

# **PRESIDENT'S REPORT**

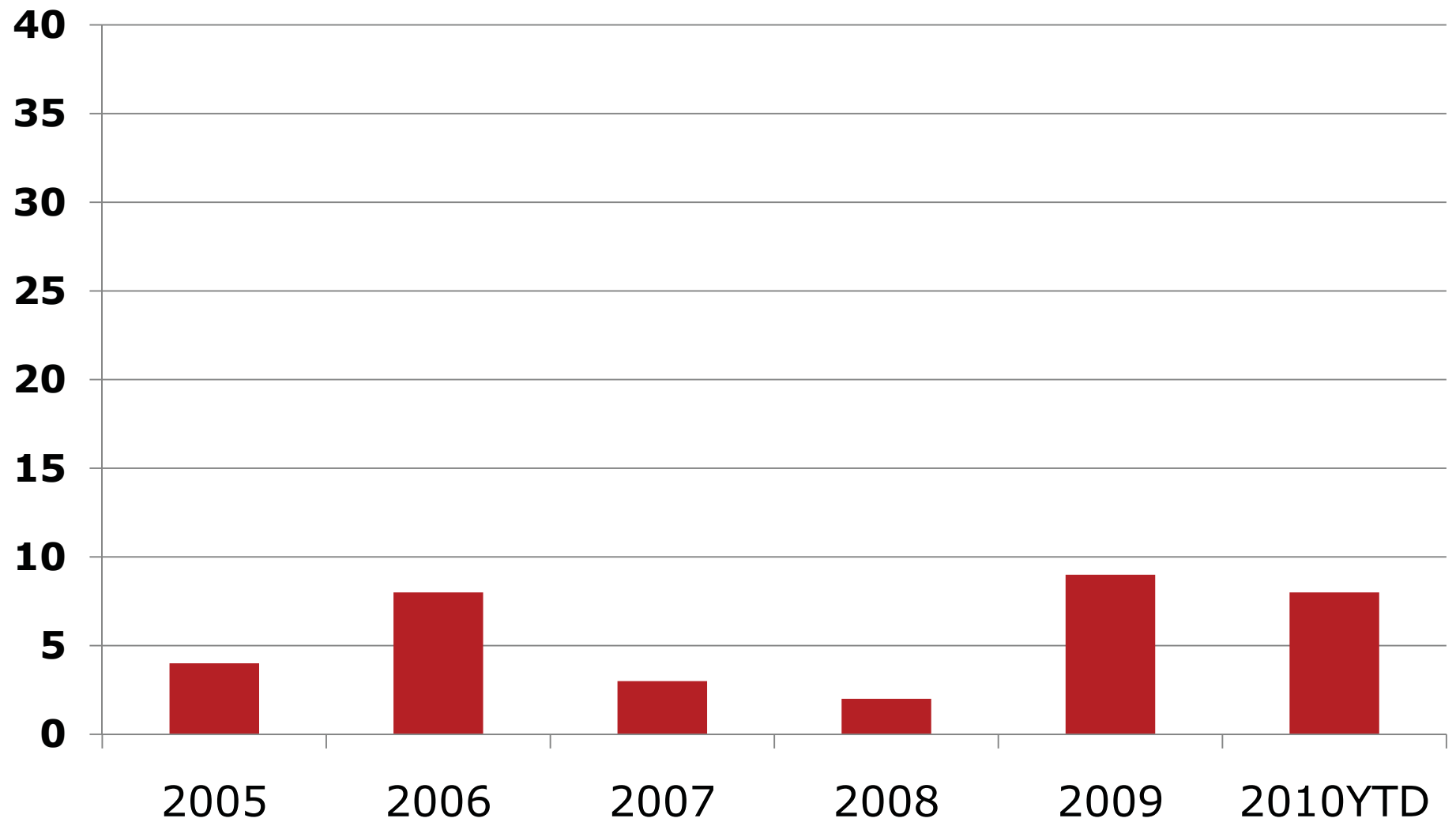


# TVA Performance Summary

		Vs. Plan	Vs. Last Year	Vs. Peers
Rates	Net Cash Flow	●	●	
	Retail Rates	●	●	●
	Sales	●	●	
	Fuel & Purchased Power	●	●	
	Operations & Maintenance*	●	●	●
	Capital Investment	●	●	●
Reliability	Plant Reliability	●	●	●
	System Reliability	●	●	●
	Runoff	●	●	
	Hydro Generation	●	●	
Responsibility	Safety	●	●	●
	Environmental (REE)	●	●	●
	Organizational Effectiveness	●	●	

\*FYTD09 O&M includes KIF Clean Up

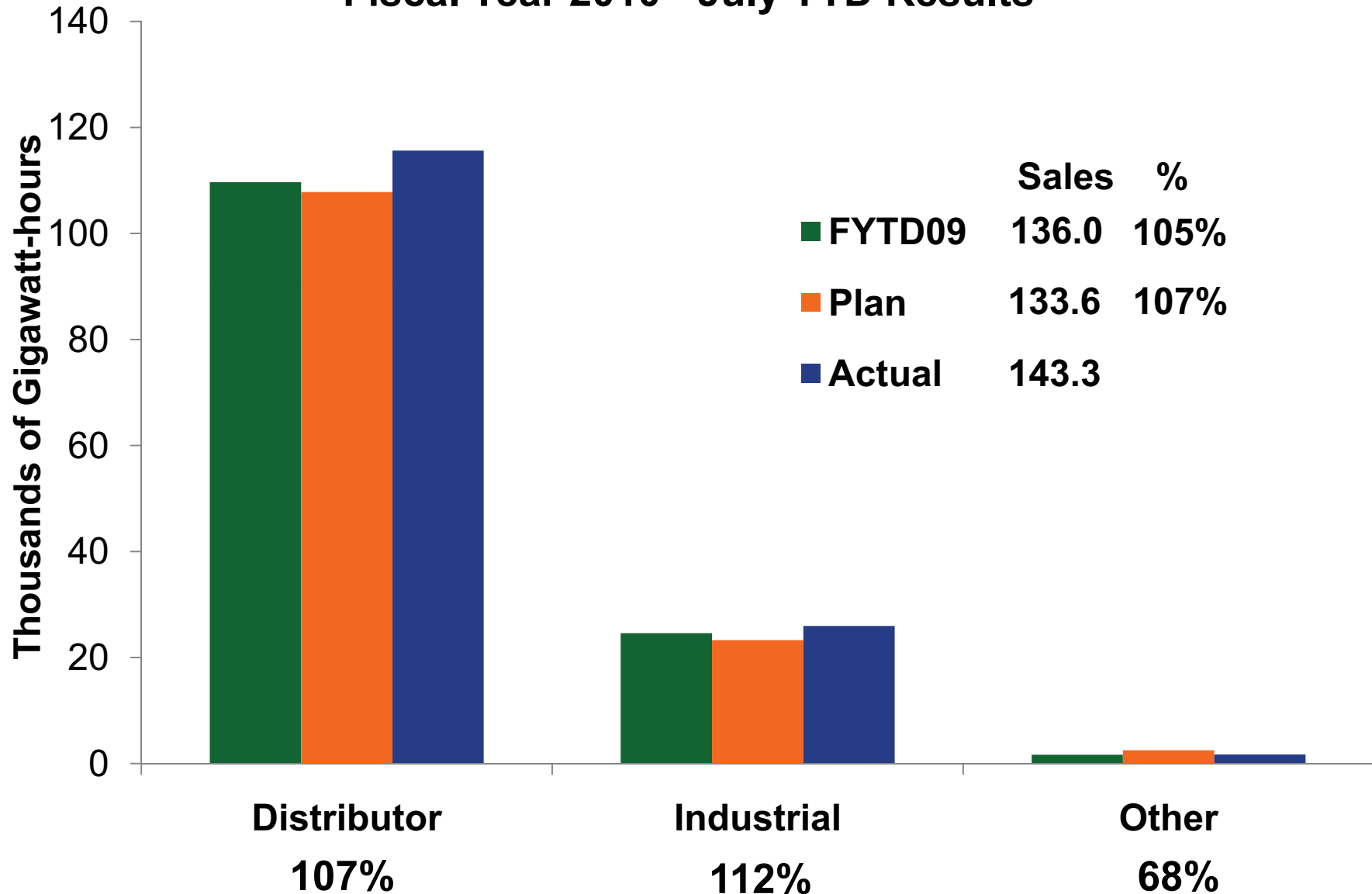
# Notice of Violations



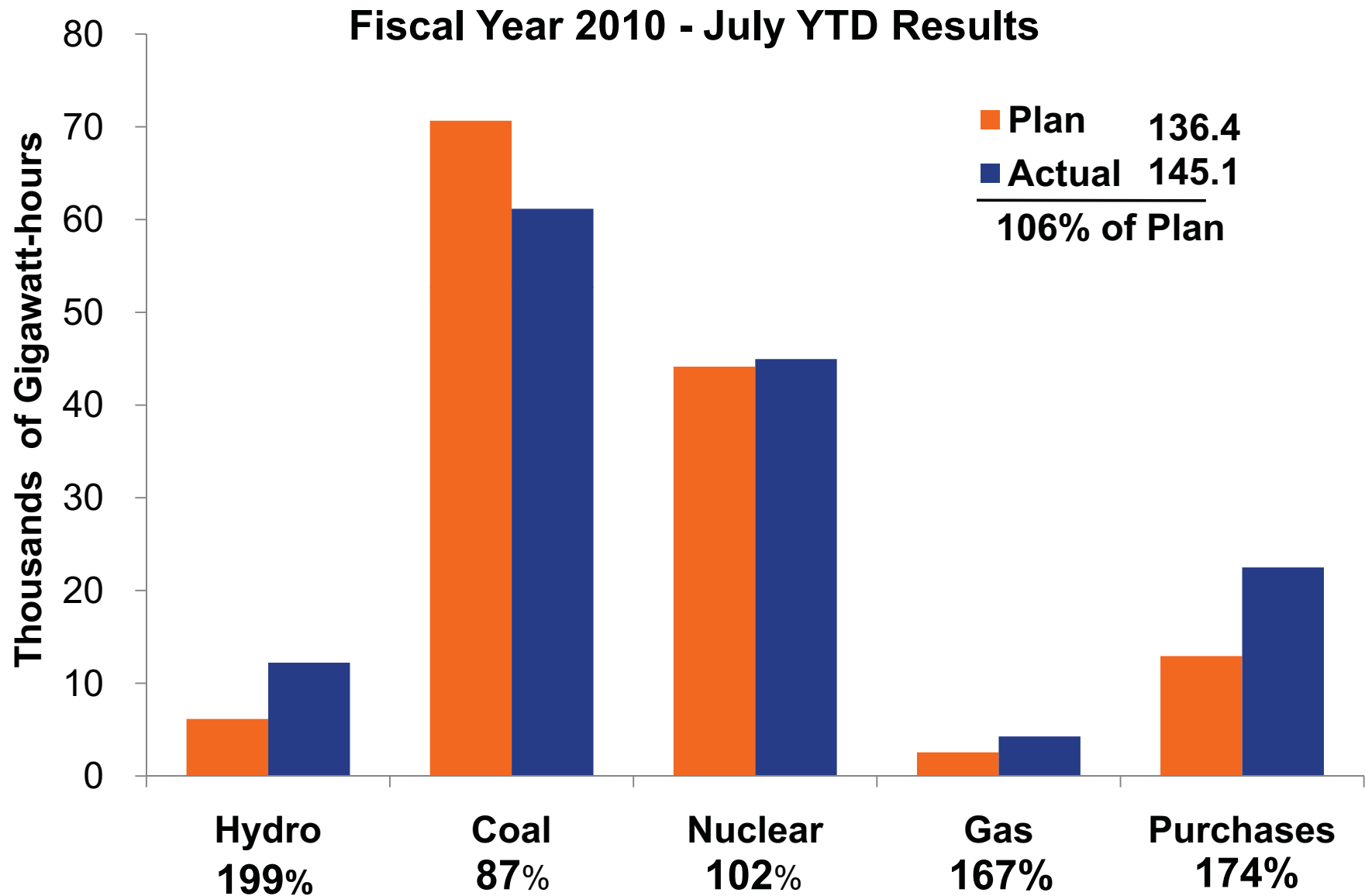
# **Operations and Financials**

# Power Sales

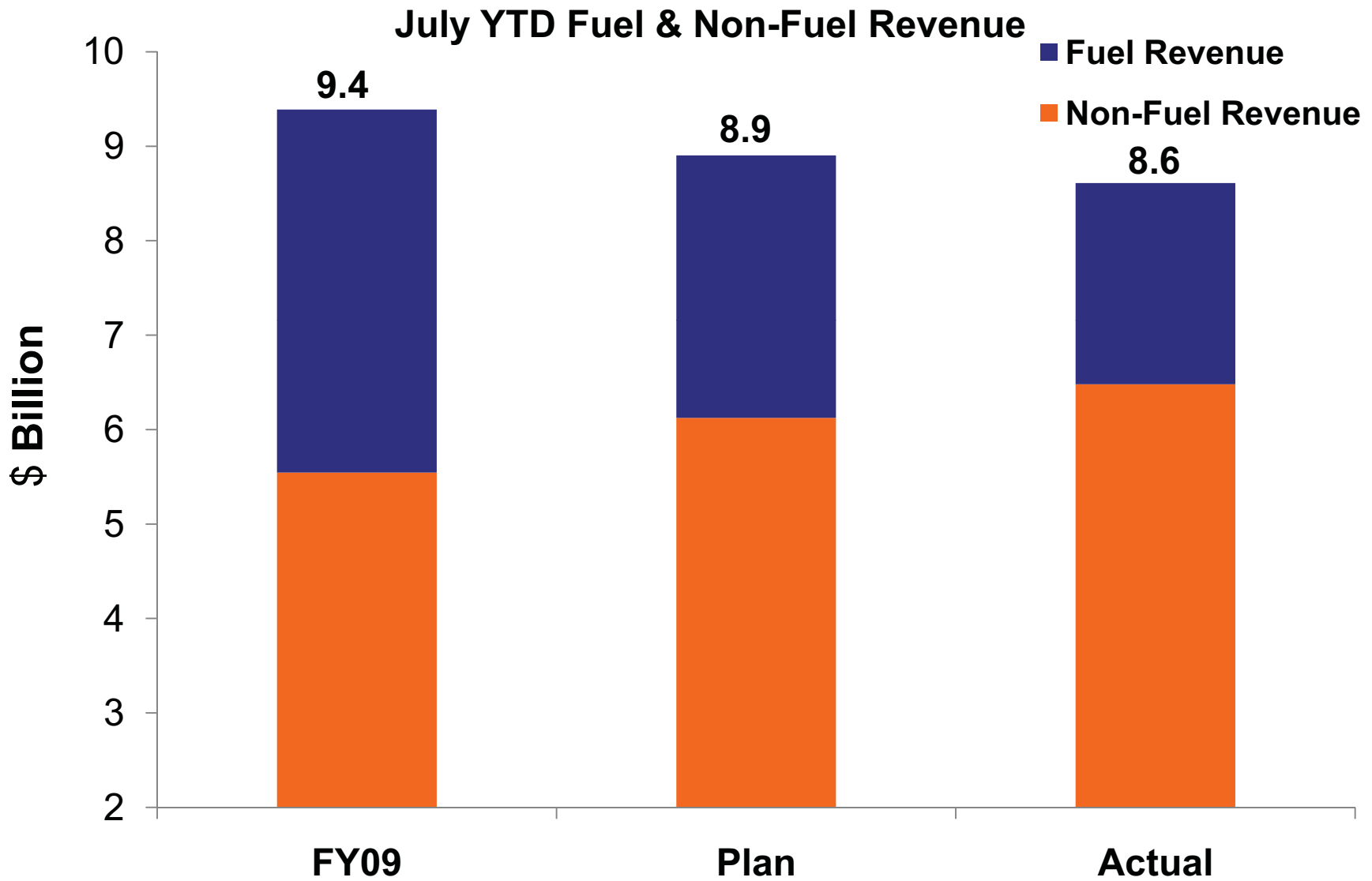
## Fiscal Year 2010 - July YTD Results



# Energy Supply

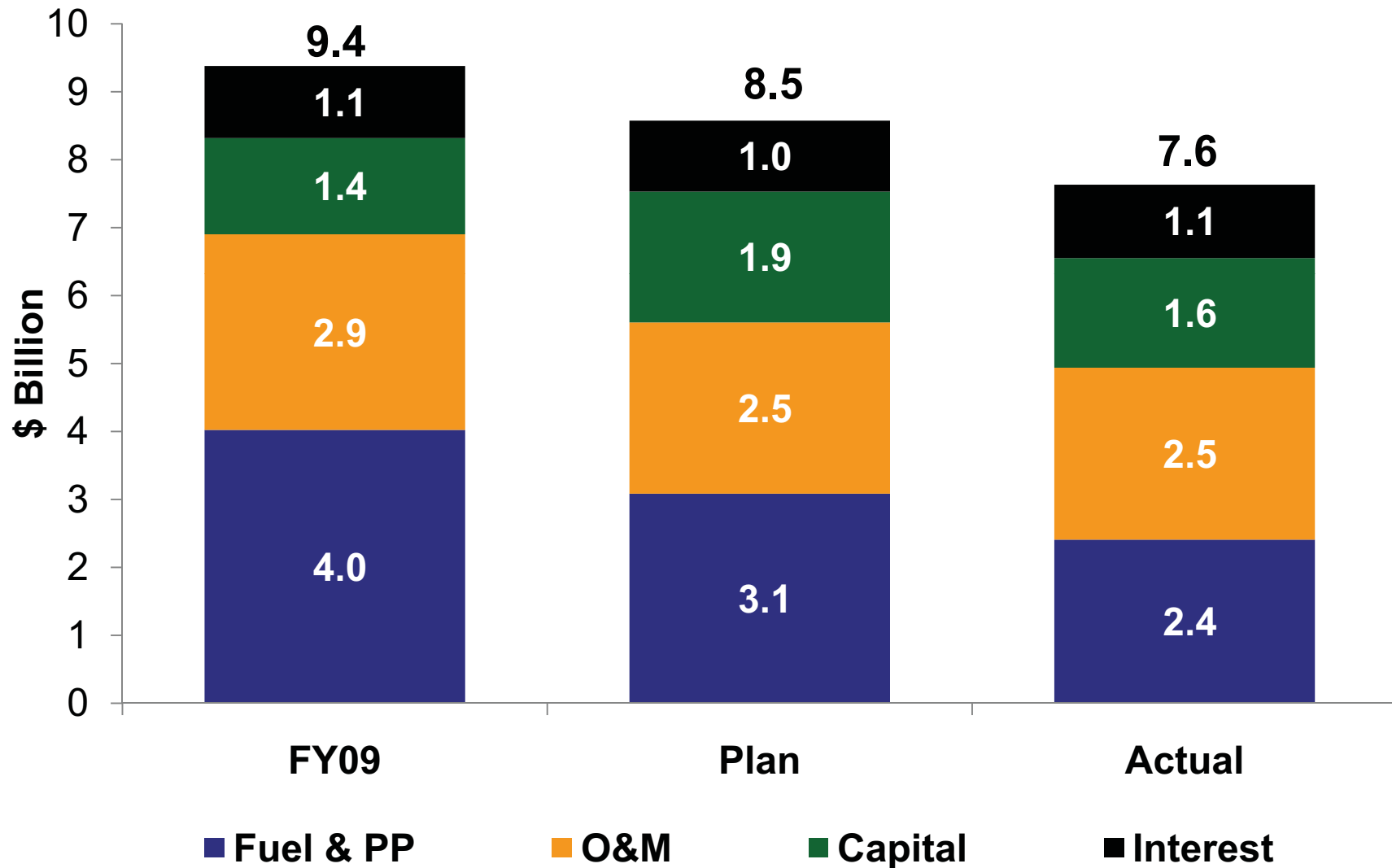


# Revenue



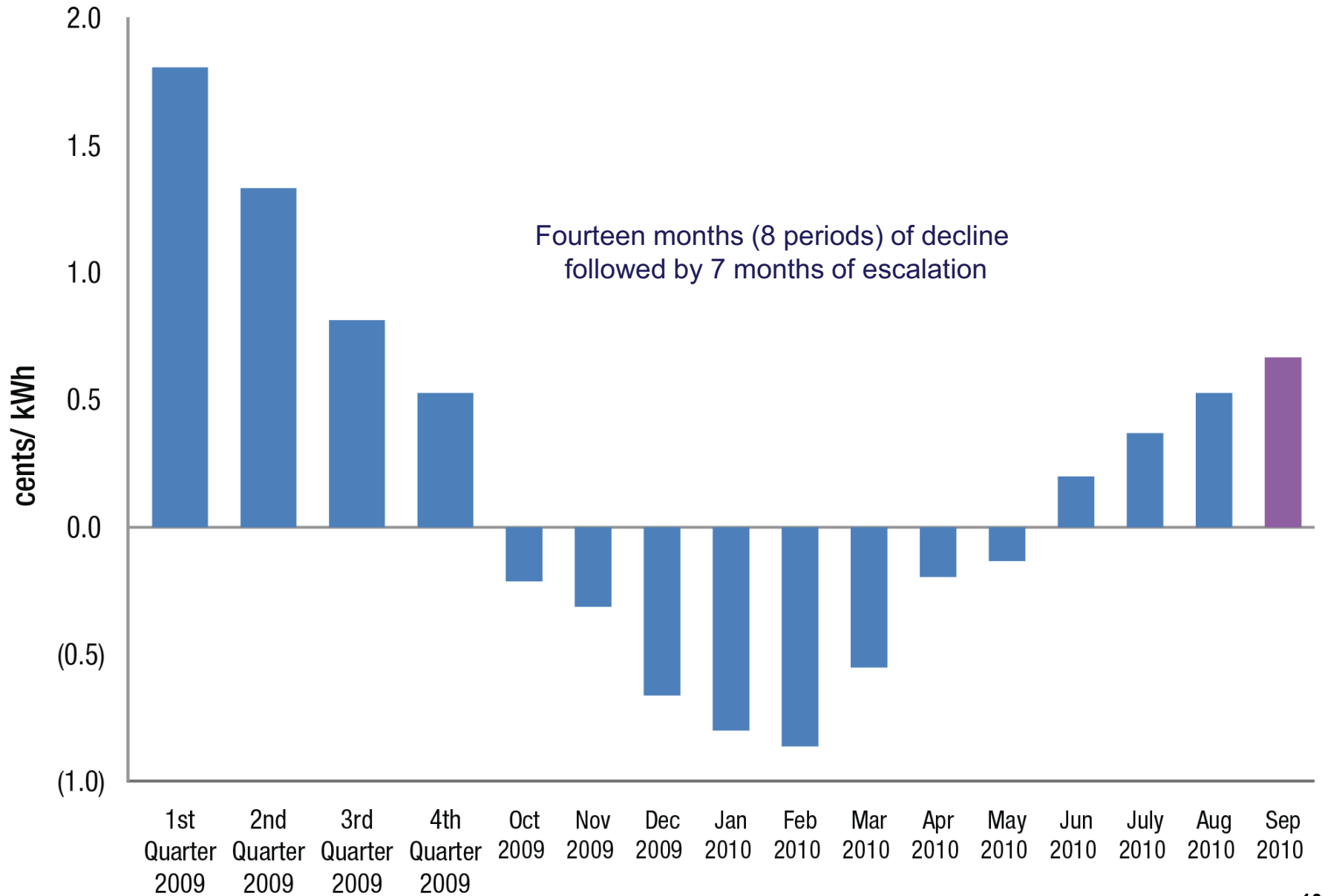
# Operating Expenditures

## July YTD 2010 Spend



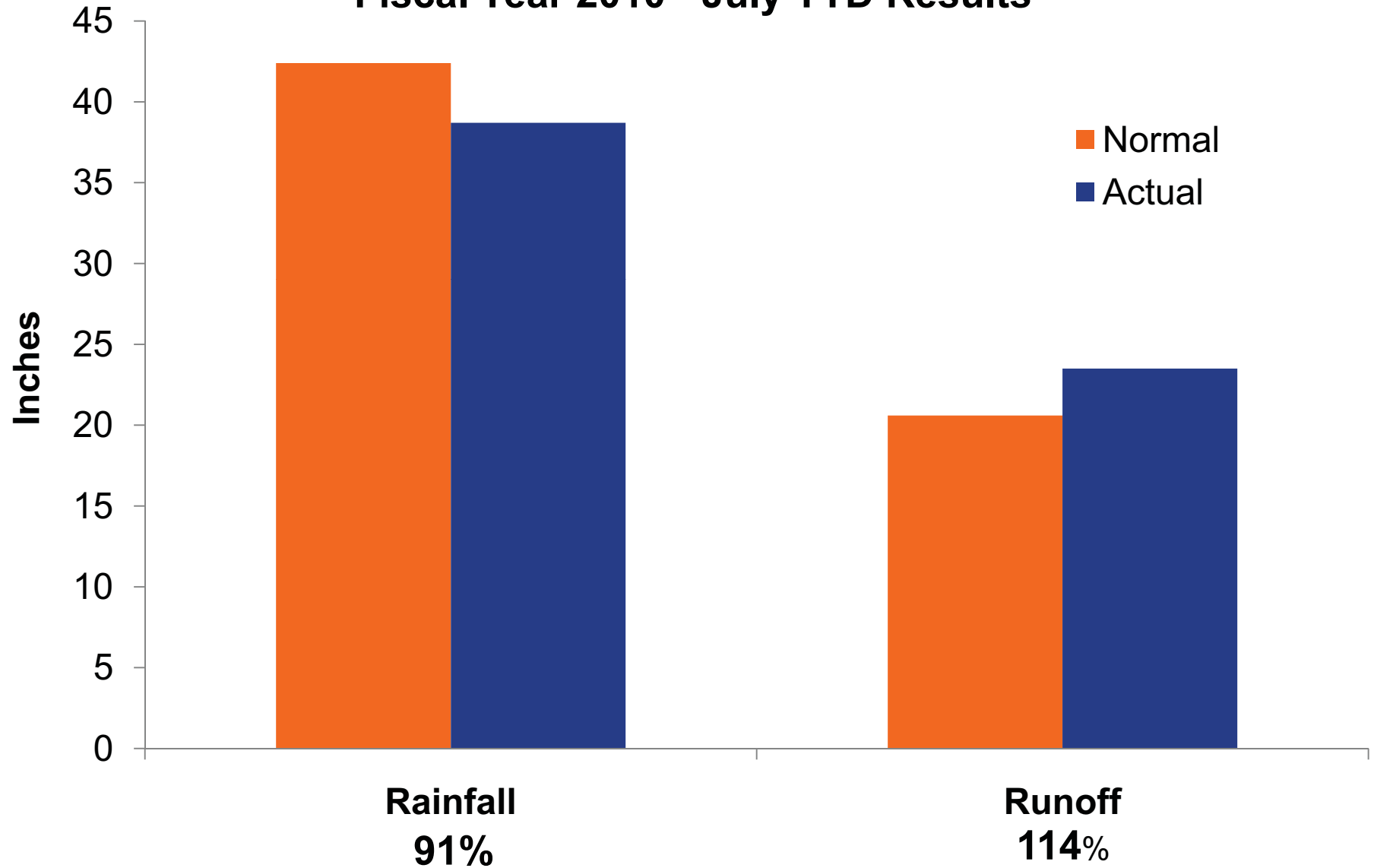


# Fuel Cost Adjustment



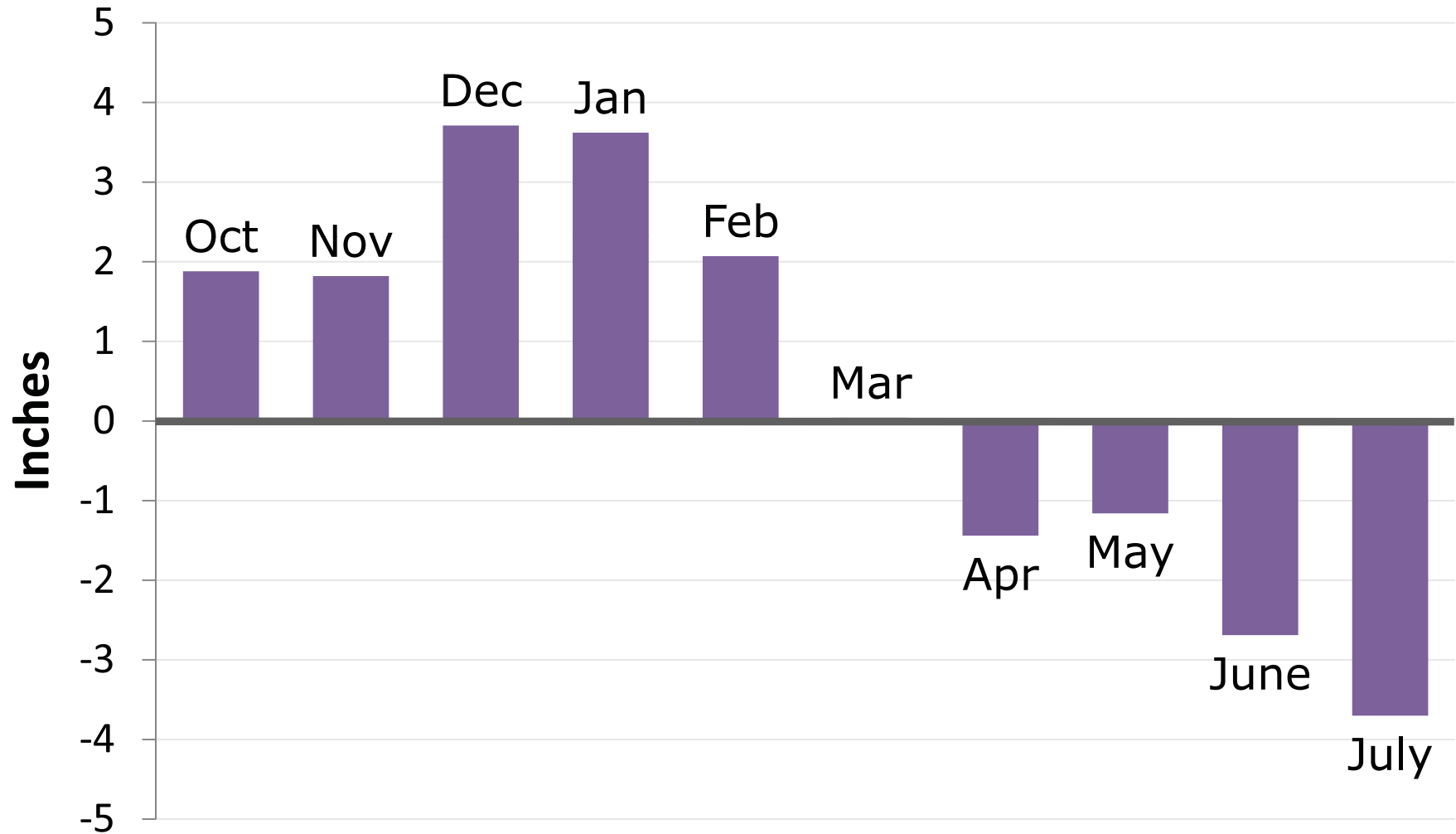
# Rainfall and Runoff

Fiscal Year 2010 - July YTD Results



# Rainfall and Runoff - Recent Trend

FY10 Cumulative Rainfall Deviation from Normal



# Industry News

# Industry News

Congress delays energy legislation

EPA proposes Clean Air Transport Rule

EPA holds public meetings on coal combustion residue rules

Georgia Power's long-range plan calls for less reliance on coal; new focus on conservation

NERC report cautions that a major shift to cleaner energy sources can affect reliability (*and consequently cost*)

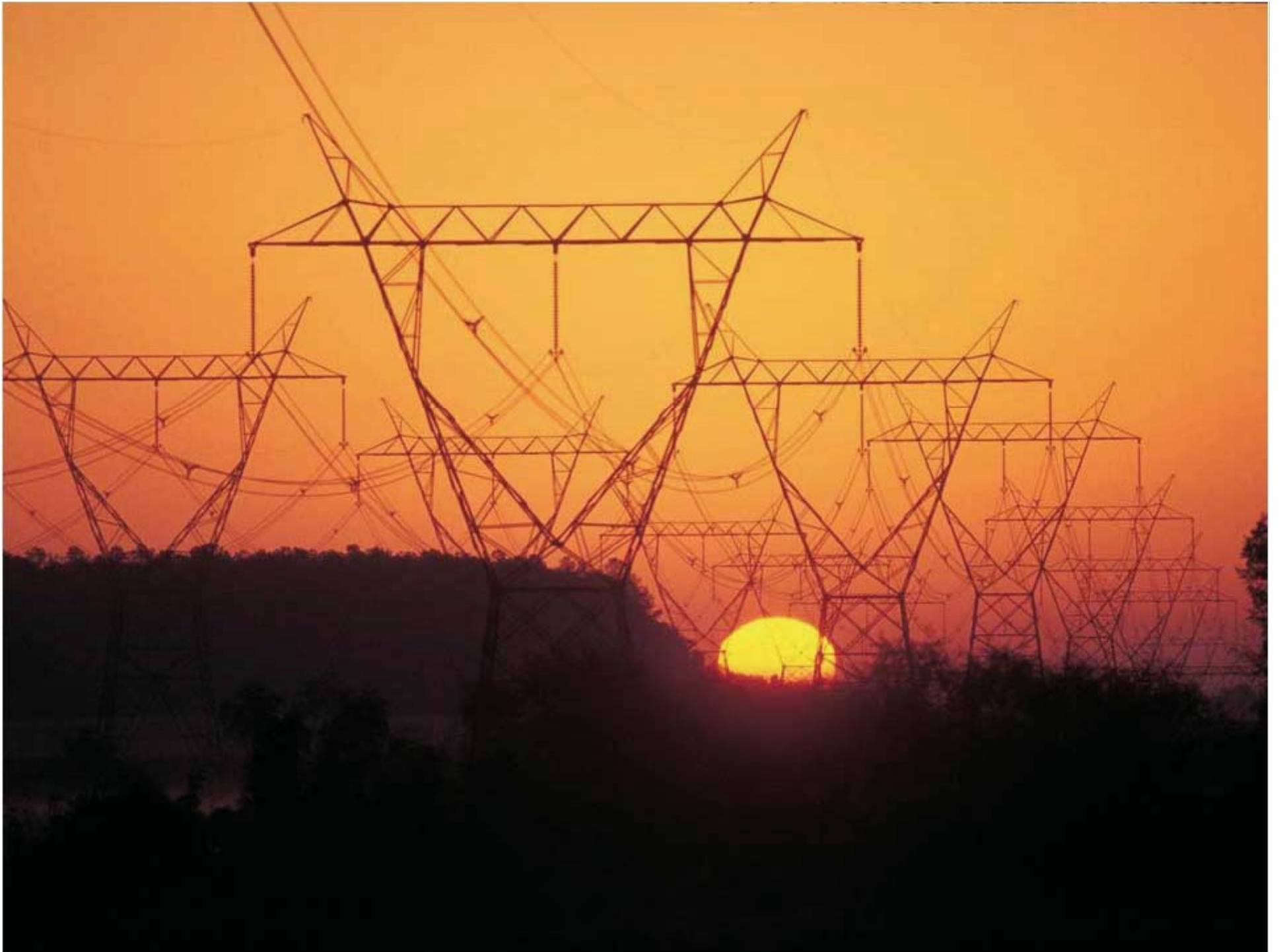
**Recent rate actions: Kentucky Power (+12.5%);  
Georgia Power (+10%\*); Kentucky Utilities(+8.3%);  
Dominion, North Carolina (+5%)**

\*Requested

# Hard Spots

# Hard Spots

**Extreme heat and high power demand**





# Meeting the Summer Peak



## Summer, 2010

31,777 Megawatts

August 4

99° F

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## All Time

33,482 Megawatts

August 16, 2007

102°

# Hard Spots

Extreme heat and high power demand

**Cooling water limits at power plants**

# Cooling Water Limits at Power Plants



# Hard Spots

Extreme heat and high power demand

Cooling water limits at power plants

**Fire at Shawnee Fossil Plant**





# Fire at Shawnee Fossil Plant



# Hard Spots

Extreme heat and high power demand

Cooling water limits at power plants

Fire at Shawnee Fossil Plant

**Kingston fine**





# Hard Spots

Extreme heat and high power demand

Cooling water limits at power plants

Fire at Shawnee Fossil Plant

Kingston fine

**Generation Partners communications**



# Generation Partners



—Wayne National Forest

# Hard Spots

Extreme heat and high power demand

Cooling water limits at power plants

Fire at Shawnee Fossil Plant

Kingston fine

Generation Partners communications

**Reaction to mixed oxide fuel**



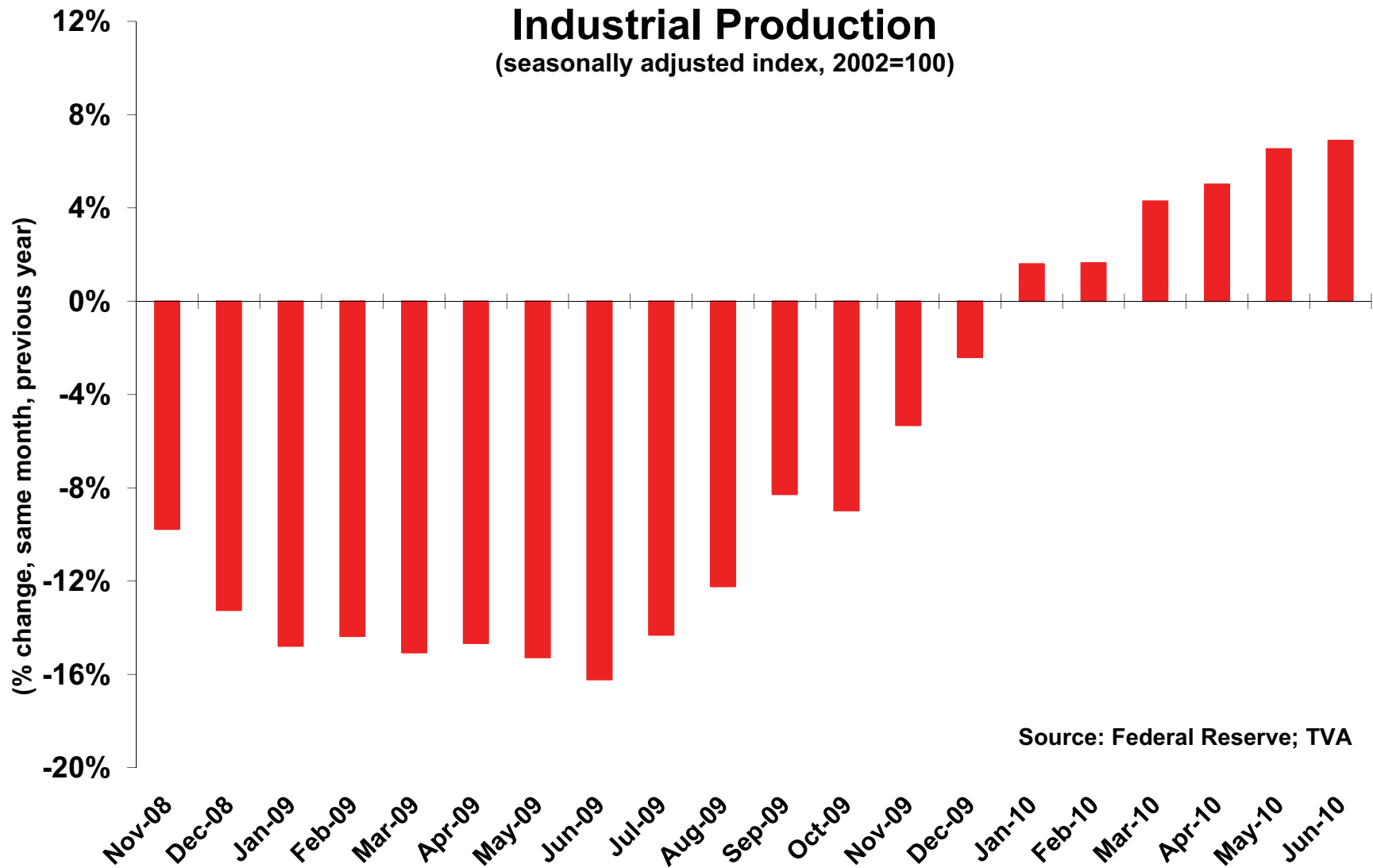


# Highlights

# Highlights

**Improving regional economy and power sales**

# Regional Manufacturing Trend



# Highlights

Improving regional economy and power sales

**523-day run by Browns Ferry Unit 1**







# Highlights

Improving regional economy and power sales

523-day run by Browns Ferry Unit 1

**Favorable ruling on North Carolina lawsuit**

# Highlights

Improving regional economy and power sales

523-day run by Browns Ferry Unit 1

Favorable ruling on North Carolina lawsuit

**Toyota resumes construction in Mississippi**



# New Toyota Plant at TVA Megасite, Blue Springs, MS

# Highlights

Improving regional economy and power sales

523-day run by Browns Ferry Unit 1

Favorable ruling on North Carolina lawsuit

Toyota resumes construction in Mississippi

**Major 500-kilovolt transmission project completed**





# Highlights

Improving regional economy and power sales

523-day run by Browns Ferry Unit 1

Favorable ruling on North Carolina lawsuit

Toyota resumes construction in Mississippi

Major 500-kilovolt transmission project completed

**Watts Bar progress**





# Highlights

Improving regional economy and power sales

523-day run by Browns Ferry Unit 1

Favorable ruling on North Carolina lawsuit

Toyota resumes construction in Mississippi

Major 500-kilovolt transmission project completed

Improving demand response

**ORAU health screening results for Kingston**



# Chairman's Report



# **Vision and Strategic Direction**



# TVA's Vision

## Roadmap to the Future

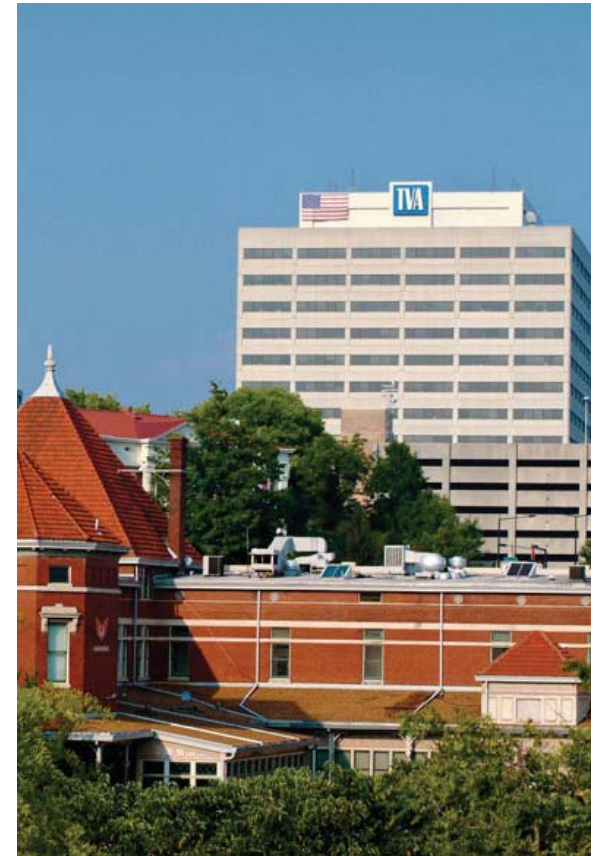


# Overview

A Look Back (briefly)

A Look at Today

A Vision for Tomorrow

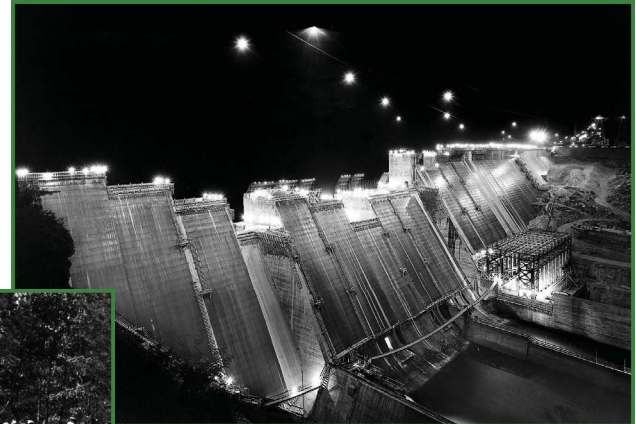




# History of Accomplishment



Low-cost Power



River Management



Economic Development



Technological Innovation



Environmental Stewardship

# History of Accomplishment



Low-cost Power



River Management



Economic Development



Technological Innovation

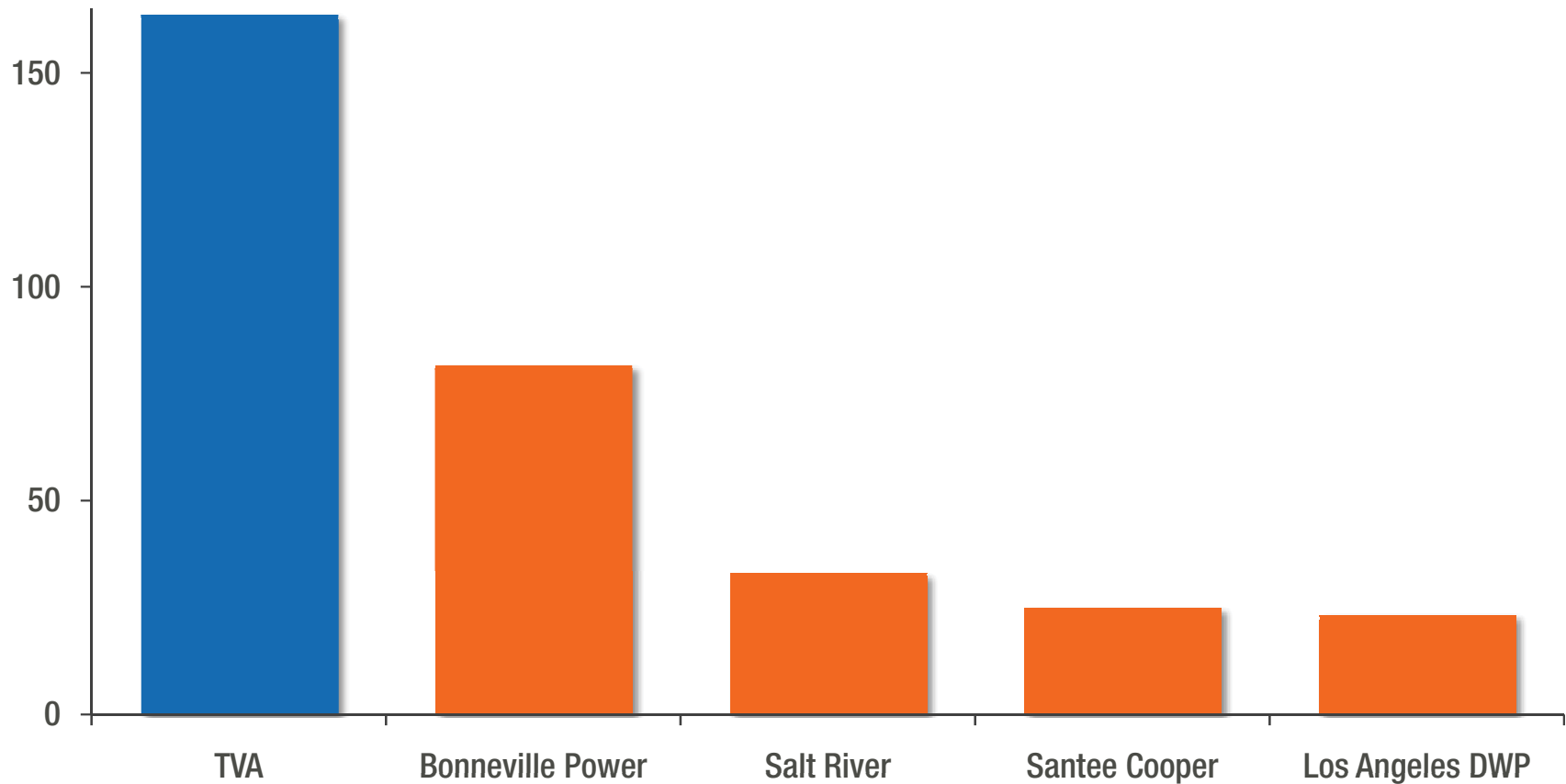


Environmental Stewardship



# Largest Public Power Provider

2009 Sales in Billions of Kilowatt-hours



# A Look at Today



Economic uncertainty

Infrastructure investments  
needed

Still no clear national  
energy policy

Opportunities exist for TVA to lead



# Our Mission Isn't Changing



# But the times are changing...

*So our vision is changing*

To achieve our mission today we must lead with:

**Focus** ...on key critical issues

**Action** ...to achieve an impact

**Clarity**...so results are transparent

# TVA's Vision

One of the Nation's Leading  
Providers of Low-Cost  
and Cleaner Energy by 2020





# TVA's Vision

**Serve** the People of the Tennessee Valley by being:

The **Nation's leader** in improving our air quality

The **Nation's leader** in increased nuclear production

The **Southeast's leader** in increased energy efficiency



# Staying Focused on...

Our Rates

Our Reliability

Our Reputation



# While acting on new initiatives...

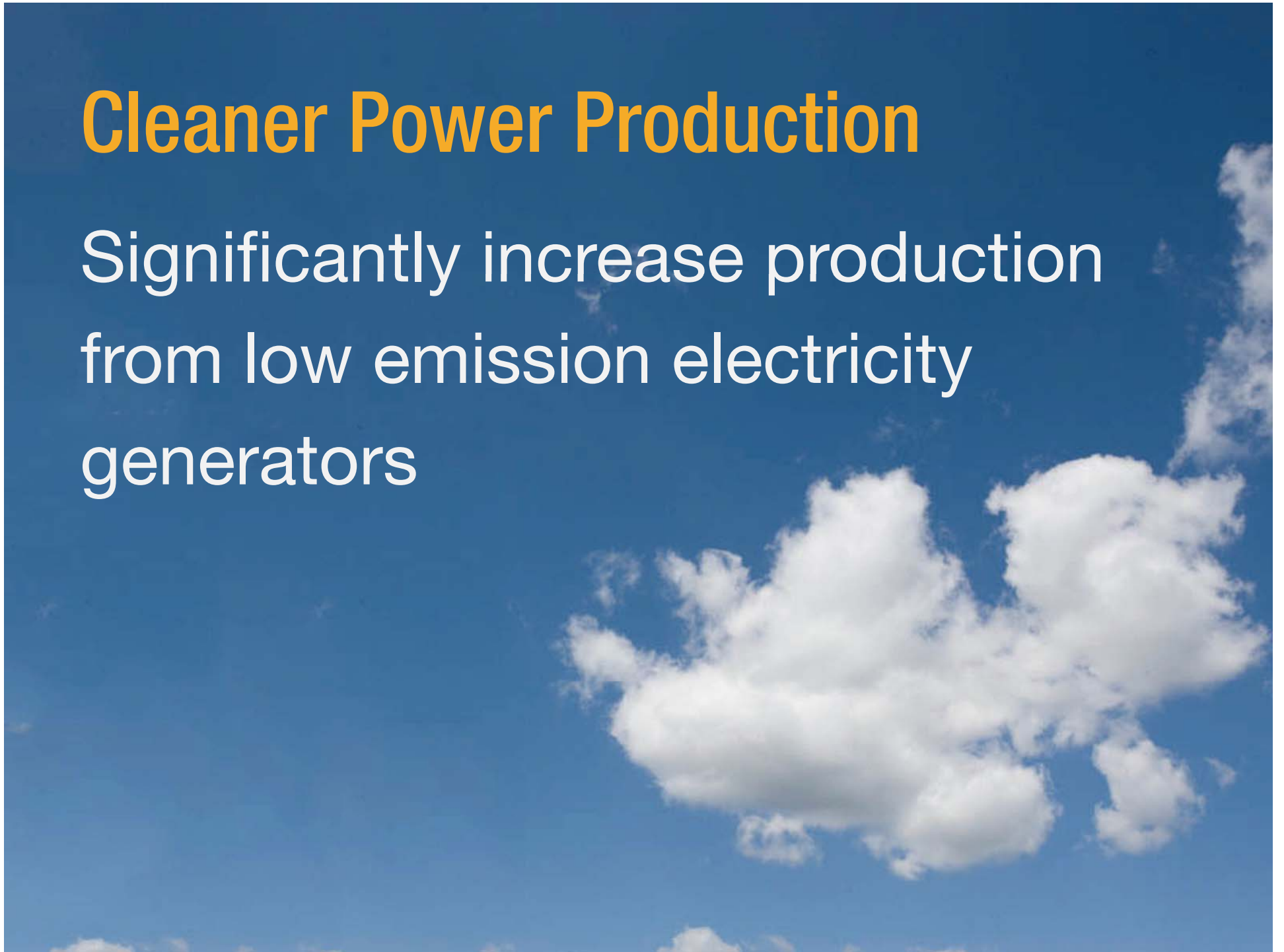
- Improved air quality
- Increased nuclear production
- Increased energy efficiency

# While acting on new initiatives...

- **Improved air quality**
- Increased nuclear production
- Increased energy efficiency

# Cleaner Power Production

Significantly increase production  
from low emission electricity  
generators

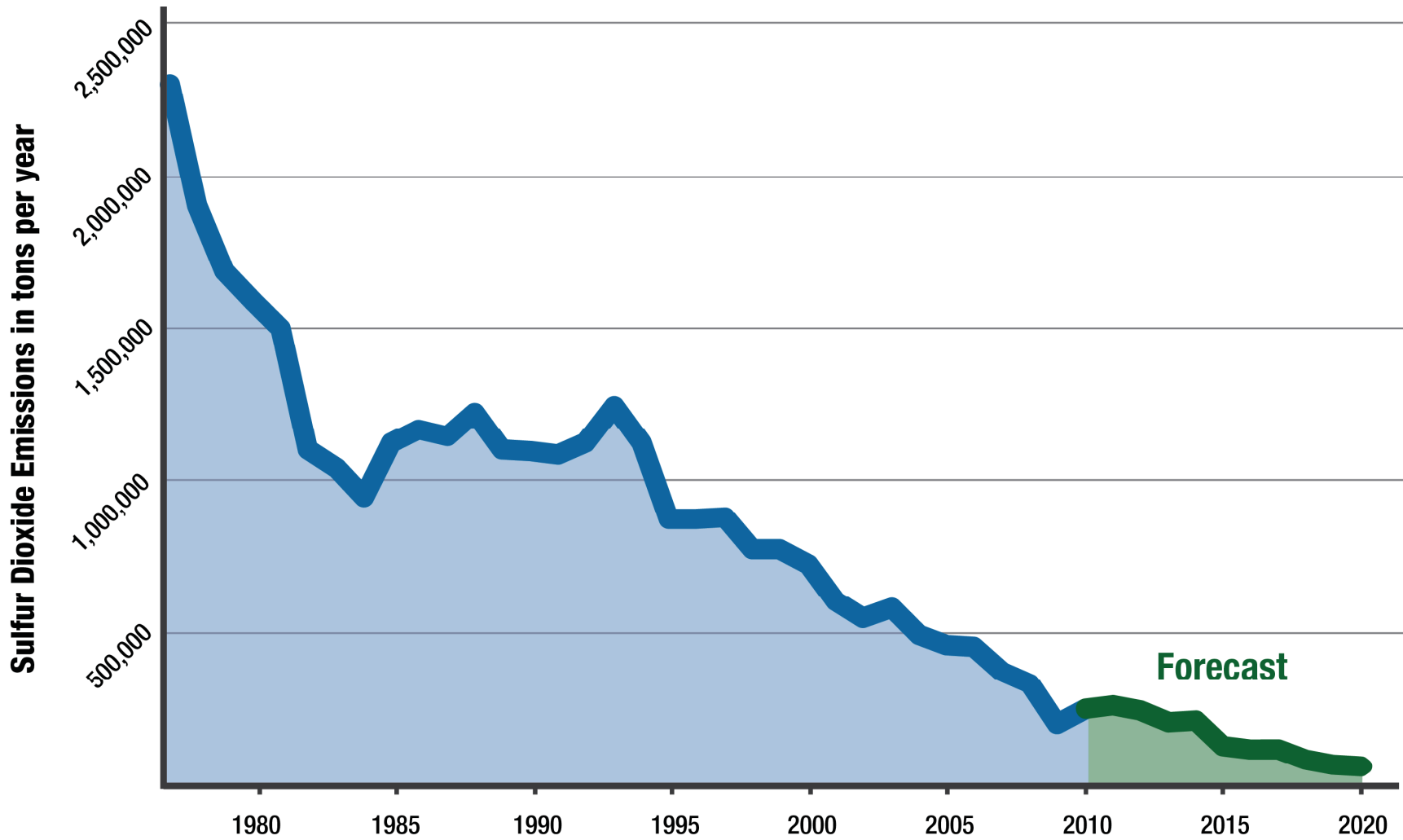




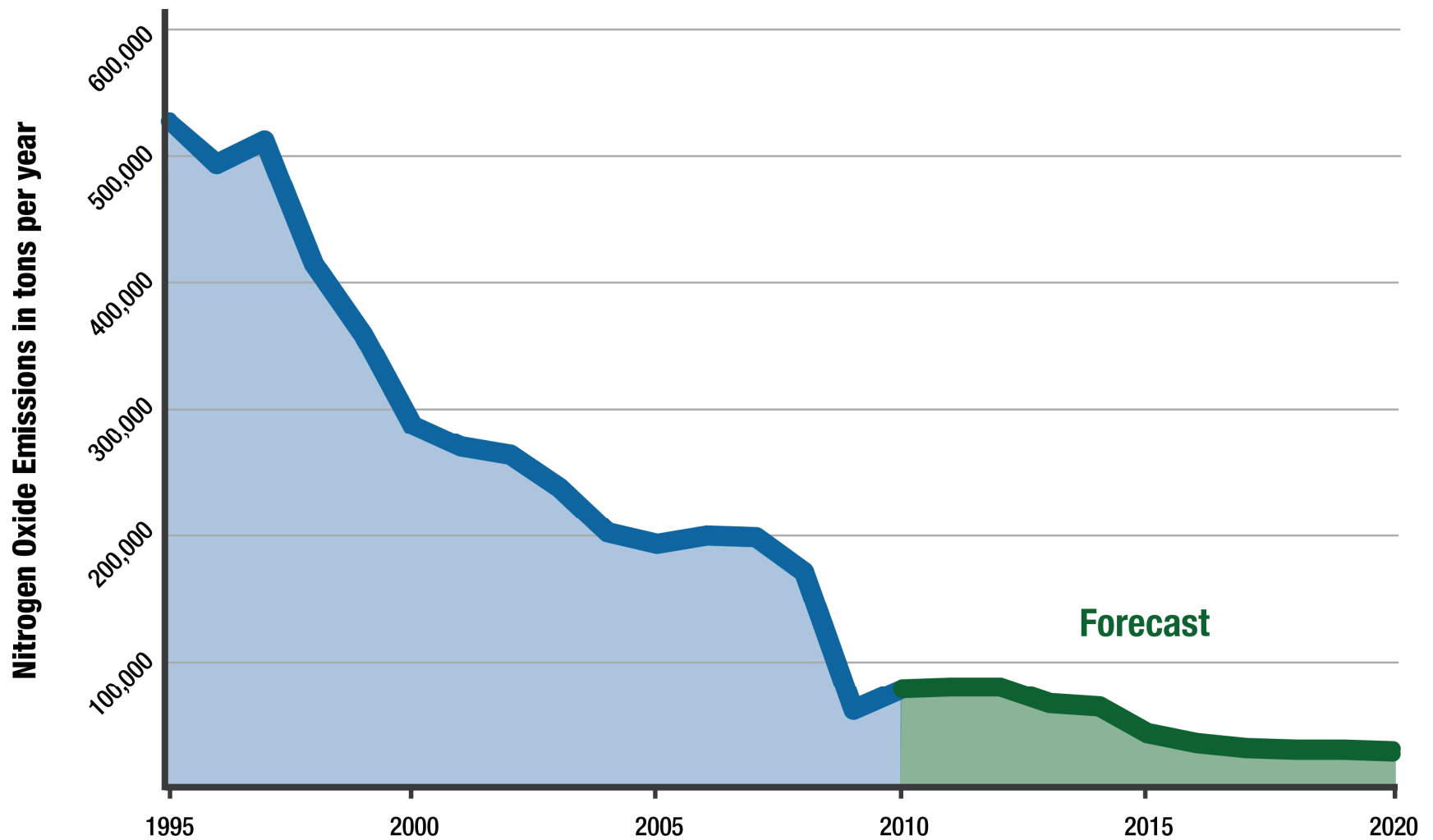
# Reduce Emissions

Reduce SO<sub>2</sub>, NO<sub>x</sub>, mercury,  
particulate, and CO<sub>2</sub> emissions  
from TVA plants

# Sulfur Dioxide Emissions



# Nitrogen Oxide Emissions



# While acting on new initiatives...

- Improved air quality
- **Increased nuclear production**
- Increased energy efficiency

# New generation

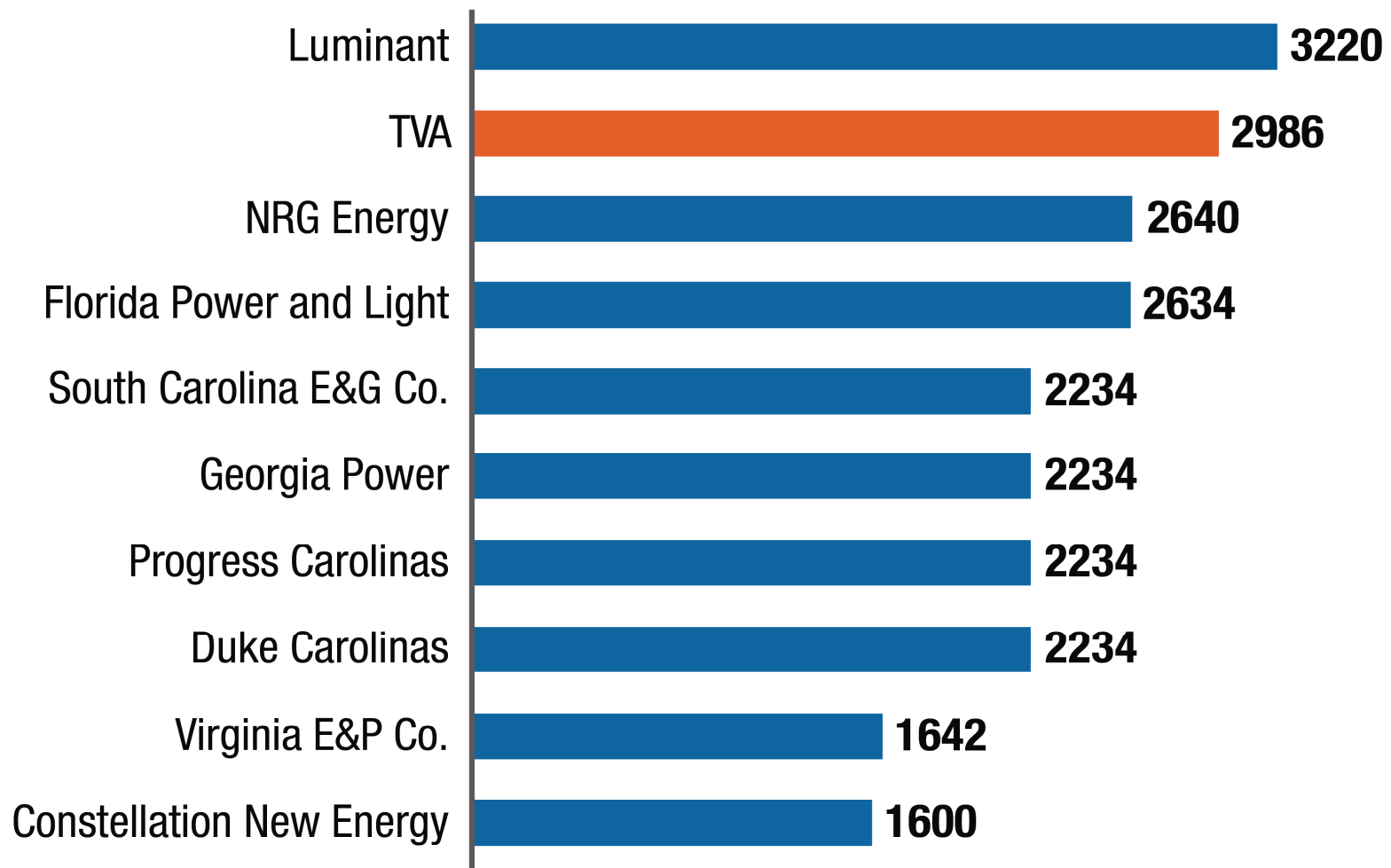
Lead the nation in delivery  
of new nuclear capacity





# Nuclear Capacity Additions

Potential and Planned Additions  
from 2010–2020 in Megawatts



# Technology

Demonstrate the first small modular reactor in the U.S.

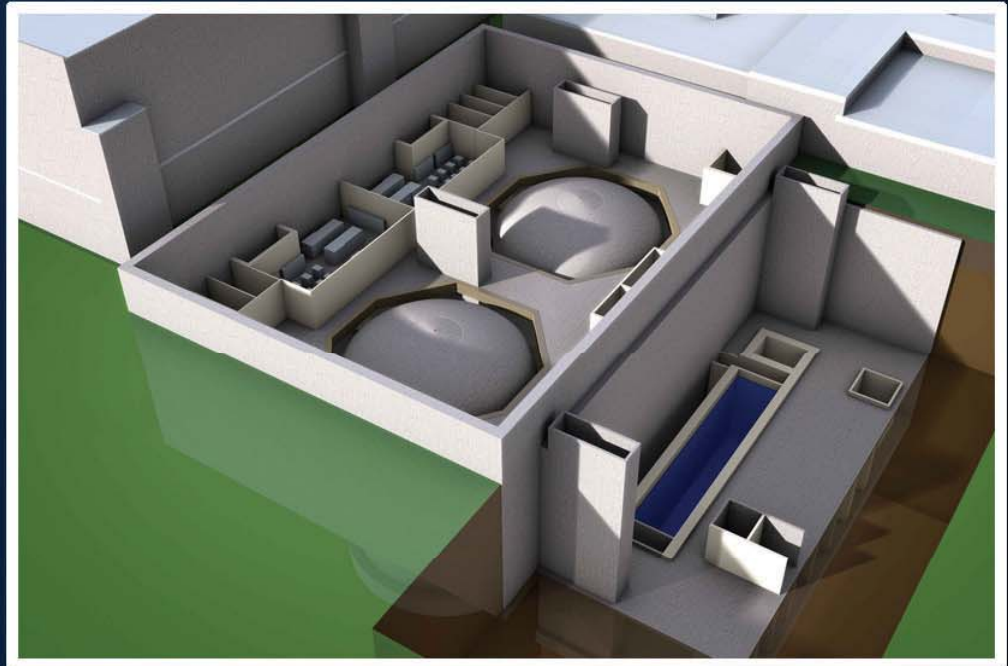


Image courtesy of Babcock and Wilcox

# While acting on new initiatives...

- Improved air quality
- Increased nuclear production
- **Increased energy efficiency**

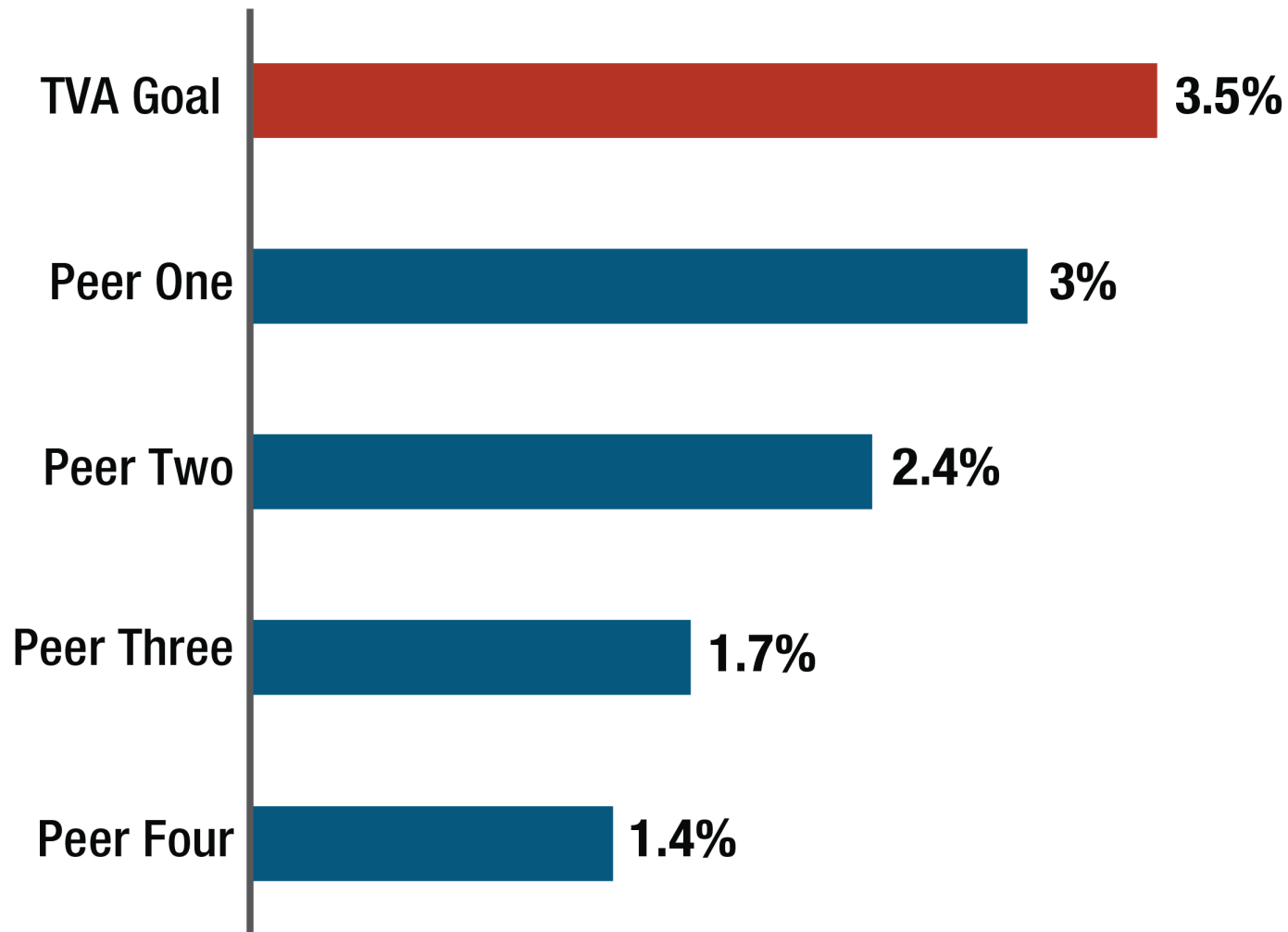
# Energy Efficiency

Help consumers and businesses use energy more efficiently and save money



# Energy Efficiency Program Goal

Energy Efficiency savings from 2010–2015 as percent of sales





# Demand management

Reduce peak power usage with demand management tools, including time-of-use rates



# Efficient production

Minimize transmission losses and optimize plant efficiency



# TVA's Vision

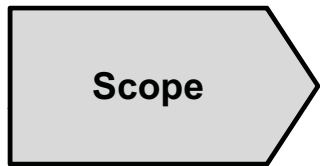
One of the Nation's Leading  
Providers of Low-Cost  
and Cleaner Energy by 2020



# **Achieving the Vision**

*Role of the Integrated Resource Plan*

# Integrated Resource Plan Process



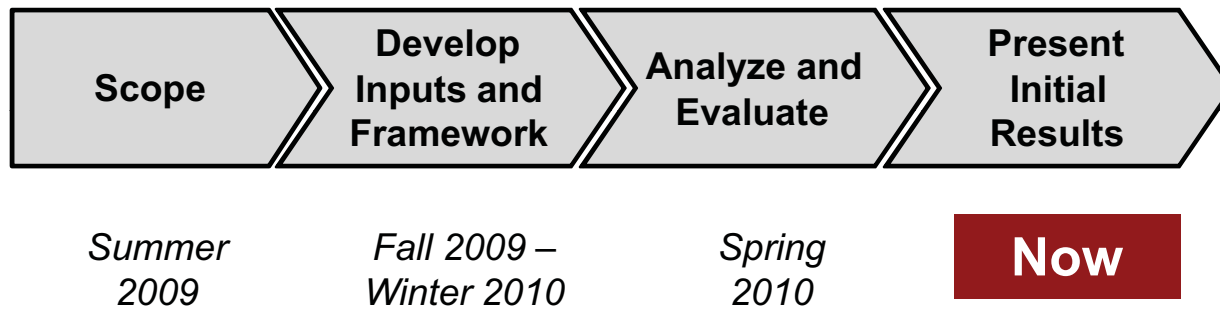
*Summer  
2009*



# Stakeholders Are Involved

- Commonwealth of Kentucky
- Howard Baker Center for Public Policy
- Joe Wheeler EMC
- Oak Ridge National Laboratory
- Partnership for Affordable Clean Energy
- Sierra Club
- Southern Alliance for Clean Energy
- State of Mississippi
- State of Tennessee
- Tennessee Chamber of Commerce and Industry
- Tennessee Paper Council
- Tennessee Valley Industrial Committee
- Tennessee Valley Public Power Association
- Tennessee Wildlife Resource Agency
- University of Tennessee, Knoxville

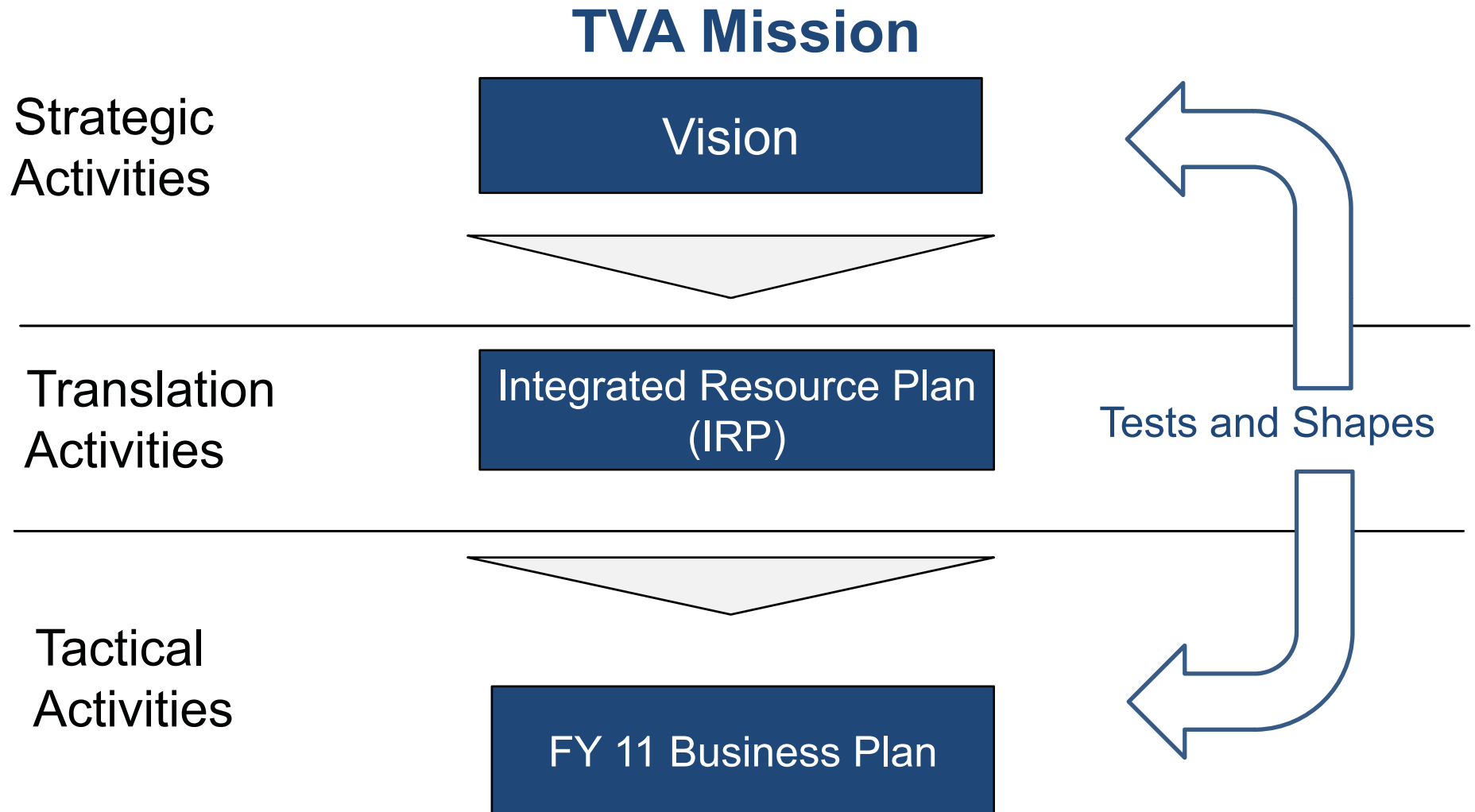
# Integrated Resource Plan Process



# Integrated Resource Plan Process



# IRP Helps Shape and Test the Vision



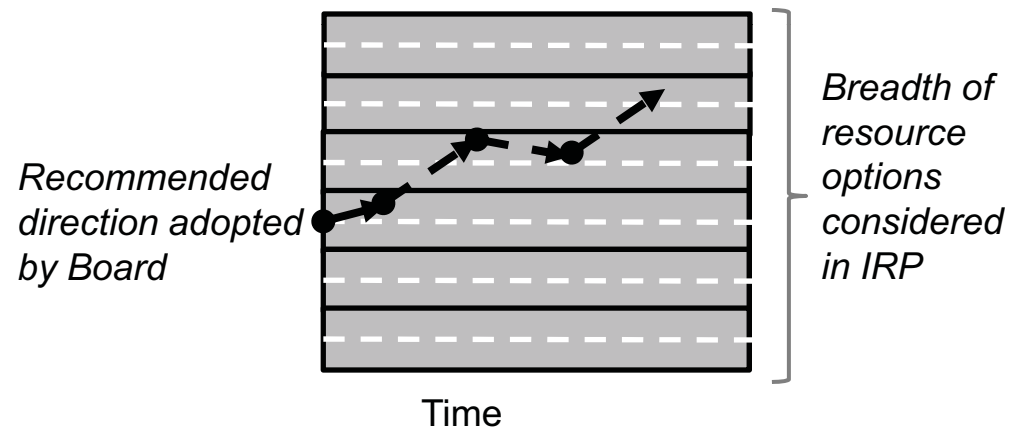
# Building Flexibility for Future Decisions

IRP will present multiple planning strategies

Portfolios cover a broad range of supply and demand-side options

Environmental benefits of options are considered

## Building a “Multi-lane Highway” of Flexibility



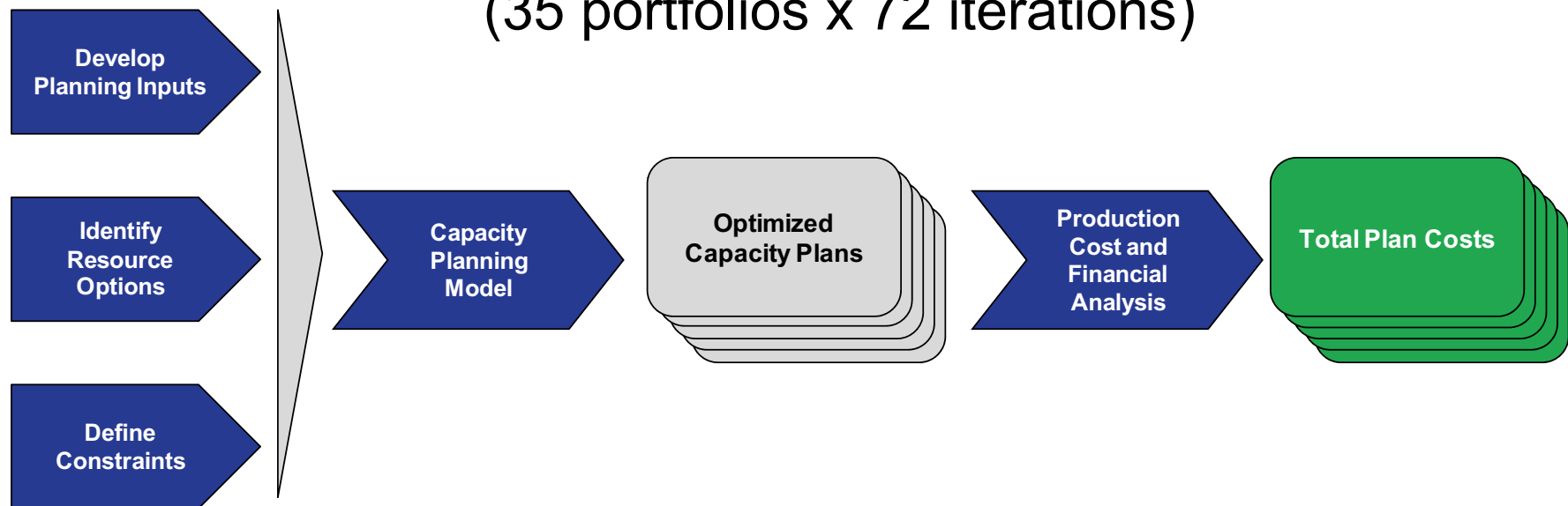


# IRP Uses Scenario Planning Method

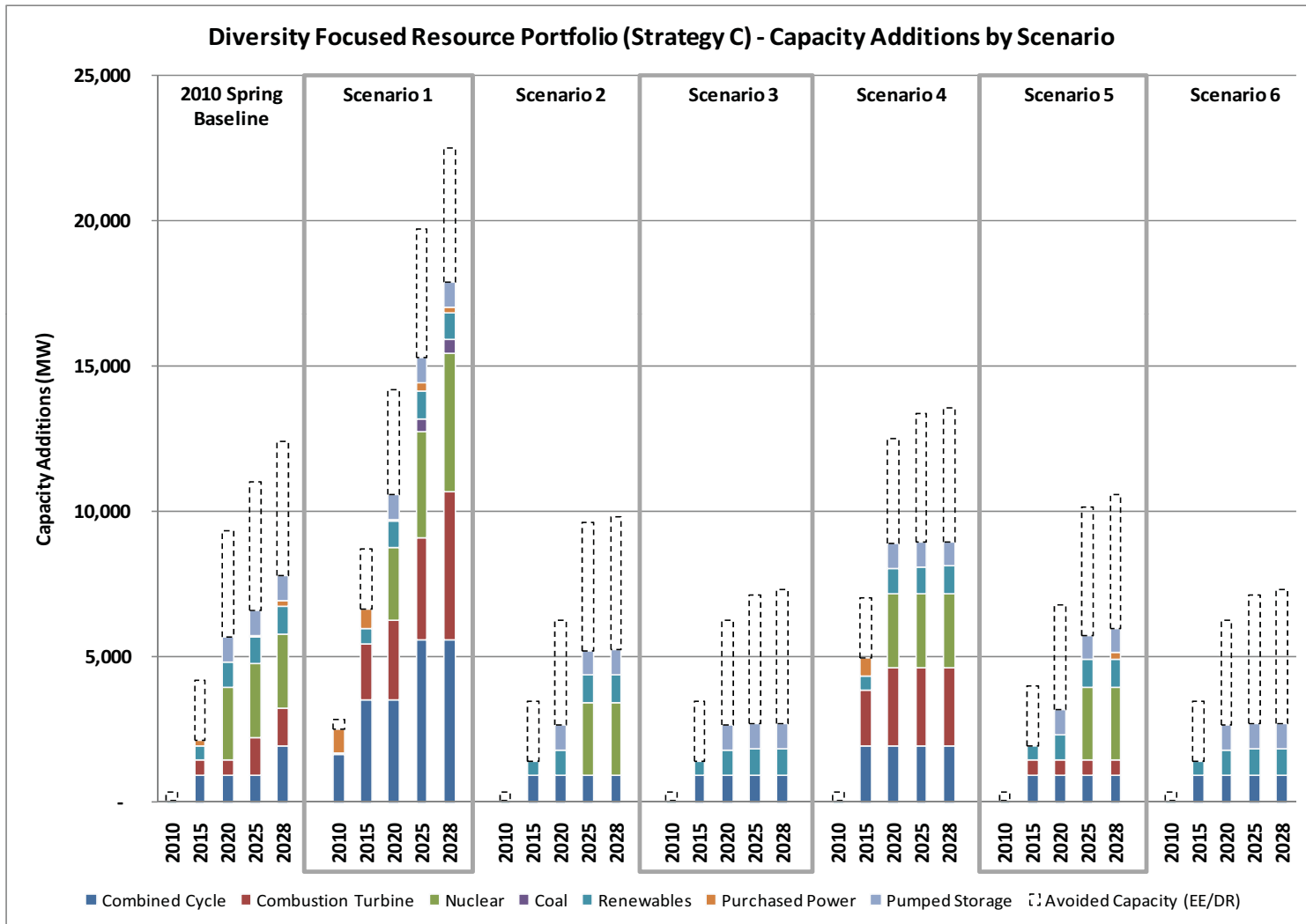
		Scenarios					
		Current Situation	#1	#2	#3	#4	#5
Planning Strategies	A						
	B						
	C						
	D						
	E						

# Modeling is Extensive







A total of 2,520 cases are considered  
(35 portfolios x 72 iterations)



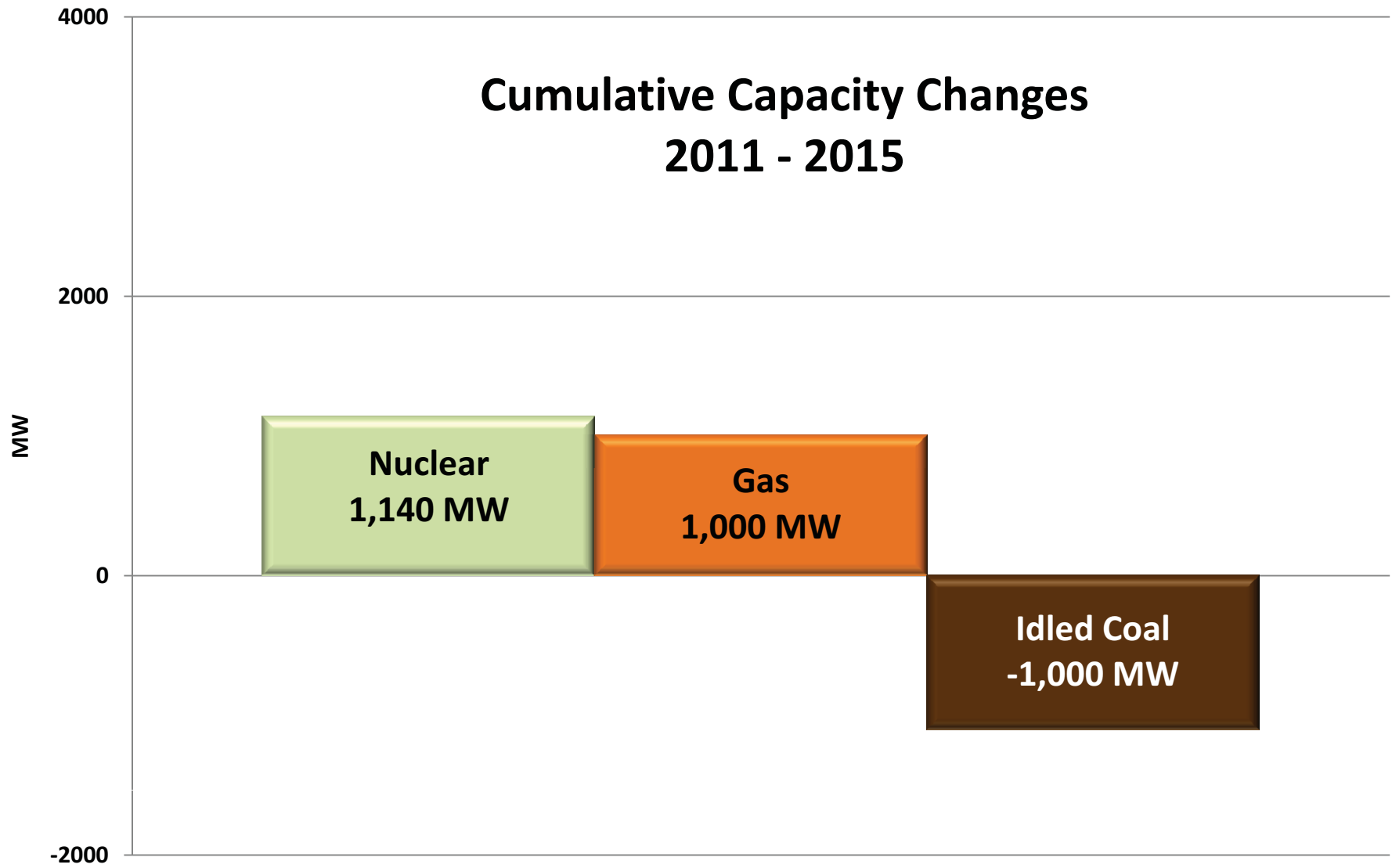
# Portfolio Expansion Plans



# Implications of Draft IRP Results

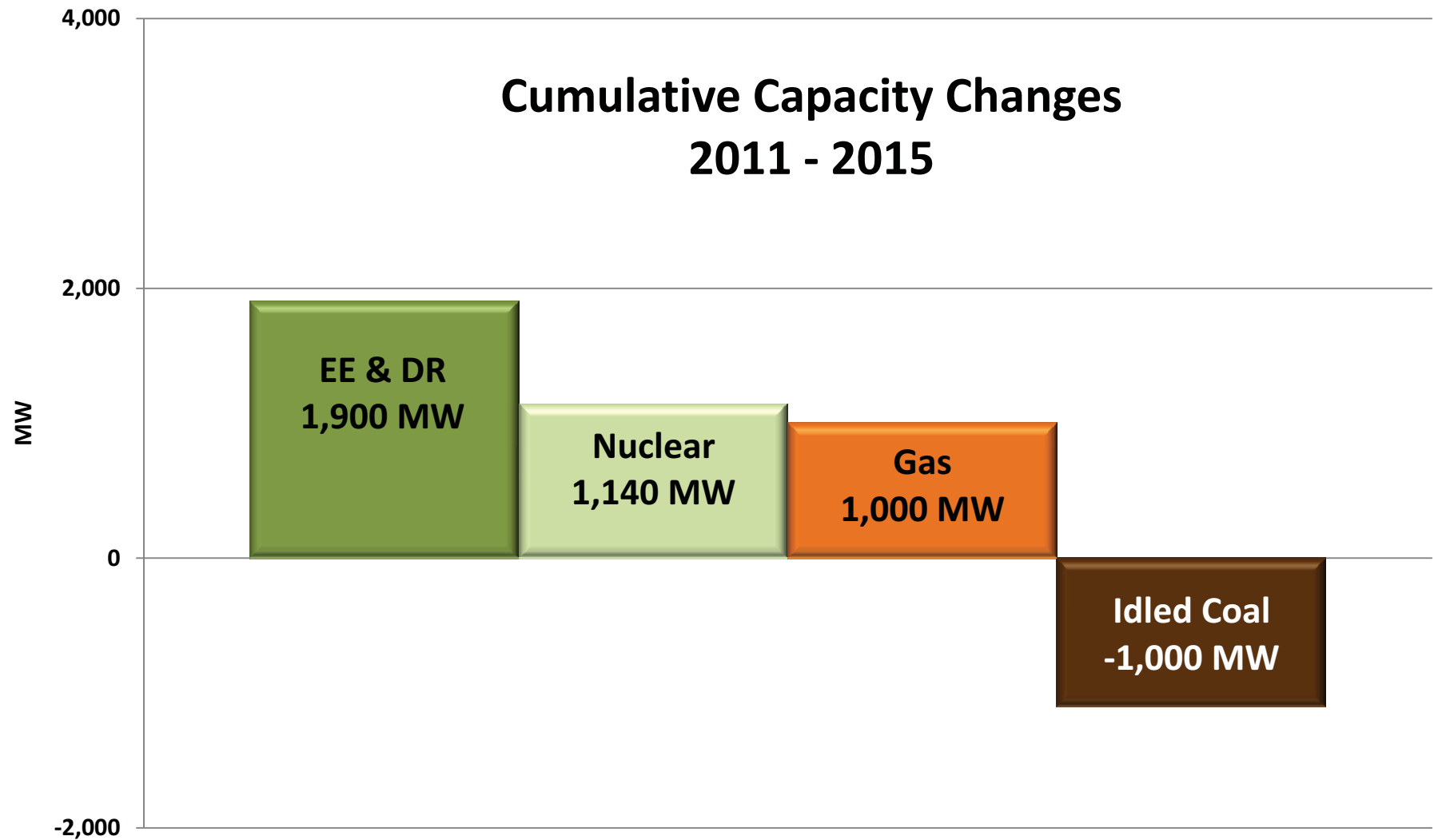
Early Indication	Implication
Environmental Benefits 	Cleaner portfolio provides cost and environmental benefits
Nuclear 	Needed by 2018-2020 to replace coal
Energy Efficiency and Demand Response 	Steady growth of EE/DR effort
Renewable 	Consider additional cost-effective sources
Natural Gas 	Preserve option for additional capacity
Coal 	Consider less coal generation

# Cumulative Capacity Changes





# Cumulative Capacity Changes with EE&DR



# Committed to Serving the Public



**TVA's Vision**

One of the Nation's Leading Providers of Low-Cost and Cleaner Energy by 2020

**Integrated Resource Plan**

		Scenarios						
		Current Situation	#1	#2	#3	#4	#5	#6
Planning Strategies	A							
	B							
	C							
	D							
	E							

# TVA's Vision

One of the Nation's Leading  
Providers of Low-Cost  
and Cleaner Energy by 2020



# First steps toward the Vision

Idling approximately 1,000 megawatts of our older, unscrubbed coal units

Recommending approval of the next phase of the Bellefonte Nuclear Project

Recommending approval for an increase in the energy efficiency budget

# Next Steps

Approval of:

- Vision
- Fiscal Year 2011 Budget
- Integrated Resource Plan  
in Spring 2011



# TVA's Vision

One of the Nation's Leading  
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and Cleaner Energy by 2020



# Finance, Rates, and Portfolio



# **Fiscal Year 2011 Budget Approval**

# What This Plan Includes

<b>Discussion Topic</b>	<b>Key Takeaway</b>
<b>Supply and Demand</b>	Well Balanced
<b>Fuel and Purchased Power</b>	Prices Increasing
<b>Operational Spending</b>	Asset Investments
<b>Capacity Expansion</b>	Addressing Future Needs
<b>Financial Health</b>	Appropriately Capitalized Principles Based
<b>Risks and Challenges</b>	Economic and regulatory uncertainty Pension Challenges

# Supply and Demand



# Economic Drivers

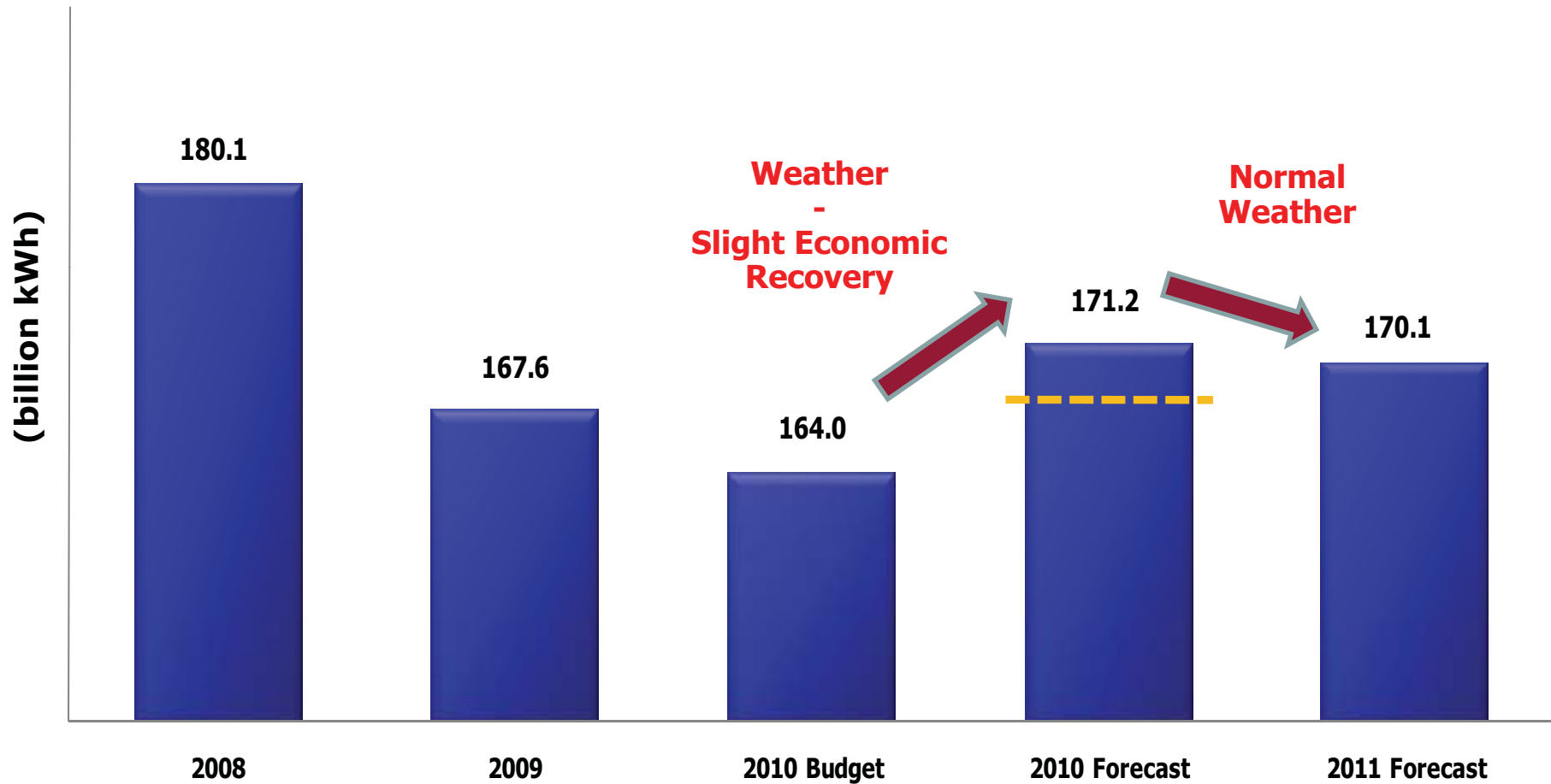
Expect some regional GDP growth in 2011

Industrial production has been recovering faster than expected

Weak commercial activity continues

Unemployment remains high in the region

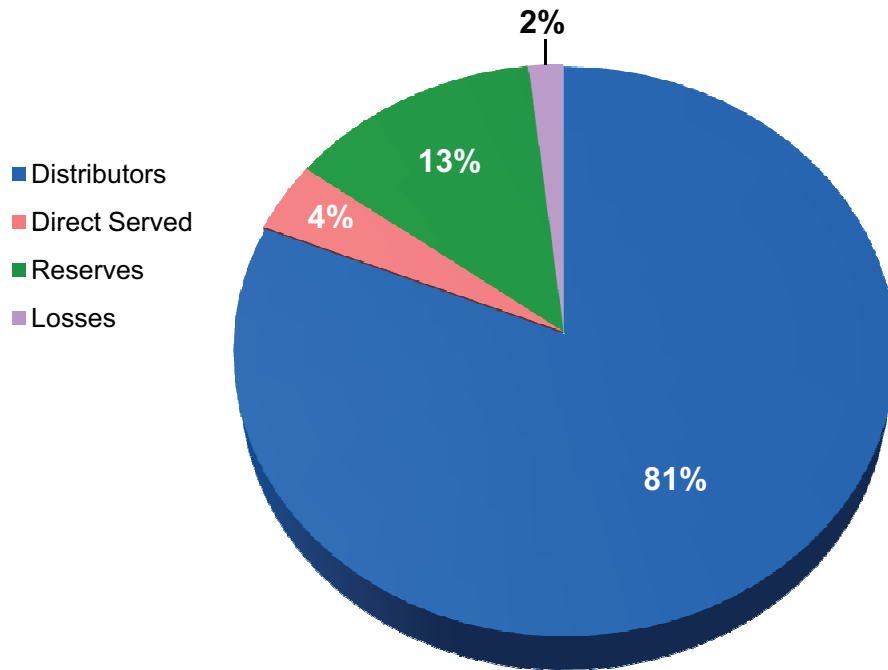
# Projected TVA Sales



Excludes off-system sales

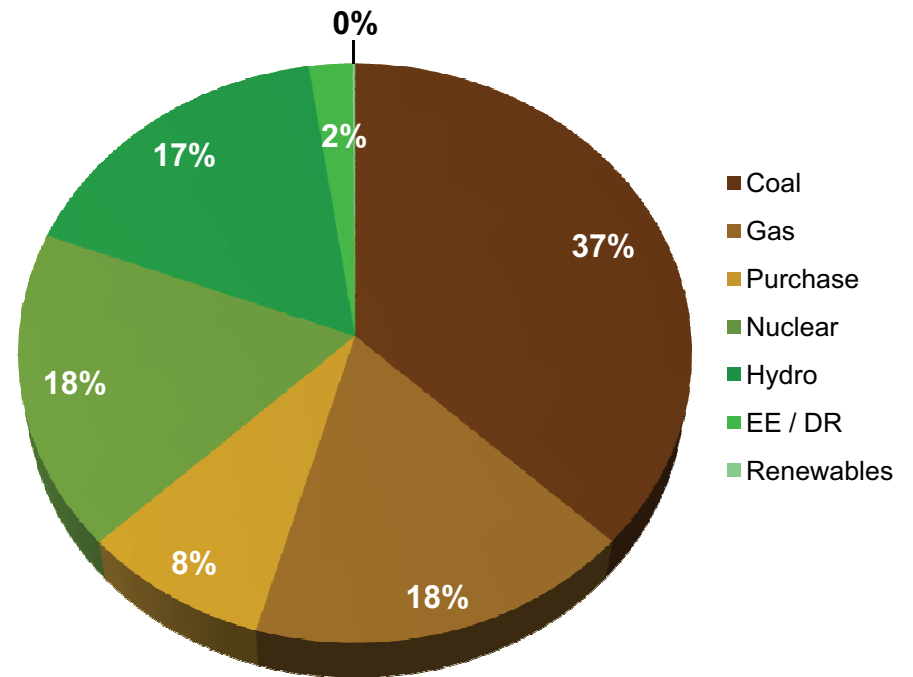
# Capacity & Peak Demand Balance

## Firm Requirements



Total Firm Requirements  
= 36,068 MW

## Firm Supply



Total Firm Supply  
= 37,532 MW

Net 1,464 MW  
Long

# Key Takeaways (Supply & Demand)

Slight sales decline due to weather

Modest economic recovery continues

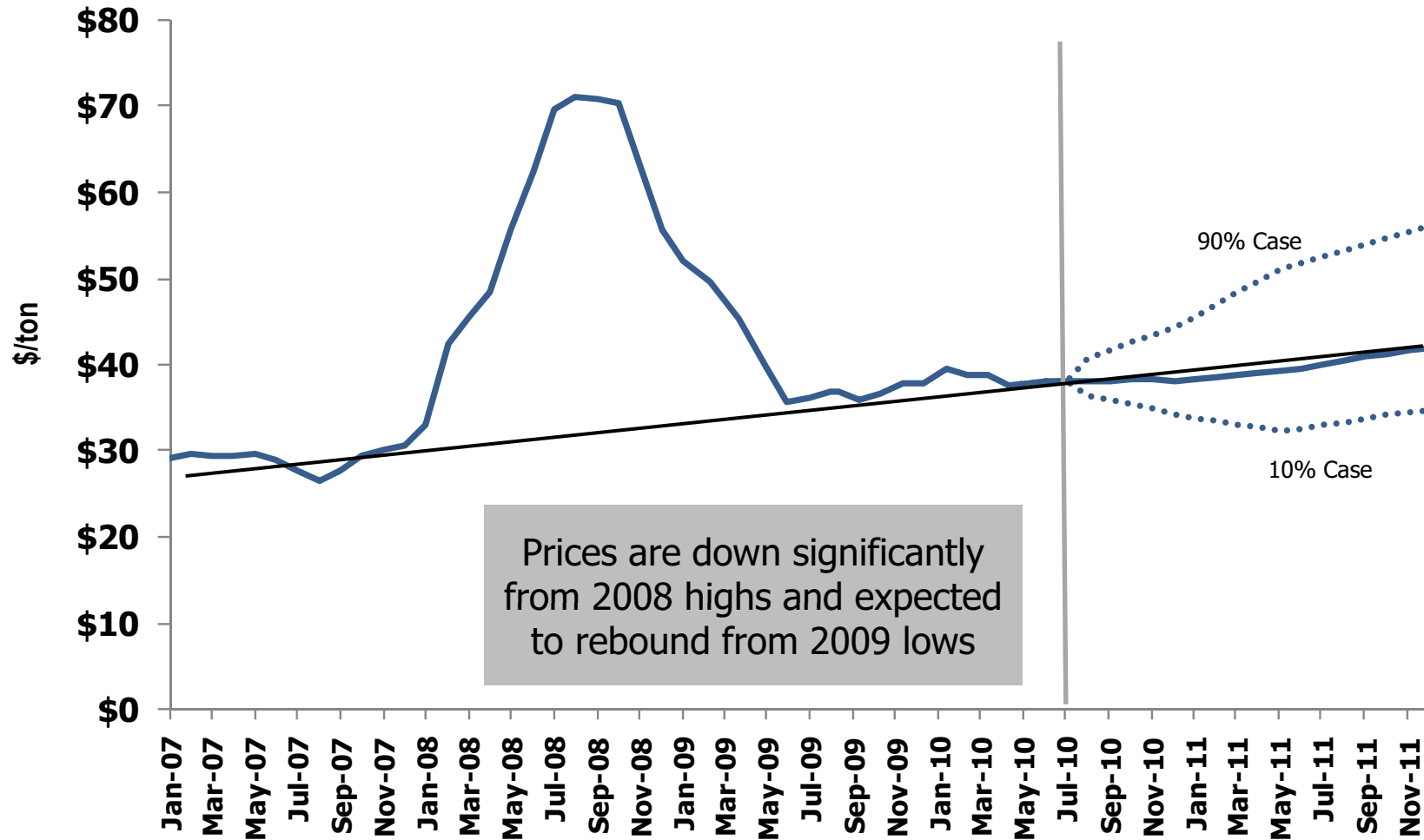
System demands met with planned capacity additions

# **Fuel and Purchased Power**



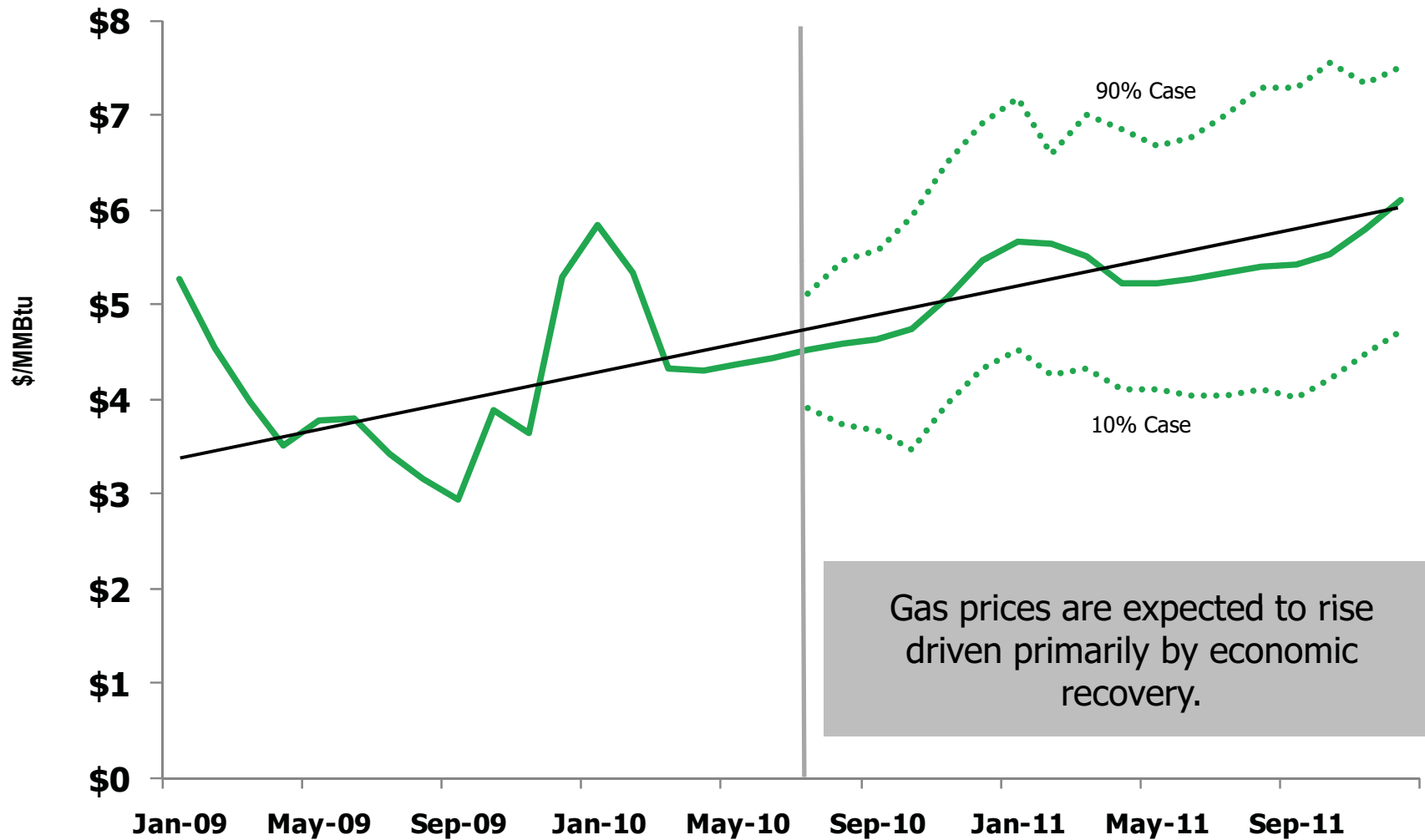
# Coal Prices

## Coal Prices – Composite of four supply basins (FOB mine)

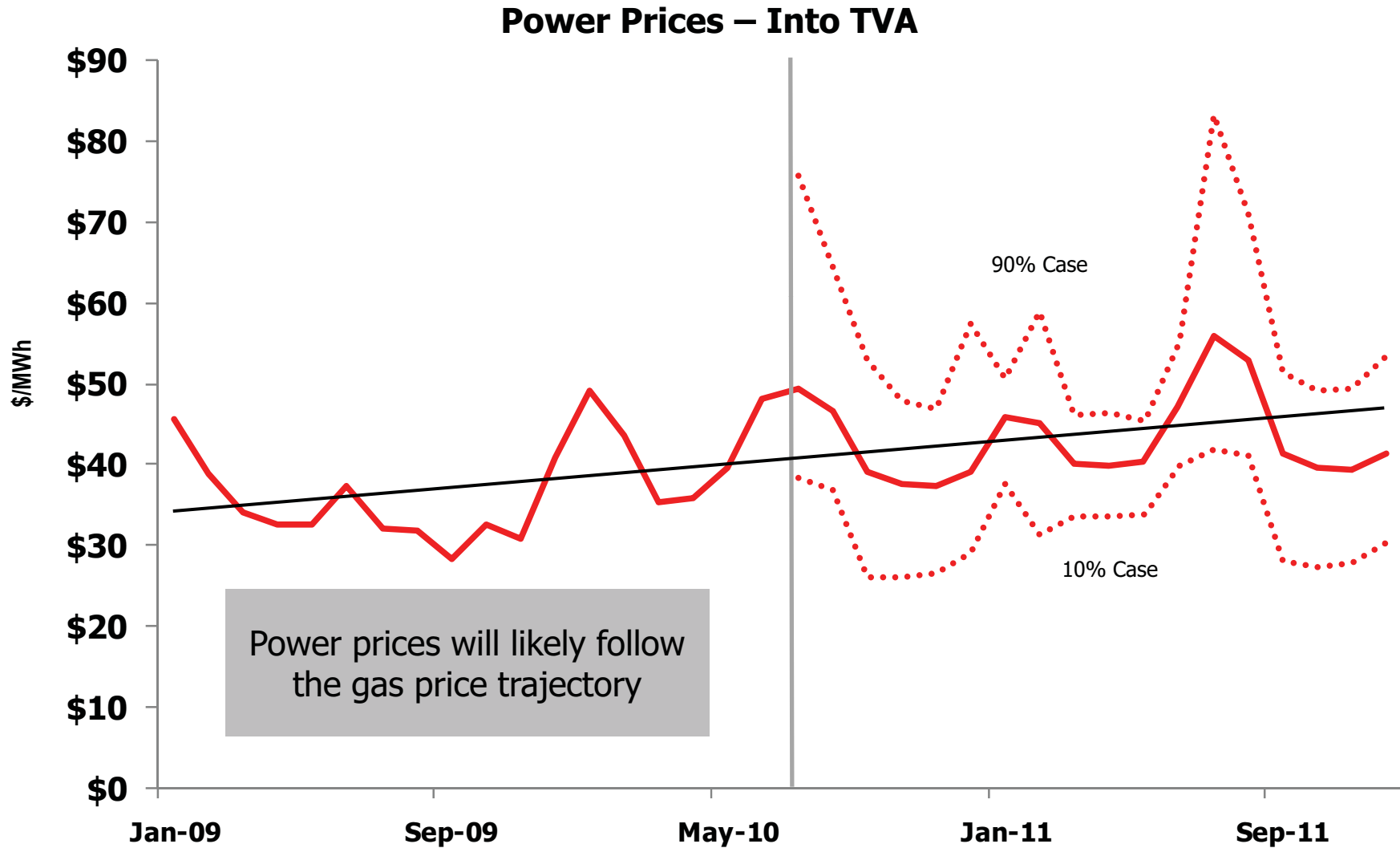


# Natural Gas Prices

## Natural Gas Prices – Henry Hub

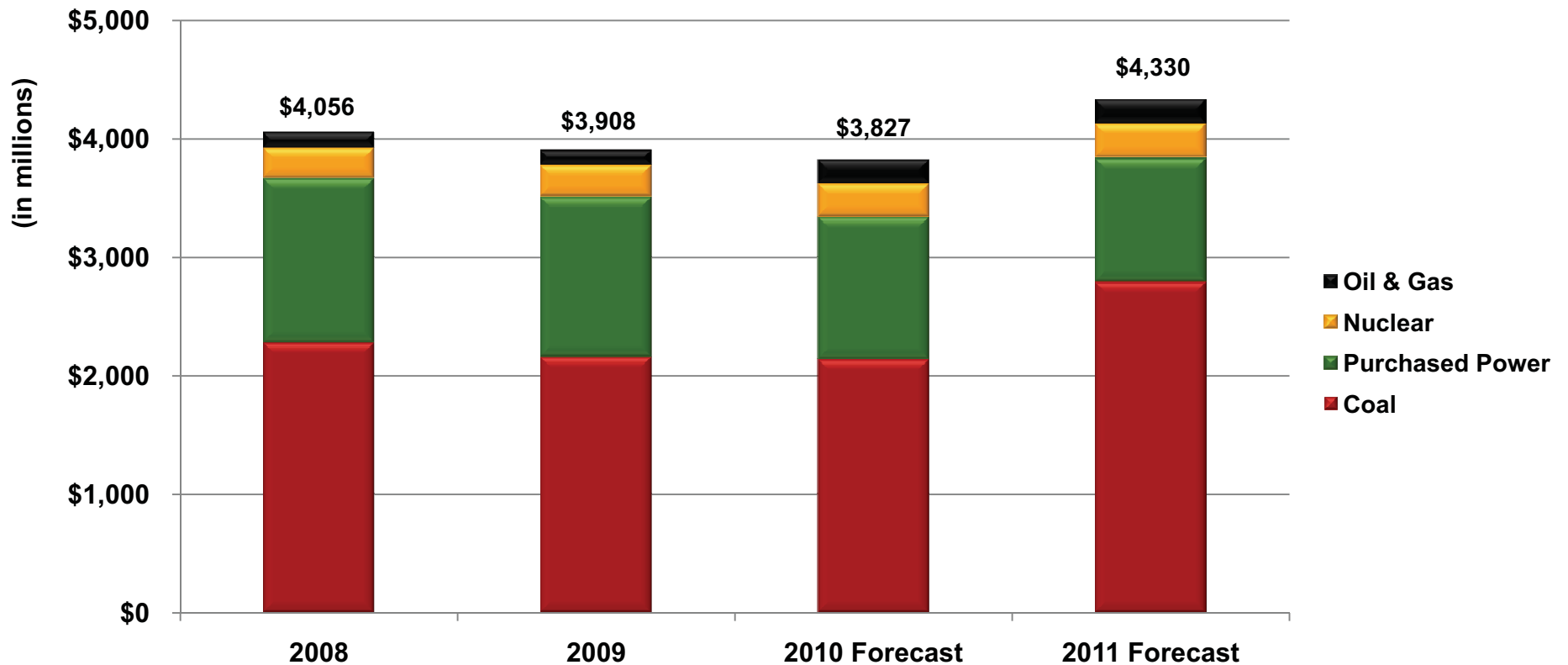


# Purchased Power Prices



# Fuel and Purchased Power

- Less volume due to lower sales -\$100M
- Higher prices: Coal +\$350M; Purchase Power +\$200M; Gas +\$50M
- Hydro impact: +\$150M



# Fuel and Purchased Power Contracting

The Contracting Plan is the basis to authorize contracts that satisfy fuel- and power-related operating requirements. It enables TVA to:

- Economically and reliably supply fuel to TVA's fleet
- Purchase power where economical
- Manage rate volatility for customers

## Key Takeaways (Fuel & Purchased Power)

Fuel volume down due to lower sales

Overall commodity prices trending up

Lower priced contracts expiring

Laddered hedging utilized to mitigate customer fuel volatility



# Gas Transportation

# Gas Transportation

31% of TVA gas supplies are transported on Texas Gas

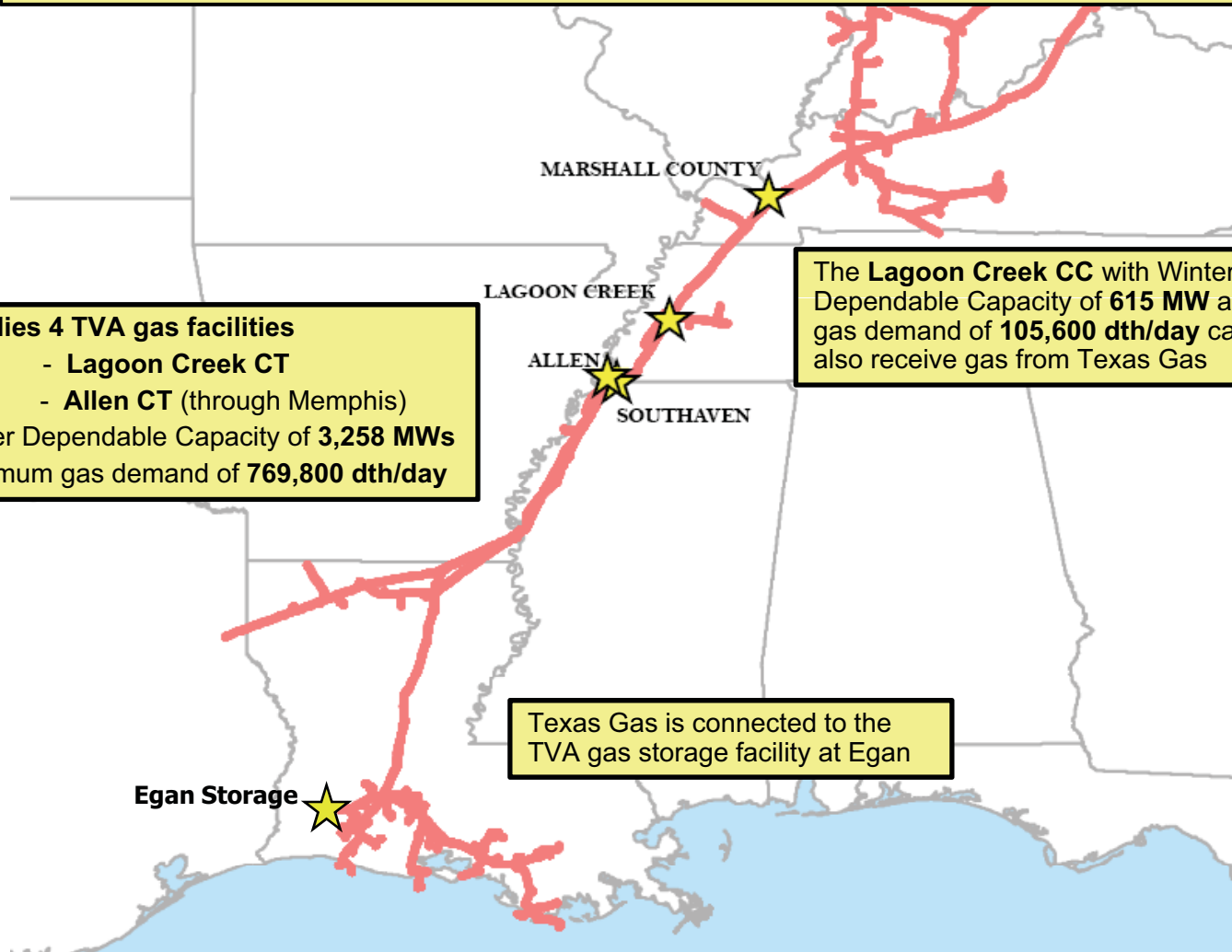
## Texas Gas supplies 4 TVA gas facilities

- Southaven CC
- Lagoon Creek CT
- Marshall CT
- Allen CT (through Memphis)
- Combined Winter Dependable Capacity of **3,258 MWs**
- Combined maximum gas demand of **769,800 dth/day**

The **Lagoon Creek CC** with Winter Dependable Capacity of **615 MW** and a gas demand of **105,600 dth/day** can also receive gas from Texas Gas

Texas Gas is connected to the TVA gas storage facility at Egan

Egan Storage



# Gas Transportation

Texas Gas Transmission is the sole gas pipeline to the Southaven CC facility and supplies the Lagoon Creek CC, Marshall CT and Allen CT facilities

Firm pipeline capacity is required to ensure reliable power generation capacity from the 817 MW Southaven CC facility

The 10 year agreement secures competitive rates for firm transportation and reduces TVA exposure to excessive balancing charges

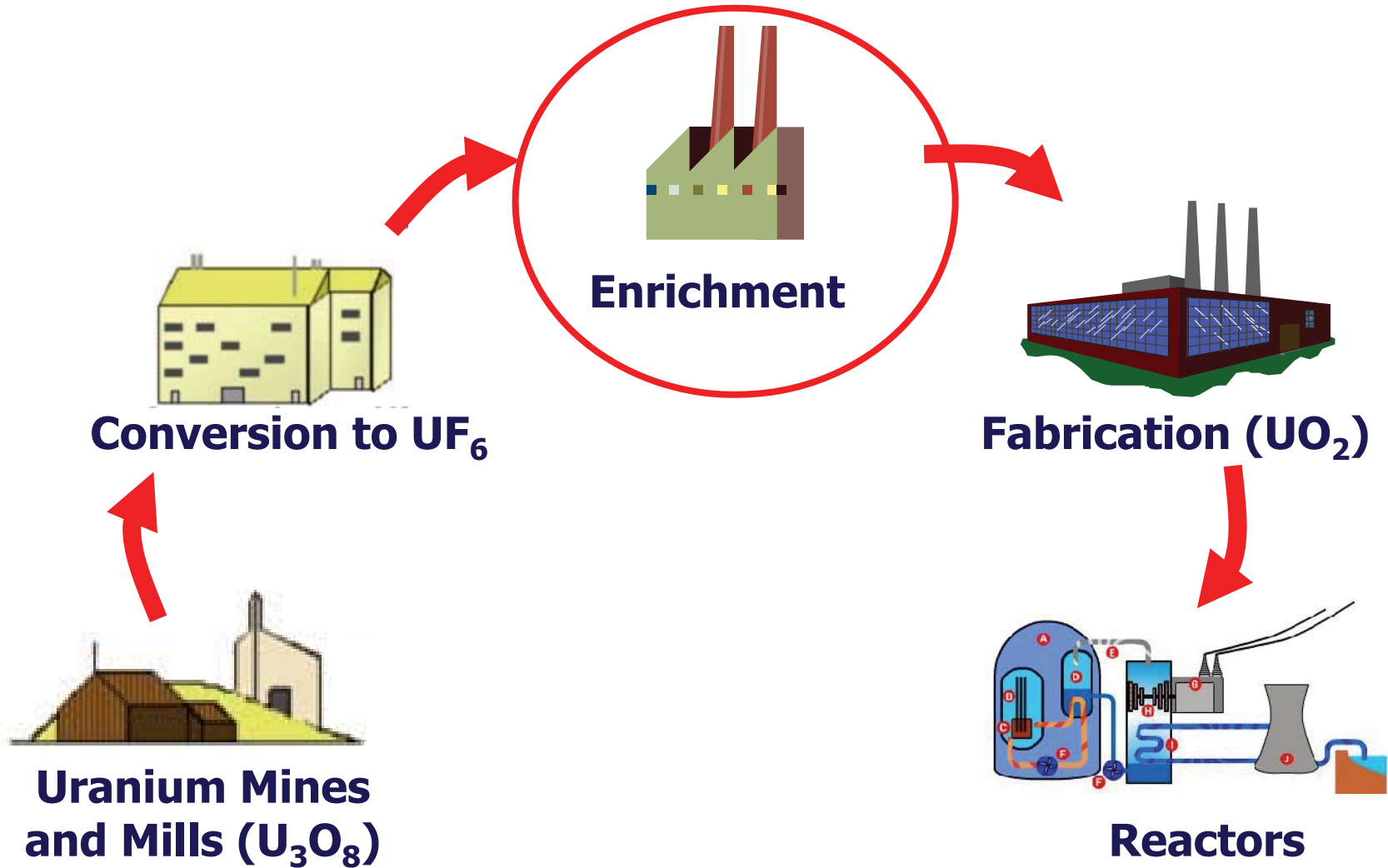
# **Enrichment Services Contracts**

# Enrichment Services Contracts

TVA must buy uranium enrichment services to ensure an adequate and uninterrupted supply of fuel for our nuclear reactors

# Uranium Processing

## Steps to becoming reactor fuel





# GLE Enrichment Offer

GLE (North Carolina plant) provides competitive offer for enrichment:

- The contract would provide 12% of TVA's enrichment needs from 2015 to 2025
- Pricing compares favorably with previously accepted contracts
- Supply diversification
- Total price: \$400 million

# GLE New Technology Risk Mitigation

Laser technology to be commercially proven

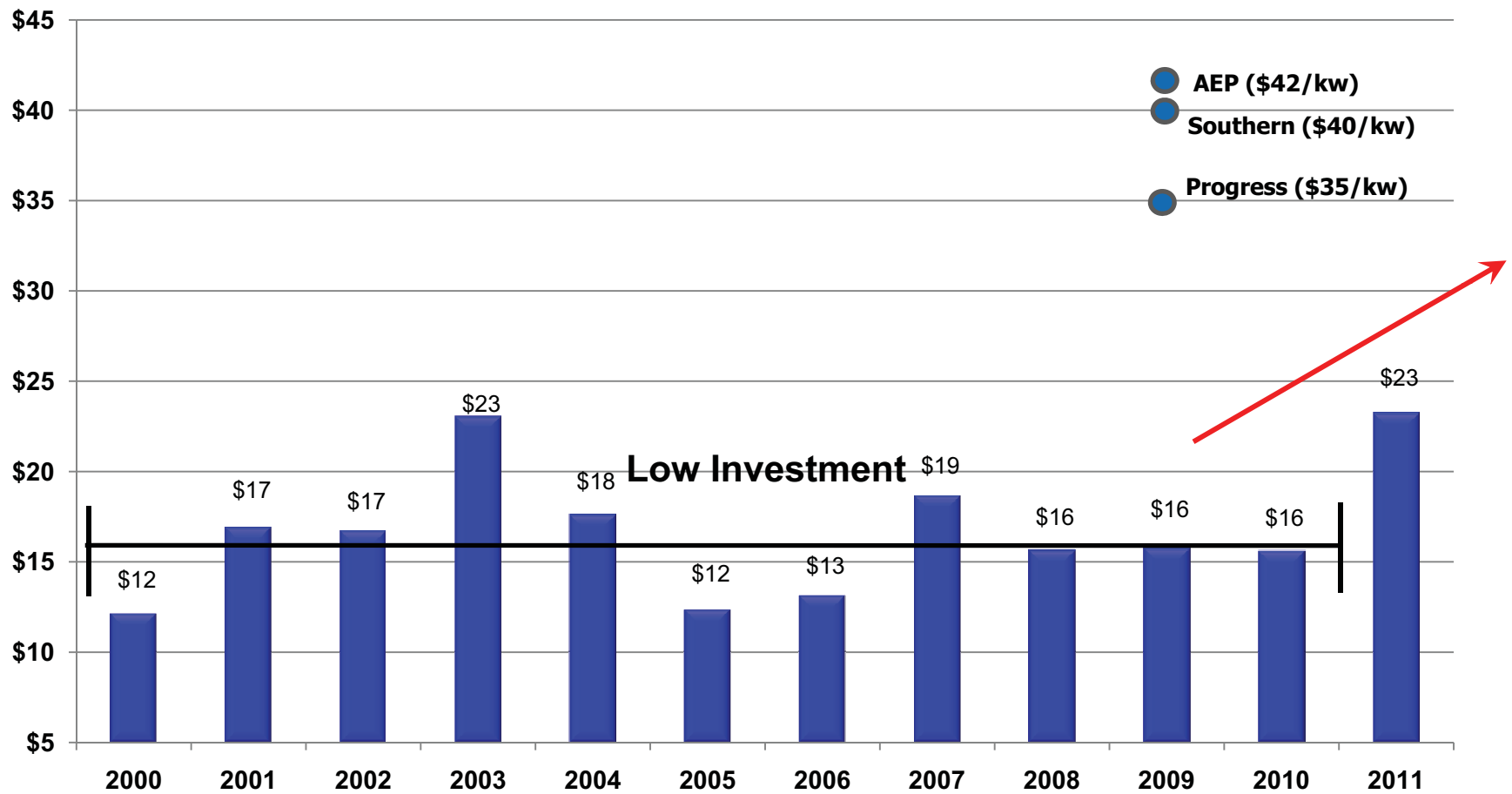
TVA's enriched uranium inventory is a mitigation against GLE production delays

In case of the GLE project termination, other enrichment services contracts can be entered into with existing TVA enrichment suppliers

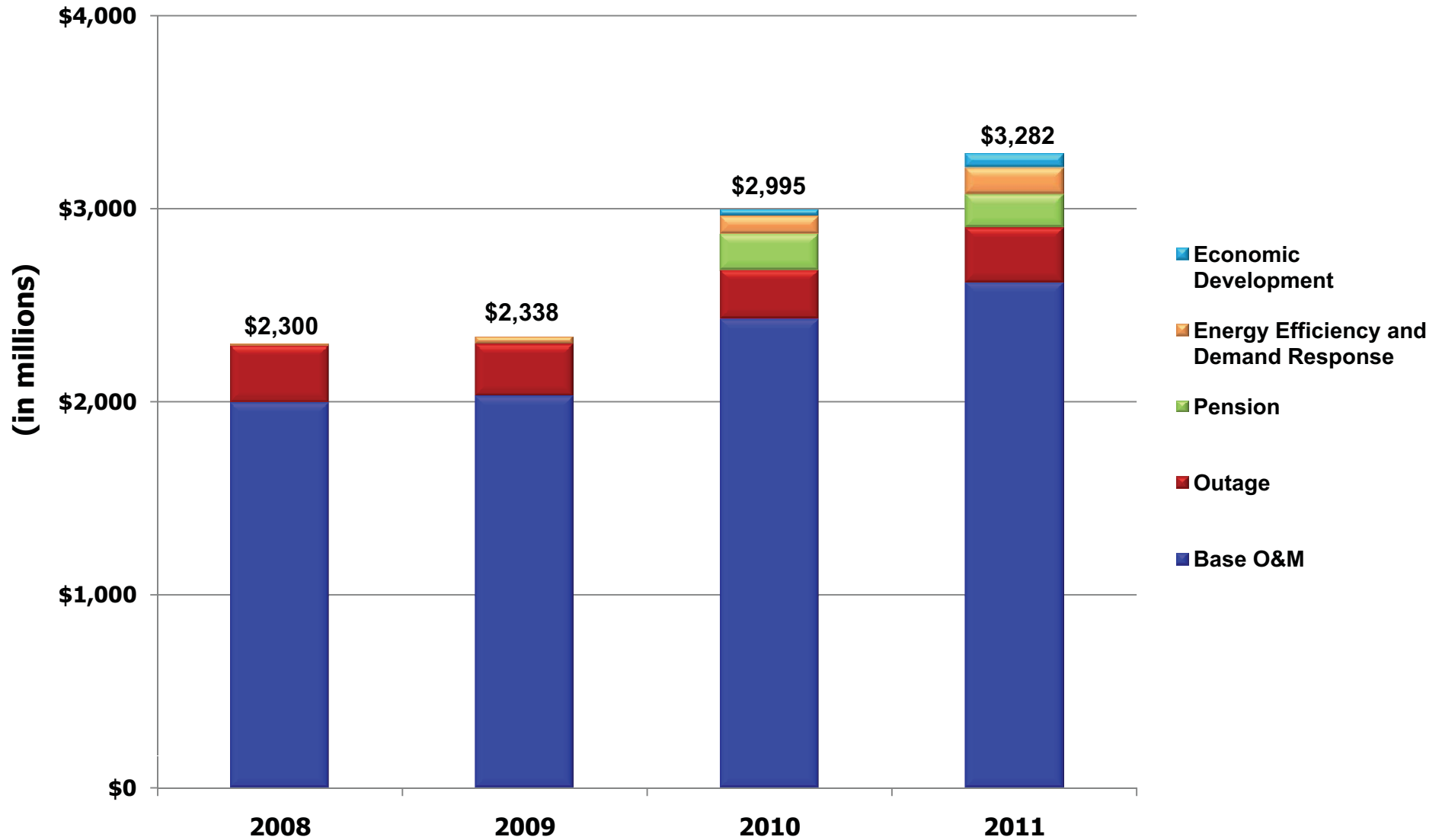
Once GLE achieves startup, GE-Hitachi will provide financial assurance as a letter of credit, surety bond, or parental guaranty

# Operational Spending

# Base Capital per Kilowatt Investment



# Non-Fuel Operations and Maintenance Expenses



# Non-Fuel O&M Increases

## Fiscal Year 2011

Incremental fossil and nuclear investments	\$80 million
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Additional Nuclear Refueling Outages	\$30 million
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Anticipated inflation	\$80 million
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Energy efficiency and demand response programs	\$45 million
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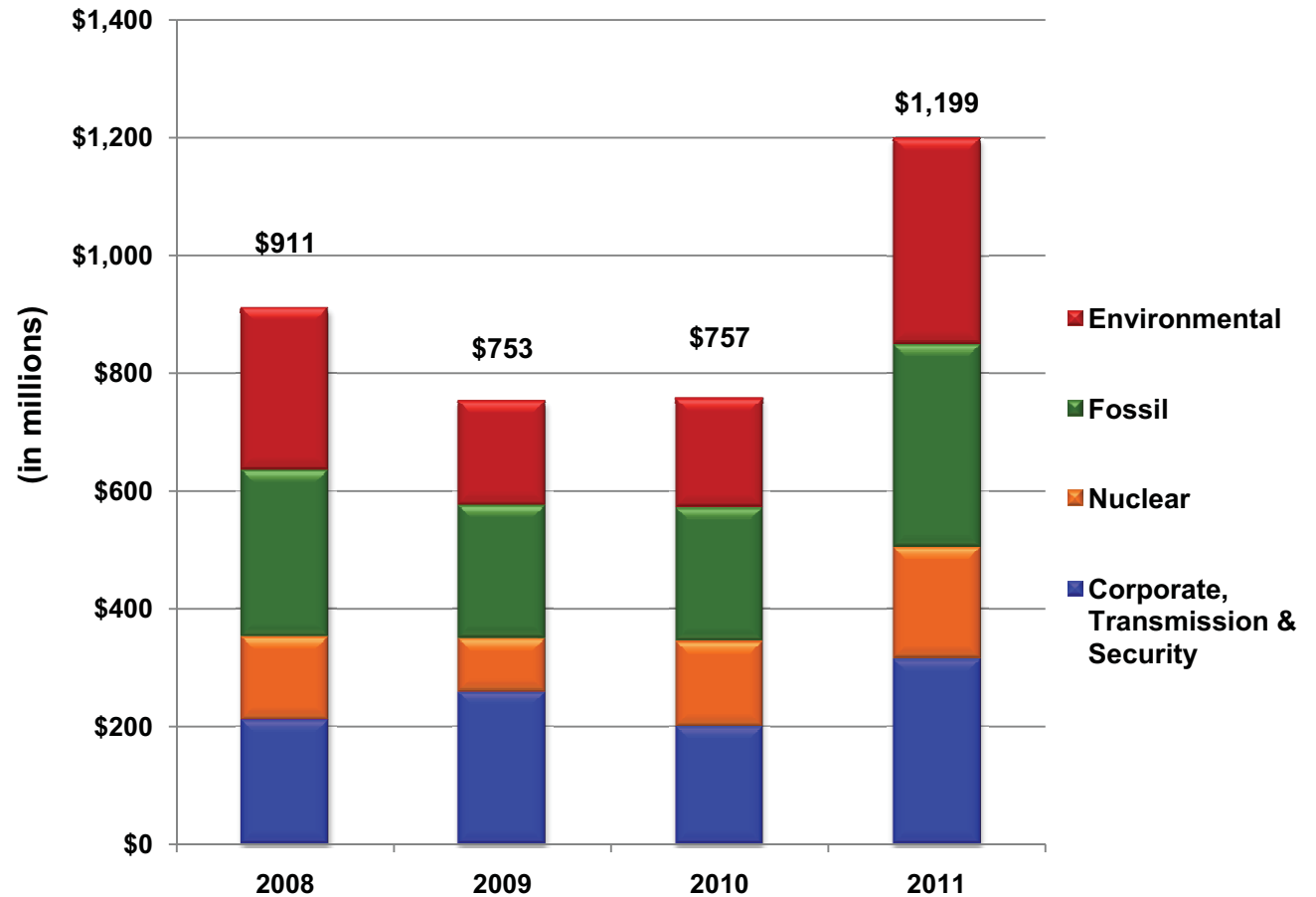
Economic development	\$40 million
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# Capital Investment

## Increased investments:

- Material condition
- Asset performance
- Physical and cyber security
- Clean air
- Ash management



# 2011 Capital Projects

## Environmental

Kingston - Wet to Dry Ash Conversion  
PAF 1-2 Particulate Collection  
WCF 7-8 Particulate Collection  
Particulate Control Improvement  
SO3 Mitigation

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**\$351 million**

## Base Capital

Physical and Cyber Security Improvements  
Nuclear Security Upgrades  
Watts Bar Control Rod Replacement  
Sequoyah Switchyard Improvements  
Nuclear Major Critical Spares  
Paradise Cyclone Replacement  
Cumberland U2 Secondary Superheater Replacement  
Browns Ferry Nuclear Margin Modifications

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**\$847 million**

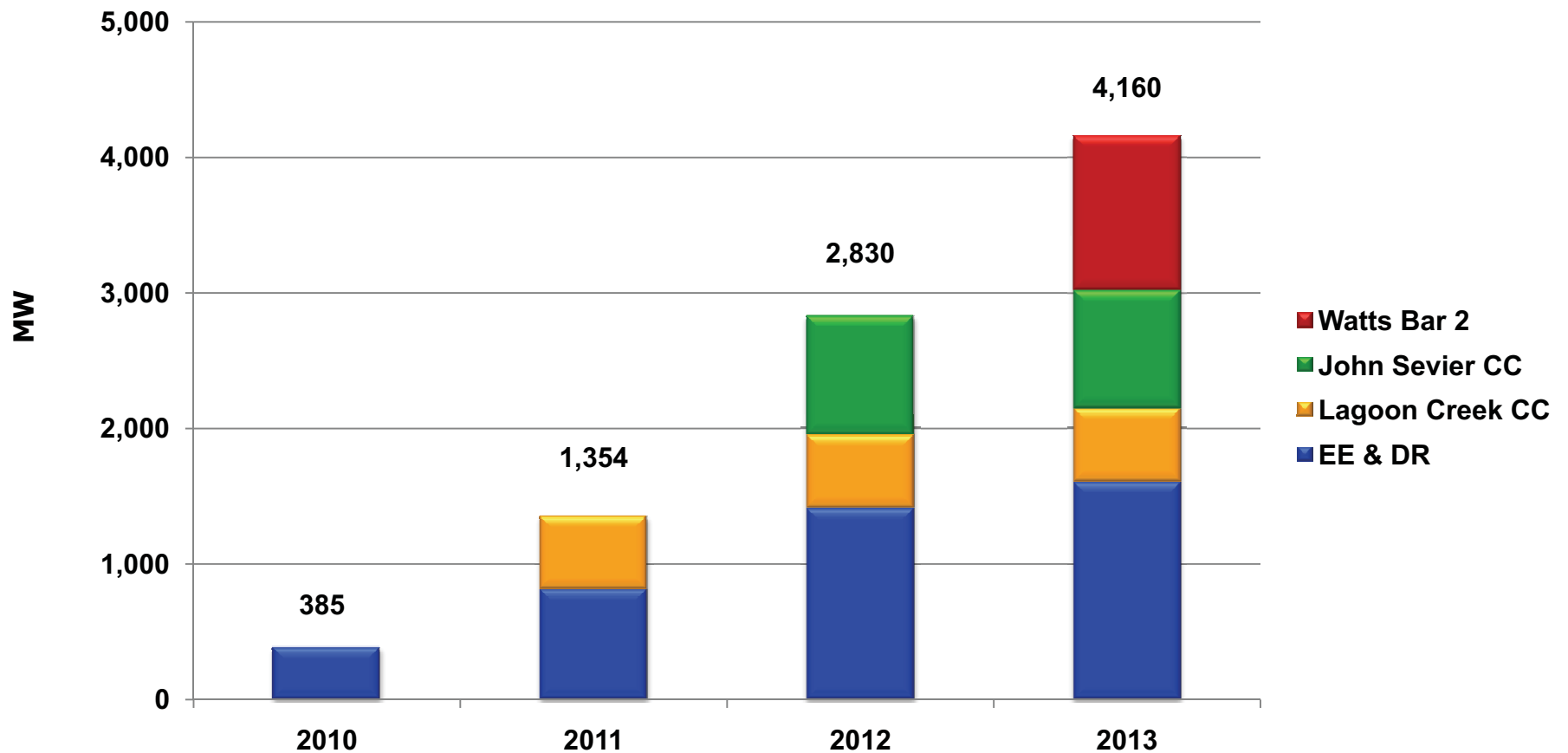
# Key Takeaways (Operational Spending)

Increased investments to:

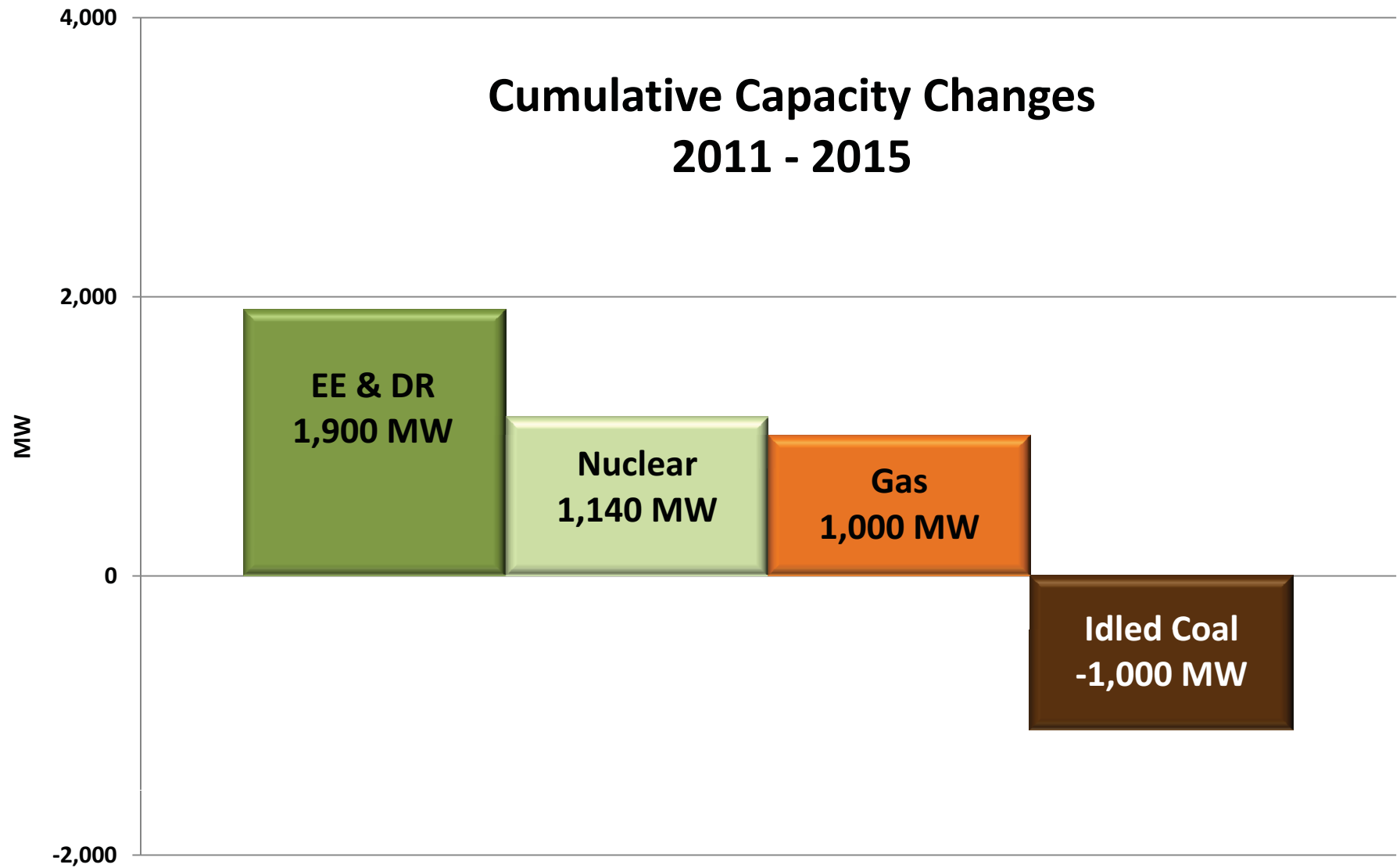
- Improve material condition
- Support energy efficiency and demand response
- Reduce environmental impacts

# Capacity Expansion

# Capacity Additions (Cumulative)



# Capacity Additions



# Capacity Expansion

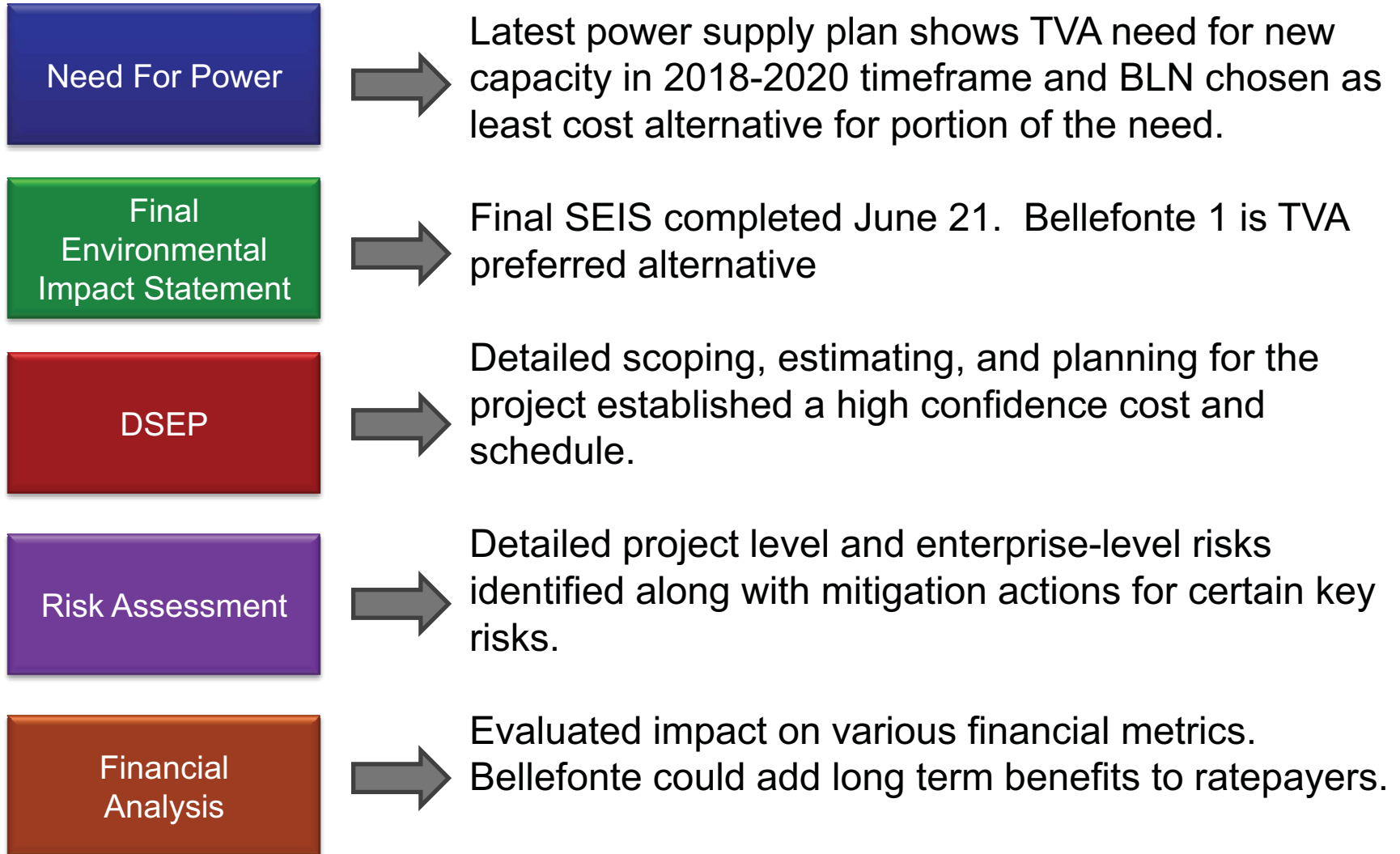
(\$ millions)	In-Service Date	MW	2010 & Prior	2011	Total Project
Lagoon Creek CC	2011	540	\$441	\$4	\$445
John Sevier CC	2012	878	\$389	\$314	\$818
Watts Bar Unit 2	2013	1,138	\$1,419	\$635	\$2,494
Bellefonte – Unit 1 Phase 2	2018	1,260	\$56*	\$248	TBD
Nuclear Uprates			\$97	\$14	\$436
Transmission				\$181	
AFUDC/Other				\$132	

\* Project-to-date spending on scoping, estimating, & planning



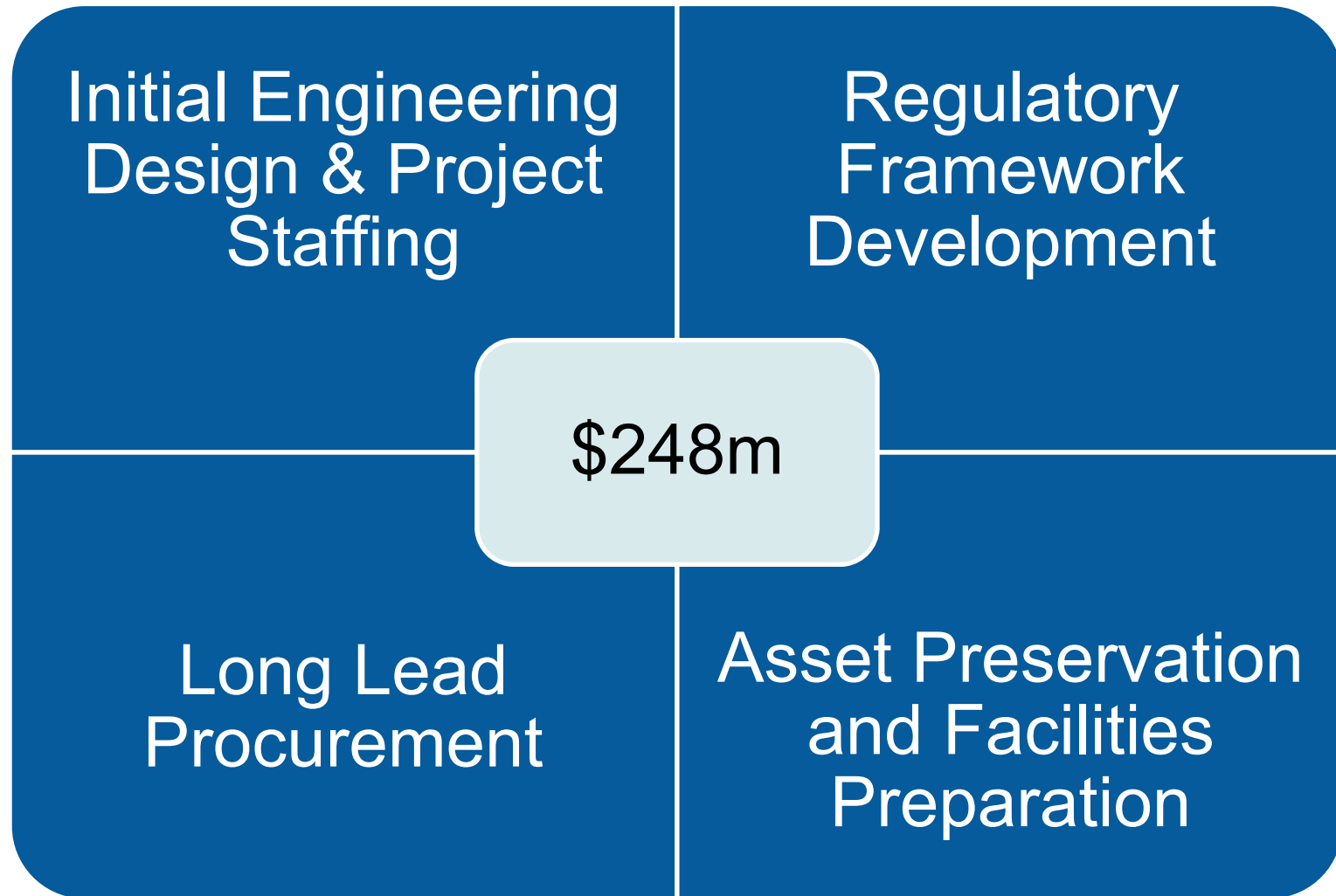
**Bellefonte**

# Supporting Bellefonte Technology Recommendation



# Fiscal Year 2011 Scope

Reduces Project Risk and Preserves Completion Option



## Contracts Provide Flexibility

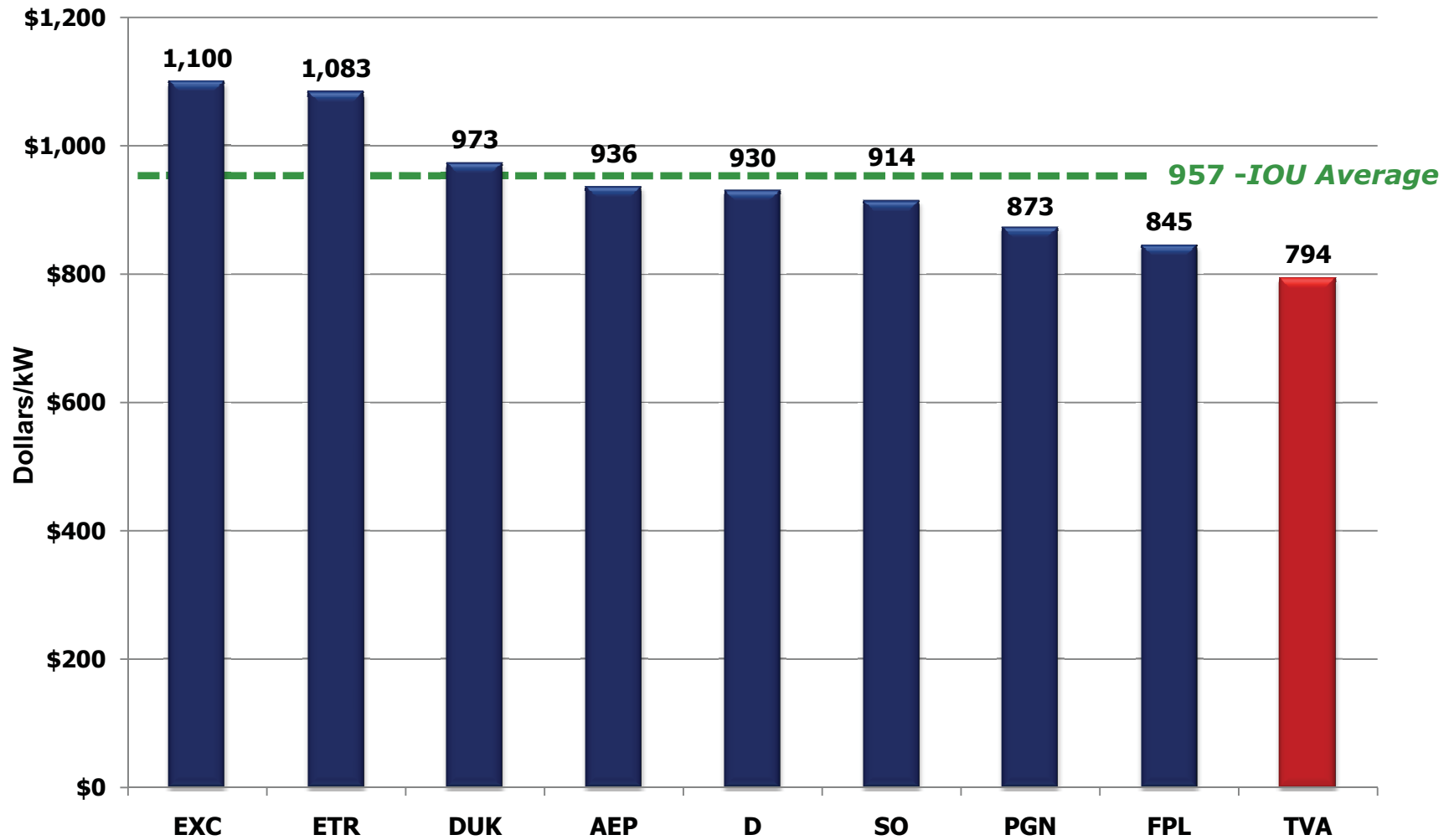
Contracts will be entered that provide flexibility to transition project to next phase

Several contracts will be entered during Fiscal Year 2011 that include terms and scope beyond Fiscal Year 2011, to preserve the option for the project to move forward to the final phase efficiently, if later decided

Termination provisions will be included in contracts

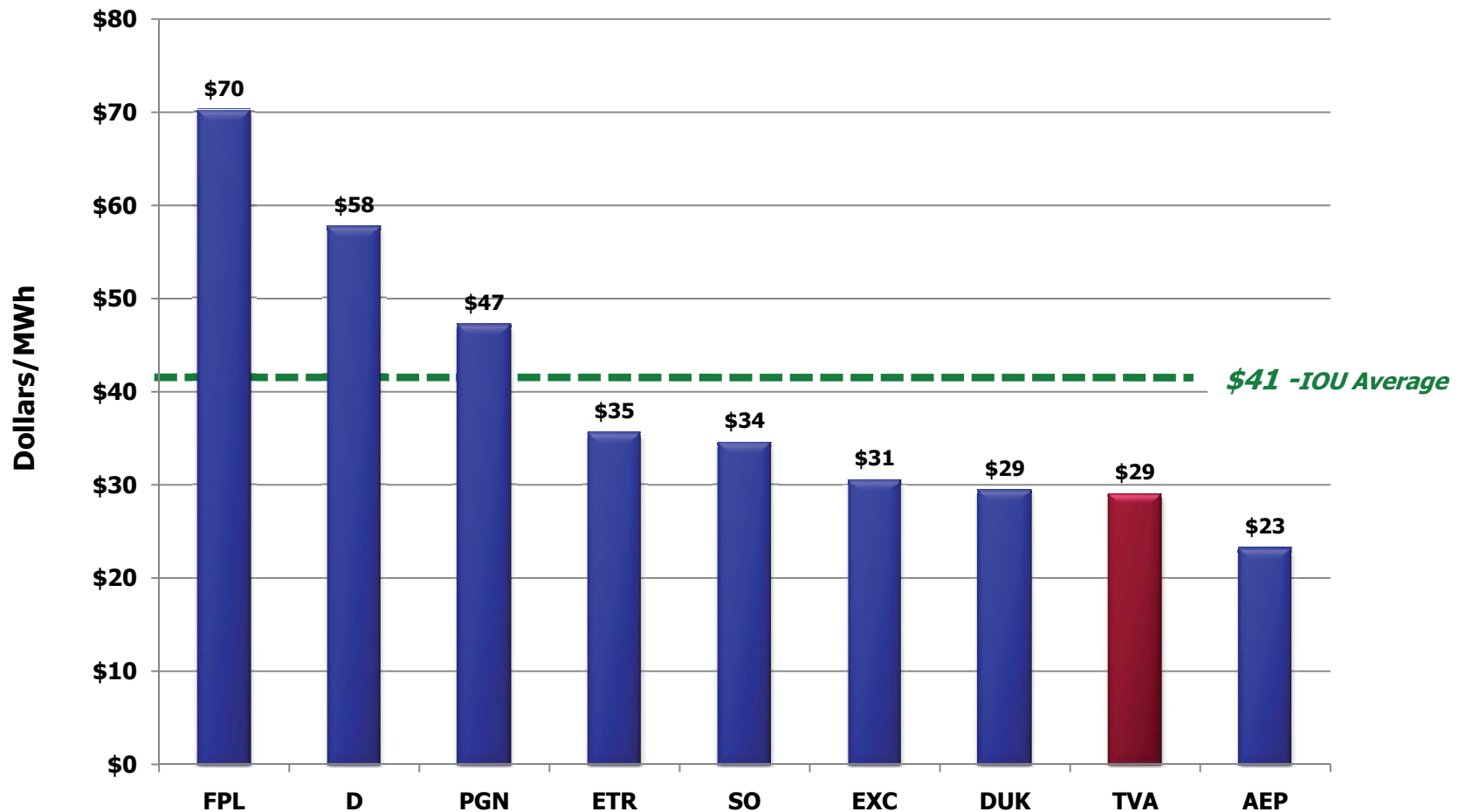
# Financial Health

# Net Book Value per Installed Capacity



Data Source: 2009 Company 10-K Filings.

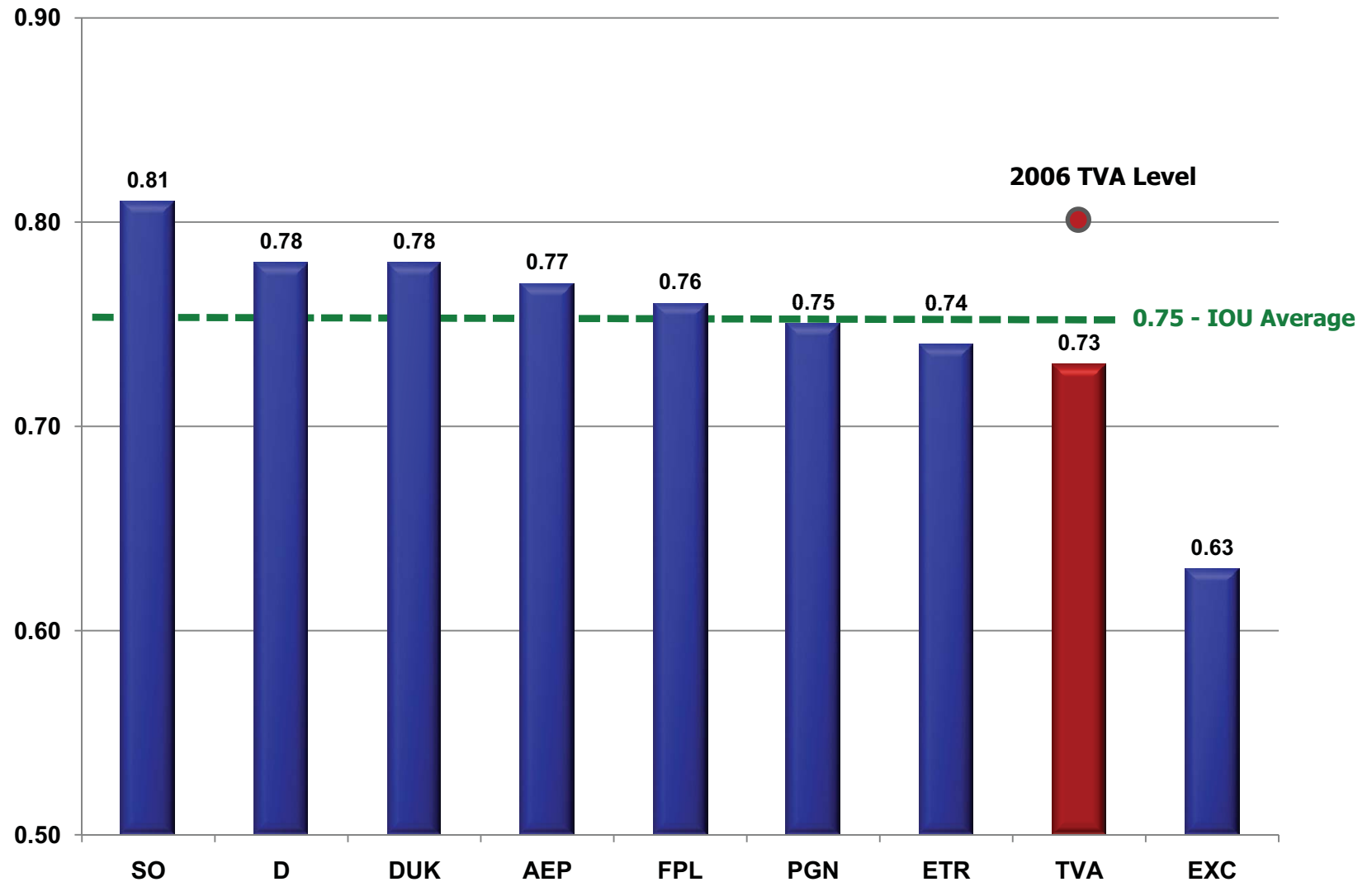
# Fuel and Purchased Power Cost per MWh



Data Source: 2009 Company 10-K Filings.



# Total Capitalization to Total Assets



Data Source:  
2009 Company 10-K Filings.  
Total capitalization includes debt, equity, and deferred taxes.

# Financial Guiding Principles

Retire debt over the useful life of assets

Only issue new debt for new assets

Use regulatory treatment for specific unusual events

Rate increases as necessary to fund operational spending

Evaluate rate actions to avoid significant rate volatility

# Debt and Debt-Like Obligations

(in billions)	<b>FY10 Ending Debt (Forecast)</b>	<b>\$26.0</b>
	New Borrowings:	
	Capacity Expansion	\$1.5
	Kingston	0.2
	Environmental Investments	0.4
	Refinancings	1.2
	<b>Total New Borrowings</b>	<b>\$3.3</b>
	Debt Paydown:	
	Nuclear Regulatory Asset	(\$0.4)
	Legacy Debt	(0.5)
	2009 Pension Contribution	(0.3)
	Maturing Debt	(1.2)
	<b>Total Debt Paydown</b>	<b>(\$2.4)</b>
	<b>FY11 Ending Debt</b>	<b>\$26.9</b>

# Key Takeaways (Financial Health)

TVA has:

- Competitively installed asset base
- Improved and competitive capital structure
- Sound financial guiding principles
- Low cost of capital
- Superior credit rating

# **Risks and Challenges**

# Risks and Challenges

Economic uncertainty

Weather

Hydro generation

Regulatory risks

Pension fund

# **Recap and Recommended Action**



# Operating Budget Expenses

(\$ millions)

Operating Revenue	\$11,846
Operating Expenses	
Fuel & Purchased Power	4,344
Operations, Maintenance, and Other	3,437
Interest & Other	1,284
Tax Equivalents	567
Subtotal	<u>9,632</u>
Other Operating Cashflow	<u>(154)</u>
Operating Cashflow	<u>\$2,060</u>

# Capital Budget

(\$ millions)

Operating Cashflow	\$2,060
Nuclear	1,258
Gas	318
Environmental	351
Transmission	262
Fossil	344
River Operations	77
Nuclear Fuel	304
Other	6
<b>Total Capital Expenditures</b>	<u>2,920</u>
Other Investing	<u>61</u>
Net Cashflow Prior to Financing	<u>\$(921)</u>

# Financing

(\$ millions)

Net Cashflow Prior to Financing	\$ (921)
New Borrowings	3,280
Debt Paydown	(2,285)
Other Financing	(74)
Subtotal	<u>921</u>

<b>Shortfall</b>	<u><b>\$ 0</b></u>
------------------	--------------------

**No recommended base rate increase for October 1**

# Plan Summary

<b>Discussion Topic</b>	<b>Key Takeaway</b>
<b>Supply and Demand</b>	Well Balanced
<b>Fuel and Purchased Power</b>	Prices Increasing
<b>Operational Spending</b>	Asset Investments
<b>Capacity Expansion</b>	Addressing Future Needs
<b>Financial Health</b>	Appropriately Capitalized Principles Based
<b>Risks and Challenges</b>	Economic and regulatory uncertainty Pension Challenges

# Recommendation

Approve the 2011 budget that includes:

- Operational Spending of \$9.632 billion

Approve Capital spending of \$2.920 billion including:

- Bellefonte Unit 1 Phase 2

Approve Fuel Contracting Plan including:

- Gas Transportation – Texas Gas Transmission LLC
- Nuclear fuel enrichment – GE – Hitachi

Approve Financial Guiding Principles

# Financial Shelf

# Topic

TVA's authorization to issue power bonds and related interest rate hedges expires at the end of each fiscal year and needs to be renewed for the following year



# Background

Power bonds are typically issued to:

- Refinance existing debt
- Fund new capacity

Interest rate hedges may be used to reduce exposure to fluctuating interest rates

Issuing individual bonds requires:

- Notification of Board Finance, Rates, and Portfolio Committee
- Approval of Chief Executive Officer and Chief Financial Officer

## Recommendation

Approve the issuance of up to \$3.5 billion of long-term bonds and the ability to utilize interest rate hedges in fiscal year 2011

# Rates

# Topic

1. New wholesale rate structures to be effective in April 2011
2. Optional Rates for Large Direct-Serve and Distributor-Served Customers from October 2010 to March 2011
3. Revised Fuel Cost Adjustment (FCA) formula in October 2010 to more accurately capture seasonal fuel costs

# Background

Since 1992, TVA has billed its distributors based on the demand and energy usage of the distributor's retail customers

TVA issued a Rate Change Letter to its distributors on July 8, 2009, to implement new wholesale rate structures, including time-of-use rates

TVA has had on-going discussions with customers regarding the rate change since April 2008

At its July 26, 2010, Board Meeting, TVPPA accepted this proposal

# Why change TVA's Rates?

Provide the proper price signals

Encourage demand response, energy efficiency, and smart grid technology

Provide customers with opportunities to save on their energy costs

Keep bills as low as feasible

# What are Time-of-Use Rates?

Time-of-Use (TOU) rates contain pricing differences between seasons of the year and hours of the day

TVA has conducted several successful pilot programs with time-of-use rate structures

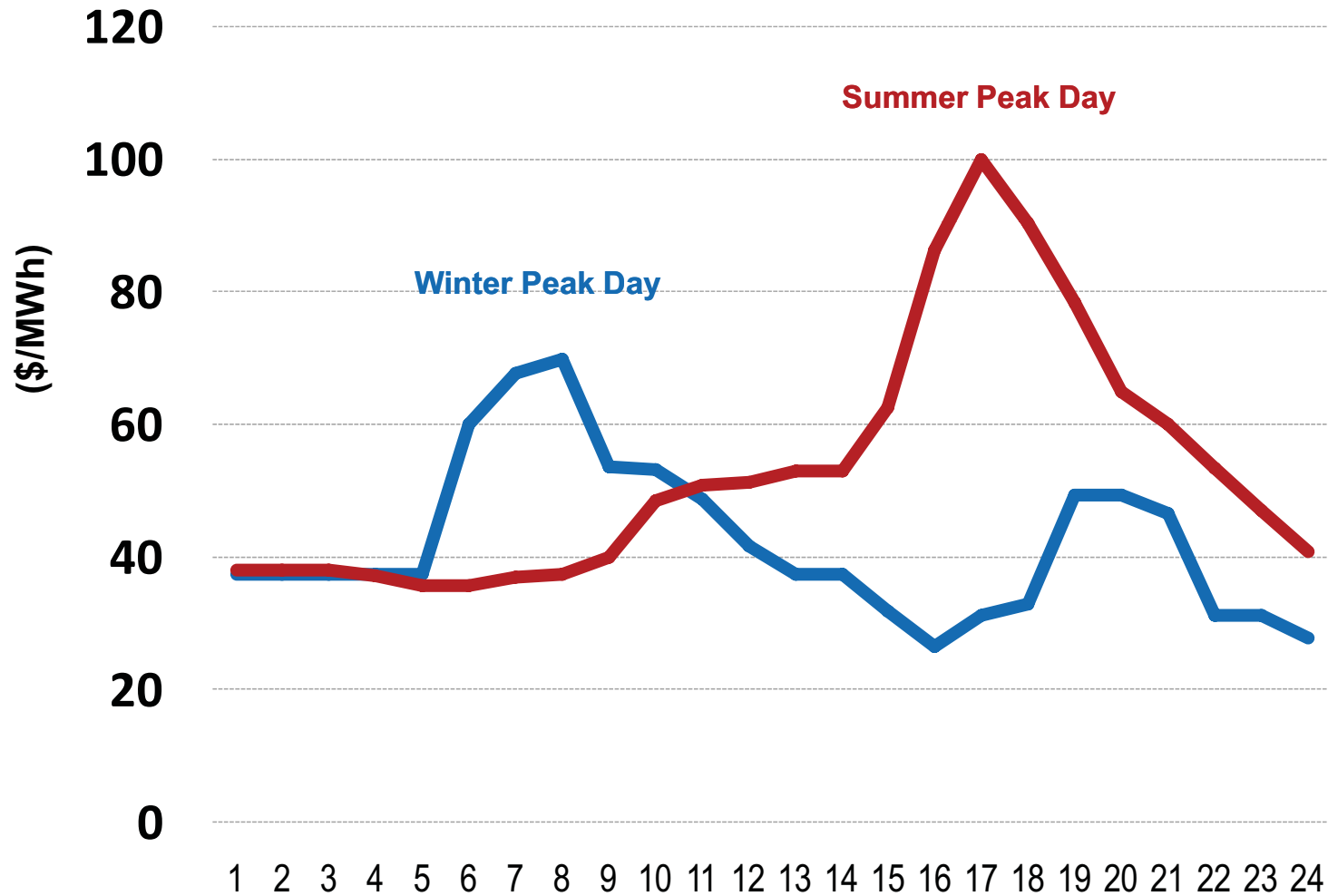
TOU rates provide incentives for customers to reduce peak demand and improve the load factor of the TVA system

315 utilities across U.S. currently offer TOU rates

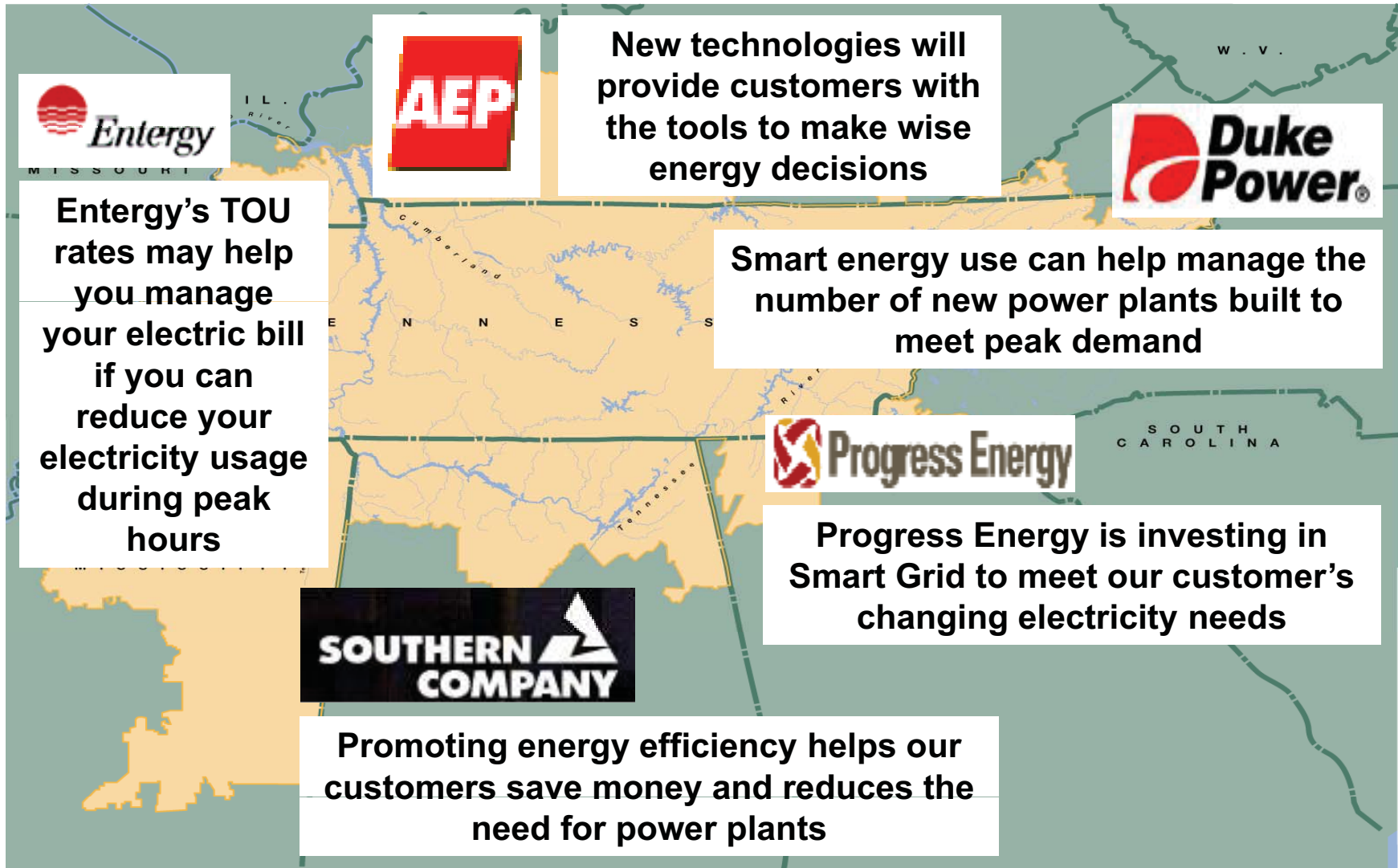


# Hourly Energy Costs Vary by Time of Day

TVA Hourly Marginal Energy Cost



# Our Neighbors Are Addressing These Same Challenges



The image features a map of Tennessee with several utility logos and text boxes overlaid. The logos include Entergy, AEP, Duke Power, Progress Energy, and Southern Company. The text boxes describe various energy-related challenges and solutions.

**Entergy**  
Entergy's TOU rates may help you manage your electric bill if you can reduce your electricity usage during peak hours

**AEP**  
New technologies will provide customers with the tools to make wise energy decisions

**Duke Power**  
Smart energy use can help manage the number of new power plants built to meet peak demand

**Progress Energy**  
Progress Energy is investing in Smart Grid to meet our customer's changing electricity needs

**SOUTHERN COMPANY**  
Promoting energy efficiency helps our customers save money and reduces the need for power plants

# Wholesale Rate Change Proposal

In April 2011, there will be two wholesale rate options:

- Wholesale Time-of-Use (TOU)
- Wholesale Demand & Energy (D&E)

Segmentation of large customers (> 5 MW) into separately metered rate

- TOU Rates with more significant price signals
- Seasonal Demand & Energy rates with demand response options

All distributors will be participating in TOU rate by October 2012

- TVA will continue to discuss other rate options with distributors

# October 2010 Changes

With the transition to the new rate structure in April, TVA needs to make adjustments to both the FCA and the large customer rates in October

For the FCA, TVA will implement a change in the formula so that the resulting rate more closely reflects seasonal fuel costs

For the large customers (> 5 MW), optional rates will be available in October 2010

# Recommendation

1. New wholesale rate structures to be effective in April 2011
2. Optional Rates for large customers from October 2010 to March 2011 (> 5 MW)
3. Revised Fuel Cost Adjustment formula in October 2010 to reflect seasonal fuel costs

# **Ash and Gypsum Facility Contracts**

## Topic

Work required to go to dry handling processes for ash and gypsum and to close all wet impoundments

Includes both engineering design services and coal combustion product management services

# Ash Management Engineering Services Contracts

Board approval is requested to supplement TVA's existing contracts for engineering design services for TVA's ash management program with:

Stantec Consulting Services, Inc.

URS Corporation

CDM Federal Services, Inc.

Geosyntec Consultants, Inc.

AECOM USA, Inc.

The first four firms will supply engineering support services necessary to convert TVA's coal plants to dry ash handling processes and to close all existing wet ash impoundments

AECOM USA, Inc. will provide peer review of the services provided by the other four firms



# Coal Combustion Product Management Services

Board approval is also requested to award individual contracts for Coal Combustion Product management services at various fossil plants to:

Charah, Inc.

Charleston Construction Company, Inc.

Morgan Corporation

Trans Ash Inc.

Under the proposed agreements, Charah and Trans Ash will provide routine ash handling services for specific fossil plants, as needed

In addition, all four companies will be allowed to bid on capital and operation and maintenance (O&M) Coal Combustion Product construction projects

No minimum amount of work under these contracts will be guaranteed

# Recommendation

Recommend that the Board authorize:

- Extending the term and increase the aggregate amount of the engineering contracts
- Authorize ash handling contracts to be allocated among four contractors

# People and Performance



**Fiscal Year 2011  
Annual Incentive Goals**

## Topic

Annual Incentive programs form the basis for evaluating and rewarding employees for TVA's Fiscal Year 2011 performance

### **For Board Consideration**

Approve proposed Winning Performance measures and targets for Fiscal Year 2011

# Background

Winning Performance provides incentives to TVA employees for Fiscal Year 2011 goals

Employees are rewarded for meeting both corporate and organization specific goals

Annual incentives for executives are aligned with employees and include specific individual performance goals

# TVA's Performance Focus

## Rates

- Live within our means
- Keep bills as low as feasible

## Reliability

- Improve plant reliability and efficiency
- Maintain transmission system reliability

## Reputation

### Environment

- Demonstrate proactive environmental leadership

### Employees

- Cultivate a safe and organizationally healthy workplace environment

### Stakeholders

- Enhance TVA's reputation and contribute to economic development

# Fiscal Year 2011 Annual Incentive Plans

## Proposed Corporate Measures

	<b>Weight</b>	<b>Threshold</b>	<b>Target</b>	<b>Stretch</b>
<b>Equivalent Availability Factor</b>	50%	84.1%	86.0%	87.9%
<b>Net Cash Flow</b> (\$ Millions)	50%	\$150M less than Budget	Budget	\$150M more than Budget



# Recommendation

Approve the proposed Fiscal Year 2011 Annual Incentive Plan measures and goals

# **Audit, Risk, and Regulation**



# **Enterprise Risk Management Policy**

## Topic

Considered best practice to have a Board approved enterprise risk management policy

Management has developed a policy based on sound risk management practices for Board consideration

# Background

- 2004 TVA Board established the position of Chief Risk Officer
- 2005 TVA Board established the Enterprise Risk Management Council

TVA risk management practices and approaches have been maturing

# Background

## Enterprise Risk Management Policy

- Board adoption is recommended as a best practice to provide appropriate guidance to the organization
- Provides overarching guidance for all risk management activities
- Establishes risk governance, general processes and roles and responsibilities
- Requires functional risk management policies and processes

# Recommendation

Adopt the Enterprise Risk Management Policy

Delegate authority to Enterprise Risk Council to amend the ERM Policy only after formal consultation with the Board Committee that reviews TVA's risk management functions

Delegate authority to Enterprise Risk Council to approve subordinate risk policies

Delegate authority to the Chief Executive Officer to appoint TVA's Chief Risk Officer in the future

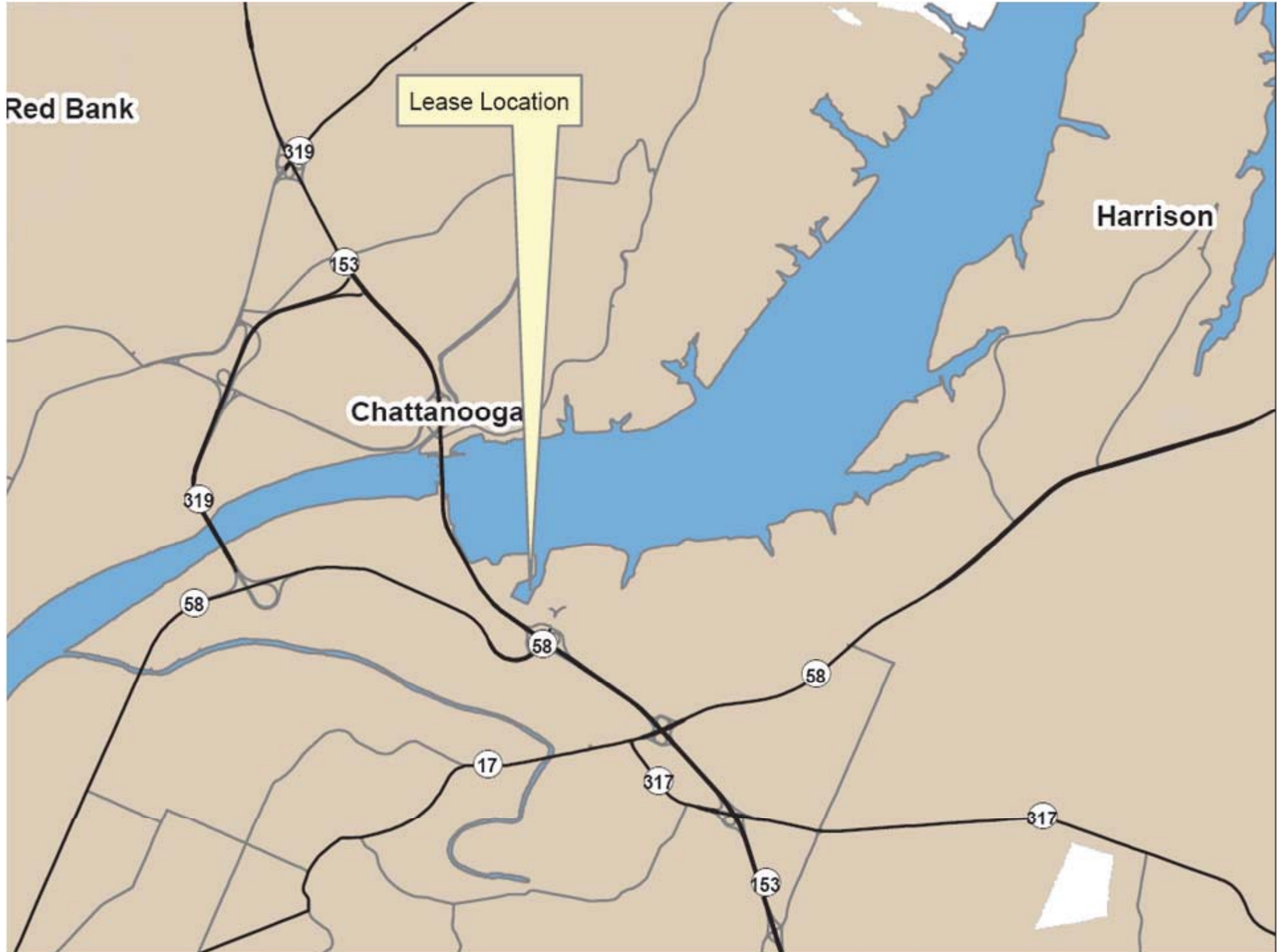




# Customer and External Relations



**Chickamauga Marina –  
Commercial Recreation  
Lease**



Red Bank

Lease Location

Harrison

Chattanooga

319

153

319

58

58

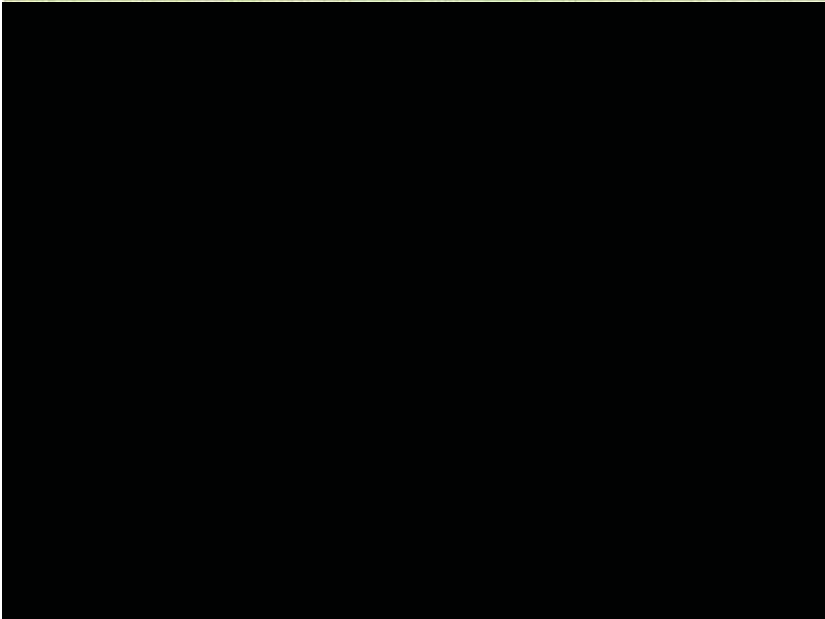
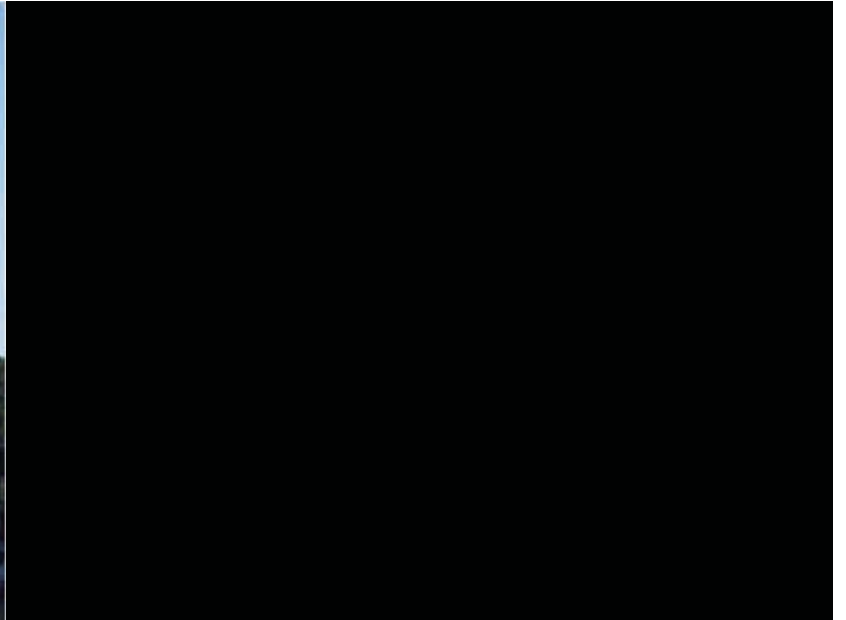
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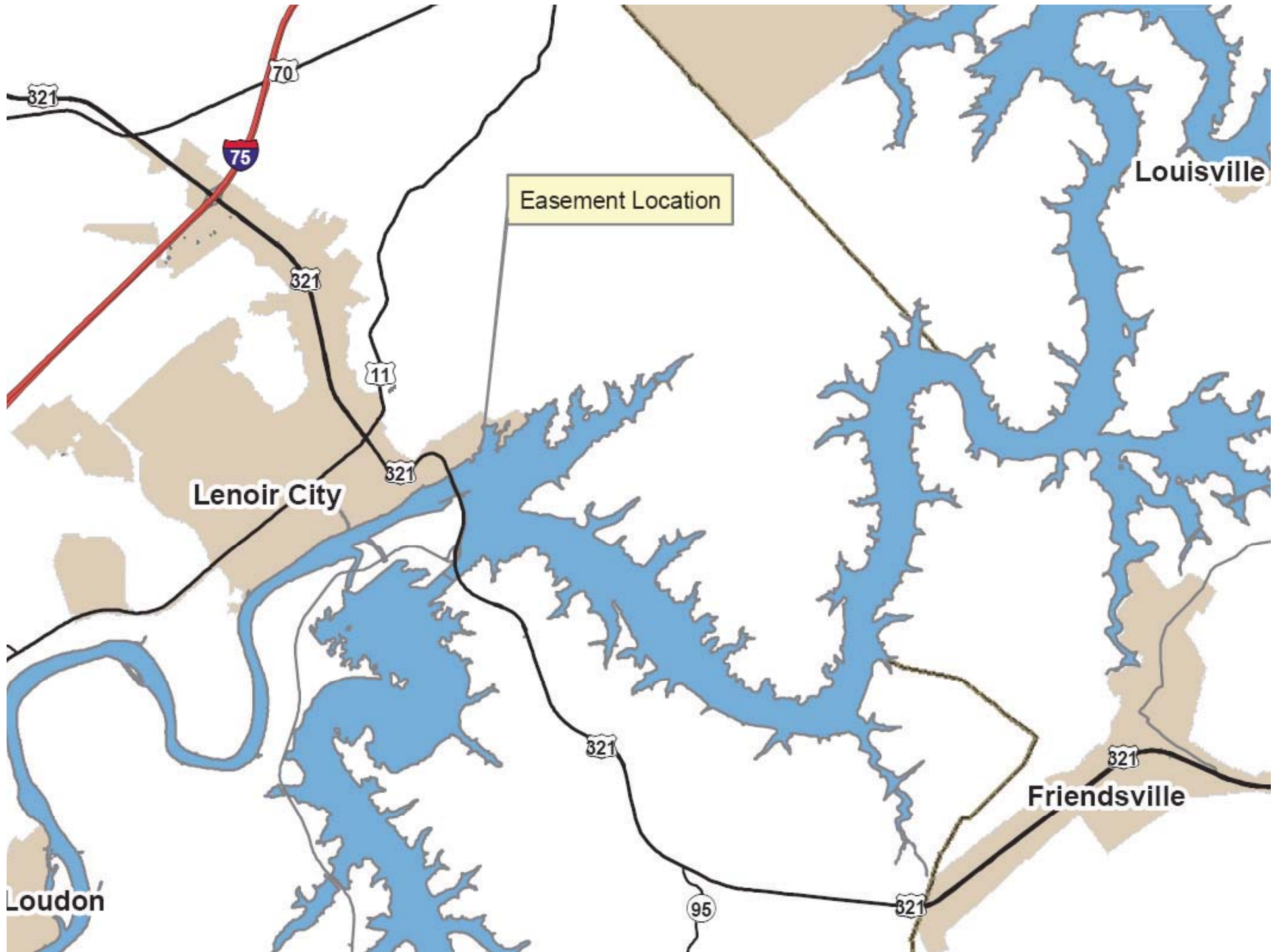


## Recommendation

19-year commercial recreation lease affecting approximately 14.7 acres in Hamilton County, Tennessee, on Chickamauga Reservoir

**Fort Loudon Marina –  
Commercial Recreation  
Easement**









## Recommendation

30-year commercial recreation easement and a 30-year nonexclusive access road easement affecting approximately 9.5 acres in Loudon County, Tennessee, on Fort Loudoun Reservoir