

# **Charter of the Finance, Rates, and Portfolio Committee of the Board of Directors Tennessee Valley Authority**

## **I. Purpose**

The Finance, Rates, and Portfolio Committee (“Committee”) is a standing committee of the Board and is charged with the responsibility of assisting the Board in fulfilling its responsibilities under the TVA Act, including responsibilities related to TVA’s financial health, electricity rates, and its overall energy resource portfolio planning. Provisions of the TVA Act that provide the Committee guidance pertaining to its areas of responsibility are listed in Section VI below.

Specifically, the Committee shall advise the Board with respect to policies and strategies in the following areas:

- a. Financial stewardship and financial health of TVA;
- b. Development of a financial plan and annual budget;
- c. Establishment of electricity rates in accordance with Section 2(g)(1)(L) of the TVA Act ; and
- d. Review and recommend long-term overall energy resource and transmission portfolio.

## **II. Authority and Resources**

In accordance with guidelines and cost parameters established by the Board, the Committee may engage outside advisors to assist it in the conduct of its responsibilities, and TVA shall bear the expense of such advisors.

Nothing contained in this charter is intended to expand the applicable standards of liability under statutory or regulatory requirements for the Board or its directors.

## **III. Membership**

The members of the Committee shall be appointed by the Chairman of the Board with the approval of the Board in accordance with the *Bylaws of the Tennessee Valley Authority*. The Chairman of the Committee shall be appointed by the Chairman of the Board and shall serve a term that runs concurrently with the term of the appointing Chairman of the Board. If the Chairman of the Committee is absent, that position’s role shall be filled by another member of the Committee selected by the Committee’s membership in attendance.

The Committee shall be composed of not more than four directors of the Corporation.

## **IV. Meeting Requirements**

The Committee shall meet at least four times per year and may meet more frequently. Any such meeting may be held by telephone or by any other means that allow members of the Committee to communicate simultaneously. The Committee shall meet at least once annually without management present. Officers and other management officials of TVA may attend meetings of the Committee upon invitation. A quorum of the Committee is defined as a majority of its members.

The Committee Chairman will approve the agenda, with input from management and other directors on the Committee as deemed appropriate by the Chairman.

The Committee shall maintain minutes of its meetings and records related to those meetings. The Corporate Secretary shall appoint a Secretary of the Committee. The minutes of the Committee meetings shall accurately reflect the actions taken by the Committee, including all recommendations made by the Committee to the Board, and shall be distributed to all Committee members, to the Chairman of the Board with copies to the Chief Executive Officer, and to TVA's external auditor.

**V. Responsibilities of the Finance, Rates, and Portfolio Committee**

In addition to the responsibilities identified below, the Committee will undertake such other duties as the Board delegates to it, and will report periodically to the Board regarding the Committee's examinations and recommendations.

**A. Finance**

1. Review and recommend strategies relating to TVA's financial health and activities;
2. Oversee the performance of TVA's financial activities;
3. With respect to ensuring the financial health of TVA, develop and recommend, to the full Board for approval, any material changes to: (i) the methodology for determining the revenue requirements, (ii) the financing structure, or (iii) major accounting policies or significant accounting estimates;
4. Annually recommend to the full Board for approval a budget for TVA; and
5. Annually recommend to the full Board a plan for financing TVA during the period covered by the annual budget.

**B. Rates**

1. Review and recommend strategies relating to TVA's rates for electricity; and
2. Recommend to the full Board for approval the electricity rates to be charged by TVA as described in Section 2(g)(1)(L) of the TVA Act, including, but not limited to, recommendations, as necessary or appropriate, relating to:
  - o the rates and charges of the Schedules of Rates and Charges to TVA's wholesale power contracts,
  - o the rate schedules applicable to the large or unusual loads directly served at retail by TVA, and
  - o the pricing of all other power supply products offered by TVA or proposed for such offering.

**C. Portfolio**

1. Review and recommend to the Board an overall energy resource and transmission portfolio to provide resource adequacy and reliability to fulfill TVA's mission to meet the Valley's need for low-cost, reliable power; and
2. Review TVA's load forecasts and other major assumptions underpinning plans for major generation construction or acquisition, and for development of major generation and transmission facilities;
3. Monitor and review the energy resource portfolio to ensure TVA maintains flexibility to comply with future relevant regulations and to respond to evolving market conditions.

**D. Other**

1. Make such recommendations, on matters within the scope of the Committee's responsibilities, to the Board as considered necessary or appropriate; and
2. Conduct annually a self-assessment of the Committee with the goal of continuing improvement.

## **VI. Responsibilities related to the TVA Act**

The Committee is charged with the responsibility of assisting the Board in fulfilling its responsibilities under the TVA Act, including primary responsibility regarding the following provisions of the TVA Act:

- Section 2(g)(1)(A) (broad goals, objectives, and policies);
- Section 2(g)(1)(B) (long-range plans to guide the Corporation in achieving the goals, objectives, and policies of the Corporation and assistance to the Chief Executive Officer to achieve those goals, objectives, and policies);
- Section 2(g)(1)(D) (an annual budget);
- Section 2(g)(1)(L) (electricity rates charged by the Corporation);
- Sections 10, 11, 12, and 15d (power program);
- Section 13 (payments in lieu of taxes); and
- Section 26 (retaining excess power proceeds for power system purposes).