Our VISION

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

Low Rates

High Reliability

Responsibility

Cleaner Air

More Nuclear Generation

Greater Energy Efficiency

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

Chairman’s Welcome

Nuclear Safety Review

Key Points

TVA nuclear plants were not built where major earthquakes or tsunamis occur

TVA plants have significant design differences and have been retrofitted with safety measures to assure defense-in-depth

We're verifying that TVA plants will remain safe through simultaneous natural disasters (flood, earthquake and tornado)

We are monitoring the Japanese response, consulting with nuclear operators and incorporating lessons learned

We are working to assure that we're ready for the unexpected

TVA's nuclear plants remain safe

What Happened in Japan?

9.0 earthquake followed by a tsunami estimated up to 48 feet high

Three of six units were operating; all shut down normally

Diesel generators started and supplied power to safety systems

Fukushima Daiichi Plant

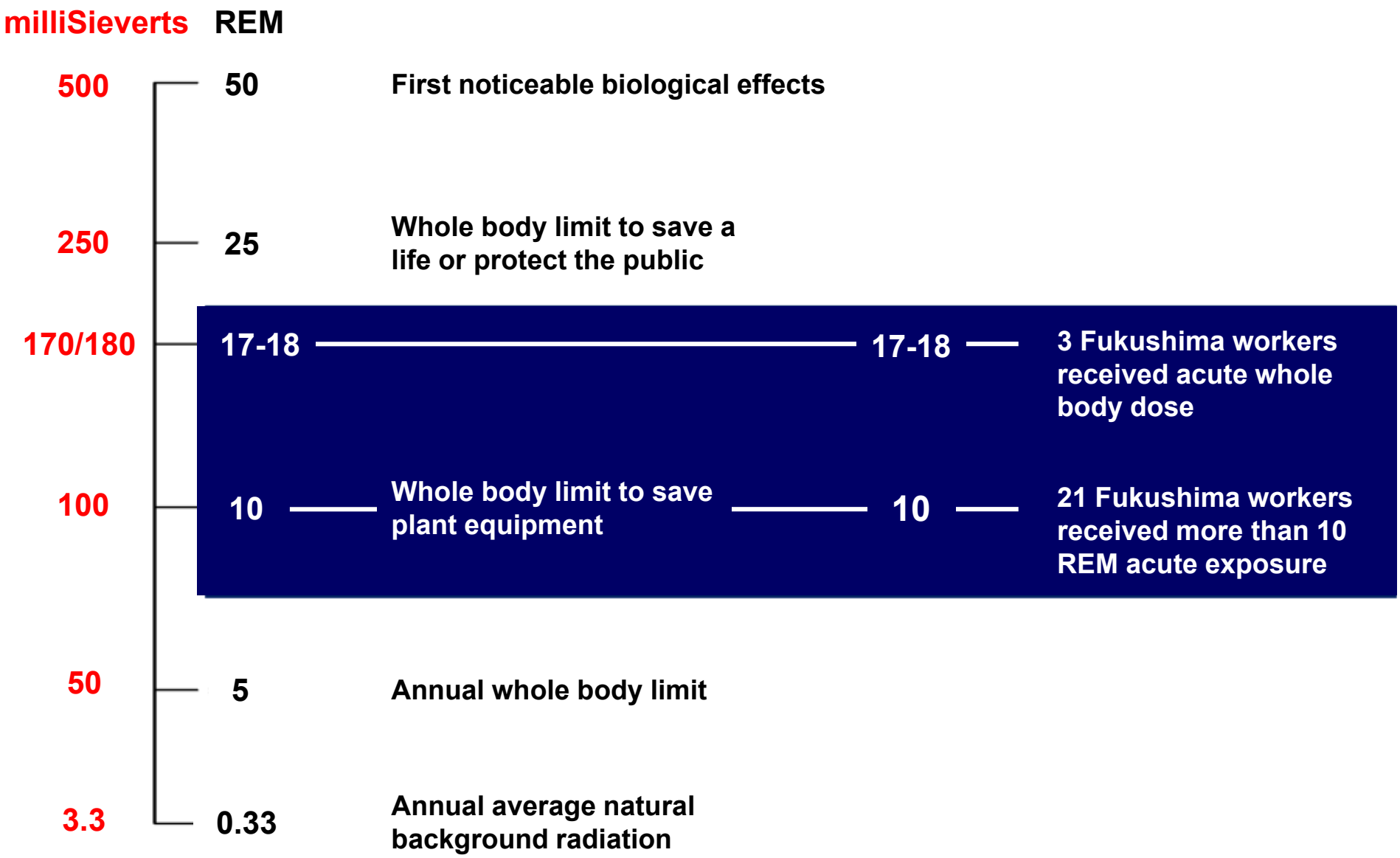
The diesels were lost when sea water flooded their electrical and fuel systems; backup batteries were soon exhausted

Fuel overheated when power was unavailable for safety cooling systems

Hydrogen gas, from overheated fuel, was vented into units 1 and 3 containment buildings, where it ignited

Three weeks after the event, radioactive water found to be leaking into the ocean through a crack in a concrete enclosure; TEPCO says the leak has been halted

Exposures for Plant Workers



Key Differences – Browns Ferry

Eight diesel generators provide electricity to safety systems if grid connections are lost

Diesels and fuel tanks are housed in water-tight bunkers

Diesel electrical gear is above the maximum flood level

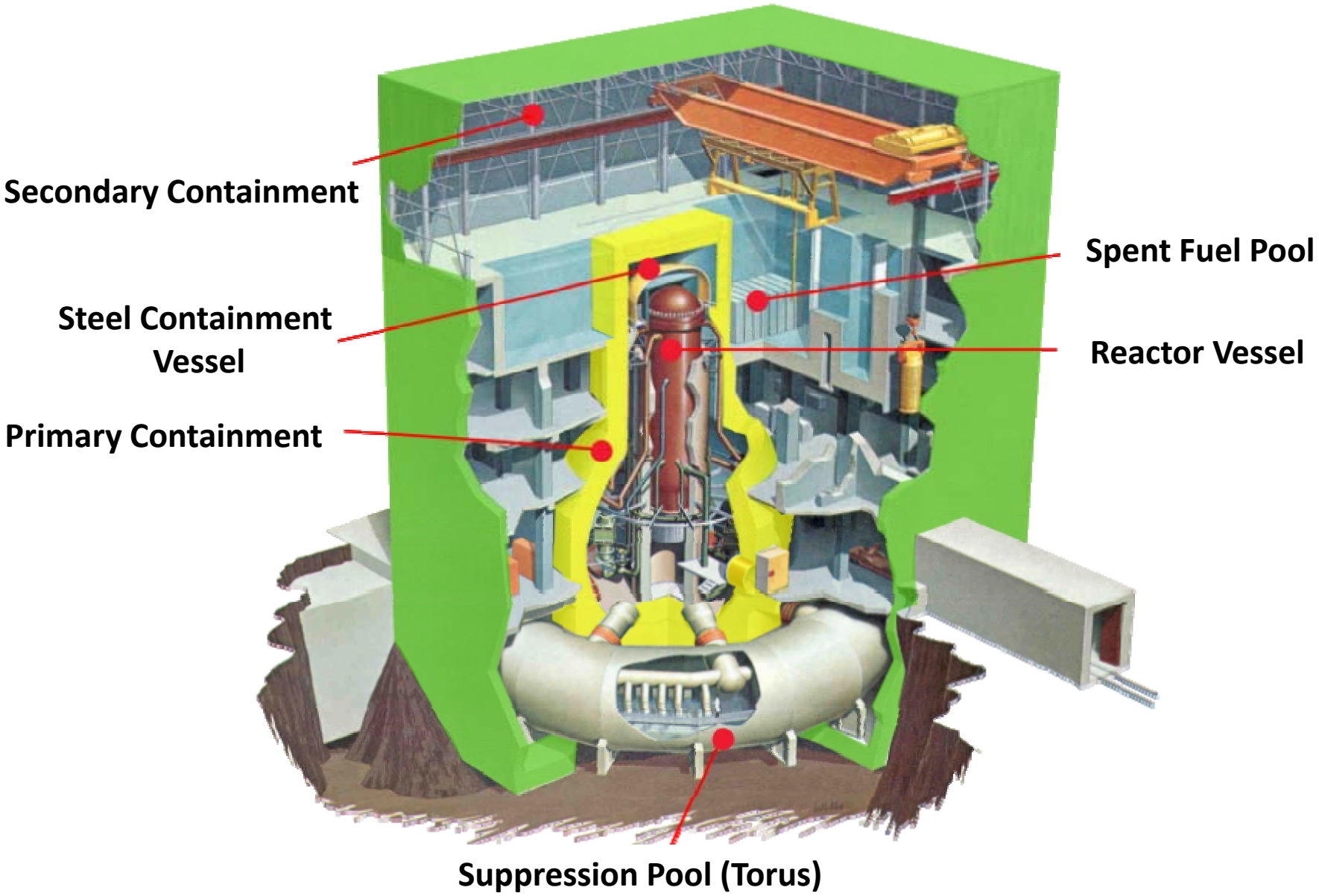
Redundant diesel and steam-powered pumps can provide emergency cooling water if the main diesels fail

Hydrogen would be vented outside secondary containment

Other emergency gear for beyond design-basis events is positioned for immediate use

Designed for an earthquake impact at the site10 times stronger than the worst impact ever recorded in the area

General Electric Boiling Water Reactor



Key Differences – Other TVA Plants

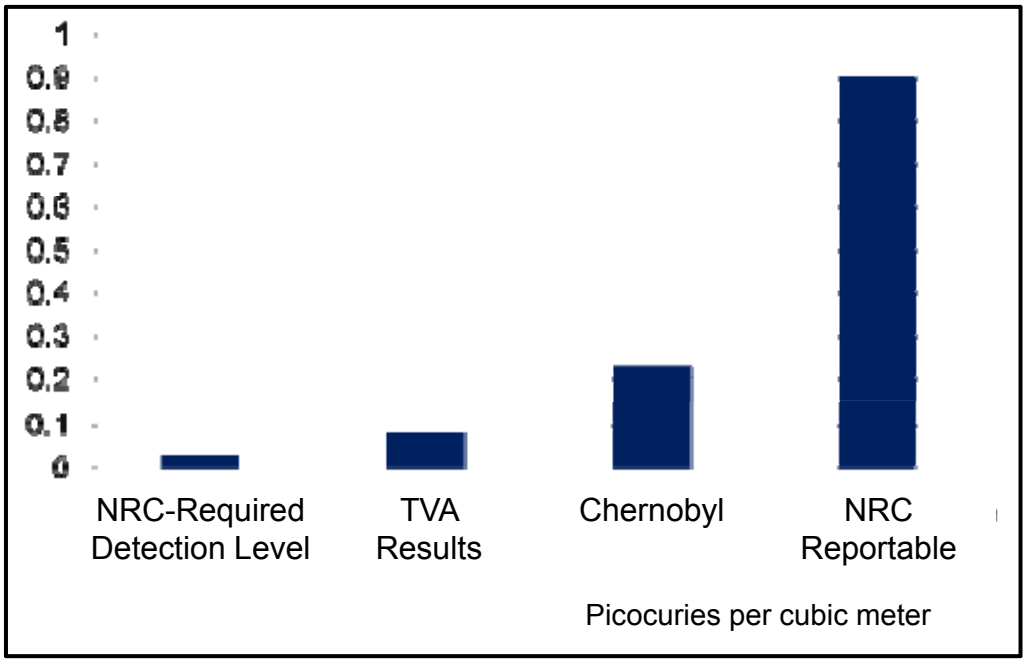
Sequoyah and Watts Bar are different designs

- Diesel generators for emergency power are built above the maximum flood level
- Diesel fuel and safety systems' electrical gear are above the maximum flood level
- Backup cooling pumps, powered by diesels and steam, can provide cooling water if main diesels fail
- Hydrogen would be vented outside secondary containment
- Other emergency gear for beyond design-basis events is positioned for immediate use

Environmental Monitoring in Our Area

U.S. nuclear plant air monitors have detected trace levels of iodine 131 that could be from Fukushima Daiichi

Iodine 131 is one by-product of the fission process in commercial reactors; it has a half-life of 8 days



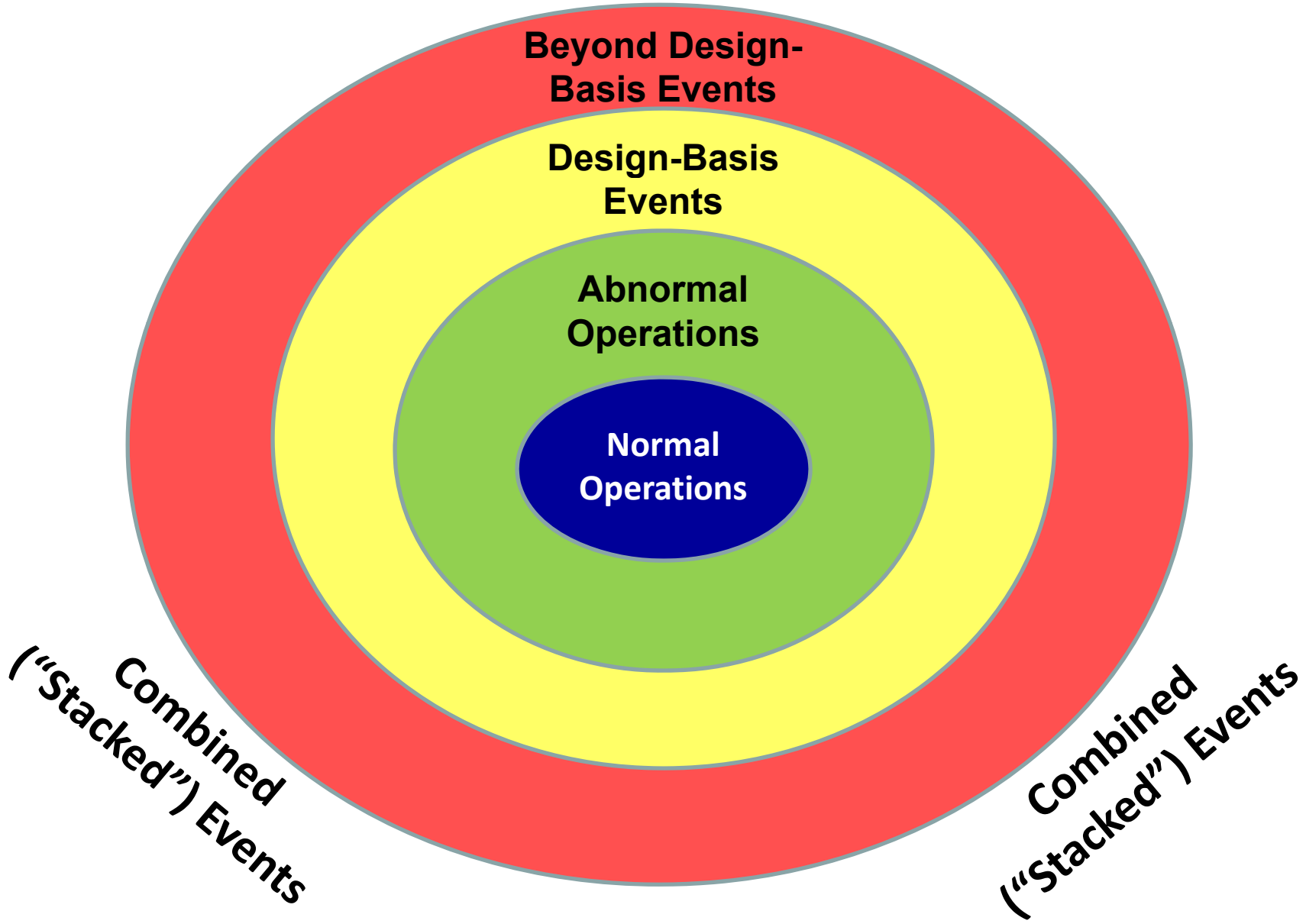
Traces of iodine 131 were also detected by monitoring stations near Browns Ferry, Watts Bar and Sequoyah

What is TVA Doing?

Established TVA response team to:

- Understand events from Japanese accident
- Review readiness for natural or man-made disasters
- Identify possible vulnerabilities
- Provide short, intermediate, and long-term recommendations for TVA sites
- Communicate accurate and timely information

Taking Safety to the Next Level



Short-term Actions

Focused on adding defense in depth

Can be implemented in less than 90 days

Examples include

- Additional satellite phones for emergency responders when normal communications are damaged
- Small portable electric generators for lights, charging batteries and other vital equipment.

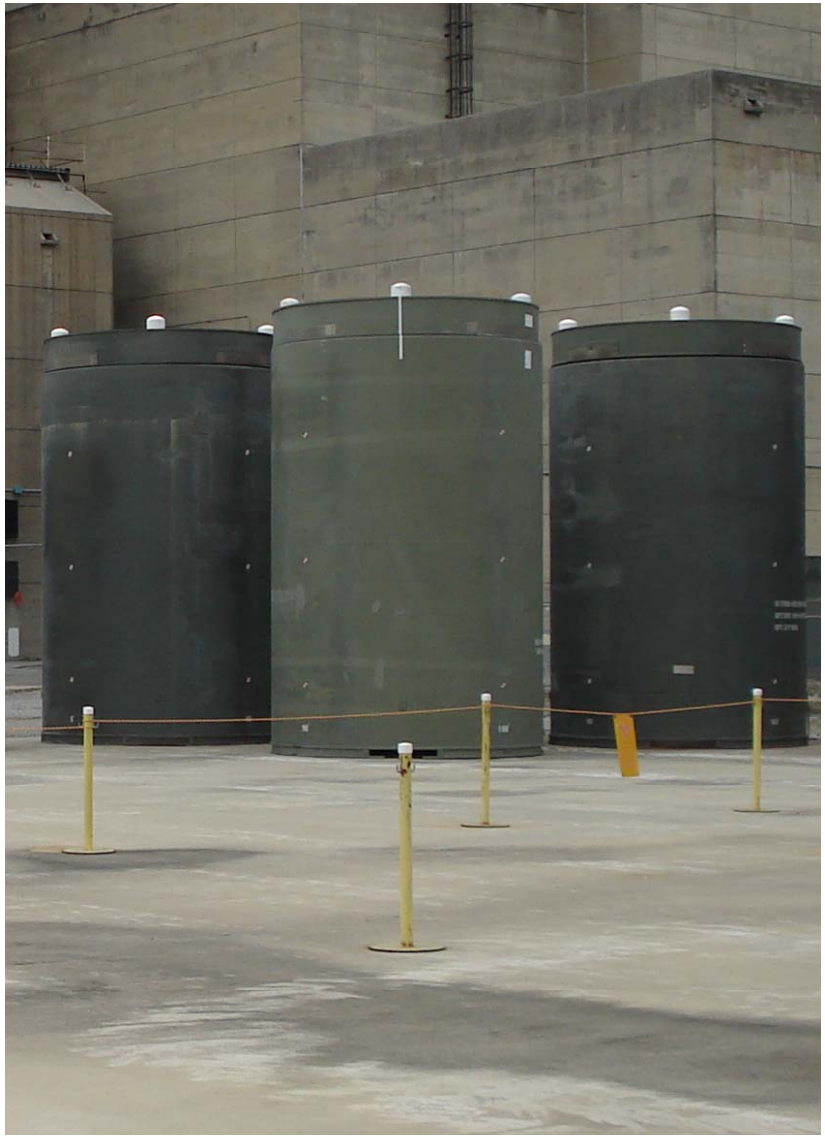
Intermediate Actions

Focused on adding defense in depth

Can be implemented within 12 months

Examples include

- Moving additional spent fuel from pools to dry-cask storage
- Adding hardened water supply pipes to spent fuel pools



Long-term Actions

Focused on adding defense in depth

Require more than 12 months to implement

Examples include

- Considering a fifth diesel generator at Sequoyah and Watts Bar
- Further evaluating switch-yard seismic vulnerabilities

Watts Bar 2 and Bellefonte

Lessons learned will be incorporated into Watts Bar Unit 2 as construction proceeds

Evaluating further defense-in-depth improvements which would be designed into Bellefonte should TVA proceed with construction

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Minutes

President's Report

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TVA

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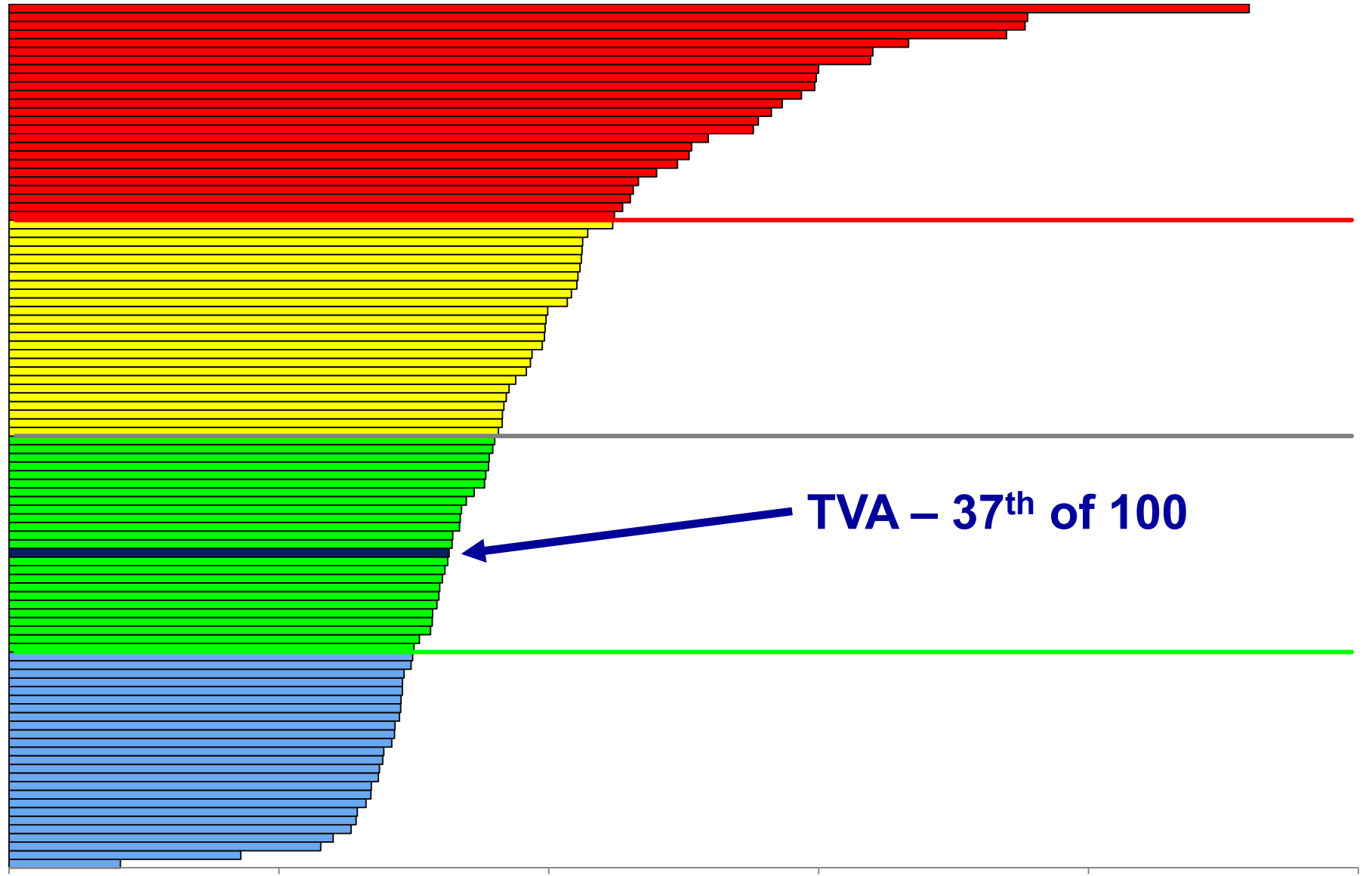
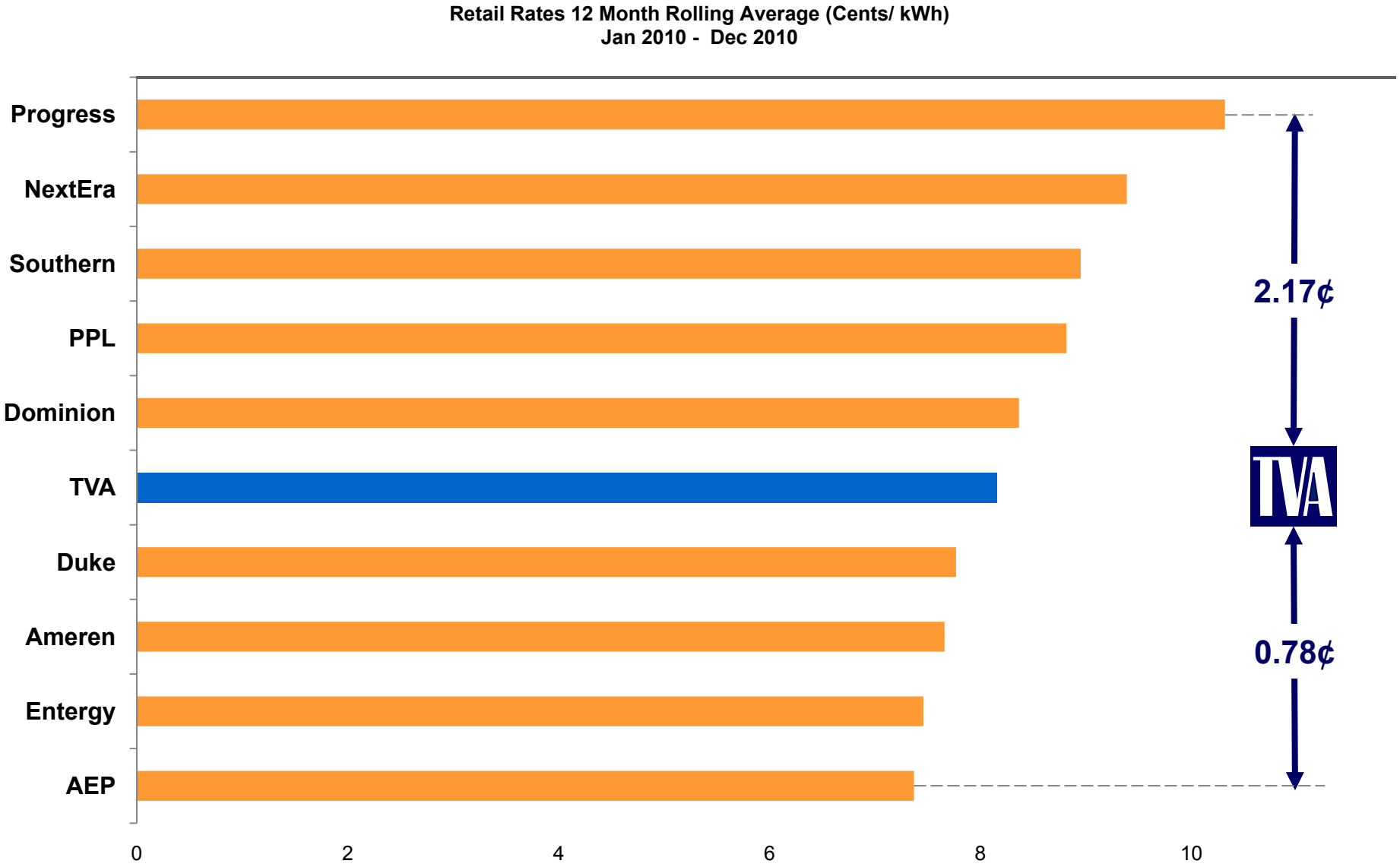
Low Rates

Top 100 Utilities' Retail Rates



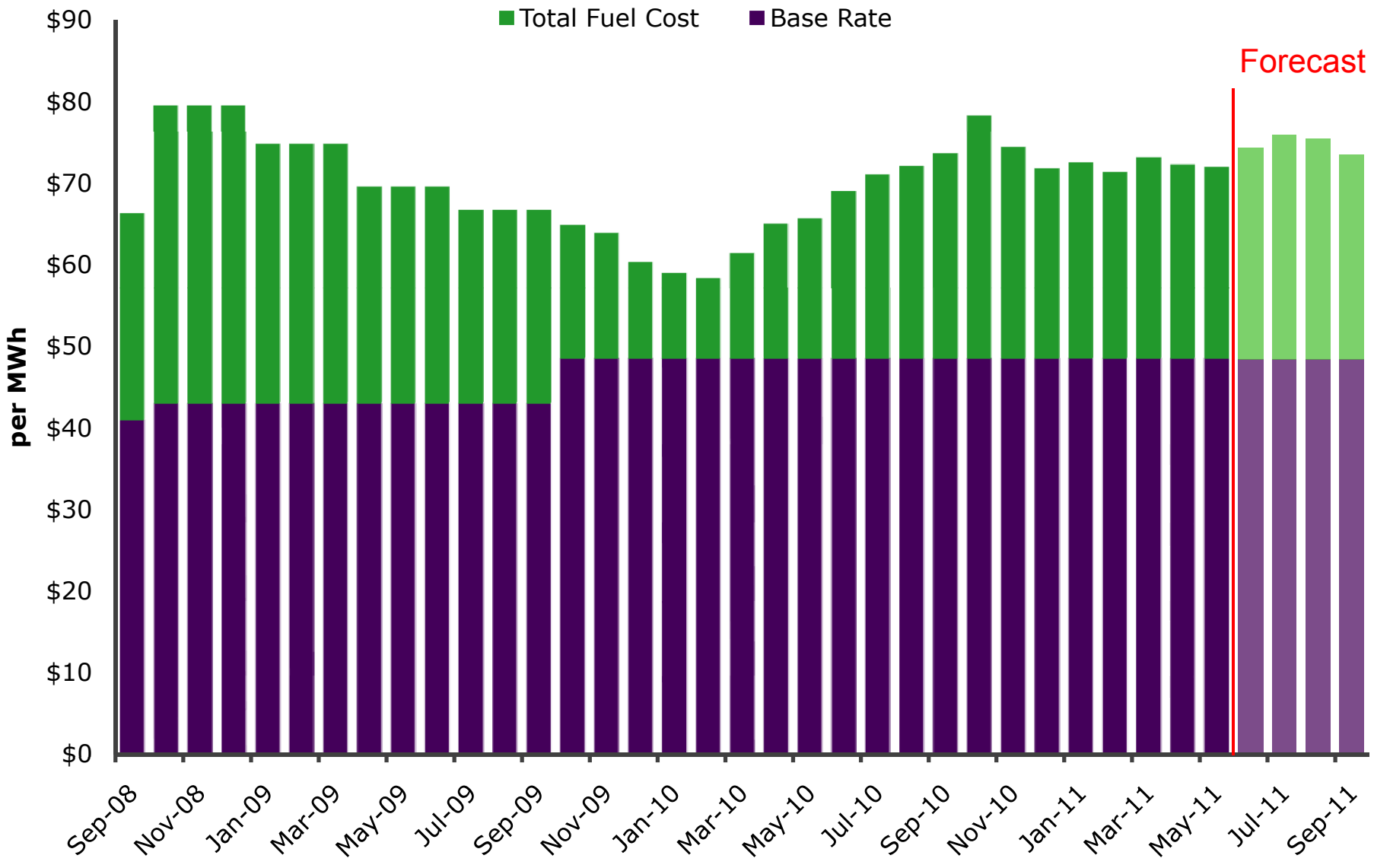
Source: EIA-826 and ESS

TVA vs. Regional Holding Companies



Source: EIA-826 and ESS

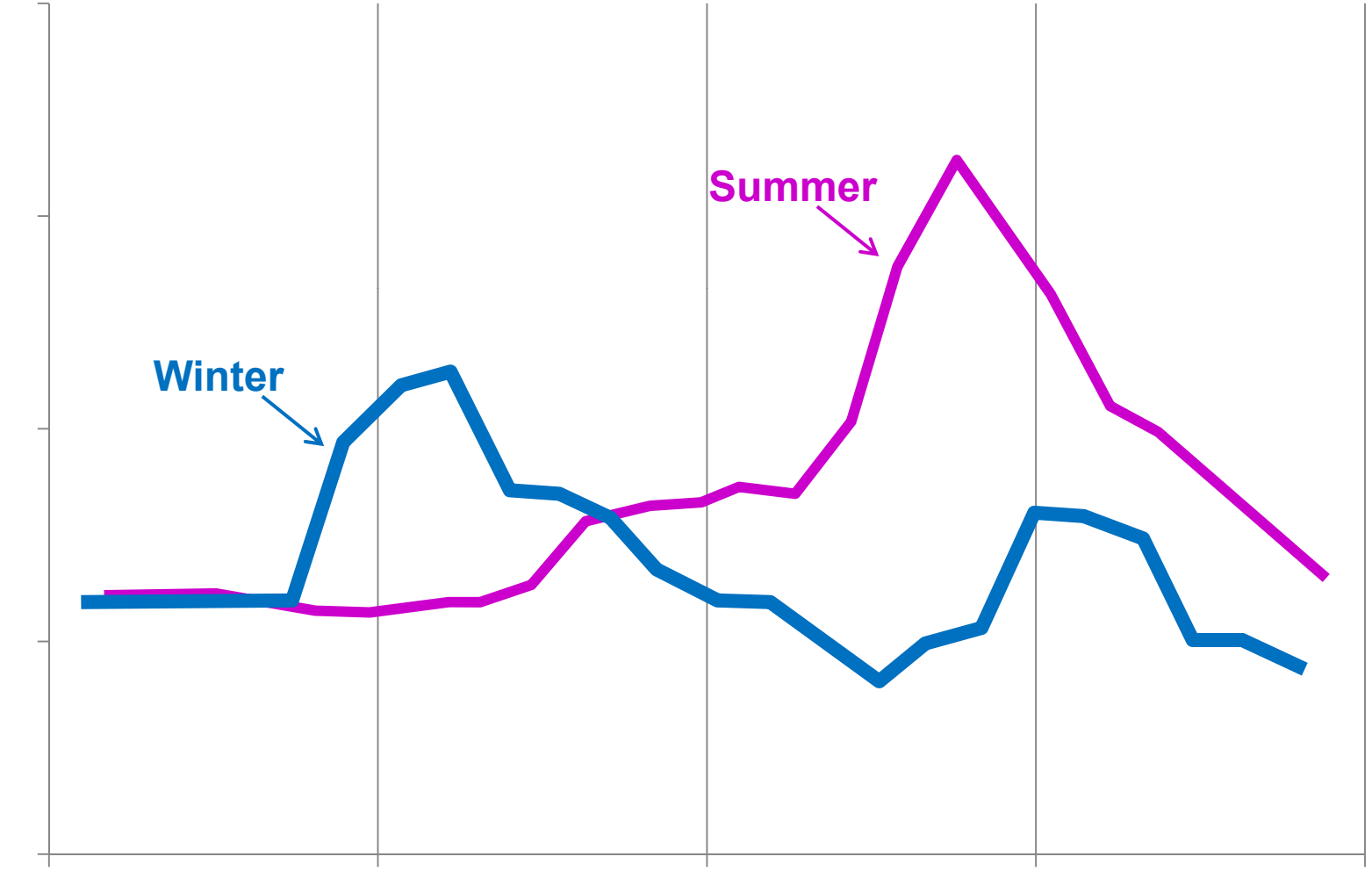
Firm Wholesale Rate



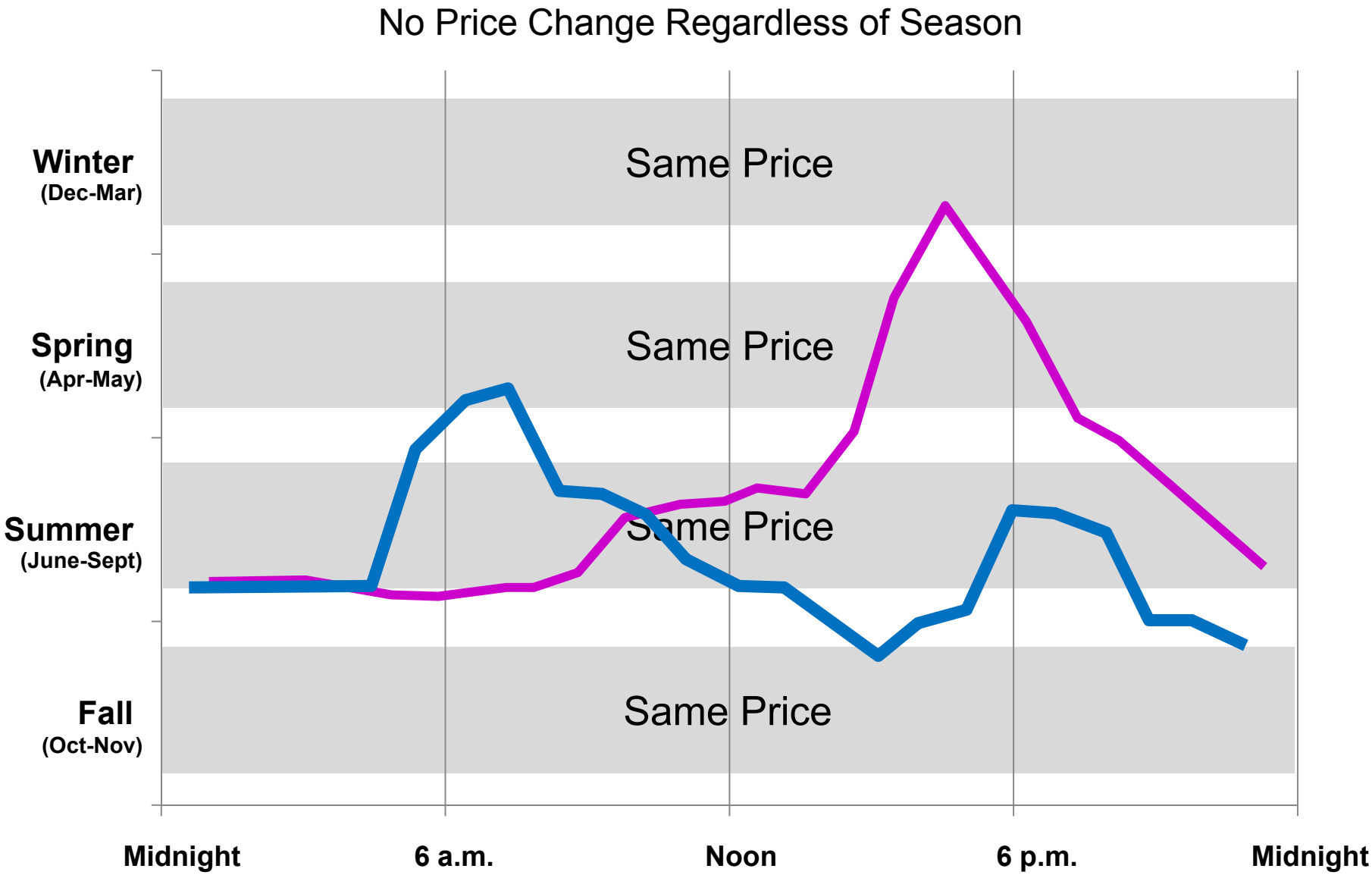
New Rate Structure

TVA's Production Costs

Highest on Summer Afternoons and Winter Mornings

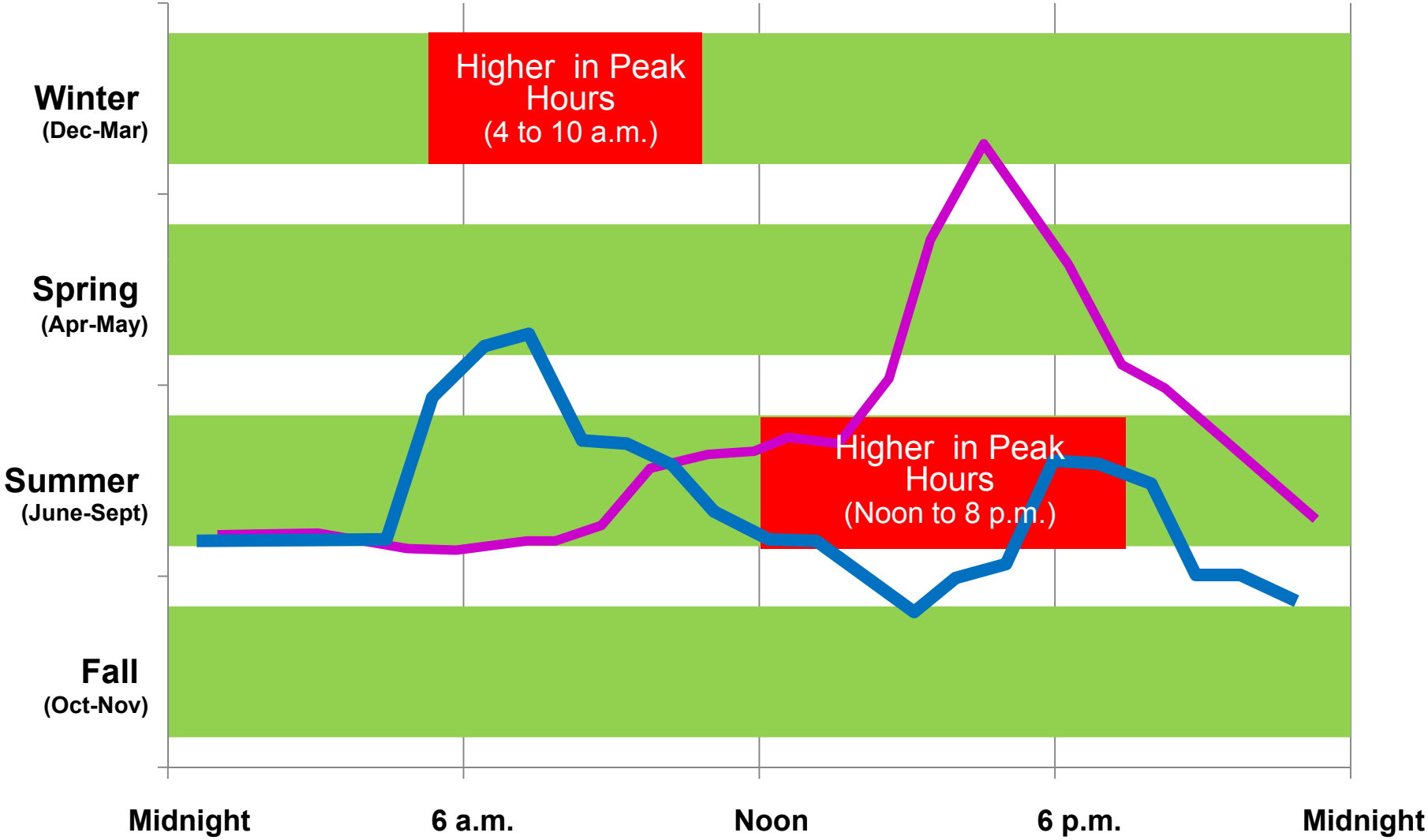


Former TVA Pricing Structure



Seasonal Time-of-Use Pricing Structure

Higher at Seasonal Peak Hours; Lower at All Other Times



Dishwasher Example

. . . Slightly altering your behavior saves money

Estimated cost with FLAT rate = $25/year

Washing off-peak = $9/year

Savings = $16/year

How to Lower Electric Bills

Set thermostats to 78° in summer; 68° in winter

Use cold water for laundry

Use fluorescent lighting

Wash clothes and dishes in the evening

Unplug unused appliances

Take the home energy audit at energyright.com

energyright® solutions TVA

Our VISION

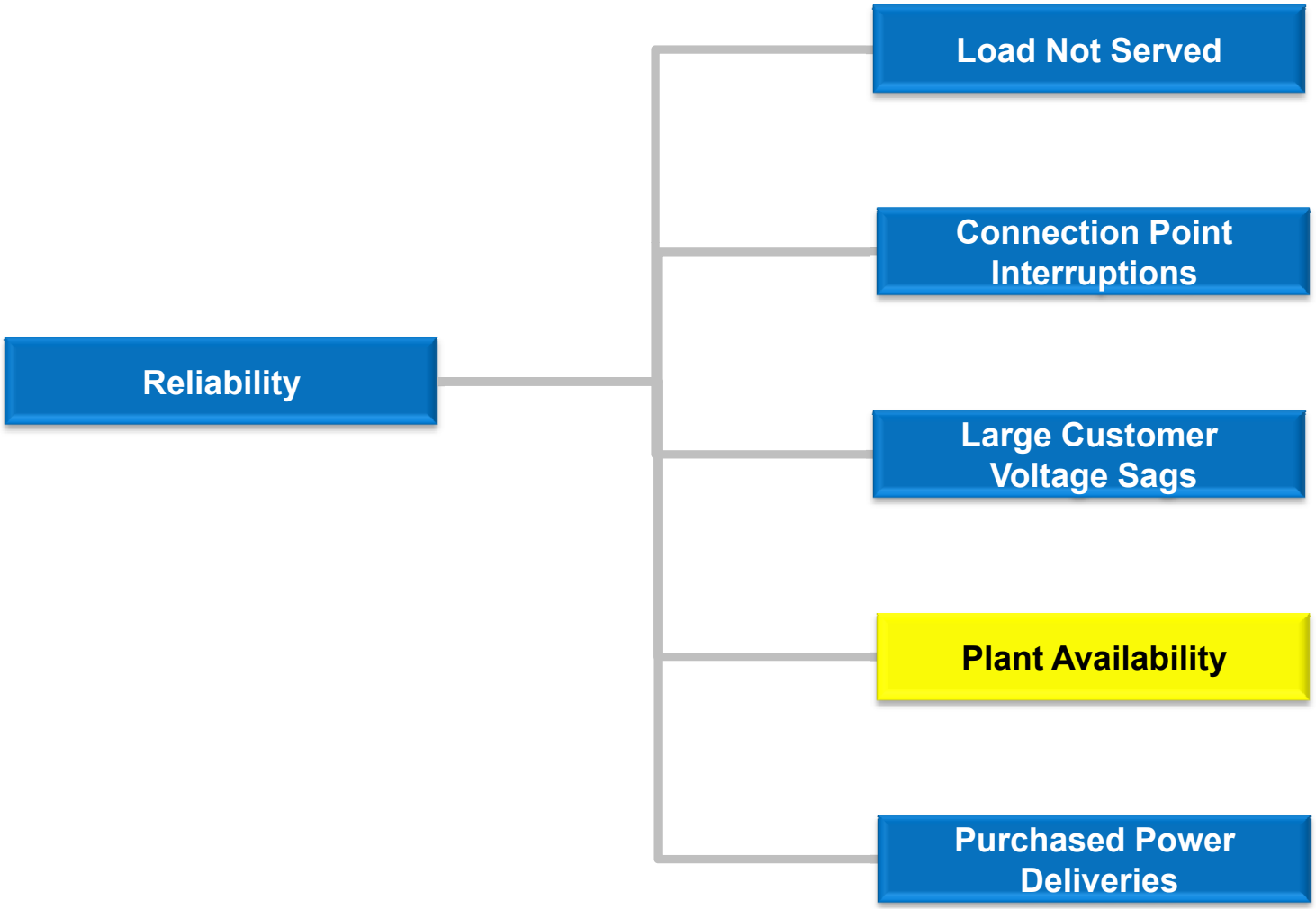
TVA

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

High Reliability

Reliability Snapshot

Fiscal Year Through March



Plant Availability Scorecard

EXCEPTIONAL	GOOD	BELOW PLAN	POOR
Browns Ferry	Allen	Kingston	Cumberland
Bull Run	Caledonia		Lagoon Creek
Gallatin	Colbert		Paradise
Shawnee	John Sevier		Sequoyah
Watts Bar	Johnsonville		Southaven
Widows Creek			

Storm Damage

Major storms, spawning eight tornados, hit the TVA region in February and March

Eleven transmission structures were damaged

Service to all TVA customers was restored within about 24 hours

Our VISION

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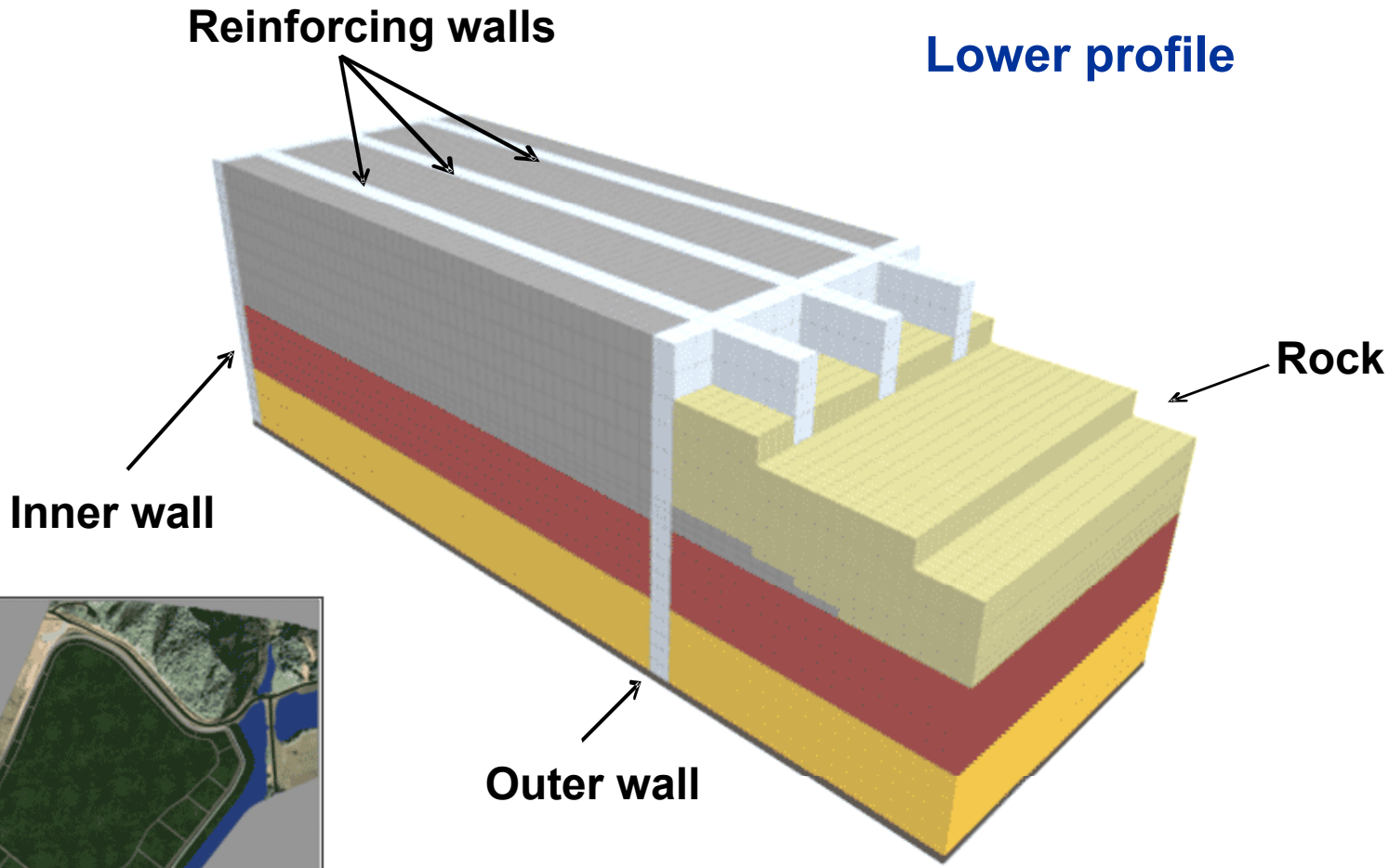
Responsibility

Safer Ash Containment at Kingston

Heavily reinforced walls

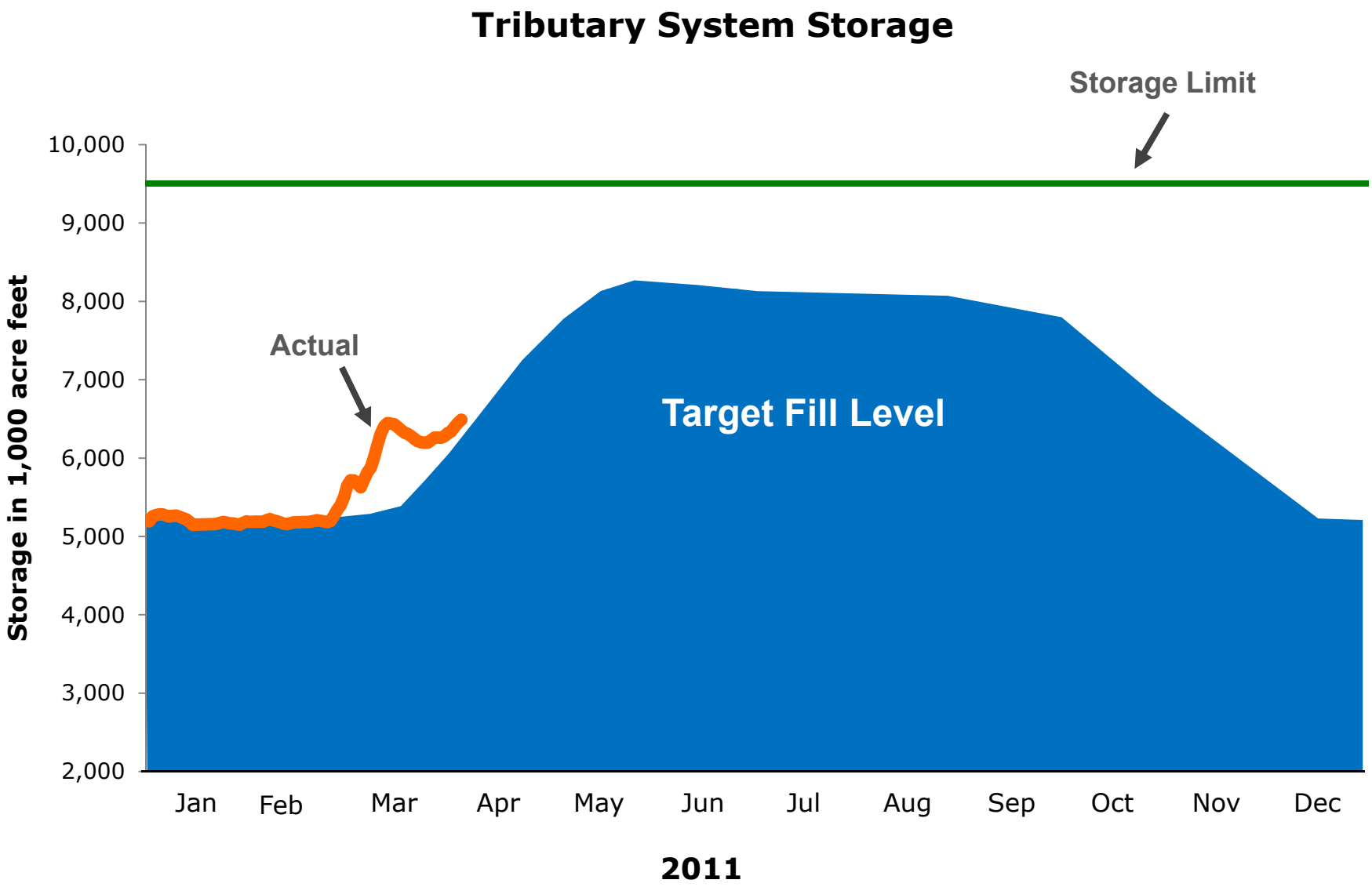
Set in bedrock

Lower profile



Seasonal Reservoir Operations

Managing the Spring Fill



Natural Resource Plan

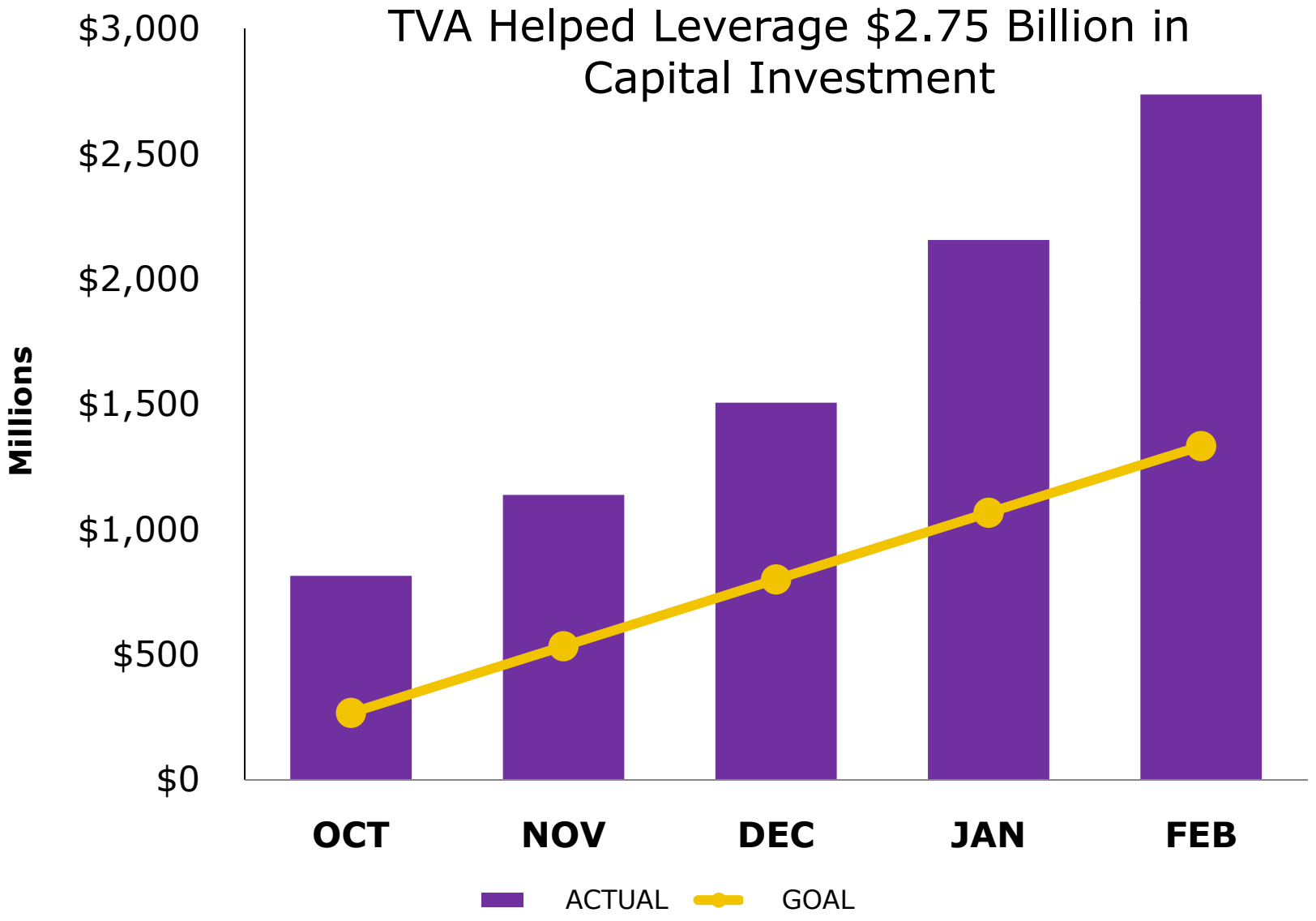
TVA manages:

- 293,000 acres of land
- 11,000 miles of shoreline
- Wildlife habitat
- Archeological sites
- Campgrounds and day-use areas

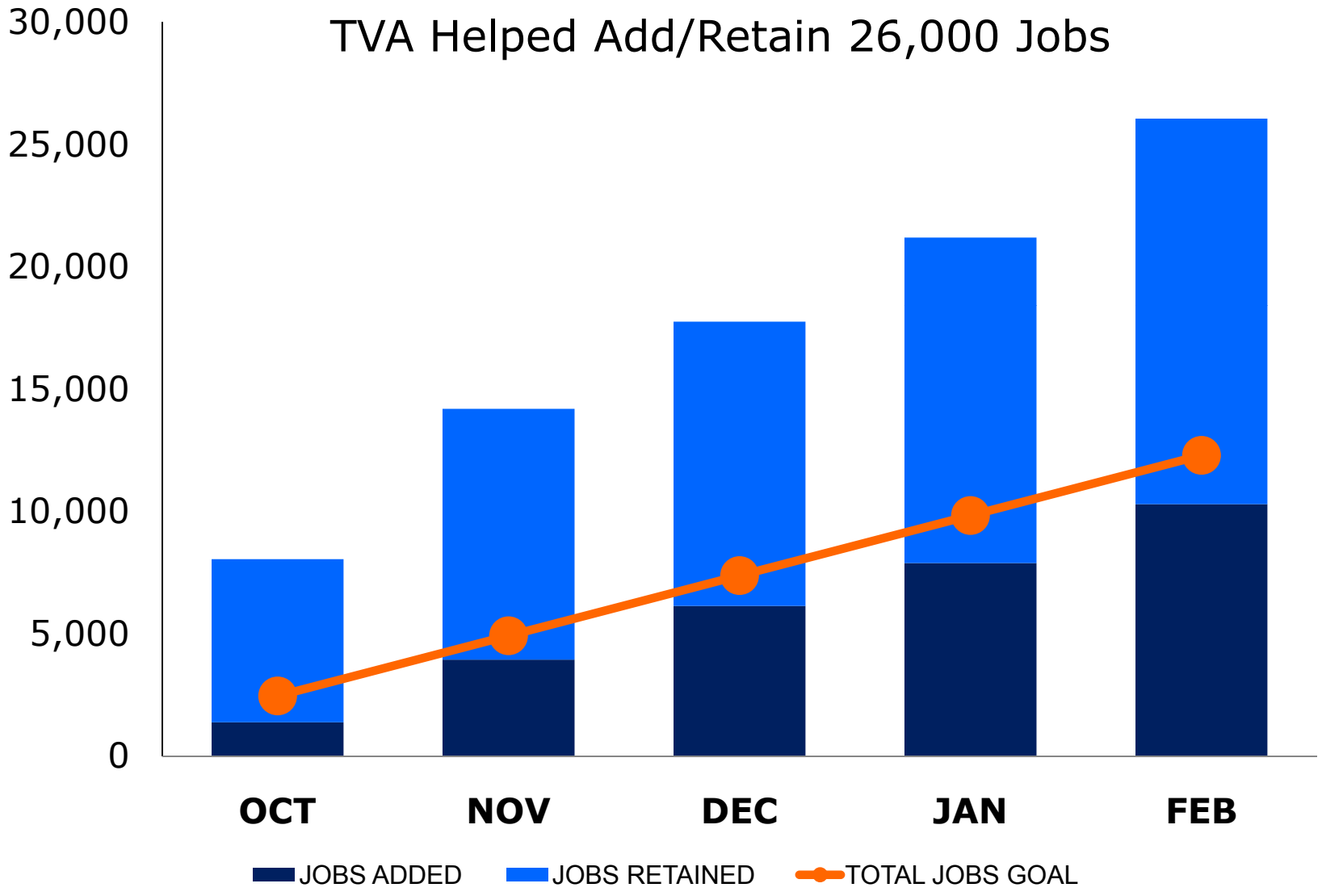
Draft plan has been issued

Public comments are welcome

Economic Development



Economic Development



Recent Area Announcements

Volkswagen hired 1,500 employees in Chattanooga and plans to hire 500 more

Amazon is building two distribution centers in Hamilton and Bradley counties – a $139 million investment with 1,400 new jobs

Wacker Chemie will increase capital investment in Bradley County by almost 50%, up to $1.45 billion

Our VISION

TVA

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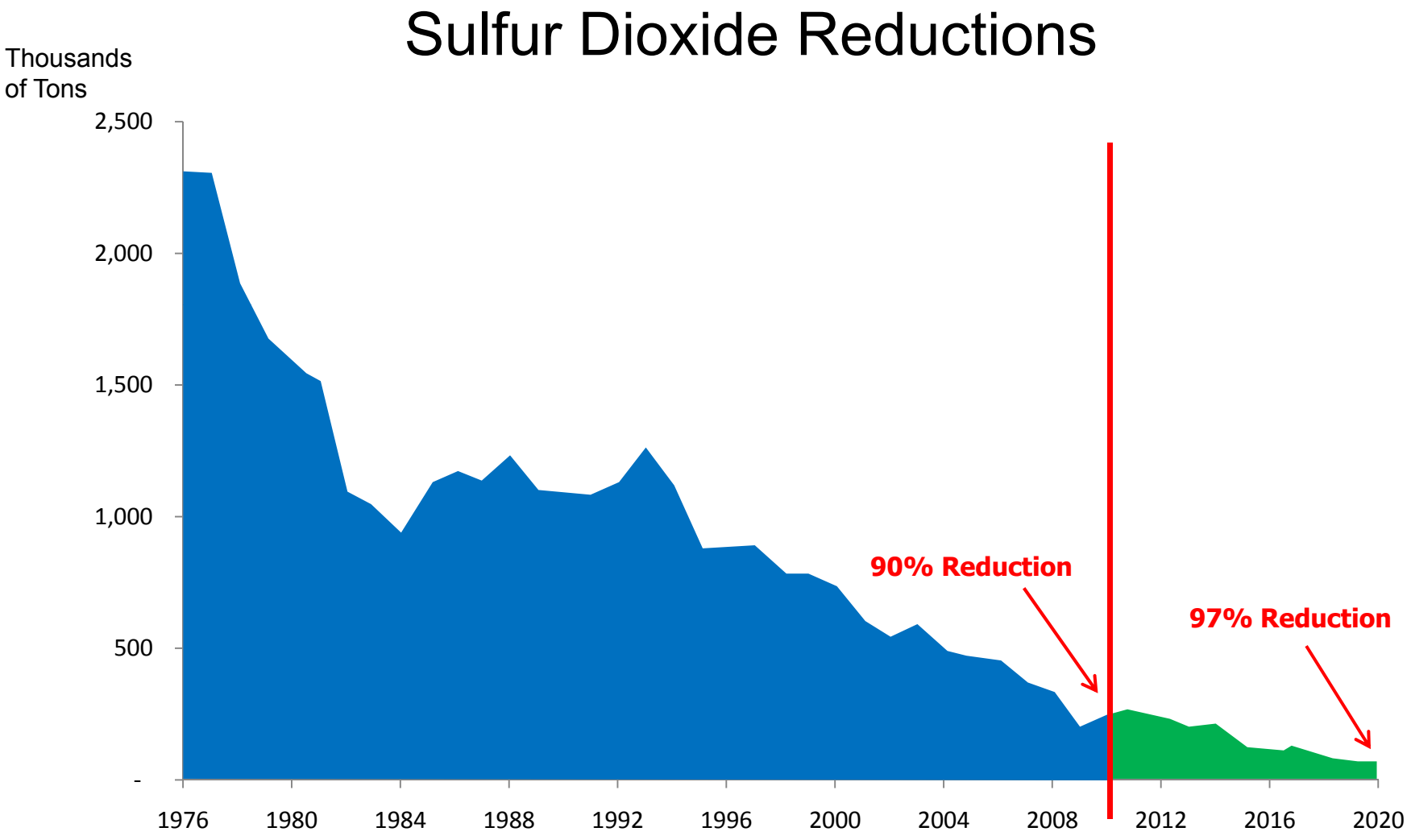
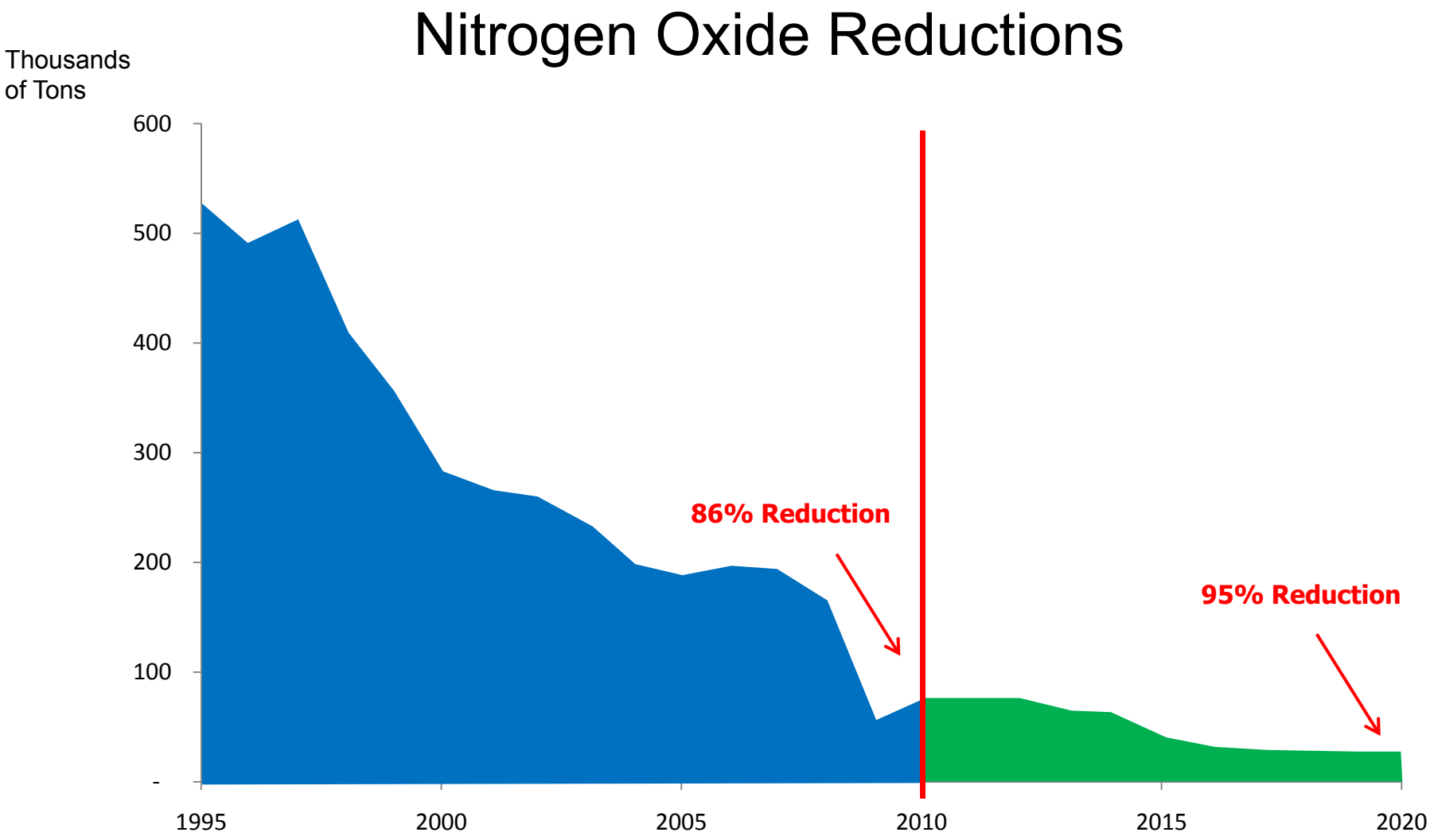
Cleaner Air

Cleaner Air


Sulfur Dioxide Reductions
Thousands of Tons
2,500
2,000
1,500
1,000
500
-
1976
1980
1984
1988
1992
1996
2000
2004
2008
2012
2016
2020
90% Reduction
97% Reduction

Cleaner Air


Nitrogen Oxide Reductions
Thousands of Tons
600
500
400
300
200
100
-
1995
2000
2005
2010
2015
2020
86% Reduction
95% Reduction

Smoky Mountain air quality improving

- 86% reduction in sulfur deposition
- 78% reduction in nitrogen deposition
- 17th year of collaboration with EPA

Data Collector, Clingmans Dome,
Great Smoky Mountains National Park
Photo courtesy Environmental
Protection Agency

Cloud collector. Photo Credit: MACTEC Engineering and Consulting, Inc. and Environmental Protection Agency

Our VISION

TVA

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More Nuclear Generation

Accurate and Timely Information

Our VISION

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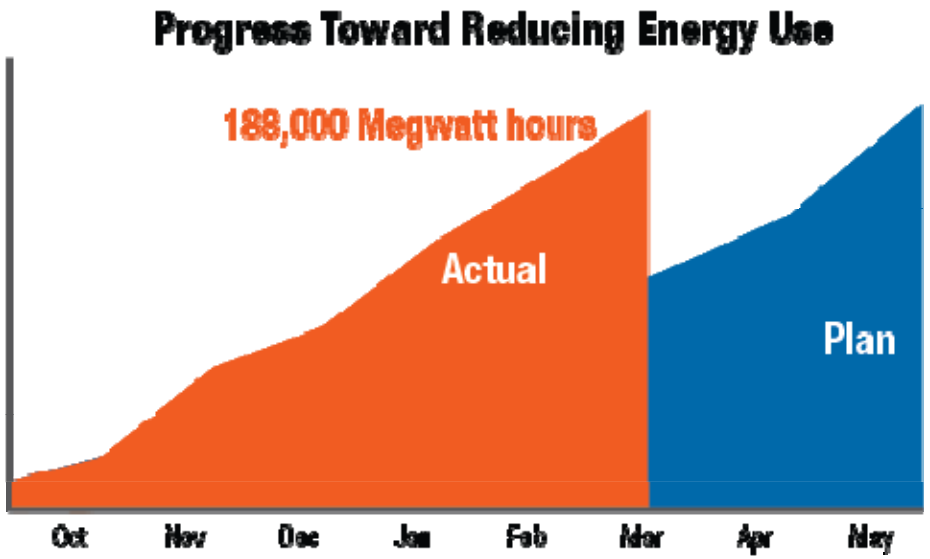
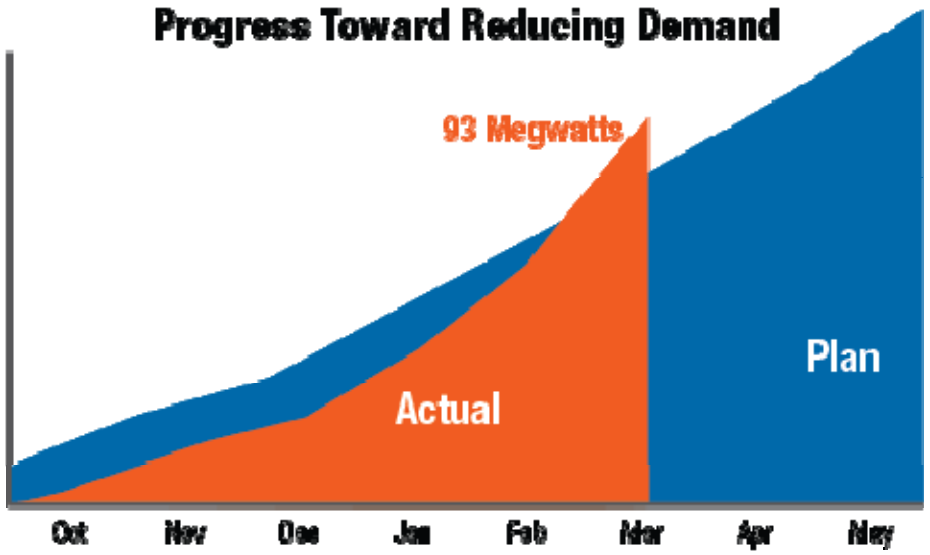
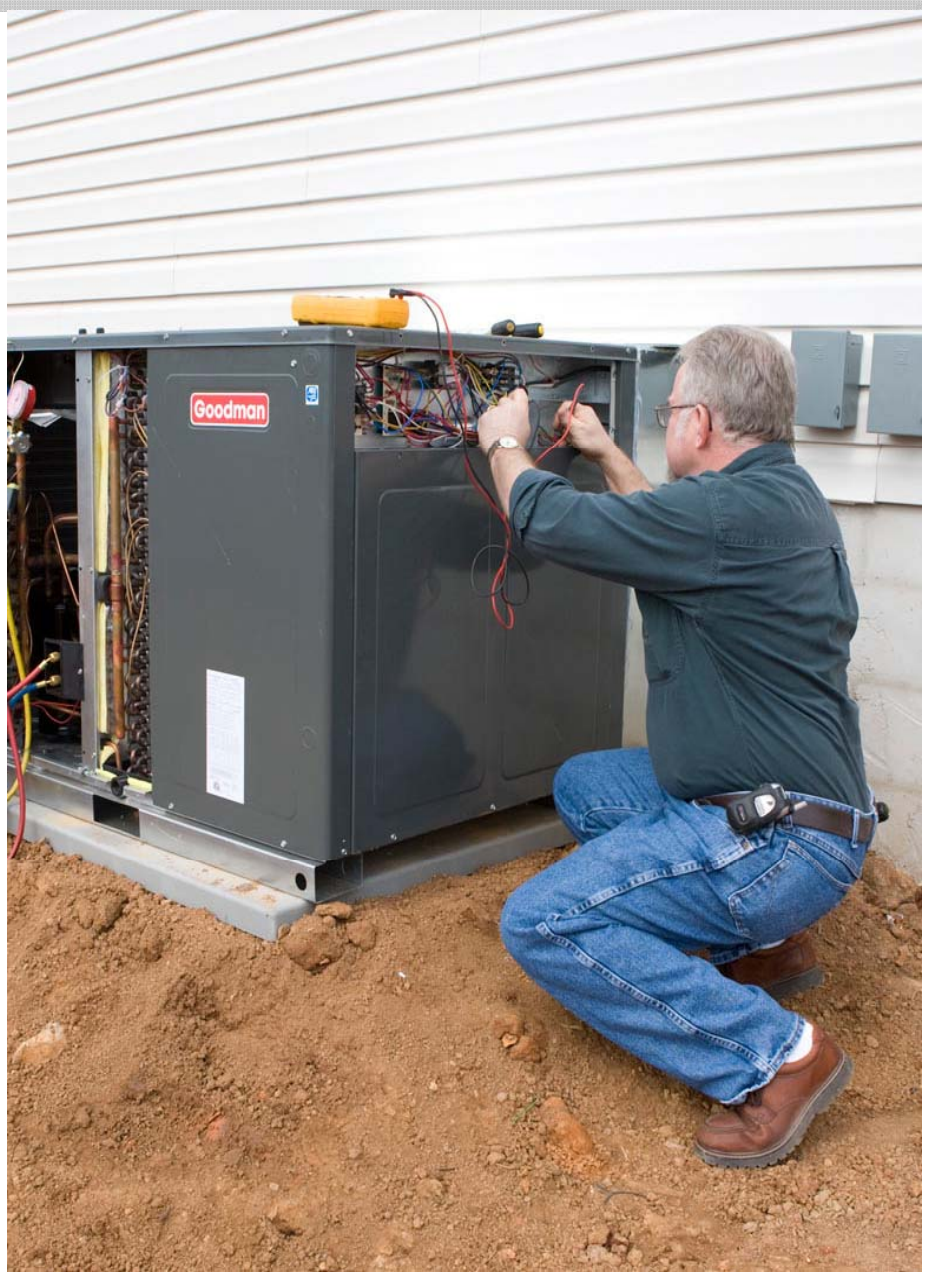
Greater Energy Efficiency

Energy Efficiency Update







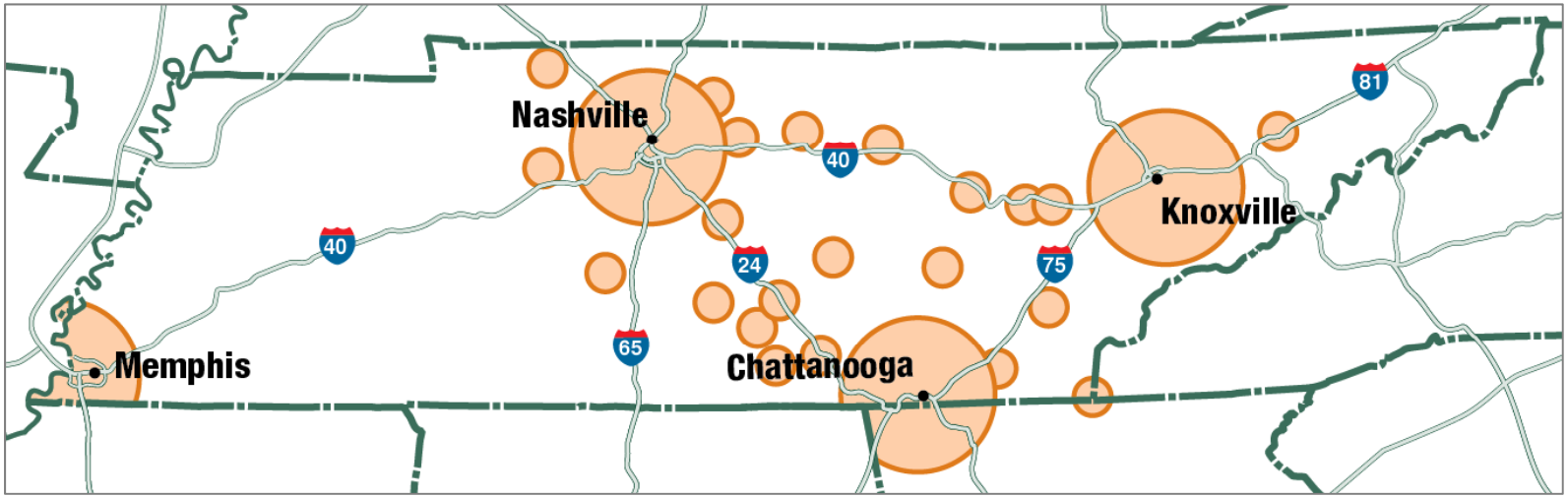
EV Project Planned in Tennessee

Tennessee, with publicly available stations, will have the largest electric vehicle charging network in the nation

Memphis has recently been added to the expanding electric vehicle network

THE EV Project

ECOtality™ Planned Charging Infrastructure



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Financial Update

Performance Summary through March

	Performance Measures	v. Pln FYTD	Peers
Rates	Retail Rates	✓	✓
	Non-Fuel O&M	✓	!
	Capital Expenditures	+	
	Net Cash Flow	+	
Reliability	Coal EAF	✓	!
	Nuclear EAF	✓	✓
	Combined Cycle EAF	✗	✓
	System Reliability: LNS	+	+
Responsibility	Safety	+	+
	Reportable Environmental Events	✓	
	Customer Satisfaction	✓	
	Organizational Effectiveness	✓	!

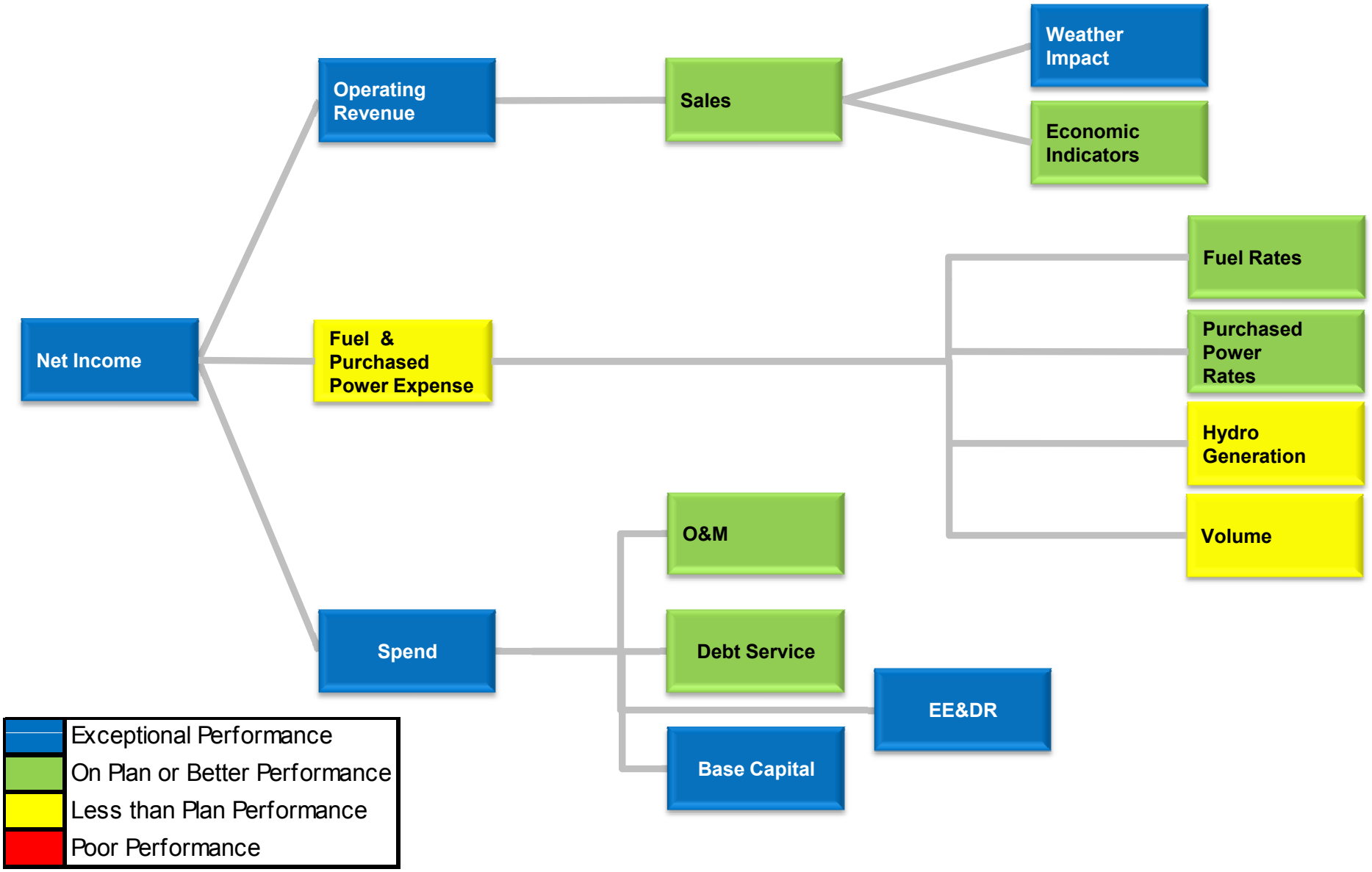
Summary Income Statement

March 2011 Fiscal Year to Date

(in millions)	YTD Actual	YTD Budget	Variance
Operating Revenue	**$ 5,796**	**$ 5,615**	**$ 181**
Fuel & Purchased Power	2,126	2,063	(63)
O&M	1,684	1,726	42
Depreciation, Amortization	860	876	16
Tax Equivalents & Other	290	276	(14)
Operating Expenses	4,960	4,941	(19)
Operating Income	836	674	162
Other Income	19	9	10
Interest Expense	653	665	12
Net Income	**$ 202**	**$ 18**	**$ 184**

'Preliminary YTD March Results – Unaudited'

Net Income Value Drivers



Summary Cash Flow Statement

March 2011 Fiscal Year to Date

Fiscal Year to Date *(Millions of Dollars)*	FYTD March 11 YTD Actual	YTD Ctl Bud	Variance
Beginning Cash and Short-term Investments	**$ 328**	**$ 201**	**$ 127**
Cash Flow from Operating Activities	$ 1,251	$ 1,077	$ 174
Cash Flow from Investing Activities	(1,178)	(1,615)	437
Cash Flow from Financing Activities	380	547	(167)
Net Change in Cash & Cash Equivalents	**$ 453**	**$ 9**	**$ 444**
Ending Cash and Short-term Investments	**$ 781**	**$ 210**	**$ 571**

FYTD Total Debt	**$ 24,275**	**$ 24,491**	**$ 216**

'Preliminary YTD March Results – Unaudited'

Summary

March 2011 Fiscal Year-to-Date

- Colder weather drove higher sales and fuel expense
- Overall net income for reinvestment greater than planned
- Favorable cash flow from timing of construction and base capital spending

Forecasted Fiscal Year 2011

- Uncertainty surrounding Japanese nuclear situation
- Economic uncertainty could increase revenue volatility
- Capital expenditures will normalize

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Chairman Selection

Integrated Resource Plan

TVA's Environmental and Energy Future

For Board Consideration

Accept the Integrated Resource Plan and authorize the Chief Executive Officer to use its recommended direction as a guide in energy resource planning and selection

Translating the TVA Vision to Action

Our
VISION

TVA

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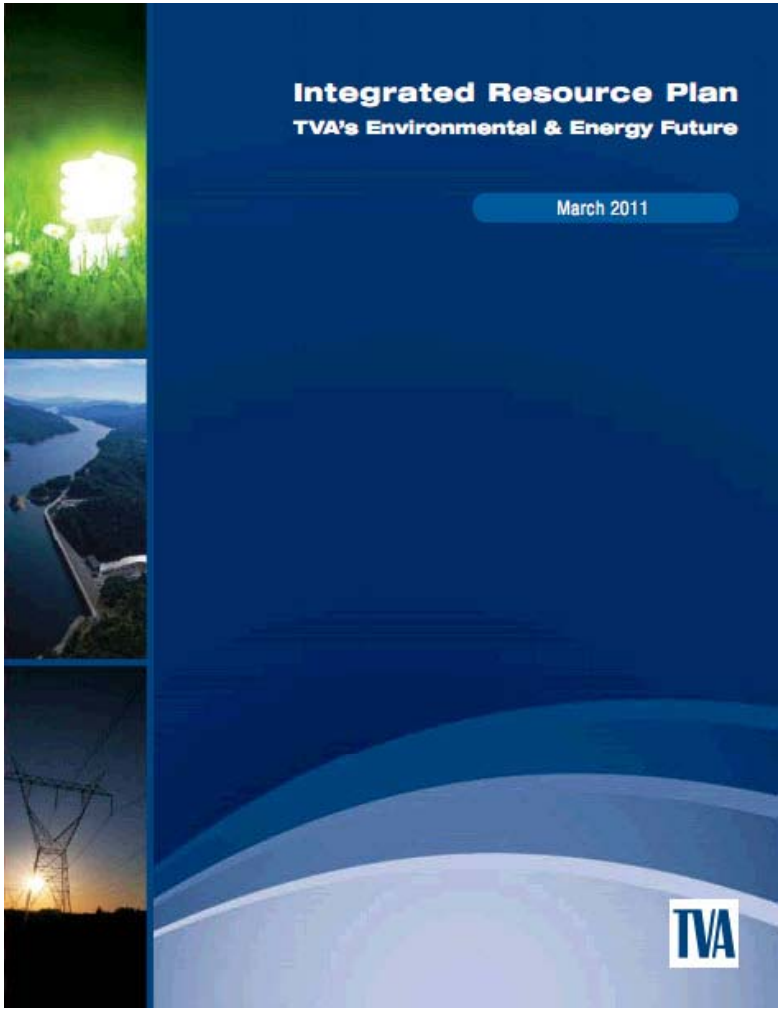
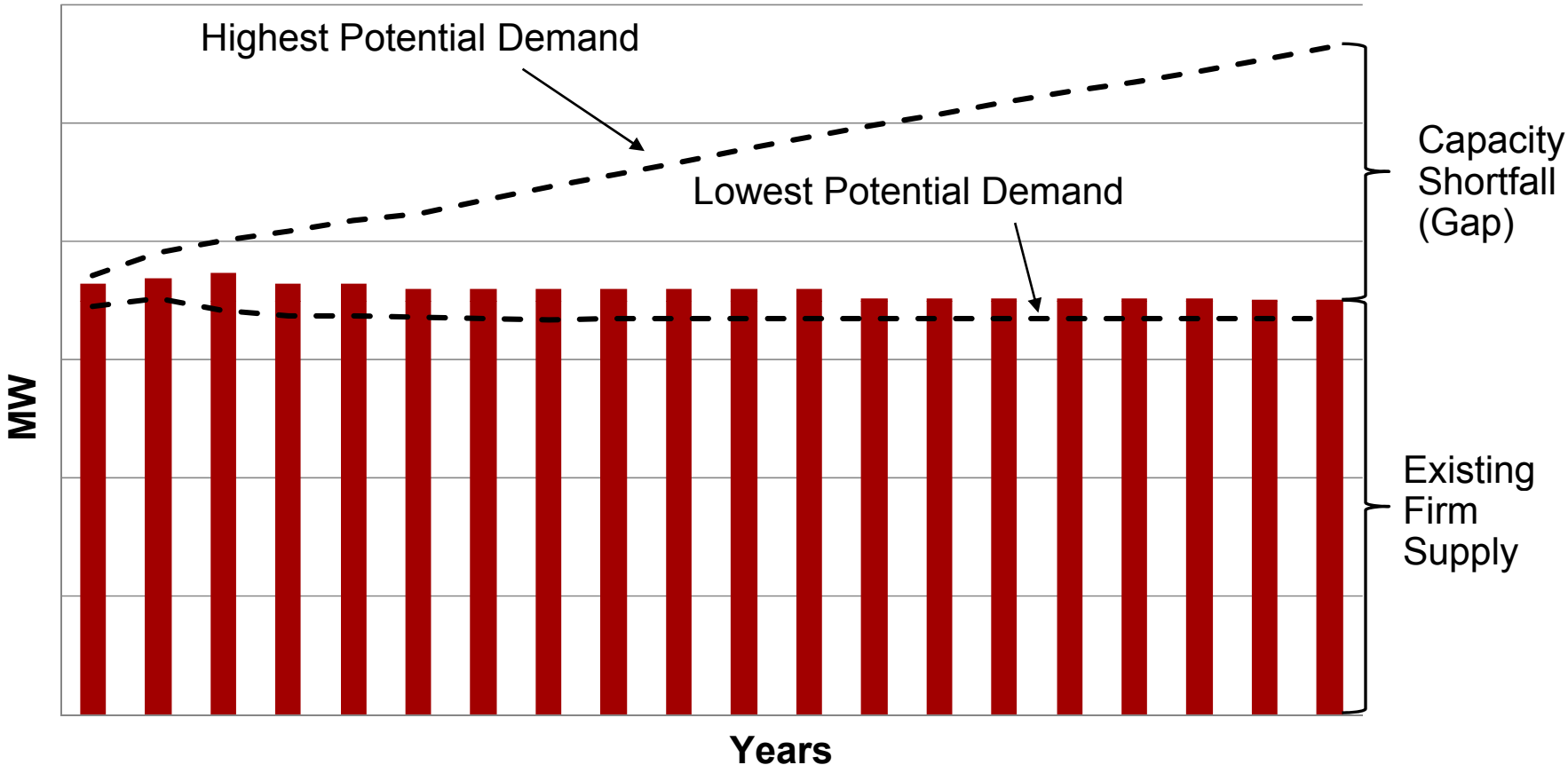
Integrated Resource Plan is Forward Looking

IRPs strive to:

- Guide power system planning
- Minimize costs to all stakeholders
- Allow flexible responses to change
- Minimize environmental impacts



Balances Supply and Demand



Identify the least-cost options to meet customer requirements

Provides Directional Guidance

- The IRP is a compass; not a GPS
- Recommends direction and ranges
- Does not prescribe specific assets or programs

Stakeholder Involvement

Forum for Public Input

- Public Scoping Meetings (Summer 2009)
- Stakeholder Review Group
- Quarterly Public Briefings
- Phone Survey (Summer 2010)
- Draft IRP Public Comment Period (Fall 2010)
- External Web Page *(www.tva.gov/irp)*

May 2009

Input was incorporated throughout the process

April 2011

Structured Process

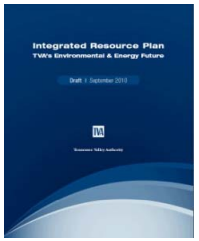
Strategies Considered

- Planning Strategy
- Planning Strategy
- Planning Strategy
- Planning Strategy
- Planning Strategy

Scenario Analysis

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

Draft IRP



Recommended Planning Direction

Develop Recommendation

Final IRP

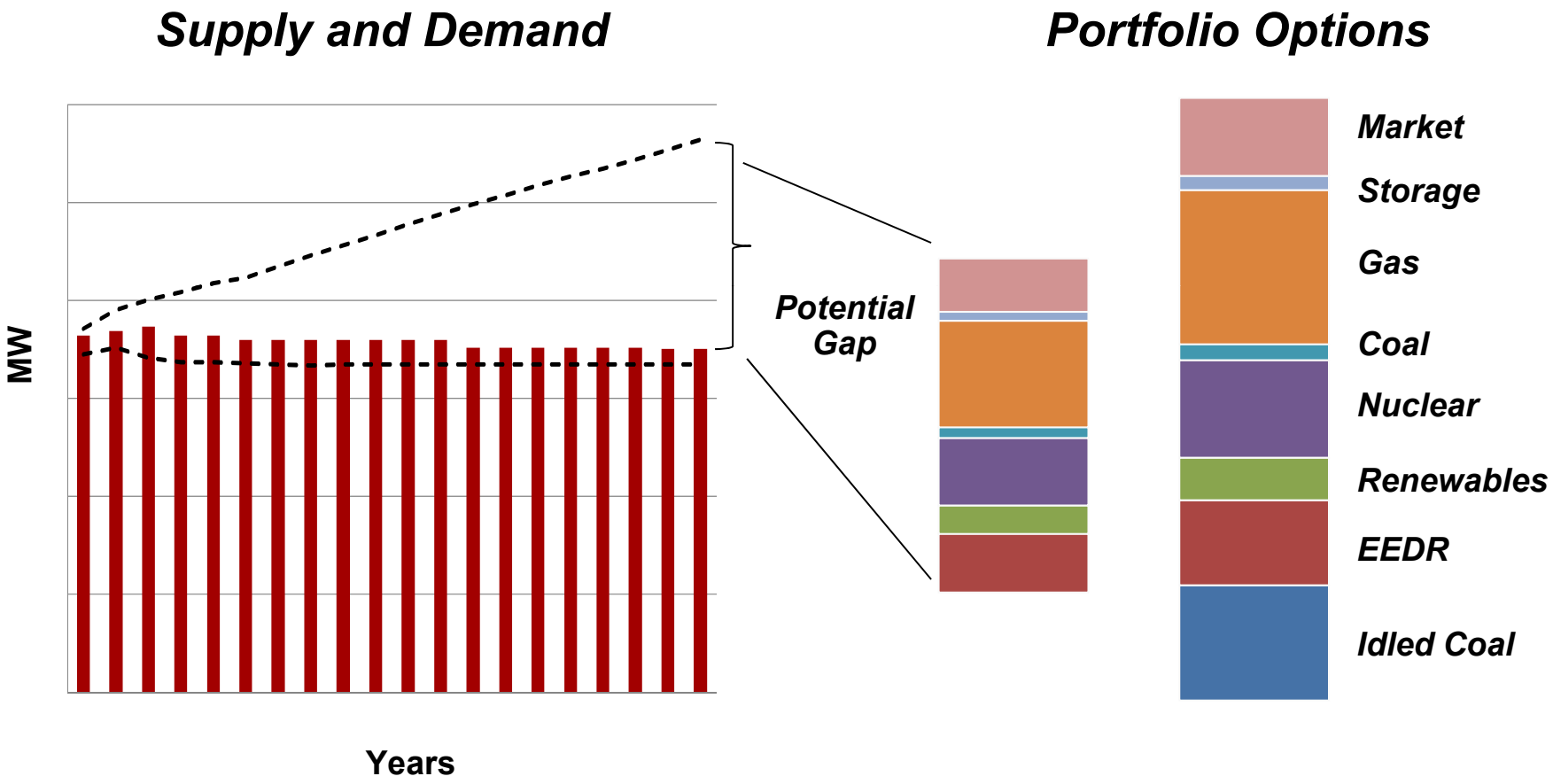
- Evaluated strategies across possible futures (over 3,000 cases)
- Compiled analysis results, stakeholders input, and potential risks
- Recommended a broad Planning Direction

Establishes Recommended Planning Direction

Component	Recommendations	Guideline MW Range
Energy Efficiency / Demand Response	◆ **Expand contribution of energy efficiency / demand response in the portfolio**	3,600-5,100 (11,400-14,400 GWh)
Renewable additions	◆ **Pursue cost effective renewable energy**	1,500-2,500
Coal capacity idled	◆ **Consider increasing amount of coal capacity idled**	2,400-4,700
Energy storage	◆ **Add pumped storage hydro capacity**	850
Nuclear additions	◆ **Increase contribution of nuclear generation**	1,150-5,900
Coal additions	◆ **Preserve option of generation with carbon capture**	0-900
Natural gas additions	◆ **Utilize natural gas as an intermediate supply source**	900-9,300

**Additional details about Recommended Planning Direction components are included in the IRP document*

Balances Supply and Demand



Portfolio options provide diversity and flexibility

Creates the Most Favorable Blend of Resources

Recommended planning direction has the lowest cost generation mix and plan risk

Recommended direction also balances emission reductions and cost

Achieves Objectives

- Preserves reliable, low-cost power
- Reduces environmental impacts and risk
- Increases flexibility in responding to change
- Incorporates multiple stakeholder perspectives
- Provides guidance for implementing TVA's Vision

TVA will begin the next IRP by 2015

Recommendation

Accept the Integrated Resource Plan and authorize the Chief Executive Officer to use its recommended direction as a guide in energy resource planning and selection

Environmental Future – Implementing Agreements

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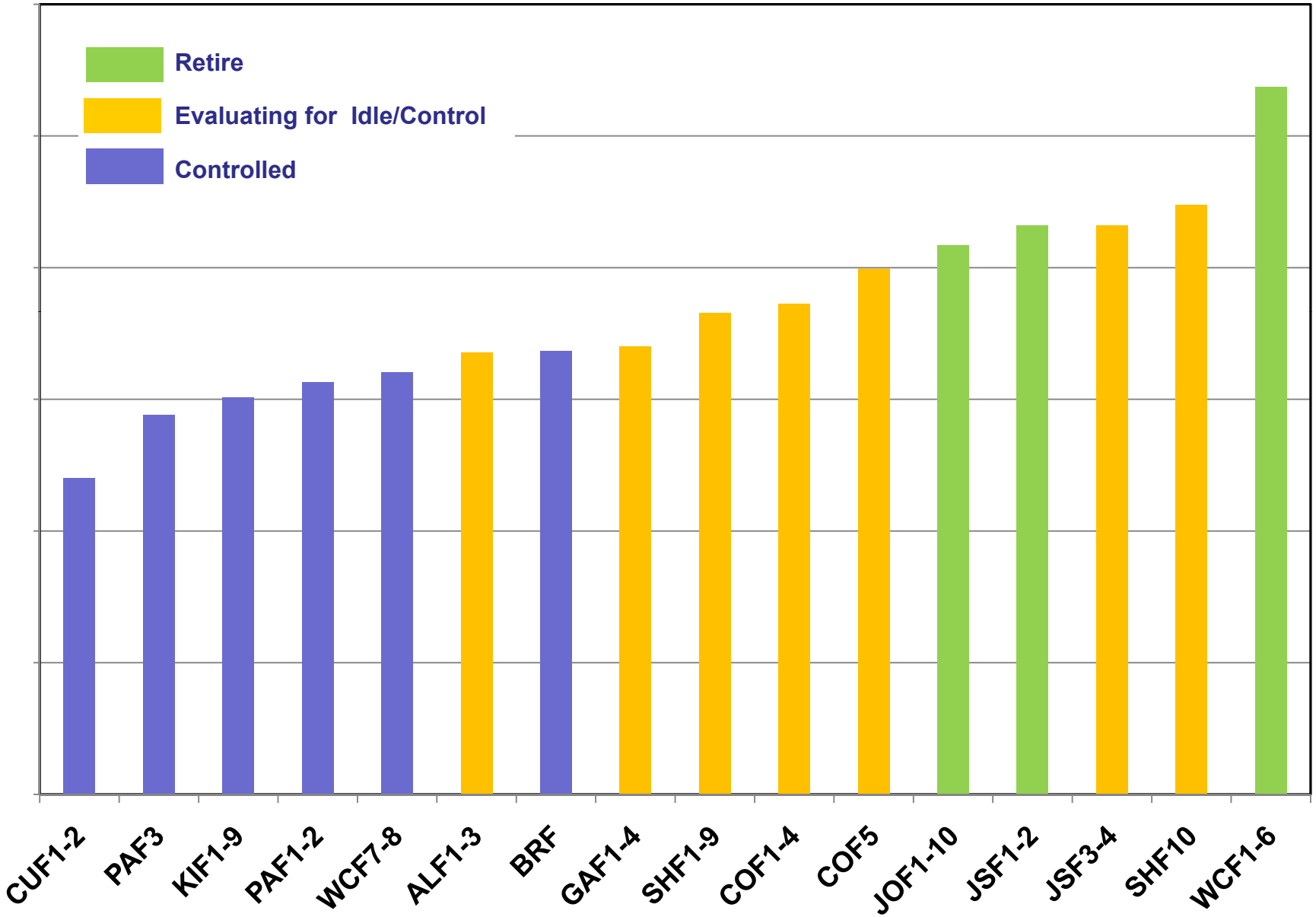
Rates and Environmental Future

Aspiration

Be one of the lowest cost power providers in the region

Retirement of least economic plants

Cost by Unit Group



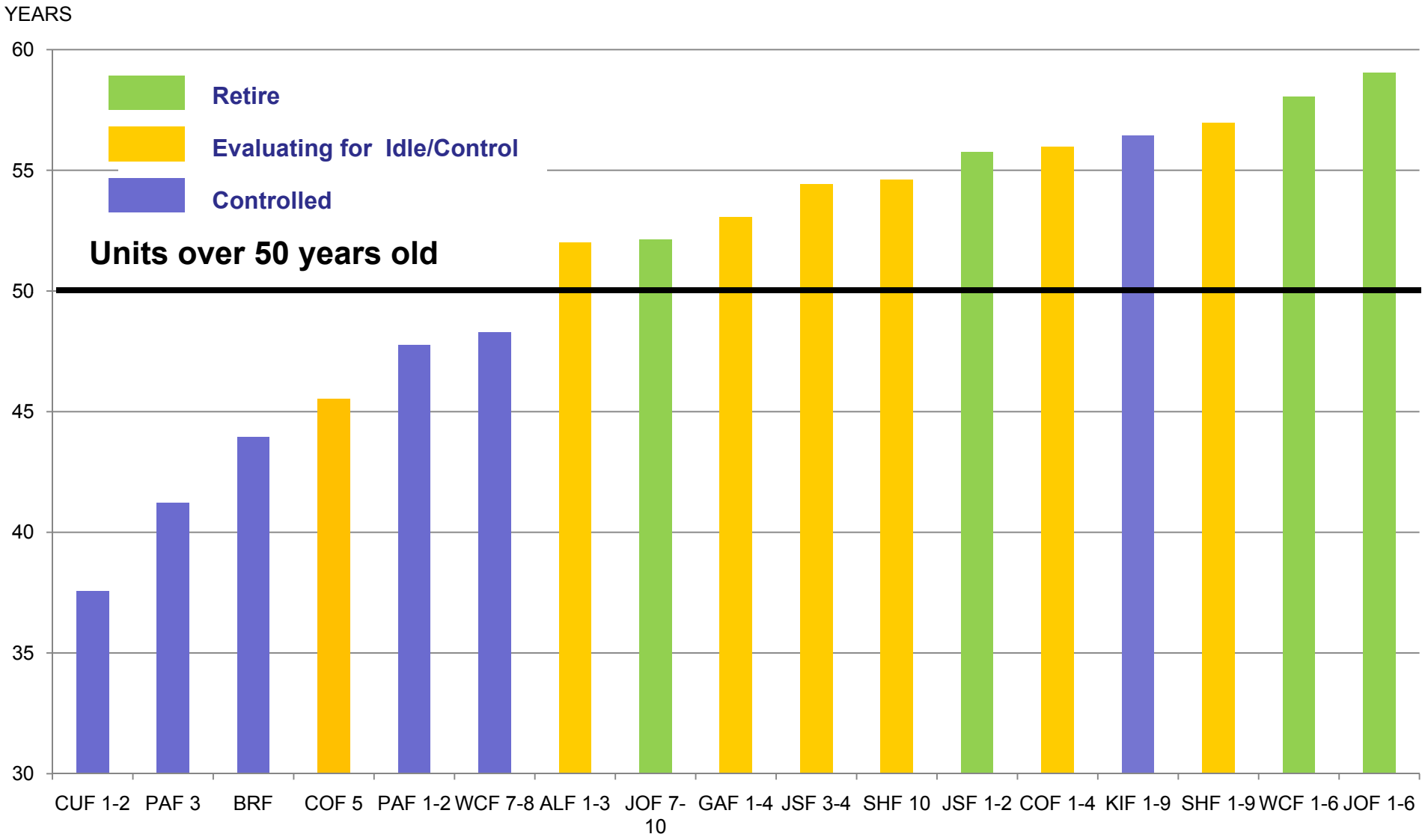
Reliability and Environmental Future

Aspiration

Be one of the nation's leaders in affordable customer reliability

Avoid additional investments in oldest plants while maintaining sufficient supply to meet the growing load

Average Age by Unit Group



Sufficient Supply in 2020 (MW)

2011 Firm Capacity		36,200
Coal Retirements		-2700
Expected Additions		
Energy Efficiency		2900
Nuclear		2800
Gas		2000
Estimated Total Capacity by 2020		41,200
2020 Load and Reserves Forecast		40,150
±5% on Load Requirements	42,150	-38,150

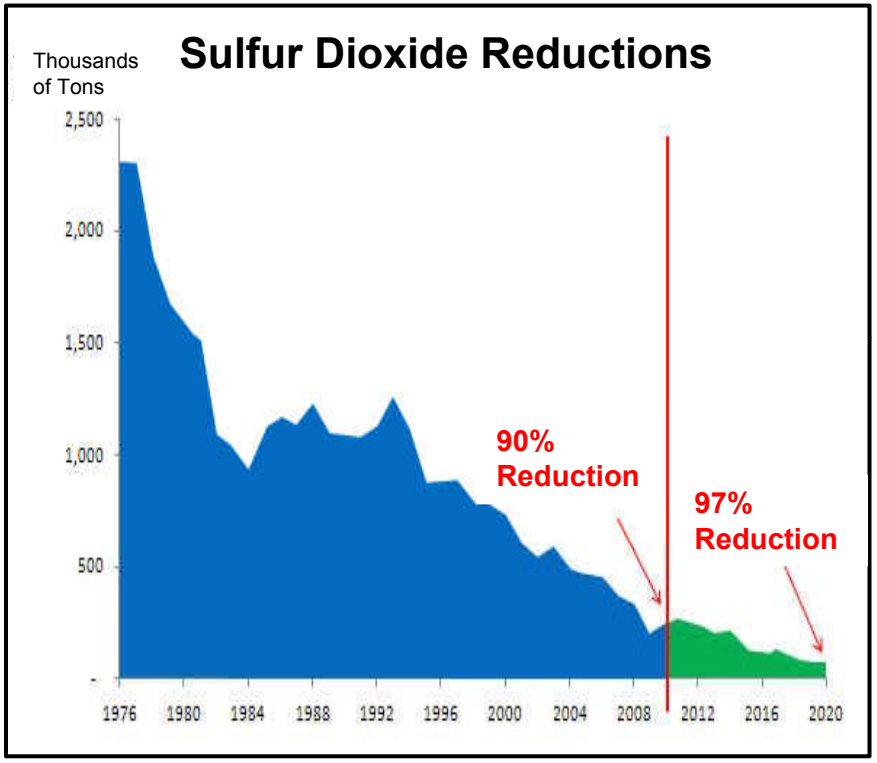
Cleaner Air and Environmental Future

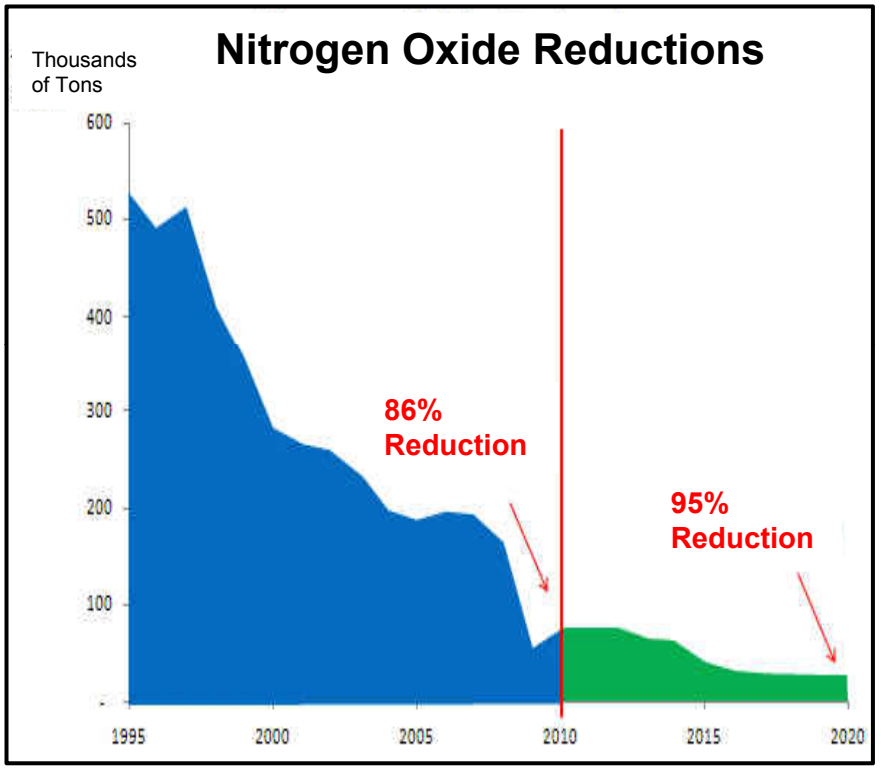
Aspiration

Lead the nation in improving air quality

Continue to reduce air emissions through controls and retirement of less economic coal plants

Continuing Reductions in Air Emissions

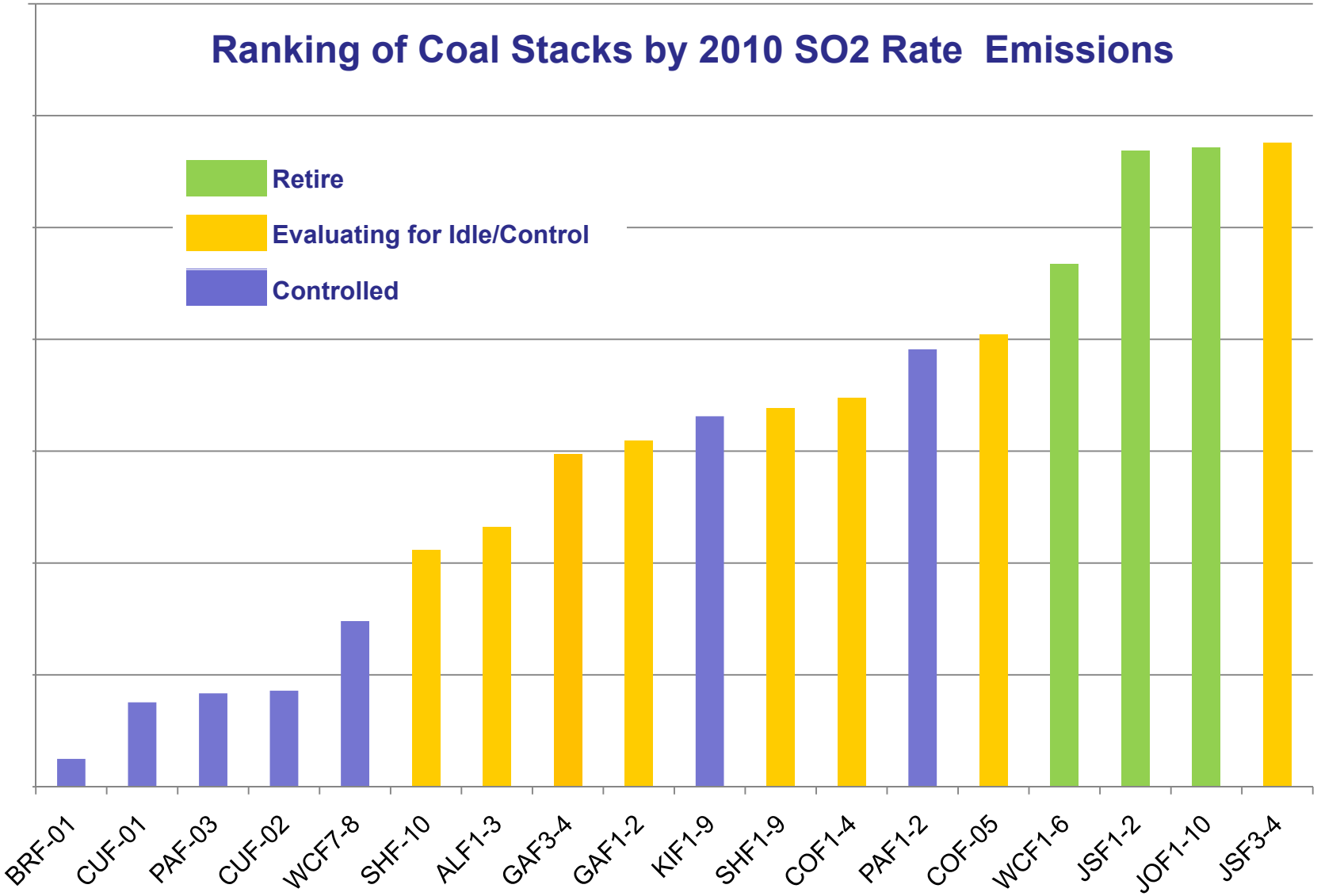




TVA reductions of SO2 to 97% and NOx to 95% below peak emissions levels by 2020

Further Reduce Air Emissions Coal Retirement

Least economic plants also have higher emissions rates



TVA's Environmental Future

- TVA's environmental future with our vision means:
  - Controlling and maintaining low-cost units
  - Retiring older costly units
  - Evaluate remaining units base on regulatory and economic environment
- EPA Negotiations align well with our environmental future direction

Implementing Agreements

Clear Air Direction Provides Opportunity

TVA has the opportunity to:

- Resolve long-standing disputes
- Obtain more certainty on future plant operations
- Reduce regulatory uncertainty for maintenance

TVA - EPA Discussions

- TVA initiated discussions with EPA
- Multiple parties involved:

  EPA, States of Alabama, Kentucky, Tennessee and North Carolina, and Sierra Club, National Parks Conservation Association and Our Children's Earth Foundation

- A collaborative effort to reach an Agreement

Agreement Hard Spots

- Financing of cleaner energy replacement for retired plants
- Potential impact on employees and communities from plant retirements
- Any new regulations still apply to TVA
- $10 million civil penalty

Agreement Highlights

- Increased assurance to continue to operate plants
- Retirement commitment is within the range of the IRP
- Provides flexibility in method to reduce emissions for remaining fleet
- Invests $350M in Environmental Improvement Projects

The agreements support TVA's Vision to become one of the nation's leading providers of low-cost, cleaner energy by 2020.

Recommendation

Authorize the Chief Executive Officer to implement the proposed Clean Air agreements with EPA, the states and environmental groups

Nuclear Oversight

Audit, Risk, and Regulation

Board's Role as Regulator

Customer and External Relations

People and Performance

Finance, Rates, and Portfolio

Valley Investment Initiative Eligibility Pilot

For Board Consideration

Approval of a pilot program which would allow an existing customer with a non-conforming load to participate in the Valley Investment Initiative program

The customer must agree to:

1) provide instantaneous interruptibility

2) stagger demand on the TVA system

Background – Nonconforming load

TVA offers Valley Investment Initiative (VII) to encourage sustained investment and employment by industry

Customers with nonconforming loads are excluded from VII because of negative impacts on TVA system operations

Yet, they have positive economic impacts

Pilot will test use of VII to:

- Incent actions to mitigate impact on system operations
- While capturing economic benefits of job retention

Background – Pilot Program

Customer actions will be evaluated for effectiveness before the end of a two-year period

Appropriate action concerning continuation will be recommended

Pilot is not available to customers receiving Enhanced Growth Credit

Recommendation

Approval of a pilot program which would allow an existing customer with a non-conforming load to participate in the Valley Investment Initiative program.

The customer must agree to:

1) provide instantaneous interruptibility

2) stagger demand on the TVA system

Power Contracts

Transformer Contracts

For Board Consideration

Authorize CEO to approve up to three long-term blanket contracts for the supply of large and medium transformers, subject to an aggregate ceiling of no more than $325 million and five-year duration

Background

New supply chain initiatives identified transformer sourcing as a potential savings opportunity

Expanding the supplier base will enable TVA to realize savings

Background

TVA issued a request for proposal to a global list of suppliers

14 suppliers responded

Based on an extensive evaluation process including total cost of ownership, supplier capabilities, quality, and Federal foreign trade regulations, three suppliers were recommended

Recommendation

Authorize CEO to approve up to three long-term blanket contracts for the supply of large and medium transformers, subject to an aggregate ceiling of no more than $325 million and five-year duration

Bellefonte Nuclear Plant – Budget and Decision Extension

Coal Combustion Product Process Conversions

For Board Consideration

Approve two capital projects that will enable elimination of the bottom ash wet waste stream:

1) A bottom ash/gypsum dewatering facility at Bull Run Fossil Plant

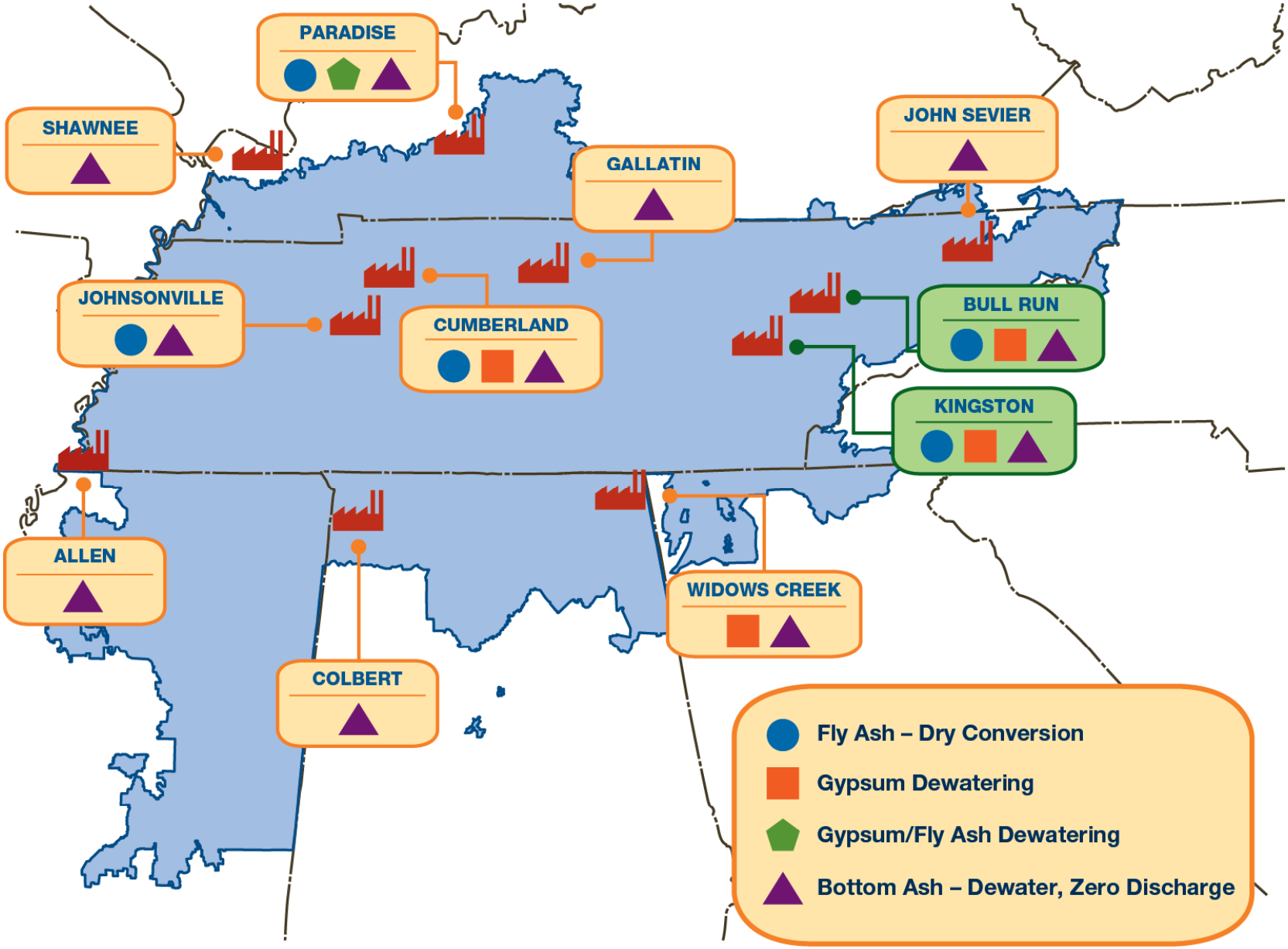
2) A bottom ash dewatering facility at Kingston Fossil Plant

Background

TVA has established a master plan to close all wet ponds containing coal combustion residuals and convert to a dry ash handling process

Preliminary engineering was approved in October 2010 and is complete

Potential Conversions



Recommendation

Board approve a total budget of:

- $93.3 million for the Bull Run Fossil Plant Project
- $49 million for the Kingston Fossil Plant Project

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.