEREAS TVA is proposing to implement changed wholesale and resale rates in April 2011 that offer time-of-use (TOU) pricing and that will encourage the shifting of TVA system load from higher-cost onpeak periods to lower-cost offpeak periods by aligning customer bill savings with TVA cost savings; and

WHEREAS in order to make the intended effective yearly rate available for FY 2011 to large customers, optional wholesale and resale rates corresponding to the rates expected to be implemented in April 2011 are proposed; and

WHEREAS a memorandum from the Group President, Strategy and External Relations, dated August 4, 2010 (Memorandum), a copy of which is filed with the records of the Board as Exhibit 8/20/10J, recommends (a) optional Seasonal Demand and Energy (SDE) base rates for customers with power requirements greater than 5 MW and (b) reopening and extending the STOU base rate pilot for customers with power requirements greater than 1 MW that was approved by the Board on June 4, 2009;

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

RESOLVED further, That the Board of Directors hereby approves, effective October 1, 2010, the proposed SDE wholesale and retail rates set out in Exhibits A, B and C to the Memorandum and the Supplemental Adjustment Addendum attached as Exhibit D;

RESOLVED further, That the Board of Directors hereby approves the proposed reopening and extension of the STOU base rate pilot originally approved by the Board on June 4, 2009;

RESOLVED further, That both rates will be made available to customers until March 1, 2011, for electric service through March 31, 2011.

* * *

10-04-9. Ash and Gypsum Facility Contracts

The Board adopted the following resolutions:

Board Resolution
(Ash Engineering Services)

WHEREAS TVA has existing contracts with (a) Stantec Consulting Services, Inc., URS Corporation, CDM Federal Services, Inc., and Geosyntec Consultants, Inc., to provide engineering support services for TVA's program to convert to a dry ash handling process and to close all existing wet ash impoundments, and (b) AECOM USA, Inc., to provide peer review of the services provided by the above four firms (collectively, the "Engineering Services Contracts"); and

WHEREAS in order for TVA to complete the dry ash conversion program, the Engineering Services Contracts will need to be supplemented to extend the term of the contracts and add funding to the contracts; and

WHEREAS a memorandum from the Chief Operating Officer dated July 14, 2010, which is filed with the records of the Board as Exhibit 8/20/10K, recommends that the Board authorize supplementing the Engineering Services Contracts to extend the term of the contracts for an additional three years and to increase the aggregate amount of the contracts to \$300 million to be allocated among the five contractors based upon TVA's utilization of their services;

BE IT RESOLVED, That the Board authorizes supplementing the Engineering Services Contracts as recommended in the Chief Operating Officer's July 14, 2010, memorandum.

* * *

Board Resolution
(Ash Handling Services)

WHEREAS TVA has an ongoing need for routine ash handling services as well as services necessary to complete capital and operation and maintenance (O&M) ash-related projects (collectively, the "Services"); and

WHEREAS TVA issued a Request for Proposal to potential providers of these Services and of the suppliers that responded, TVA determined that the proposals received from Charah, Inc. (Charah), Charleston Construction Company, Inc. (Charleston), Morgan Corporation (Morgan), and Trans Ash, Inc. (Trans Ash), had the best evaluation scores and were the lowest cost offers for these Services; and

WHEREAS a memorandum from the Chief Operating Officer dated July 14, 2010, which is filed with the records of the Board as Exhibit 8/20/10L, recommends that the Board authorize entry into contracts with Charah, Charleston, Morgan, and Trans Ash for the performance of the Services, with the contracts having a term of five years and for total funding of \$700 million to be allocated among the four contracts based upon the award of Services to be performed;

BE IT RESOLVED, That the Board authorizes the award of contracts to Charah, Charleston, Morgan, and Trans Ash for the performance of the Services as recommended in the Chief Operating Officer's July 14, 2010, memorandum.

* * *

10-04-10. Report of the People and Performance Committee

Director Graves, Chairman of the People and Performance Committee, reported that the committee is recommending for consideration by the Board the item outlined in Minute Entry No. 10-04-11.

* * *

10-04-11. FY 2011 Annual Incentive Measures and Goals

The Board adopted the following resolution:

WHEREAS in a memorandum dated August 10, 2010, a copy of which is filed with the records of the Board as Exhibit 8/20/10M (Memorandum), the Chief Executive Officer recommended approval of the Winning Performance corporate measures for Fiscal Year (FY) 2011 which contain proposed goals on which TVA's performance will be measured and Winning Performance payouts may be made for FY 2011; and

WHEREAS the People and Performance Committee has reviewed the proposed Winning Performance corporate measures and goals for FY 2011 and recommends their approval;

BE IT RESOLVED, That the Board approves the Winning Performance corporate measures and goals for FY 2011 (including the accompanying definition sheets), as set forth in Attachment A to the Memorandum;

RESOLVED further, That the Board reserves to itself the authority to approve an adjustment to payout levels generated by the Winning Performance corporate measures results, if it determines the circumstances warrant it.

* * *

10-04-12. Report of the Audit, Risk, and Regulation Committee

Director Gilliland, Chairman of the Audit, Risk, and Regulation Committee, reported that the committee is recommending for consideration by the Board the item outlined in Minute Entry No. 10-04-13.

* * *

10-04-13. Enterprise Risk Management Policy

The Board adopted the following resolution:

WHEREAS the Enterprise Risk Council has determined that TVA's Enterprise Risk Management process would be strengthened by adopting an Enterprise Risk Management Policy ("ERM Policy") to provide overarching guidance on all risk management activities within TVA, including but not limited to Enterprise Risk Management functions, operational contingency, risk control, and financial risk management; and

WHEREAS it is desirable to delegate to the Chief Executive Officer ("CEO") authority to appoint TVA's Chief Risk Officer ("CRO"); and

WHEREAS the Chief Financial Officer in an August 9, 2010, memorandum, a copy of which is filed with the records of the Board as Exhibit 8/20/10N, to the TVA Board has recommended that the TVA Board (1) adopt the ERM Policy attached to his memorandum, (2) delegate authority to the Enterprise Risk Council (or successor organization) (a) to amend the ERM Policy after formal consultation with the Board committee that reviews TVA's risk management functions and (b) to approve subordinate risk policies, and (3) delegate authority to the CEO to appoint TVA's CRO in the future;

BE IT RESOLVED, That the TVA Board (1) adopts the ERM Policy, (2) delegates authority to the Enterprise Risk Council (or successor organization) (a) to amend the ERM Policy after formal consultation with the

Board committee that reviews TVA's risk management functions and (b) to approve subordinate risk policies, and (3) delegates authority to the CEO to appoint TVA's CRO in the future.

* * *

10-04-14. Report of the Customer and External Relations Committee

Director Duncan, Chairman of the Customer and External Relations Committee, reported that the committee is recommending for consideration by the Board the items outlined in Minute Entry Nos. 10-04-15 and 10-04-16.

* * *

10-04-15. Chickamauga Marina – Commercial Recreation Lease with Erwin Marine Sales, Inc.

The Board adopted the following resolution:

WHEREAS as detailed in an August 4, 2010, memorandum from the Group President, Strategy and External Relations, a copy of which is filed with the records of the Board as Exhibit 8/20/10O, Erwin Marine Sales, Inc., has requested that TVA, as agent of the United States of America, enter into a 19-year commercial recreation lease for the operation of Chickamauga Marina, affecting approximately 14.7 acres of TVA land on Chickamauga Reservoir in Hamilton County, Tennessee, such land being designated in TVA land records as Tract No. XTCR-207L and shown on a map filed with the records of the Board as Exhibit 8/20/10P; and

WHEREAS there is no permanent dam, hydroelectric power plant, or munitions plant located on said tract; and

WHEREAS it has been determined that the proposed lease 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 Section 4(k)(a) of the *TVA Act of 1933*, as amended, hereby authorizes and directs the Senior Manager, Realty Services and Land Records, to lease such land to Erwin Marine Sales, Inc., for 19 years for commercial recreation purposes and, upon payment to TVA of \$12,139 for TVA's administrative costs, to execute and deliver to Erwin Marine Sales, Inc., a lease 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.

* * *

**10-04-16. Fort Loudon Marina – Commercial Recreation
Easement with Fort Loudon Marina LLC**

The Board adopted the following resolution:

WHEREAS as detailed in an August 4, 2010, memorandum from the Group President, Strategy and External Relations, a copy of which is filed with the records of the Board as Exhibit 8/20/10Q, Fort Loudon Marina, LLC, has requested that TVA, as agent of the United States of America, grant it a 30-year commercial recreation easement and a 30-year nonexclusive access road easement for the operation of Fort Loudon Marina, affecting a total of approximately 9.52 acres on Fort Loudoun Reservoir in Loudon County, Tennessee, such land being designated in TVA land records as Tract Nos. XFL 144RE (recreation easement; approximately 7.52 acres) and XTFL-134H (access road easement; approximately 2 acres) and shown on a map filed with the records of the Board as Exhibit 8/20/10R; and

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

WHEREAS it has been determined that the granting of such easements 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 Fort Loudon Marina, LLC, upon payment of the prorated rental amount for calendar year 2010 plus \$17,500 for TVA's administrative costs, a grant of easement for a term of 30 years for commercial recreation purposes over Tract No. XFL-144RE and a grant of easement for a term of 30 years for access road purposes over Tract No. XTFL-134H 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.

* * *

The meeting was adjourned at 12 noon EDT.

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