

Chairman's Welcome



President's Report



Our VISION



ONE OF THE NATION'S **LEADING** PROVIDERS OF LOW-COST
AND CLEANER ENERGY **BY 2020**



Low Rates



Cleaner Air



High Reliability



More Nuclear Generation



Responsibility



Greater Energy Efficiency

**Acting to meet the region's needs for the future,
while improving our core business today.**

Our VISION



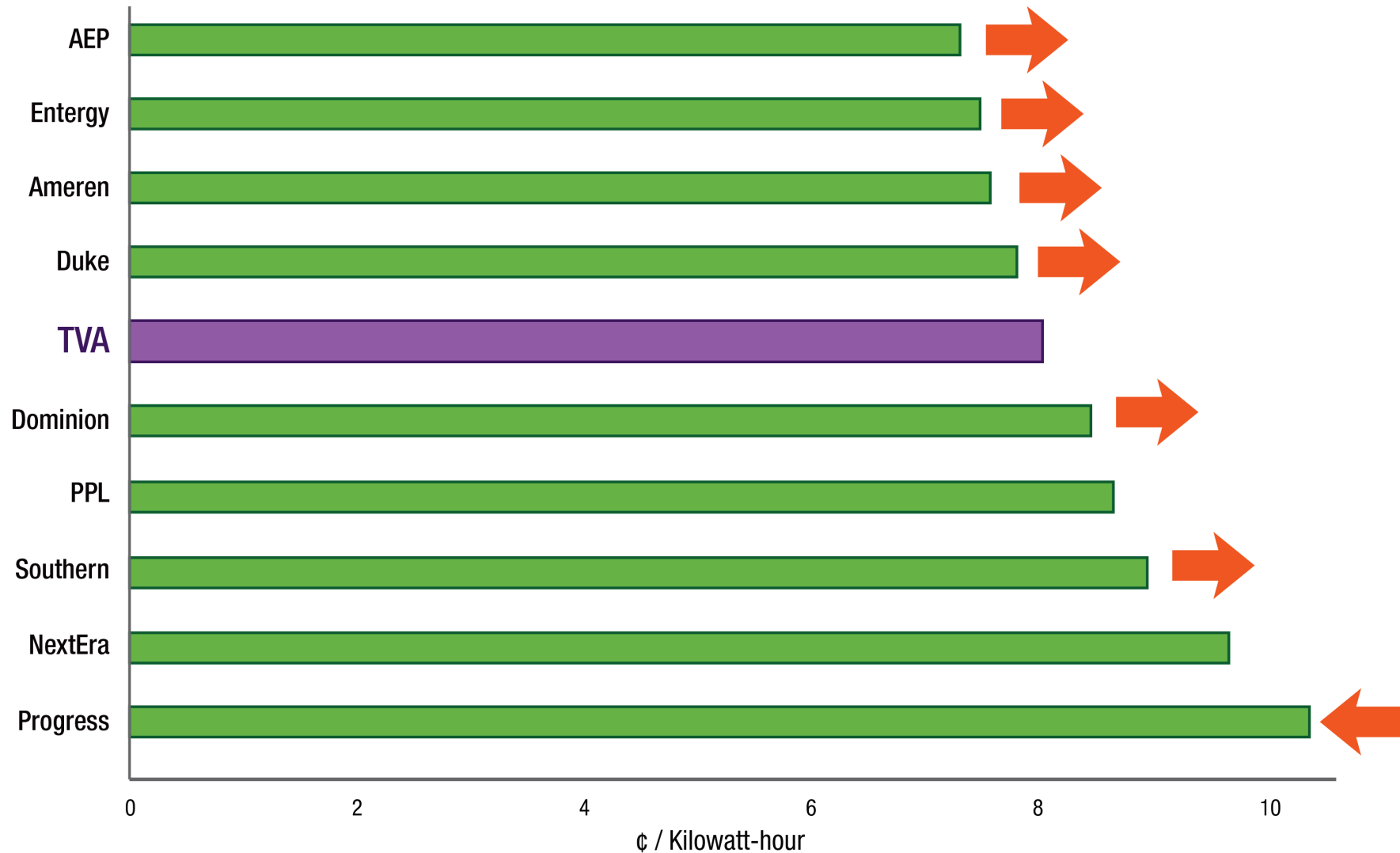
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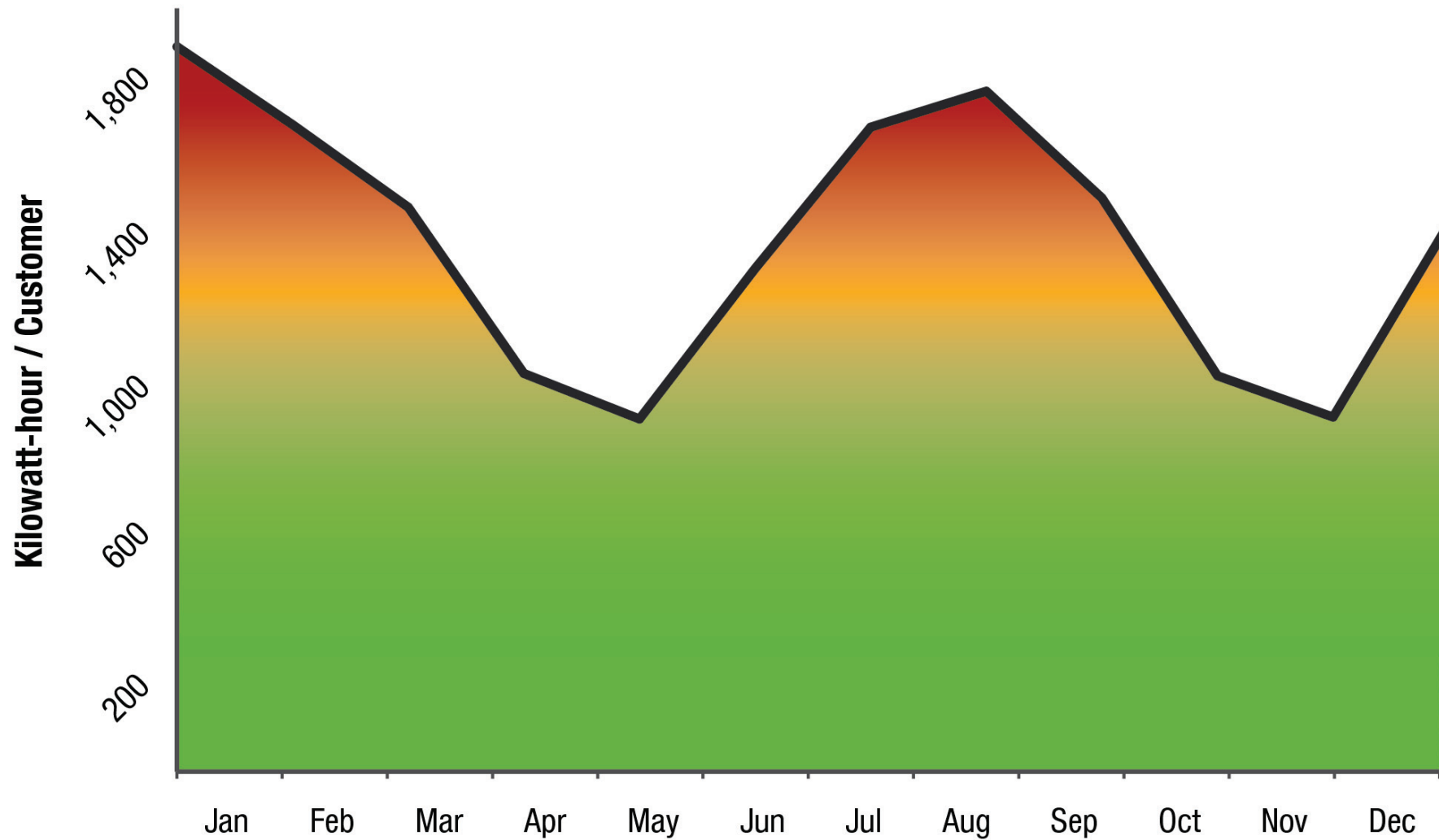
TVA vs. Regional Holding Companies

Average Retail Prices — 12 Months Ending October 2010



Monthly Power Use

Average Kilowatt-hours per Residential Customer

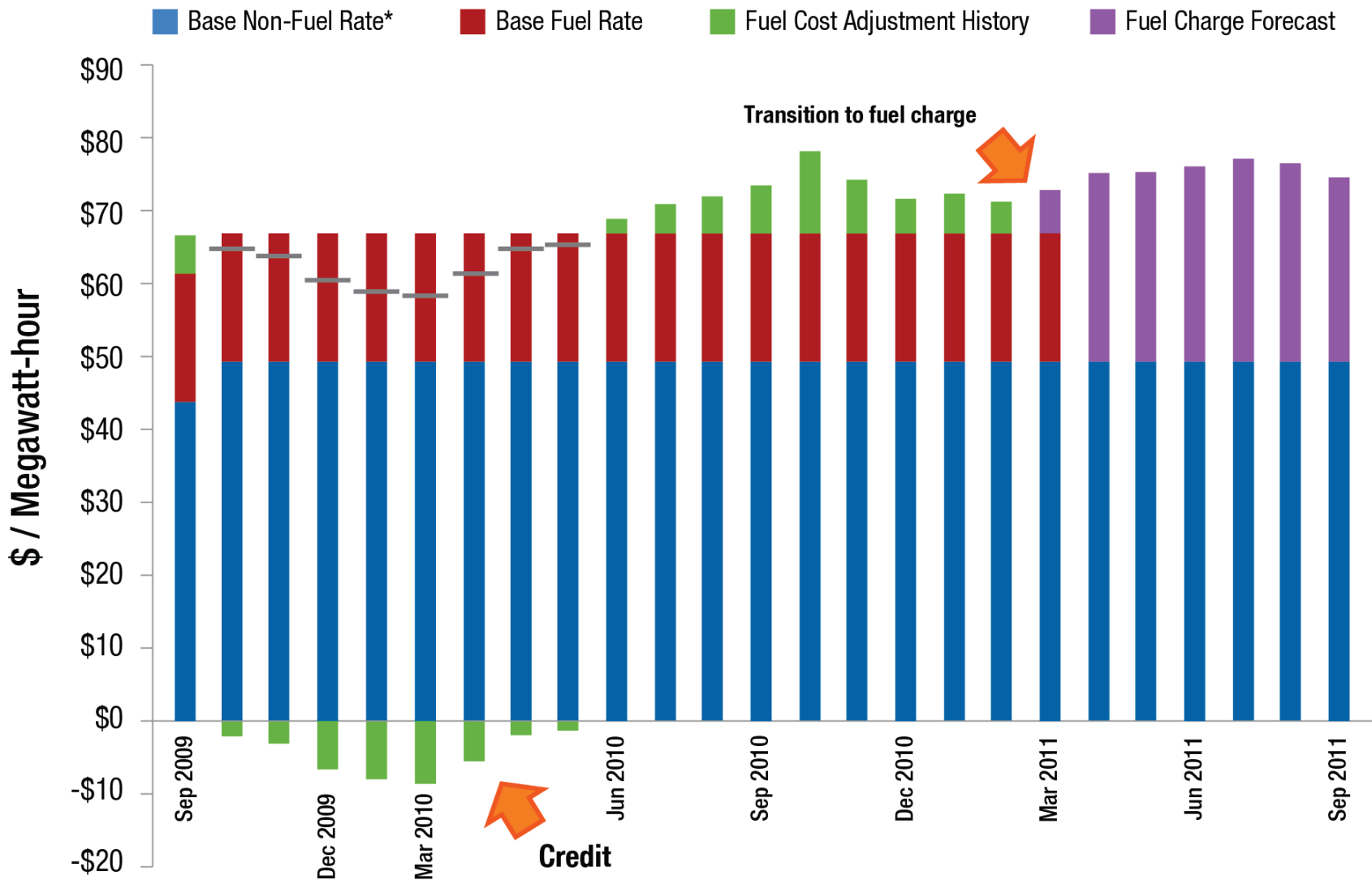


Source: ESS

2010

Capturing Fuel Costs

Total Firm Wholesale Prices



*Base rate is the current Firm Wholesale rate. No base rate increases are reflected beyond Oct 2009.

Our VISION

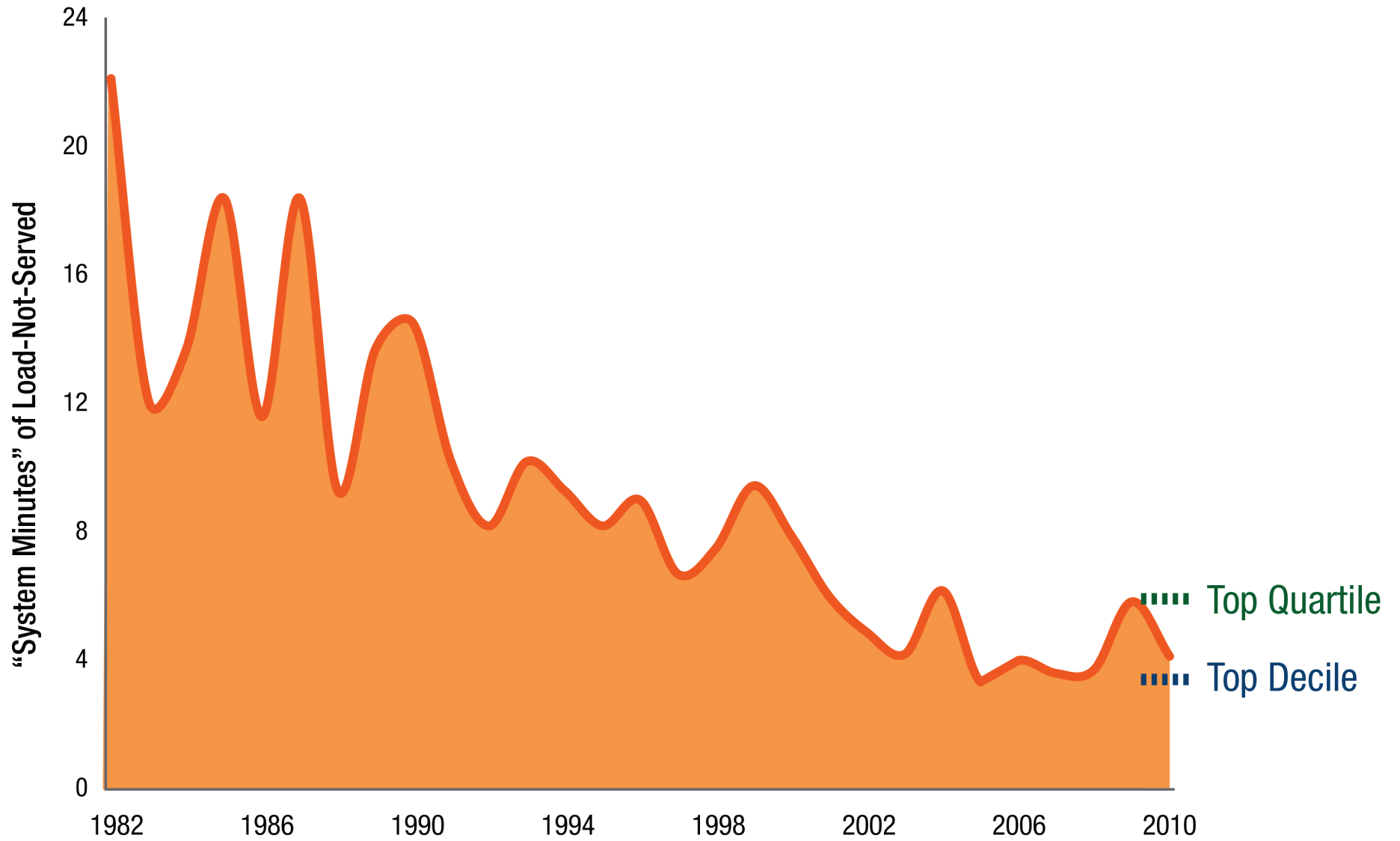


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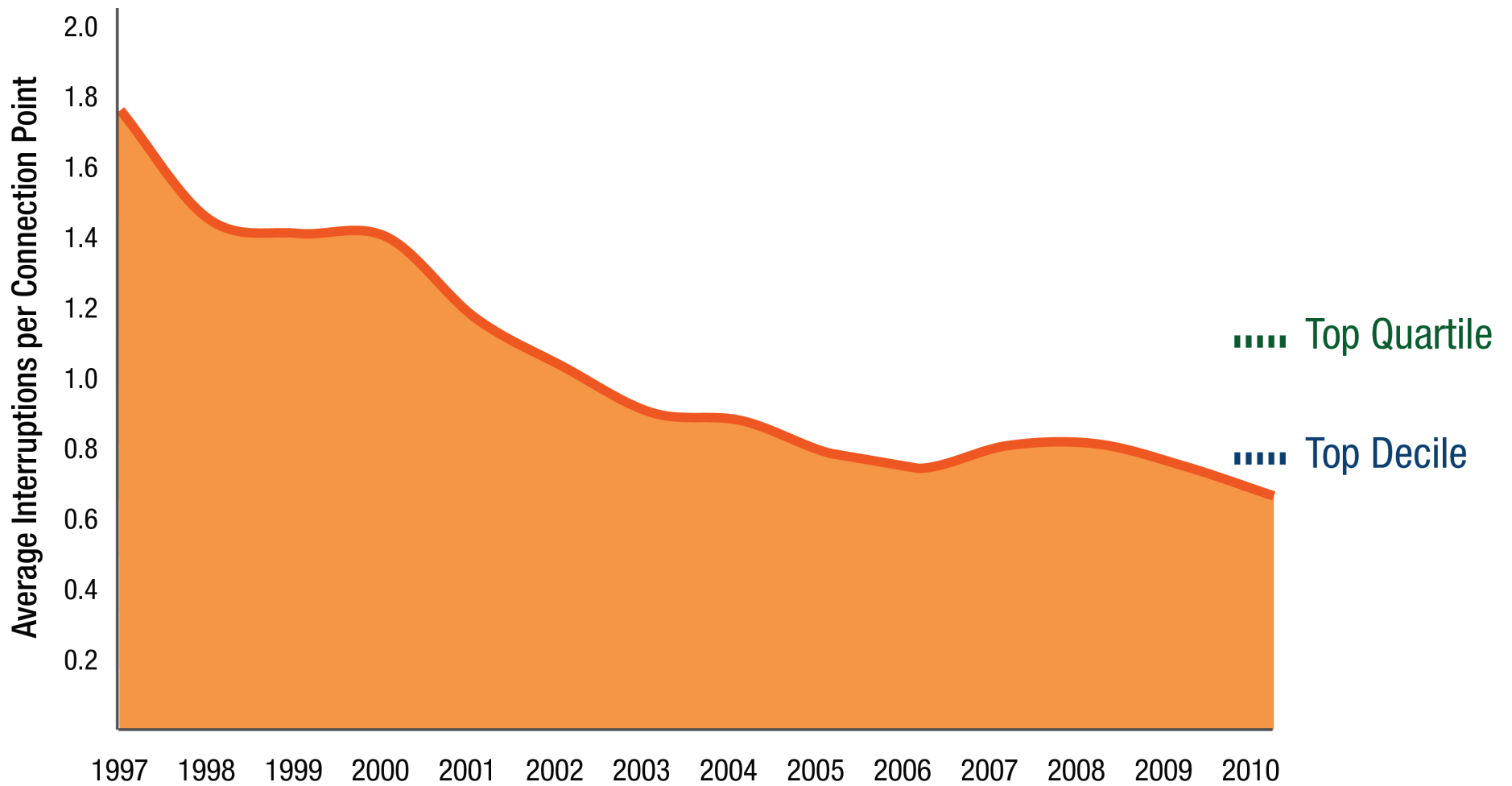


High Reliability

Interruption Duration

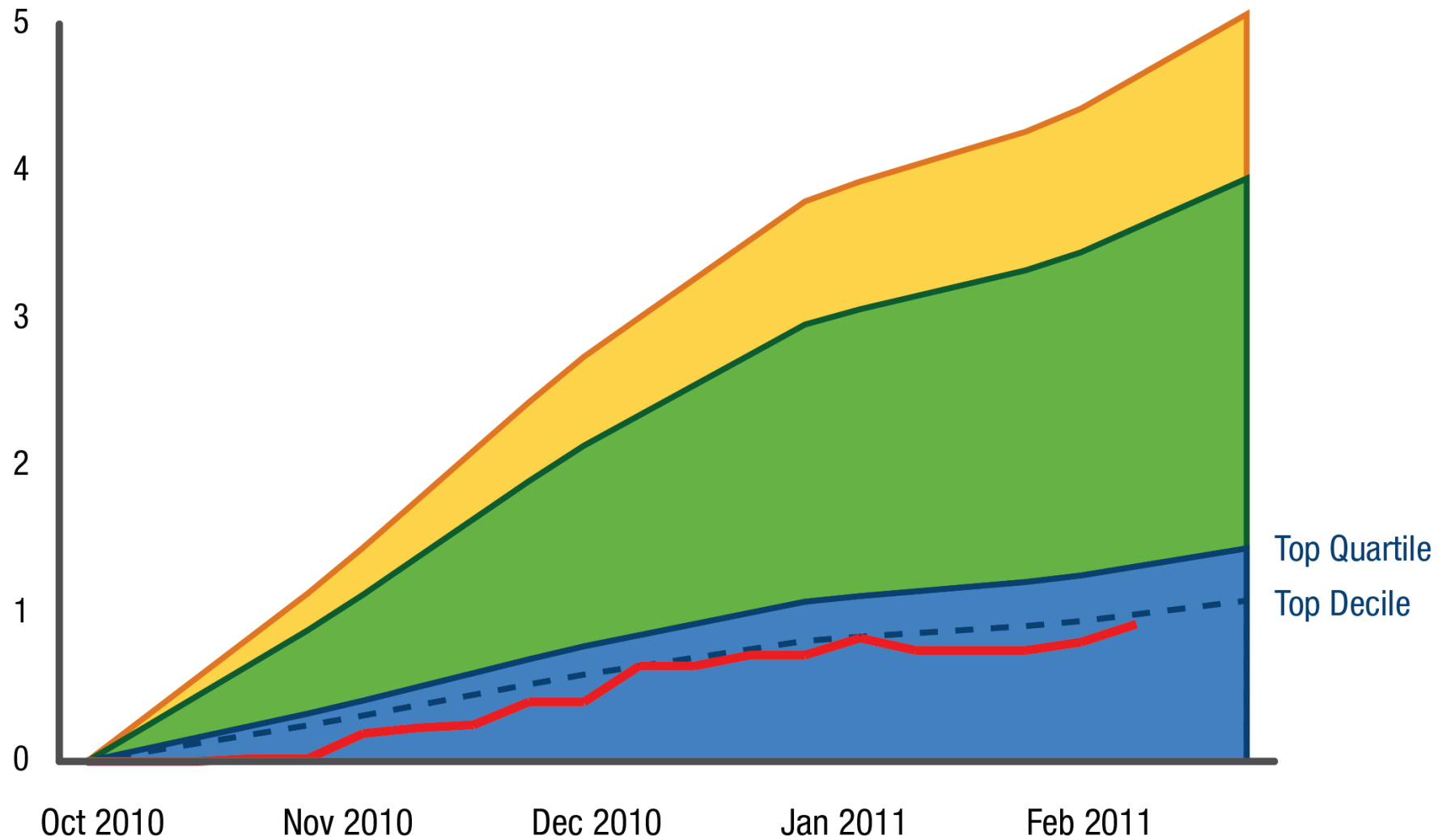


Interruption Frequency



Reliability in 2011

“System Minutes” of Load-Not-Served



Meeting Winter's Challenges



Coldest December in 10 years

Middle Tennessee saw the most snow since 1984-1985

Highest December peak in TVA history: 31,454 megawatts

Overall, the system performed well, with only a few local outages

Progress at John Sevier Gas Plant



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Responsibility

Meeting Our Responsibilities



TVA's Integrated Resource Plan is nearing completion

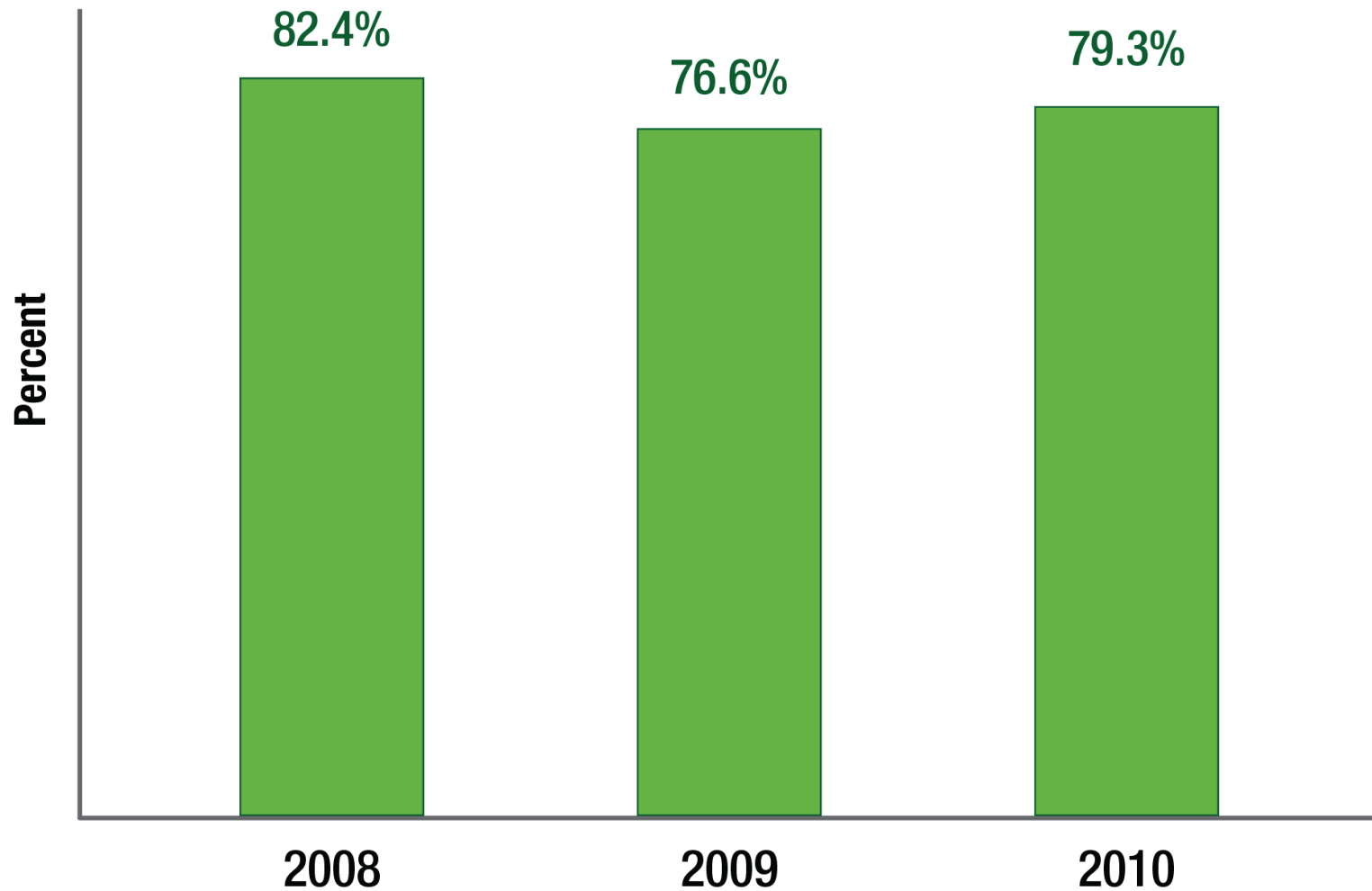
Last of river ash was removed from Kingston on December 1, 2010

TVA's website has been named one of the five best in the Federal Government

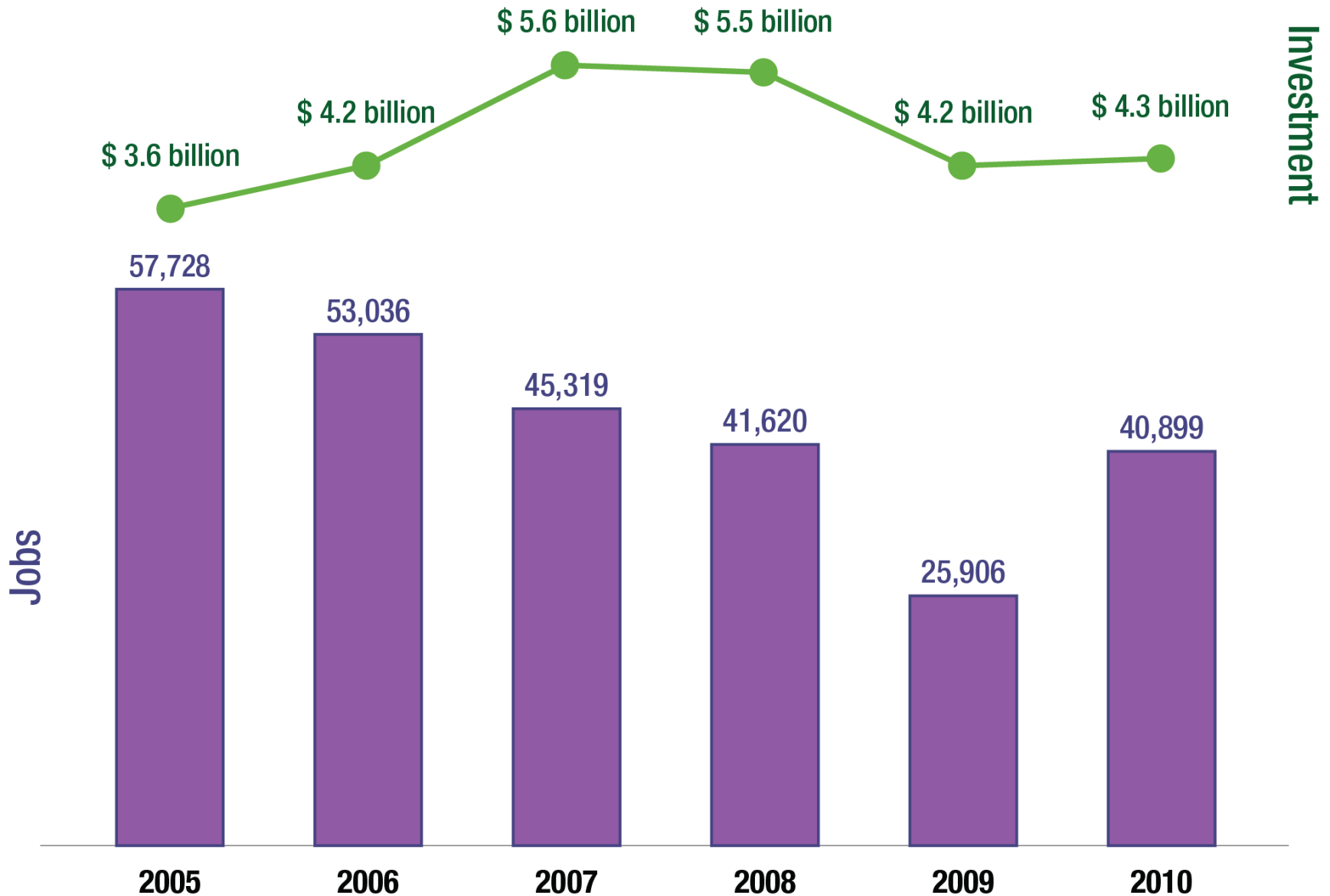
Trail system at Raccoon Mountain wins national award

Measuring Our Reputation

Public Opinion Favorability Rating



Jobs and Capital Investments



Fiscal Years – October through September

Economic Development Highlights

TVA's Valley Investment Initiative recorded an excellent two months

- \$642 million in total investments
- 4,300 jobs retained
- 500 jobs added

Amazon.com announced two new fulfillment centers in the region, adding 1,400 jobs

Electrolux, of Sweden, plans to open a new appliance plant in Memphis, investing \$150 million and creating 1,250 jobs

Our
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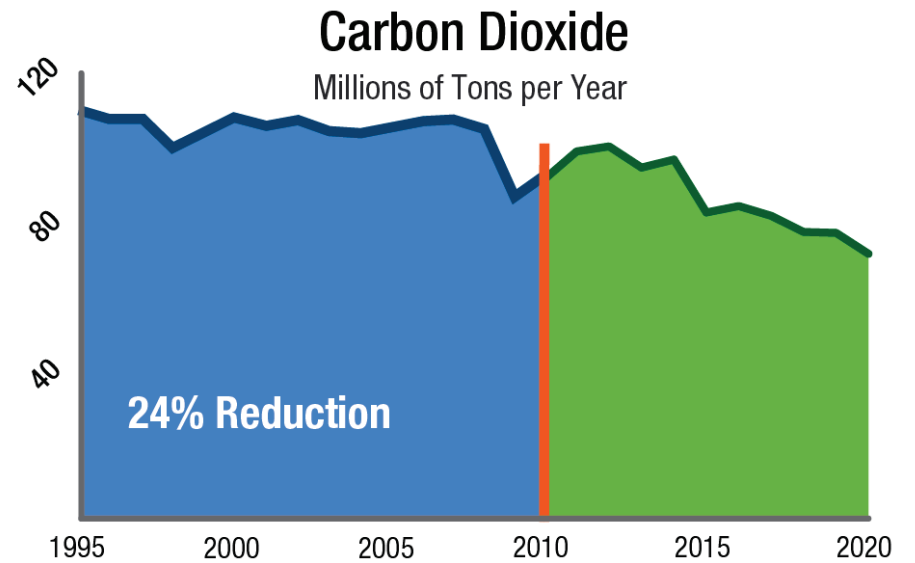
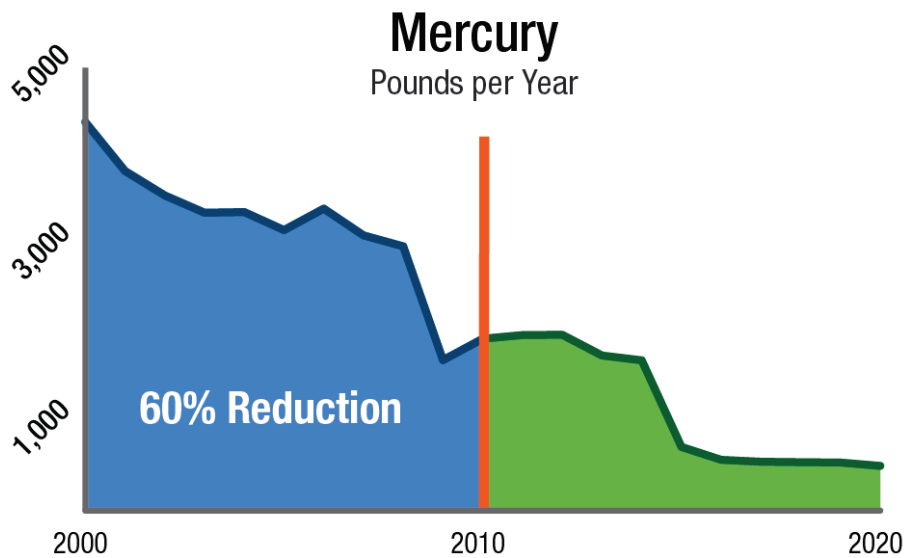
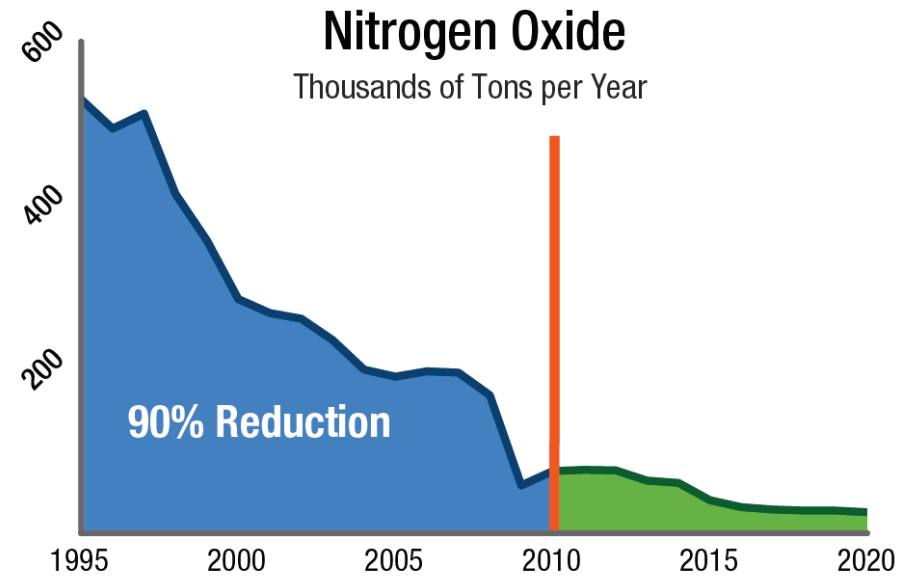
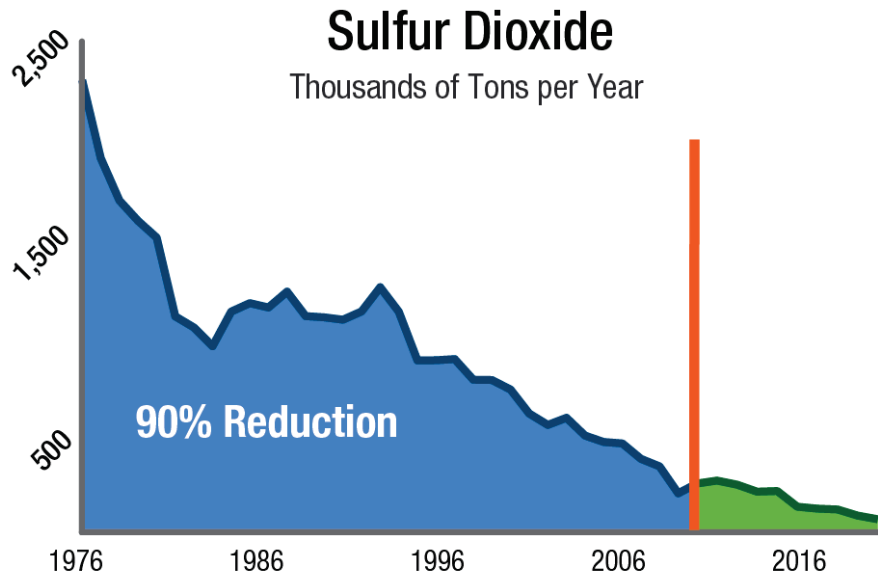


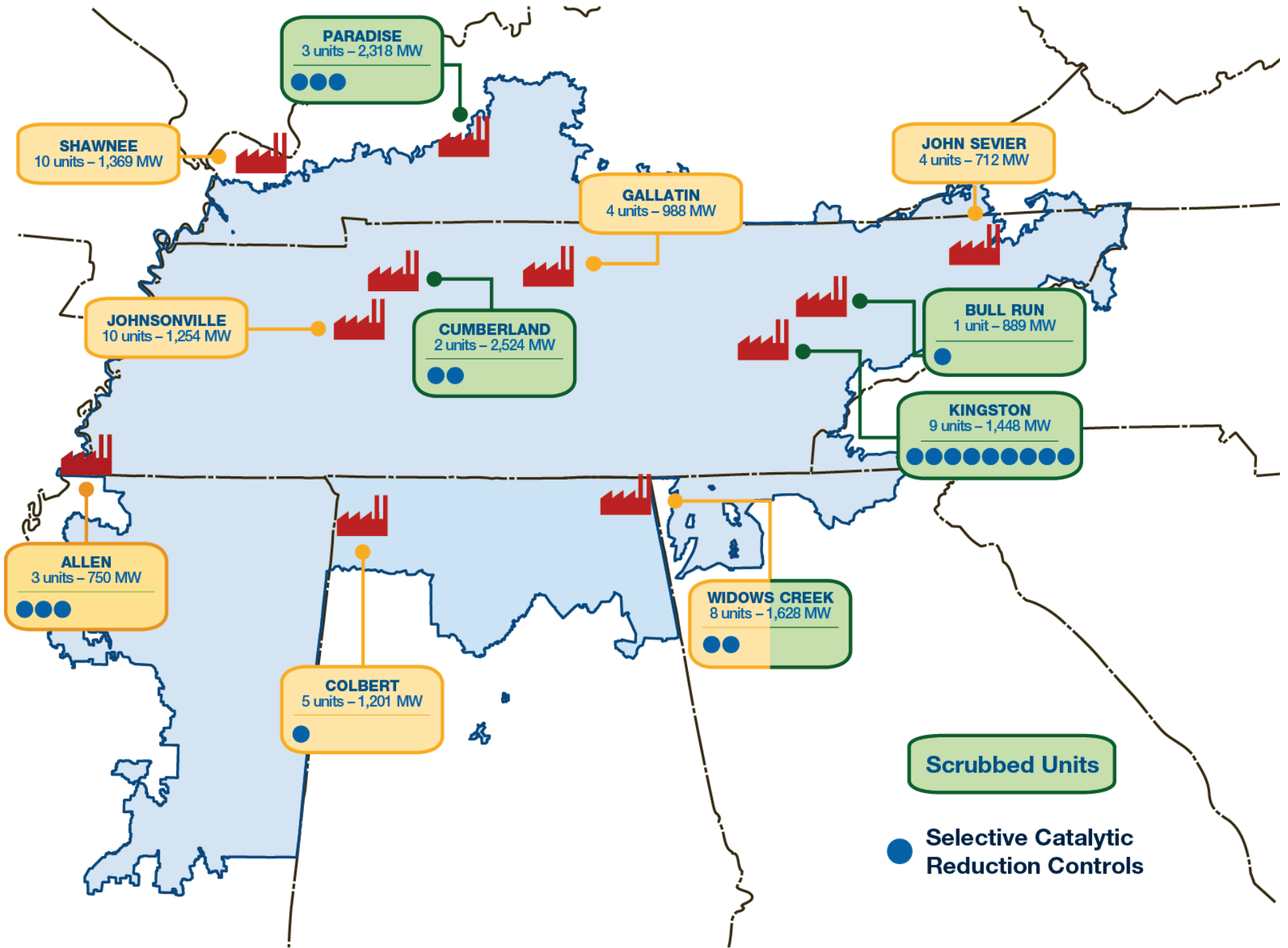
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Cleaner Air

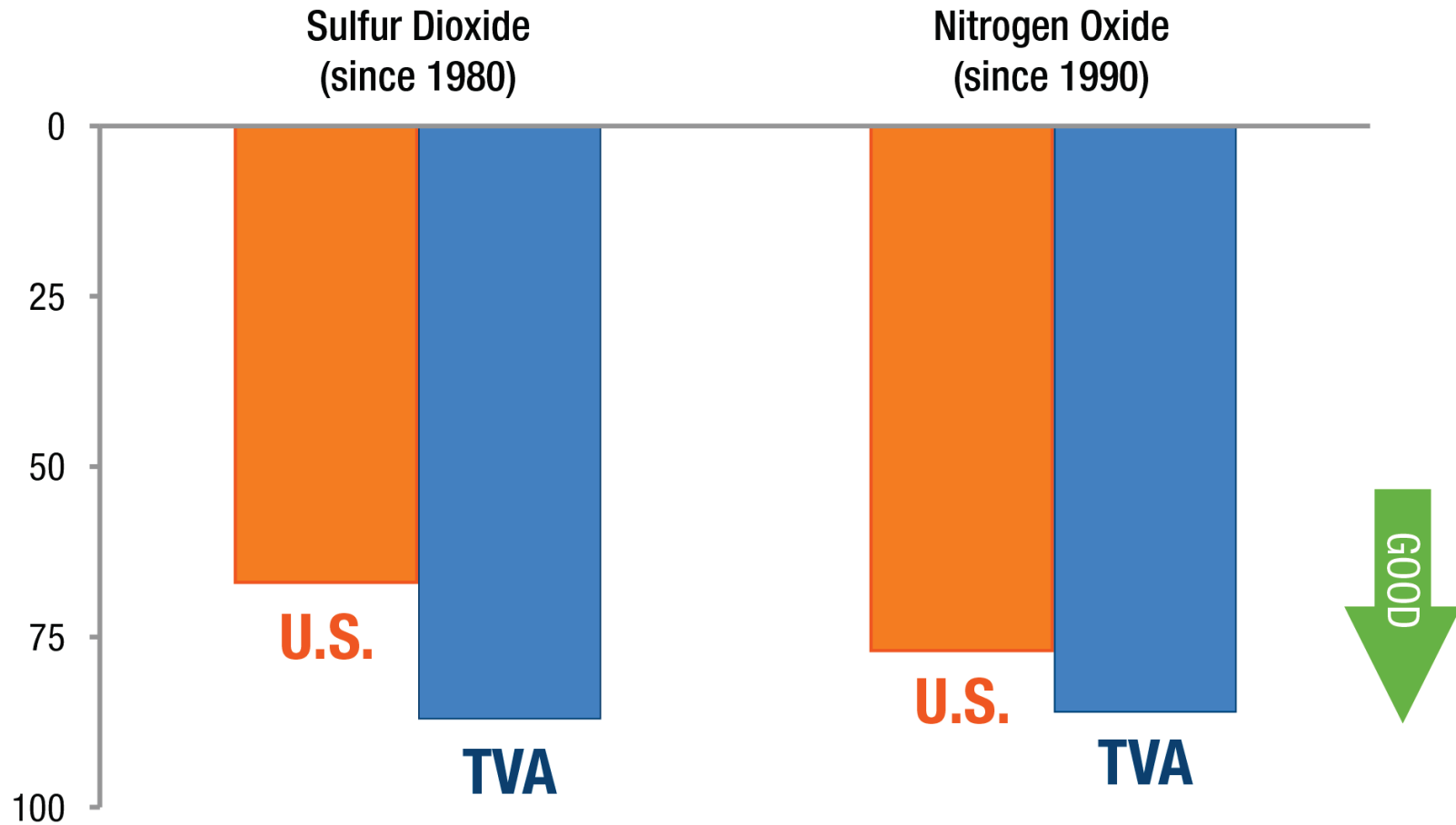
Total Emission Reductions





TVA Clean Air Progress Beats U.S. Average

Percent Reductions in Power Plant Emissions



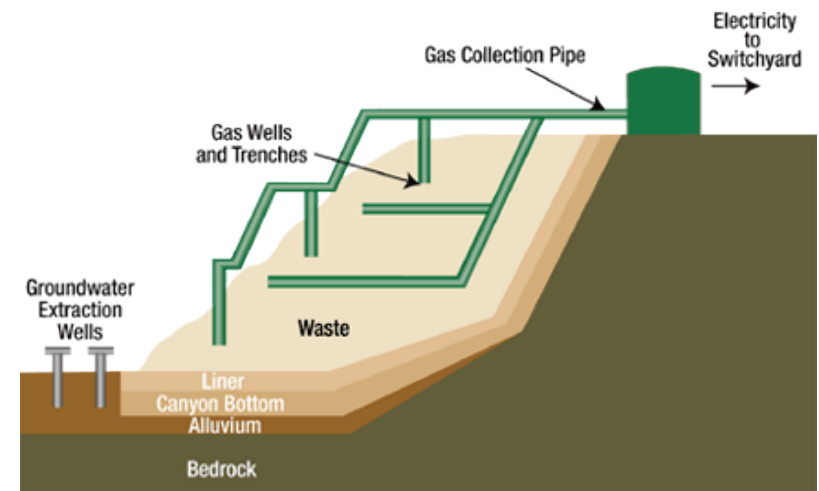
—U.S. Environmental Protection Agency and TVA (through 2009)

First Renewable Standard Offer

First project under a new program to promote larger-scale renewable generators

A new landfill gas plant in Camden, Tennessee, will produce 4.8 megawatts of renewable energy

TVA will buy the plant's output, beginning in September 2011



Martin's Creek Elementary



Solar Farm in Jackson, Tennessee



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More Nuclear Generation

Browns Ferry Highlights

Browns Ferry's recent security drill was noted by the NRC as an "Industry Best Practice" for other utilities to benchmark

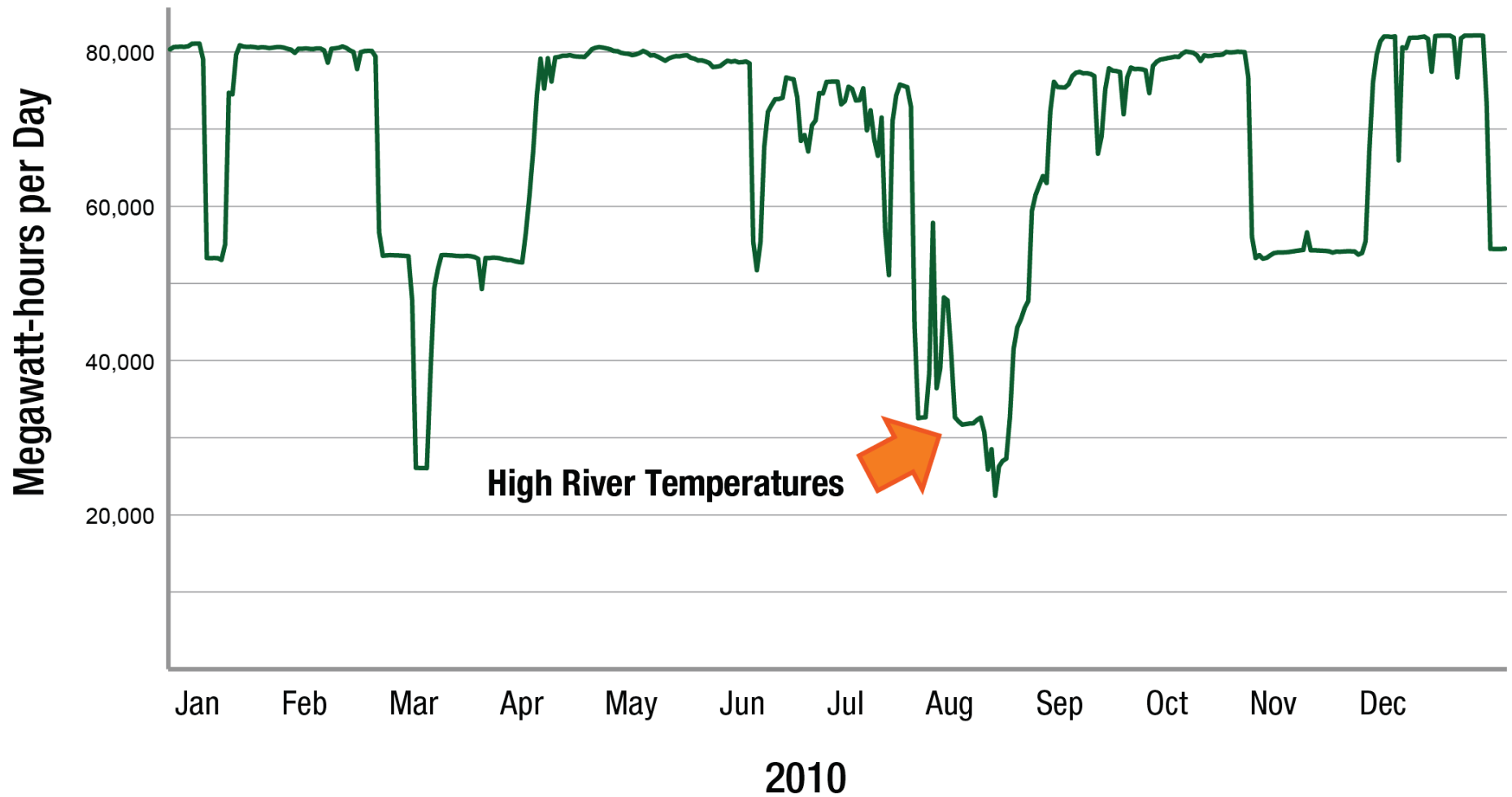
INPO has reaccredited the plant's operator training program

Work is underway to add and improve cooling towers at Browns Ferry



Browns Ferry's Performance

Browns Ferry Net Generation



Adding New Cooling Capacity



Grading for New Tower

Existing Cooling Tower



New Steam Generators at Sequoyah



Watts Bar Highlights

Work to complete Unit 2 continues on time and under budget

Currently 180 new personnel are in training to support dual-unit operations

Construction Users Roundtable recognized Watts Bar for its safety performance



Nuclear Construction



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Greater Energy Efficiency

Energy Efficiency Update



In-Home Energy Evaluation Program is showing progress

- Almost 17,000 evaluations have been made since the program began
- Recommended energy saving measures have been installed by 8,400 home owners
- About 5,800 home evaluations performed this year (over 200% of goal)

First SMART Charging Station

Electric Vehicles Charging



Roof-Top Solar Panels

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Industry News

Industry News

President Obama calls for 80% of electricity to come from clean energy—including nuclear, gas and clean coal

EPA has announced plans to regulate greenhouse gas emissions from power plants

Texas had rolling blackouts in early February after losing 9,000 megawatts of generation during a winter storm

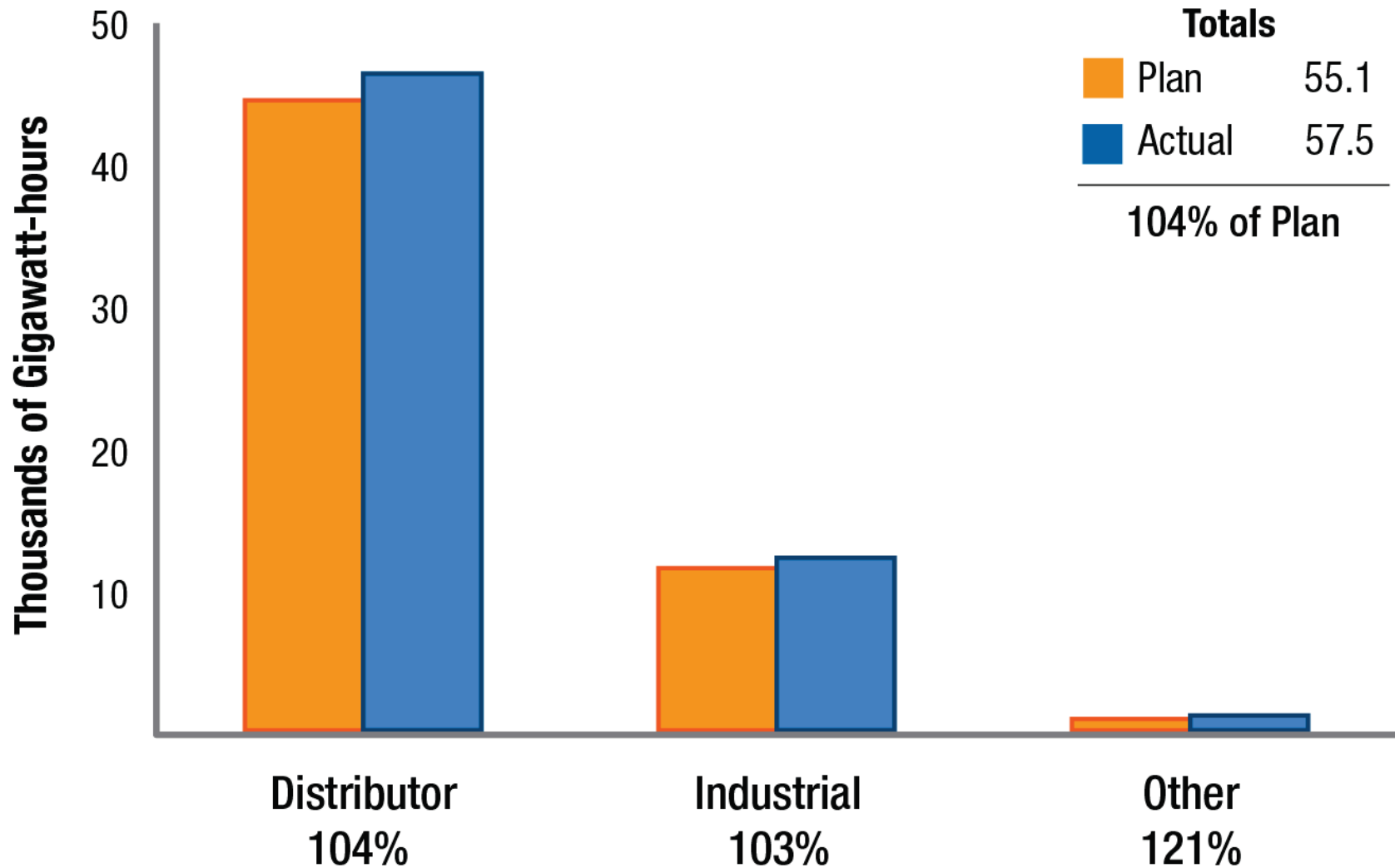
Nationwide, there were 124 electric and gas rate decisions in 2010, the most in 26 years

Duke Energy and Progress Energy plan to merge and create the nation's largest electric utility

Performance Summary

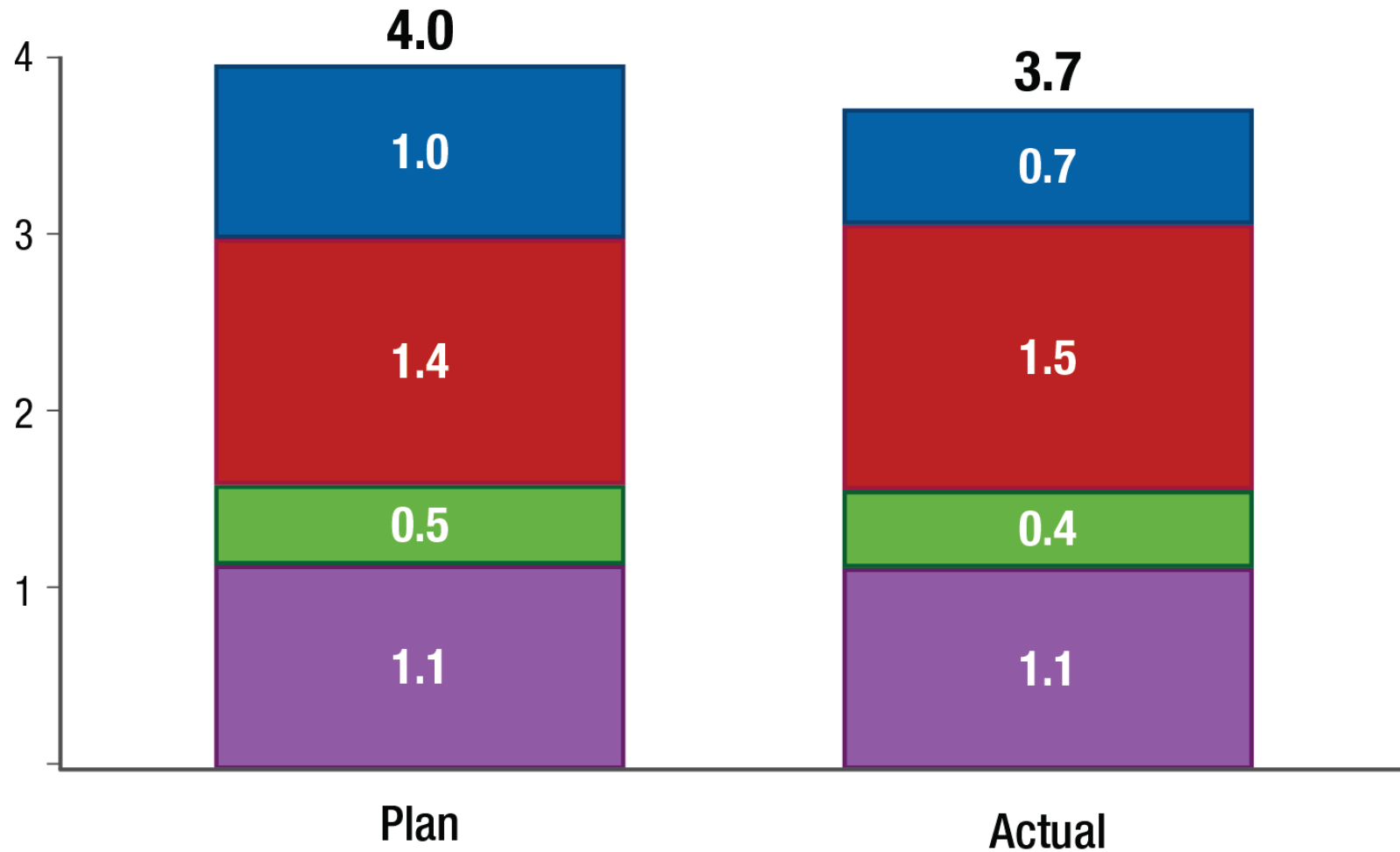
Power Sales

Fiscal Year 2011 through January



Operating Expenditures

Fiscal Year 2011 through January



Operations and Maintenance

Interest

Fuel and Purchased Power

Capital

Performance Summary

Fiscal Year 2011 through January

Environmental

Net Cash Flow

Sales

Capital Investment

System Reliability

Hydro Generation

Safety

Retail Rates

Operations and
Maintenance

Organizational
Effectiveness

EXCEPTIONAL

GOOD

BELOW PLAN

POOR

Fuel and
Purchased Power

Plant Reliability

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Charter Amendment

Audit, Risk, and Regulation



People and Performance



Finance, Rates, and Portfolio



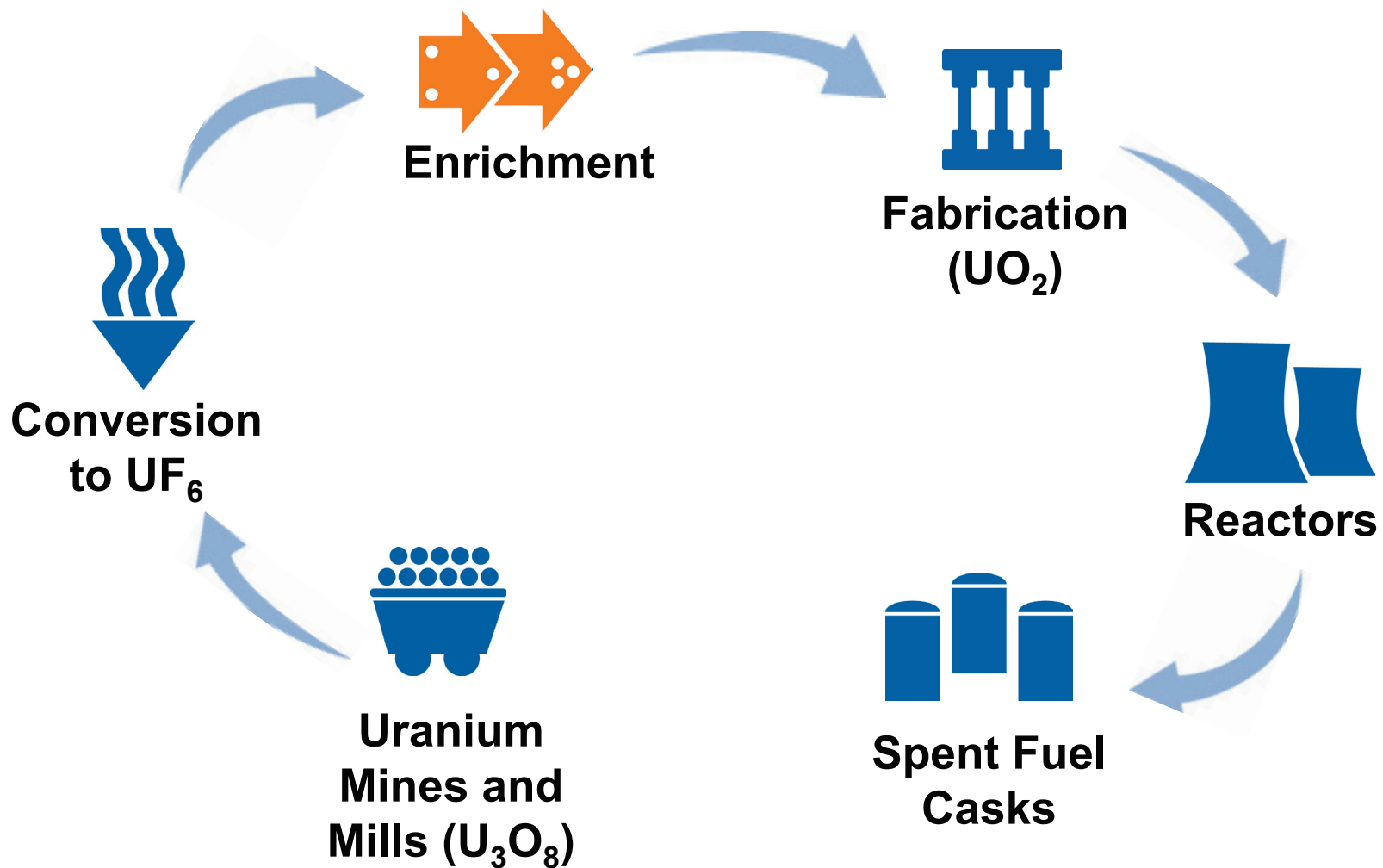
Enrichment Services Contract

For Board Consideration

Delegation of authority to the Chief Executive Officer to award a contract to American Centrifuge Enrichment LLC for the supply of uranium enrichment services from 2016-2025

Background

Uranium goes through several processing steps before becoming reactor fuel



Background

Currently engaged in negotiations

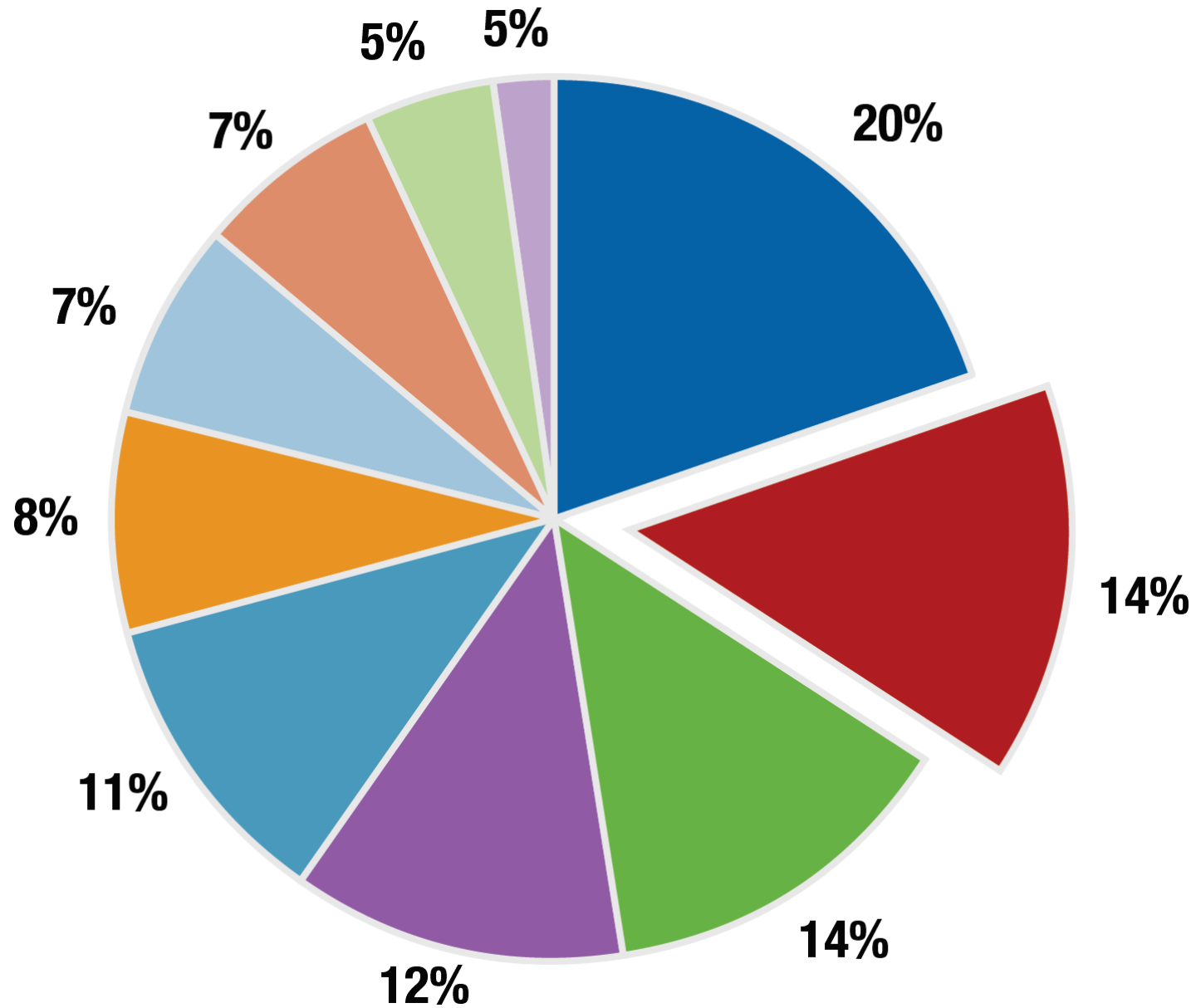
Contract would provide 14% of TVA's enrichment total needs from 2016 to 2025

Pricing compares favorably with previously accepted contracts

Supply diversification

Total price of \$500 million

Enriched Services Suppliers from 2016 to 2025



Recommendation

Board approve delegation of authority to the CEO to award a contract with ACE for a total of \$500 million to provide enrichment services for TVA from 2016 through 2025 subject to presentation of any proposed agreement to the individual members of the Finance Committee for review and concurrence

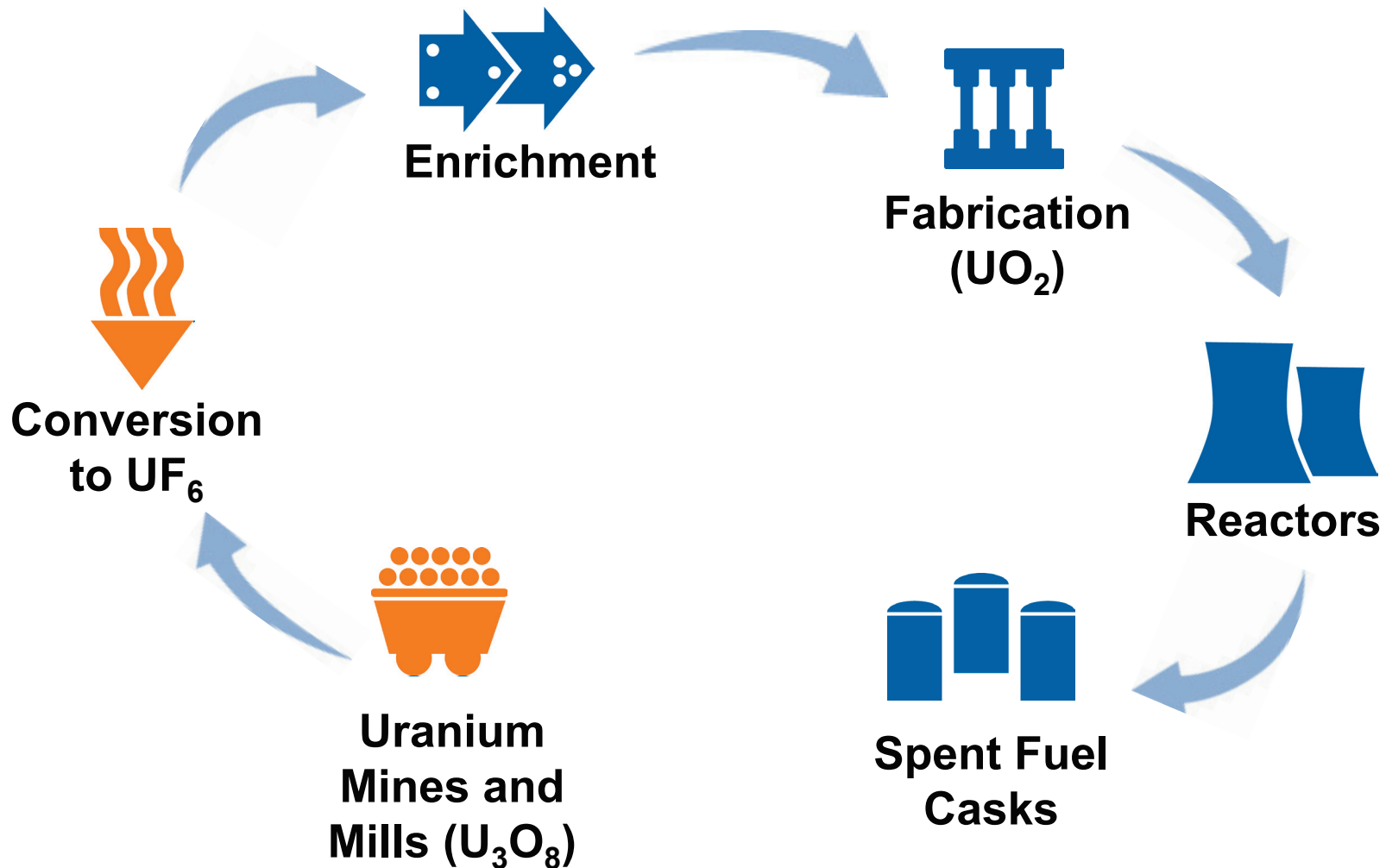
Uranium Contract with Cameco

For Board Consideration

Approve contract with Cameco, Inc. for uranium feed

Background

Uranium goes through several processing steps before becoming reactor fuel

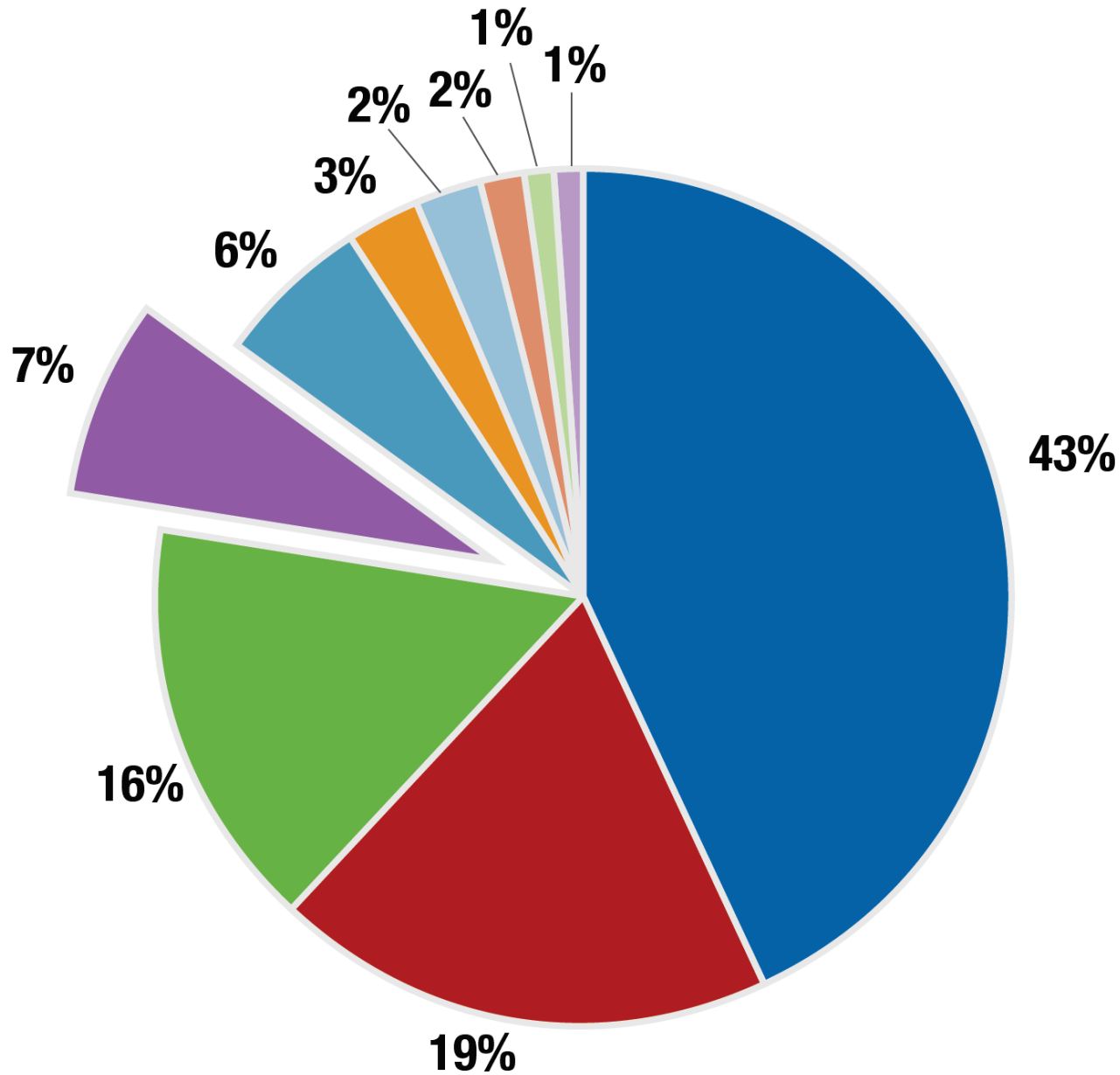


Background

Cameco provides competitive offer:

- Supply – would provide 7 percent of TVA's uranium feed (UF6) total needs from 2017 to 2021
- Pricing – obtained from competitive bid process
- Supply assurance from a reliable, large, and diversified company
- Total contract price: \$250 million

Uranium Feed Supply from 2017 to 2021



Recommendation

Board approve contract with Cameco for a total of \$250 million to provide uranium feed for TVA from 2017 through 2021

Kingston Dewatering System for Gypsum

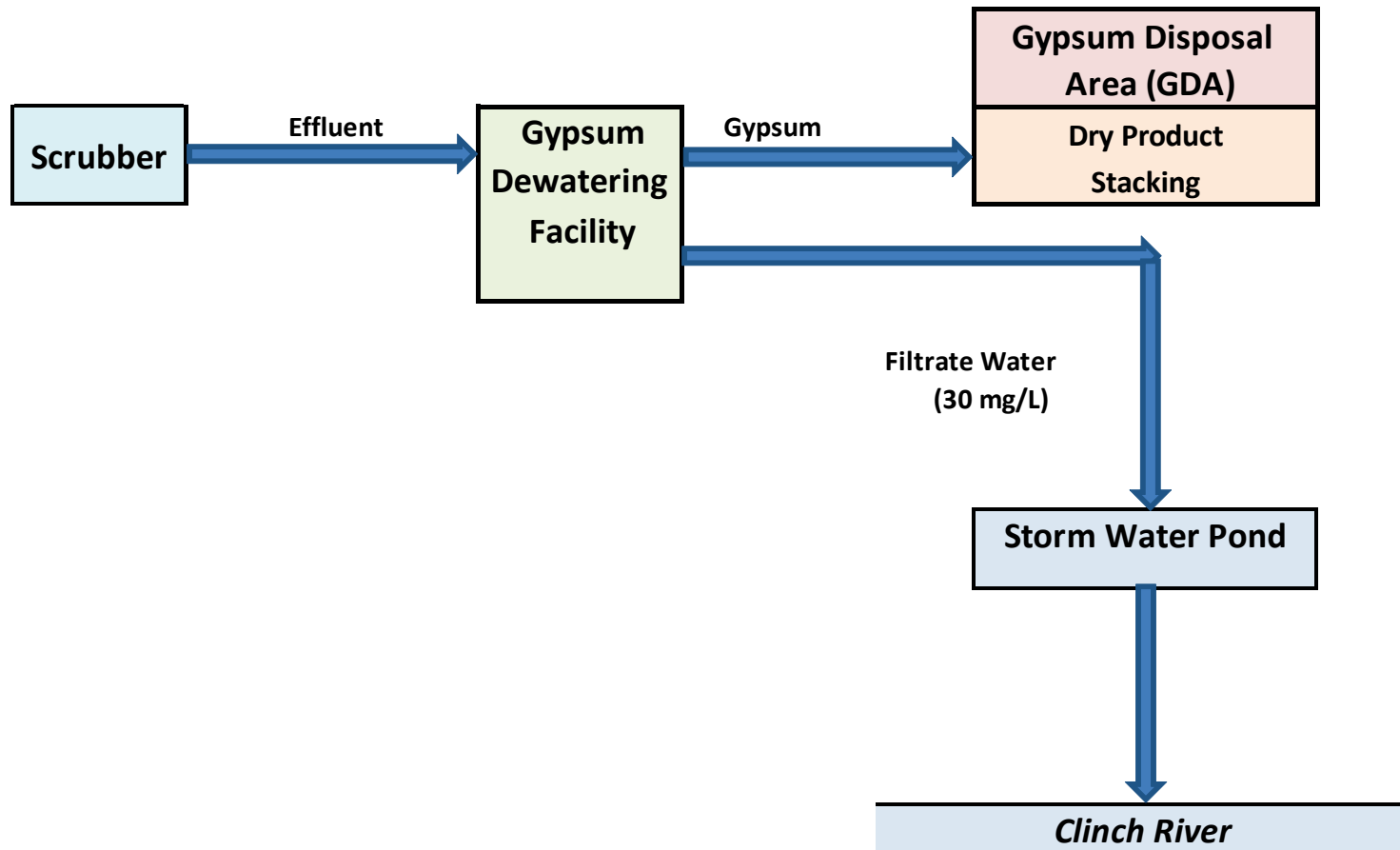
For Board Consideration

TVA has a commitment to close all wet pond's containing Coal Combustion Residuals

The construction of a gypsum dewatering facility at Kingston Fossil Plant is a necessary part of meeting this commitment

Kingston Gypsum Dewatering Facility

Proposed Project Configuration



Kingston Gypsum Dewatering



0 750 1,500 Feet

Map created by E&T-ES&R-Geographic Information & Engineering, April 2010.

Recommendation

Board approve a revised project budget of \$53 million

Board approve a project in service date of March 30, 2012

Rate Change Implementation

For Board Consideration

Two changes are necessary to implement the wholesale rate change that will take effect

April 1, 2011:

- Revision to the fuel cost adjustment addendum
- Modification of the existing 5 and 60 Minute Response Interruptible products for Time-of-Use rates

Fuel Cost Adjustment

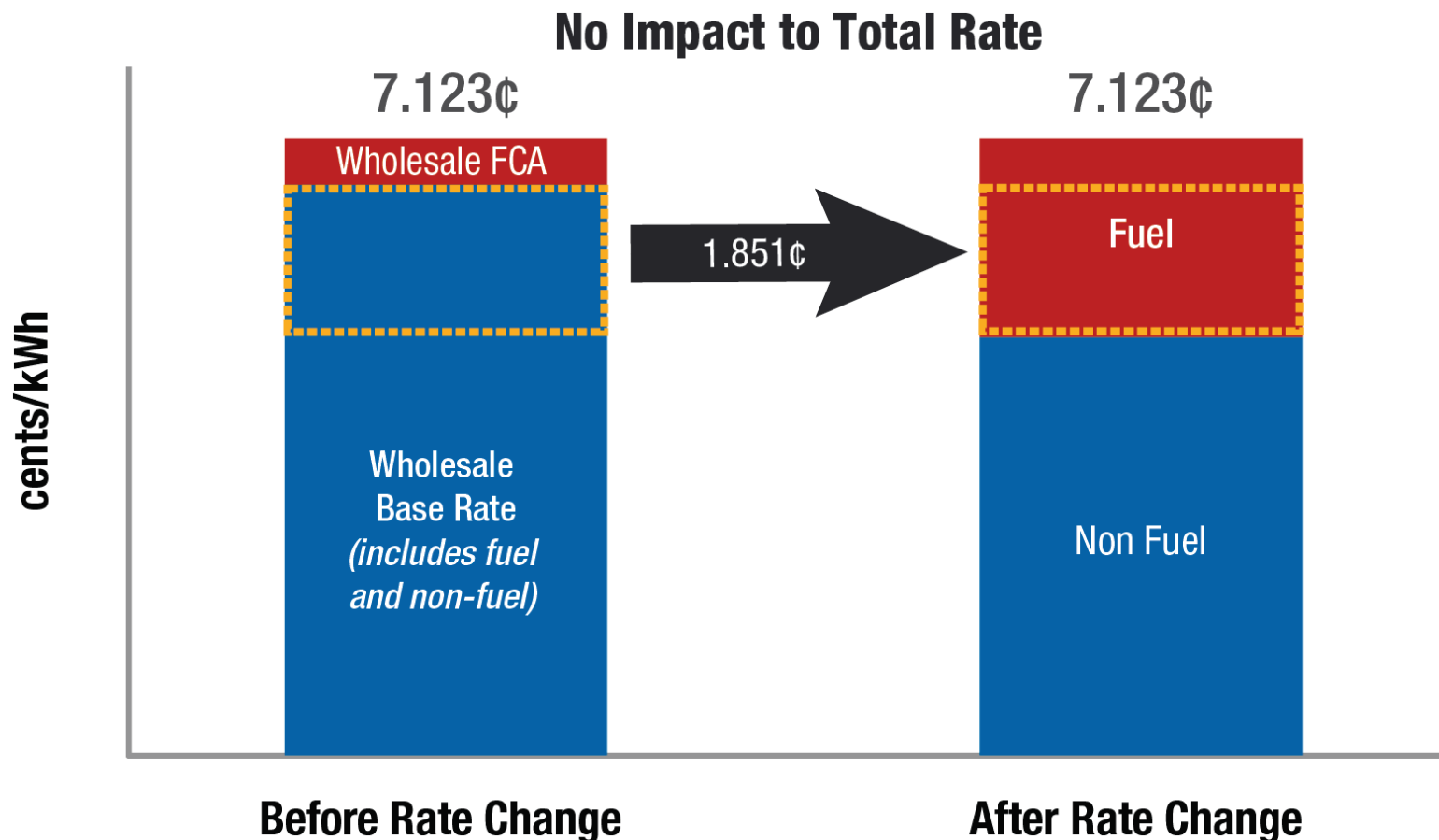
As of April 1, 2011, TVA base rates will only collect non-fuel charges

Fuel costs currently in the base rate will be exclusively collected in the FCA

TVA Wholesale Rate Structure

Today's base rates include fuel costs of 1.851¢/kWh

FCA modification will allow recovery of this cost in the new fuel component without any impact to the total rate



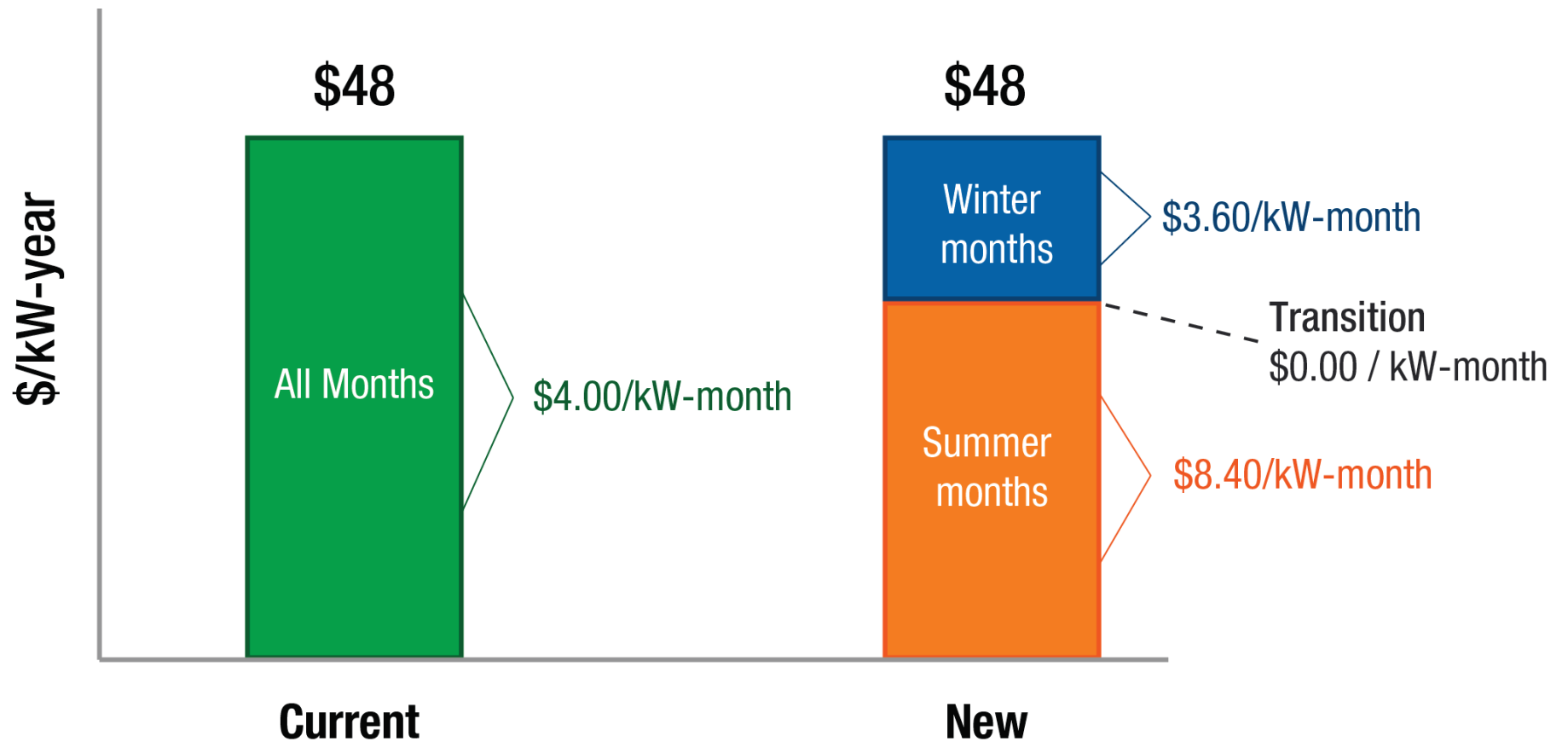
5 and 60 MR Interruptible Products

Modification to TVA's 5 and 60 minute response interruptible products are needed to align with Time-of-Use rate structure

Annual credit values will be allocated to seasons consistent with seasonal Time-of-Use rate design

Current and Proposed Products

5 Minute Interruptible Credits (\$/kW-month)



Recommendation

Board approve the proposed Fuel Cost Adjustment addendum

Board approve the modifications to TVA's 5 and 60 Minute Response Interruptible products to align those products with the Time-of-Use rate structures

**Supplier Contract for
Operations Materials and
Industrial Equipment**

For Board Consideration

Board delegation to the CEO to approve one or more blanket contracts for up to five years for the supply of operations materials and industrial equipment, subject to an aggregate ceiling of no more than \$120 million per year

Background

TVA has numerous suppliers for operations material and industrial equipment - which has led to inefficiencies

TVA could realize significant savings and greater efficiency by moving to an integrated supplier approach

Background

TVA issued a request for proposal (RFP) to over 300 suppliers

78 suppliers responded to the RFP

After three rounds of rebids, the field was narrowed to 14 suppliers and then to the finalists

Selection will be based on a number of factors including best overall cost, quality, and ability to meet TVA's needs

Recommendation

Board delegate to the CEO the authority to approve one or more blanket contracts for up to five years for the supply of operations materials and industrial equipment, subject to an aggregate ceiling of no more than \$120 million per year

Proposed Power Contracts

Customer and External Relations



Demand Response Product Delegation

For Board Consideration

A delegation of authority to the CEO to approve development and implementation of new and revised demand response products to achieve TVA's demand response goals

Background

TVA has a goal of 1,400 megawatts peak demand reduction by 2012

New demand products are being developed to meet this goal

This action will now allow the CEO to buy demand reductions from customers consistent with the CEO delegation to buy power

Proposed

The proposed delegation includes a capacity limit and other limitations set forth in the annual budget

TVA staff will report back to the Customer and External Relations Committee within one year regarding the development and implementation of demand response products under the delegation

Recommendation

Board approve the delegation of authority to the CEO to approve development and implementation of new demand response products with TVA customers to achieve its demand response goals

Nuclear Oversight

