No. 13-03

Approved by the Board of Directors
at its November 14, 2013, meeting:

Original signed by Ralph E. Rodgers
Executive Vice President, General
Counsel and Secretary

MINUTES OF MEETING

OF

THE BOARD OF DIRECTORS

TENNESSEE VALLEY AUTHORITY

AUGUST 22, 2013

A meeting of the Board of Directors of the Tennessee Valley Authority was held in the TVA West Tower Auditorium, 400 West Summit Hill Drive, Knoxville, Tennessee, on August 22, 2013. The meeting was called to order at 10:44 a.m. (EDT) after an approximately twenty-five minute break following the listening session, which began at 8:30 a.m. (EDT). The meeting was announced to the public on August 15, 2013. The meeting was open to public observation.

All current Board members attended, as follows: Director and Chairman William B. (Bill) Sansom, and Directors Barbara S. Haskew, Neil G. McBride, Richard C. Howorth, V. Lynn Evans, C. Peter (Pete) Mahurin, Michael (Mike) McWherter, and Joe H. Ritch.

Also present were TVA officers, including William D. (Bill) Johnson, President and Chief Executive Officer; Ralph E. Rodgers, Executive Vice President, General Counsel and Secretary; Charles G. (Chip) Pardee, Executive Vice President and Chief Generation Officer; John M. Thomas, III, Executive Vice President and Chief Financial Officer; Robin E. (Rob) Manning, Executive Vice President and Chief Energy Delivery Officer; and, Joseph J. (Joe) Hoagland, Senior Vice President, Policy & Oversight.

Chairman Sansom presided over the meeting, which was duly called, notice to each Director having been 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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13-03-1. Welcome

Chairman Sansom called the meeting to order and welcomed all, then asked Jack Simmons, President and Chief Executive Officer of the Tennessee Valley Public Power Association (TVPPA), to introduce Wayne Henson, General Manager of East Mississippi Electric Power Association and, as of May 2013, Chairman of the Board of TVPPA.
Mr. Simmons introduced Mr. Henson, after which both made brief remarks. Chairman Sansom then recognized several distributors, including Carl Dudley from Pickwick Electric Cooperative, Greg Williams from Appalachian Electric Cooperative, Mike Browder from Bristol Tennessee Essential Services, Glen Ray from Newport Utilities, and Ronnie Rowland from Prentiss County

Electric Power Association, and also recognized John Van Mol and Pete Mattheis from the Tennessee Valley Industrial Committee (TVIC), as well as Janet Jolley from U.S. Senator Bob Corker's office and Carleigh McCall from Congressman Chuck Fleischmann's office. Chairman Sansom reminded everyone that the Board would be going through TVA's business plan and budget approval process at this meeting, and mentioned several other agenda items.

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Old Business

The Board approved the minutes of the meeting held April 18, 2013.

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New Business

13-03-2. **Consent Agenda Items**

The Board adopted the following three (3) resolutions by consent:

WHEREAS TVA provides health savings accounts for employees and non-Medicare retirees enrolled in TVA's Consumer-Directed Health Plan; and

WHEREAS a memorandum from the Executive Vice President and Chief Administrative Officer, Administrative Services, dated August 22, 2013 (Memorandum), which is filed with the records of the Board as Exhibit 8/22/13A, recommends that the Board approve a one-year extension of TVA's contract for health savings accounts with TVA's current provider of health savings accounts, HSA Bank, from January 1, 2014, through December 31, 2014, with a total contract amount not to exceed $29.5 million;

BE IT RESOLVED, That, subject to any needed final negotiations, the Board approves the one-year extension of the contract with HSA Bank for health savings accounts as recommended in the Memorandum.

* * *

WHEREAS TVA, as part of its health plans for employees, retirees, and their dependents, provides prescription drug benefits; and

WHEREAS TVA provides such benefits through a managed prescription drug plan administered by a pharmacy benefit manager; and

WHEREAS a memorandum from the Executive Vice President and Chief Administrative Officer, Administrative Services, and the Vice President, Supply Chain, dated July 17, 2013 (Memorandum), which is filed with the records of the Board as Exhibit 8/22/13B, recommends that the Board approve the entry into a contract for pharmacy benefit management services with Catamaran Corporation from January 1, 2014, through December 31, 2016, with the TVA option to extend the contract up to two additional years, with a total contract amount not to exceed $475 million;

BE IT RESOLVED, That, subject to any needed final negotiations, the Board approves the award of a contract for pharmacy benefit management services as recommended in the Memorandum.

* * *

WHEREAS the Executive Vice President, General Counsel, and Corporate Secretary has recommended the designation of Kimberly A. Bolton and Scott A. Vance as Assistant Secretaries of TVA, with full authority to affix the corporate seal to approved documents and to attest to the seal and signatures of persons authorized to sign such documents on behalf of TVA;

BE IT RESOLVED, That effective immediately, and continuing until the earlier of their separation from service as an employee of TVA or further action by the Board, Kimberly A. Bolton and Scott A. Vance are designated and appointed as Assistant Secretaries of TVA with full power to affix the corporate seal to approved documents and to attest the seal and signatures of persons authorized to sign such documents on behalf of TVA.

* * *

13-03-3. Chairman's Report

Chairman Sansom reported that the major challenge facing the Board and TVA management is to respond to the change (decreases) in demand and sales. Chairman Sansom characterized these changes as dramatic and stated TVA must adjust accordingly. Chairman Sansom then indicated that the Board has challenged TVA's management and staff to find efficiencies in operating costs, review the generation portfolio, improve the operational performance of the fleet, continue to focus on economic development, improve transparency in TVA's actions, and continue to focus on competitive rates and long-term financial health. This significant drop in demand requires significant changes in TVA management's decisions.

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13-03-4. President's Report

President and Chief Executive Officer William D. (Bill) Johnson thanked Chairman Sansom and stated that he would discuss TVA's current performance and the actions TVA is taking to address the Chairman's previously stated priorities. Mr. Johnson, after giving a safety reminder, noted that this year TVA is marking eighty years of service, and stated that, to continue to fulfill its mission, TVA must take short-term and long-term action in three key areas: TVA's work, TVA's people, and TVA's budget.

Mr. Johnson stated that TVA's primary work is generating and delivering reliable, clean, and affordable energy at low rates, which pays for the rest of its mission. Mr. Johnson explained that TVA generates energy from a variety of fuel sources, and that this generation strategy is effective for managing costs as fuel prices fluctuate, and also helps TVA protect air and water quality.

Mr. Johnson reported that, since the fall of 2010, TVA has added over 1,600 MW of renewable energy capacity, including 124 MW of solar capacity in operation or committed. Mr. Johnson then stated that generation costs and fuel costs are by far the biggest element of TVA's costs, after which he discussed the comparative costs of the various energy sources used by TVA and the prospects for continued use of these sources. TVA will spend approximately $25 million for solar energy in the upcoming year, and will invest another $400 million overall in renewable energy, helping position the TVA region as a leader in renewable energy. Mr. Johnson noted the July 2013 announcement by TVA and Pickwick Electric Cooperative that the Cooperative will build two 20 MW solar farms in West Tennessee. Mr. Johnson stated TVA is paying an average of $0.07 per kWh for that solar power, but under some programs TVA is paying a price as high as $0.17 per kWh for solar power, and $0.014 per kWh for wind power. He compared this to TVA's average cost of generation, which is between $0.02 and $0.03 per kWh, then commented on the policy tension between those encouraging TVA to increase the amount of subsidized solar and the concerns of TVA's distributor customers about the effect of subsidies on their customers' bills. Mr. Johnson stated TVA's premiums paid for solar energy in the upcoming year will decrease as the cost of solar energy decreases, in accordance with a plan agreed by all stakeholders several years ago. TVA also is evaluating the amount of solar capacity TVA will solicit in the upcoming year. Mr. Johnson then commented that TVA offered the market 67.5 MW of solar capacity in the current year.

In moving next to energy efficiency, Mr. Johnson stated that TVA's energy efficiency efforts are in the top quartile nationally, and reported that the amount of energy used by Valley employers in their operations is decreasing and peak energy demands are trending down significantly. These trends indicate that businesses and consumers are changing how they use energy and how much they use, on a scale that affects TVA's projections as to how much power it needs to supply to the region.

In turning to environmental and operational matters, Mr. Johnson reported that, in carrying out its responsibilities in environmental stewardship, TVA has invested approximately $6 billion to reduce its carbon footprint and to improve air quality, resulting in sulfur dioxide emissions at coal plants being 94 percent below peak levels, nitrogen oxide emissions being approximately 90 percent below peak levels, and CO_2 emissions being down 25 percent from 2005 levels. Mr. Johnson noted that low carbon and carbon-free generation sources account for almost half of the energy produced by TVA in the current year. Mr. Johnson added that construction of scrubbers to control emissions at Gallatin Fossil Plant is underway, and TVA is studying options for the remainder of the coal fleet, an effort expected to be completed later in the current year. Mr. Johnson reported that work at Watts Bar Unit 2 continues on-budget and on-schedule to begin operation by the end of calendar year 2015.

As to economic development, Mr. Johnson reported that with the economic downturn in recent years, job growth and economic expansion have slowed, but TVA has worked with customers, Valley states, communities, and economic development specialists across the region to help attract or retain approximately 46,000 jobs, and capital investment of approximately $4.6 billion, fiscal year to date. However, Mr. Johnson cautioned that businesses and industries across the region are facing cost pressures that put them at risk of leaving or reducing their presence in the Valley region, and the price they pay for electricity matters. As a result, Mr. Johnson advised the Board that they would be asked later in the meeting to consider an economic development growth strategy to preserve and grow Valley industry.

Mr. Johnson stated that, historically, the region's power demands have grown from year to year, but in setting the budget priorities for 2014 and beyond, management recognizes that flat or low growth in power demand will be the reality over the next decade. So far this fiscal year, results show a 3 percent decrease in base revenue and basically flat sales compared to the prior year, largely due to mild weather and the fact that the United States Enrichment Corporation ceased operations partway through the year. With the reality of reduced demand, TVA must manage its generating assets as effectively as possible in order to continue to deliver reliable power, operate safely, and manage costs and rates, long-term. Mr. Johnson defined TVA's priorities for 2014 and beyond as: aligning O&M expense levels with decreasing revenues; completion of Watts Bar Unit 2 on-time and on-budget; evaluation of the remainder of TVA's coal fleet; preservation of Bellefonte as an option for the future; continued exploration of small modular reactor technology; updating the Integrated Resource Plan; and attracting, retaining, and expanding economic opportunity in the Valley.

Mr. Johnson stated the hard question is how to address declining revenues while making the necessary investments in one of the nation's largest power systems. TVA's rates directly reflect how much TVA spends, and while TVA's rates remain generally competitive, they have trended up over the last several years. Mr. Johnson stated TVA is focused on lowering its spending, but TVA cannot reach its goal of lower rates in one step, because as revenues have declined, the need for capital is a growing constant. TVA cannot sacrifice safety and reliability, and the power system improvement projects planned during next two or three years will permanently add more clean, carbon-free energy to TVA's generating mix. In addition, TVA's rates must be balanced with its debt, which finances capital projects. The recommended 2014 budget funds TVA's essential capital projects, and positions TVA to get through the next two or three years of heavy capital investment, while managing down O&M expenses. The budget includes a 1.5 percent effective retail rate increase, and an increase of approximately $1 billion in statutory debt. Mr. Johnson stated that, at the Board's direction, management is evaluating the alternatives over the next several years for rate projections and timing, consistent with maintaining good financial health, appropriate debt capacity, and liquidity.

Mr. Johnson stated the people of TVA are critical to managing the business successfully, and that employees are going to have to ask more from themselves and each other. Mr. Johnson stated TVA will have to live within its means, focus on its priorities, achieve continuous improvement, and improve its organizational health and effectiveness, but as TVA adjusts to finite realities and changing business conditions, some things will not change. Safety will remain the top priority, the commitment to TVA's mission will not waver, and the commitment to operational excellence and reliability will increase.

At this point Mr. Johnson responded to questions from several Board members regarding capital spending versus statutory debt increases, operational efficiencies realized, the ability to accommodate any sudden increases in demand, and the status of repairs at Raccoon Mountain.

Copies of the slides used by Mr. Johnson in his report are filed with the records of the Board as Exhibit 8/22/13C.

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13-03-5. Report of the Finance, Rates, and Portfolio Committee

Director Mahurin, Chairman of the Finance, Rates, and Portfolio Committee, stated that he does not necessarily believe constantly increasing demand is good, and indicated that in his experience with water utilities the lack of increasing demand may simply reflect increased efficiency and better operations. Director Mahurin briefly discussed the balance between affordable rates for the less financially fortunate and creating economic opportunity through industry, then requested and received a report from John Thomas, Executive Vice President and Chief Financial Officer, which is summarized in Minute Item No. 13-03-6. Mr. Thomas's presentation consisted of several individual reports which addressed the items considered by the Board under Minute Item No.13-03-7, Minute Item No.13-03-8, and Minute Item No.13-03-9. Following Mr. Thomas's presentation, Director Mahurin requested and received reports from: Chip Pardee, Executive Vice President and Chief Generation Officer, regarding Minute Item No. 13-03-10; Rob Manning, Executive Vice President and Chief Energy Delivery Officer, regarding Minute Item No. 13-03-11; and, Bill Johnson, President and Chief Executive Officer, regarding Minute Item No. 13-03-12.

Copies of the slides used by Mr. Pardee, Mr. Manning, and Mr. Johnson in their reports are filed with the records of the Board as Exhibit 8/22/13D, Exhibit 8/22/13E, and Exhibit 8/22/13F, respectively.

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13-03-6. Fiscal Year 2013 Update and Fiscal Year 2014 Financial Plan

John Thomas, Executive Vice President and Chief Financial Officer, opened his presentation by giving the Board an overview of revenues, expenses, and cash positions with regard to FY 2013. In moving next to address the proposed FY 2014 budget, Mr. Thomas explained certain planning assumptions on which the budget is based, such as reduced O&M expenses, management of long-term debt, and flat sales projections.

In particular, Mr. Thomas discussed the reduction in summer peak demand seen in recent years, the potential directions that demand may take over the next decade, and TVA's estimate that demand will not return to its 2007 peak until approximately 2024. Similarly, Mr. Thomas reported that annual energy consumption is not forecast to return to its pre-credit crisis peak until 2030. Mr. Thomas explained that there has been growth in the regional economy of approximately 2.6 percent per year since 2008, and that modest growth is expected to continue. Overall, when residential customers are included, electricity use has steadily declined. In addition, Mr. Thomas projected relatively flat electricity sales to direct-serve industrial customers over the next decade, in the absence of new, large industrial loads.

Mr. Thomas then broke down planned 2014 expenditures by category. Mr. Thomas identified major cost drivers as: fuel and purchased power expenditures of $3.5 billion; O&M costs of $3.4 billion; base capital spending of $946 million; and capacity expansion and environmental spending of $2 billion. Mr. Thomas next discussed statutory debt, demonstrating the relatively minimal increases in such debt in recent years, despite fairly heavy capital investment, and projected that after further minimal increases over the next few years, statutory debt should steadily decrease over the rest of the upcoming decade.

Finally, in turning to financing needs for FY 2014, Mr. Thomas stated that the Board is being requested to authorize the issuance of up to $4 billion of power bonds. Mr. Thomas stated that bonds will only be issued with prior notification to the Finance, Rates, and Portfolio Committee. Of the total requested, $3 billion is to term out existing, maturing debt, and approximately $1 billion will be new debt associated with ongoing investments in nuclear. Mr. Thomas stated he expects TVA to end FY 2014 with $25.9 billion in statutory debt and $1.2 billion of cash.

Mr. Thomas reported that risks and challenges associated with the proposed 2014 budget include weather, commodity prices, sales (economic and customer impacts), new regulations, asset risk (material condition), and sustainable productivity improvements.

Copies of the slides used by Mr. Thomas in his report are filed with the records of the Board as Exhibit 8/22/13G.

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13-03-7. Fiscal Year 2014 Budget

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Financial Officer, dated August 22, 2013, and filed with the records of the Board as Exhibit 8/22/13H:

WHEREAS a memorandum from the Executive Vice President and Chief Financial Officer, dated August 22, 2013 (Memorandum), a copy of which is filed with the records of the Board of Directors as Exhibit 8/22/13H, recommends the approval of the proposed fiscal year (FY) 2014 budget and certain related items as described in the Memorandum including:

a) Operating and capital budgets for FY 2014; and

b) Proposed capital projects that exceed $50 million and acquisition of land rights in connection with certain capital projects; and

c) FY 2014 Fuel and Purchased Power Contracting Plan; and

d) Retaining for use in the operation of the TVA power system the entire margin of net power proceeds remaining at the conclusion of FY 2014; and

e) Delegation to the Chief Executive Officer (CEO) to enter into contracts for wholesale power and energy purchases and other forward capacity agreements with terms of up to 20 years, limited to 1,250 megawatts in the aggregate; and

f) Continuing to recognize regulatory assets and liabilities and account for certain regulatory accounting matters as it did in FY 2013; and

g) Approve recognition of a regulatory asset for $377 million in pension costs which were not collected for FY 2006 through FY 2013 as such amounts are probable of collection in rates over future periods under the same method as other pension benefits; and

WHEREAS as required under Section 9B of the Rules and Regulations of the TVA Retirement System (Retirement System), the Retirement System's Board of Directors has informed the Board of Directors of the minimum required FY 2014 contribution to the Retirement System and has further recommended to the Board of Directors a contribution amount greater than the required minimum so as to help the Retirement System meet the objectives of its long-term funding policy; and

WHEREAS after careful consideration of the minimum required and recommended contributions, TVA management has recommended that the Board of Directors approve a $250 million contribution to the Retirement System for FY 2014;

BE IT RESOLVED, That the Board of Directors hereby approves the FY 2014 budget as described in the Memorandum;

RESOLVED further, That the Board of Directors approves the projects listed in the Memorandum's Attachment 4, subject to satisfactory completion of required environmental reviews;

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 CEO'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 2014 Fuel and Purchased Power Contracting Plan attached to the Memorandum as Attachment 6;

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 2014 for use in the operation of the TVA power system;

RESOLVED further, That, in addition to the contracting authorization that would result from approval of the FY 2014 Fuel and Purchased Power Contracting Plan, the Board of Directors delegates to the CEO the authority to enter into contracts for wholesale power and energy purchases and other forward capacity agreements with terms of up to 20 years, limited to 1,250 megawatts in the aggregate, provided that the CEO notifies the members of the Finance, Rates, and Portfolio Committee prior to entering into any such agreement;

RESOLVED further, That the Board of Directors approves recognition of a regulatory asset for $377 million in pension costs which were not collected for FY 2006 through FY 2013 as such amounts are probable of collection in rates over future periods under the same method as other pension benefits;

RESOLVED further, That the Board of Directors approves that TVA continue to recognize regulatory assets and liabilities and account for certain regulatory accounting matters as it did in FY 2013 and as described in Attachment 7 of the Memorandum as such amounts are probable of collection (or probable of being refunded) in future rates;

RESOLVED further, That the Board of Directors approves a contribution of $250 million to the Retirement System for FY 2014 and finds this contribution to be sufficient to meet the requirements of Section 9B of the Retirement System Rules and Regulations and TVA’s obligations under Section 11A of the Retirement System Rules and Regulations.

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13-03-8. Rate Adjustment

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Financial Officer, dated August 12, 2013, and filed with the records of the Board as Exhibit 8/22/13I:

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, 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 Chief Financial Officer and Executive Vice President, Financial Services, dated August 12, 2013 (Memorandum), a copy which is filed with the records of the Board as Exhibit 8/22/13I, recommends approval of the proposed Adjustment Addendum attached to that Memorandum and related recommendations described in the Memorandum;

BE IT RESOLVED, That the Board of Directors hereby approves the proposed Adjustment Addendum set forth in Attachment A to the Memorandum, which Adjustment Addendum incorporates the needed adjustments to the wholesale rate schedules and the schedules of customers served directly by TVA to reflect an across the board increase in the wholesale base rates designed to produce an additional $190 million during TVA fiscal year 2014;

BE IT RESOLVED, That as so approved, the Adjustment Addendum shall remain in effect indefinitely, subject to any future rate change or rate adjustment, and that the Environmental Adjustment shall continue in effect initially for five years, subject to further rate adjustment or rate change. Absent other action by the TVA Board, the Environmental Adjustment will remain in effect from year to year thereafter; and

RESOLVED further, That TVA staff is authorized and directed to calculate the retail adjustment amounts needed for each distributor's Adjustment Addendum as described in said Exhibit A;

RESOLVED further, That the Vice President, Pricing and Contracts, or his designee, is further authorized and directed to publish the Adjustment Addendum to each distributor and directly served customers.

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13-03-9. Fiscal Year 2014 Financial Shelf

The Board adopted the following resolutions as recommended in a memorandum from the Executive Vice President and Chief Financial Officer, dated July 30, 2013, and filed with the records of the Board as Exhibit 8/22/13J:

Resolution #1

PROPOSED SUPPLEMENTAL RESOLUTION

AUTHORIZING THE ISSUANCE OF UP TO $4,000,000,000 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 $4,000,000,000, as that amount may be reduced by the amount of other power financings commenced during the fiscal year as described in the resolution of the Board of Directors dated August 22, 2013, entitled "FY 14 Financial Shelf - Execution of Other Financing Arrangements." The New Power Bonds must be issued on or before September 30, 2014, 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, 2014, 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, 2014, shall not exceed the amount authorized by this Supplemental Resolution (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 9 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 and, if within the then-current authorization of the Board of Directors of the Corporation ("Board") for principal amount and time of issuance, shall not require approval of the Board) to this Supplemental Resolution, the aggregate principal amount of such future installments, together with all series initially issued hereunder, may exceed $4,000,000,000 and the future installments may be issued after September 30, 2014. 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.

Resolution #2

PROPOSED BOARD RESOLUTION
(FY 14 Financial Shelf - Reopening of Existing Power Bonds)

RESOLVED, That in connection with the issuance of Tennessee Valley Authority Power Bonds as authorized by a Supplemental Resolution adopted on August 22, 2013, 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.

Resolution #3

PROPOSED BOARD RESOLUTION
(FY 14 Financial Shelf - Issuance of Bonds, Execution of Interest Rate Hedges)

RESOLVED, That in connection with the issuance of Tennessee Valley Authority Power Bonds as authorized by a Supplemental Resolution adopted on August 22, 2013 (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 the Tennessee Valley Authority Power Bonds authorized by the Supplemental Resolution (even if the new bonds are not issued in fiscal year 2014) 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 Associate General Counsel for Finance and Corporate Contracts, and 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 the Tennessee Valley Authority Power Bonds authorized by the Supplemental Resolution, 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 the Tennessee Valley Authority Power Bonds authorized by the Supplemental Resolution (even if the new bonds are not issued in fiscal year 2014).

Resolution #4

PROPOSED BOARD RESOLUTION
(FY 14 Financial Shelf - Execution of Other Financing Arrangements)

RESOLVED, That the Board of Directors hereby authorizes TVA to enter into other financing arrangements in an amount that, when combined with the power bonds issued under the Supplemental Resolution adopted on August 22, 2013, does not exceed $4,000,000,000; such other financing arrangements may include, but are not limited to, lease, lease-leaseback, lease-purchase, power purchase, and similar agreements involving new generation facilities, or new assets that are substantially related to existing facilities such as clean air equipment, as well as electricity prepayments, which arrangements and related authorizations are described in more detail below:

> The lease-purchase financing arrangements may include, but are not limited to, transactions whereby TVA sells new generation facilities or portions thereof, or new assets that are substantially related to existing facilities, to third-party lessor(s) and TVA leases such assets from such third-party lessor(s) for a term upon the expiration of which such facility or asset may be returned to TVA; in connection therewith, TVA may also enter into construction agreements pursuant to which TVA may agree to complete construction and start-up and test such facilities or assets for a fixed or capped price, or on a cost, cost-plus, or other basis, and by deadlines to be agreed under such agreements; the lease-purchase arrangements may also contain terms, conditions, and covenants related to the ownership, operation, and maintenance of such facility or assets as well as events of default and remedies during the term thereof; such lease purchase may also include provisions related to early buyout, end-of-term purchase options, and termination purchase options upon the occurrence of various events at a price that may be pre-determined or may be the fair-market value or other value at such time as TVA may agree; TVA's rent payments under such lease purchase financing agreements may be fixed or variable and may be in amounts sufficient to cover any debt service or equity returns of such third-party lessor(s); and such lease-purchase financing arrangements may contain such other terms and conditions as may be appropriate for such transactions at such time;
>
> The lease, lease-lease, and sale-lease financing arrangements may include, but are not limited to, transactions whereby TVA leases or sells a generation facility or portion thereof, or new assets that are substantially related to existing facilities, to third-party lessor(s) for value and leases such facilities or assets from such lessor(s) for a term that may be for a period less than the expected useful life of the facility or asset; in connection therewith, TVA may also enter into construction agreements pursuant to which TVA may agree to complete construction and start-up and test such facilities or assets for a fixed or capped price, or on a cost, cost-plus, or other basis, and by deadlines to be agreed under such agreements; such arrangements may contain terms, conditions, and covenants related to the ownership, operation, and maintenance of such facility or assets as well as

events of default and remedies; such arrangements may also include provisions related to early buyout, end-of-term purchase options, and termination purchase options upon the occurrence of various events at a price that may be pre-determined or may be the fair-market value or other value at such time as TVA may agree; TVA may agree under such arrangements to pay periodic rent and any payments related to repurchase of the facility or asset and other amounts as may be provided therein; and such arrangements may contain such other terms and conditions as may be appropriate for such transactions at such time;

The power purchase arrangements may include, but are not limited to, transactions whereby TVA sells new generation facilities or portions thereof to a third party, including sales of in-service facilities pursuant to options granted during construction or operation, and TVA purchases the output thereof on terms that may require TVA to make fixed or variable payments, which payments may be based on cost of service or otherwise, and may be payable without regard to whether such facilities are completed, operating, or operable; in connection therewith, TVA may also enter into construction agreements pursuant to which TVA may agree to complete construction and start-up and test such facilities or assets for a fixed or capped price, or on a cost, cost-plus, or other basis, and by deadlines to be agreed under such agreements; such power purchase arrangements may also contain terms, conditions, and covenants related to the ownership, operation, and maintenance of such facility or assets as well as events of default and remedies; such power purchase arrangements may also include provisions related to early buyout, end of term purchase options, and termination purchase options upon the occurrence of various events at a price that may be pre-determined or may be the fair-market value or other value at such time as TVA may agree; and such power purchase arrangements may be executed in combination with other lease-purchase or lease financing arrangements in connection therewith;

The electricity prepayments may include, but are not limited to, transactions whereby customers of TVA power prepay TVA for certain electricity costs in exchange for reductions in the price that the customers pay TVA for electricity in the future, which reductions may be reflected as a credit or a discount on the customers' bill or otherwise and may be in amounts and for periods of time as agreed upon by TVA and the customers; in connection therewith, TVA may enter into commitment agreements, amend power contracts, and enter into other appropriate contractual arrangements; and such arrangements may contain such terms and conditions as may be appropriate for such transactions at such time;

The Board of Directors believes it is desirable for TVA to have the flexibility to enter into other financing arrangements, and that, subject to the other provisions of this resolution, the grant by the Board of Directors of authority for TVA to enter into other financing transactions should be construed broadly to permit TVA to enter into the other financing transactions in amounts and as described in this resolution or any similar transactions (including master financing facilities utilizing any one or more of these other financing arrangements) on such terms and conditions as market conditions dictate at the time of such financings; provided, however, that the Chief Financial Officer shall notify the Finance, Rates, and Portfolio Committee (or successor committee) before entering into any such financing arrangements and shall keep said Committee informed about any such arrangements through periodic reports to the Committee;

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) engage advisors, appraisers, and independent engineers; (2) select equity investors and underwriters; (3) arrange for the listing of any lease debt; (4) approve offering materials; (5) execute term sheets; (6) execute transaction documents; and (7) make applications and filings in connection with the other financing arrangements;

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 entering into up to the amount of other financing arrangements described above using swaps, options, futures, or Treasury locks, or any combination of these instruments, as long as these instruments are standard in the industry and as long as on or prior to September 30, 2014, (1) the Finance, Rates, and Portfolio Committee (or successor committee) is notified of the hedge and (2) both the Chief Executive Officer and the Chief Financial Officer approve entering into the hedge;

The Chief Financial Officer, the Treasurer, the Controller, the General Counsel, and the Associate General Counsel for Finance and Corporate Contracts, and 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 TVA, 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 other financing arrangements.

*** * ***

13-03-10. Hydro-Modernization Contracts

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Generation Officer and the Vice President, Supply Chain, dated August 13, 2013, and filed with the records of the Board as Exhibit 8/22/13K:

WHEREAS it is in TVA’s best interest to enter into contracts for hydro-modernization services for its hydro plants in order to ensure supplier availability and give TVA the ability to compete specific projects between multiple qualified suppliers; and

WHEREAS TVA conducted a competitive procurement for these services and Voith Hydro, Inc. ("Voith"), and Andritz Hydro Corp. ("Andritz") were among the highest rated offerors; and

WHEREAS a memorandum dated August 13, 2013, a copy of which is filed with the records of the Board as Exhibit 8/22/13K (Memorandum), recommends that the Board authorize entering into contracts with multiple suppliers, including Voith and Andritz; and

WHEREAS the Memorandum provides that all contracts entered into under this authorization will be for terms, including renewals, that do not extend beyond the ten years that the contracting strategy is expected to be in place, and further provides that TVA management will brief the Finance, Rates, and Portfolio Committee of the Board prior to exercising any options that take a contract beyond a five-year term; and

WHEREAS the Memorandum provides that all contracts entered into under this authorization will have a combined maximum contract amount not in excess of $350 million, and that any future contracts entered into under this authorization will be entered into only if doing so will benefit the contracting strategy and if the supplier meets TVA's minimum requirements;

BE IT RESOLVED, That, subject to any final negotiations, the Board of Directors hereby authorizes entering into contracts with multiple suppliers, including Voith and Andritz, for hydro-modernization services, as requested in the Memorandum.

*** * ***

13-03-11. Transmission Construction and Modification Contracts

The Board adopted the following resolution as recommended in a memorandum from the Vice President, Supply Chain, and the Executive Vice President and Chief Energy Delivery Officer, dated July 25, 2013, and filed with the records of the Board as Exhibit 8/22/13L:

WHEREAS it is in TVA's best interest to enter into contracts for construction and modification services for TVA's Transmission/Power Supply Program; and

WHEREAS TVA conducted a competitive procurement for the services and The L.E. Myers Co., Henkels & McCoy, Asplundh Construction Corp., and Service Electric Company were the highest rated offerors; and

WHEREAS a memorandum from the Vice President, Supply Chain, and Executive Vice President and Chief Energy Delivery Officer, dated July 25, 2013, a copy of which is filed with the records of the Board as Exhibit 8/22/13L (Memorandum), recommends that the Board authorize entry into contracts with multiple suppliers, including but not limited to The L.E. Myers Co., Henkels & McCoy, Asplundh Construction Corp., and Service Electric Company, and to approve a maximum of $400,000,000 of funding for the contracts for an initial five-year term, with an option for an additional five-year term; provided, however, that TVA management will brief the Finance, Rates, and Portfolio Committee prior to exercising the five-year option for any of the contracts;

BE IT RESOLVED, That, subject to any final negotiations, the Board of Directors hereby authorizes $400,000,000 in funding for the aforementioned construction and modification services contracts for TVA's transmission system, with but not limited to The L.E. Myers Co., Henkels and McCoy, Asplundh Construction Corp., and Service Electric Company, as requested by the Memorandum.

*** * ***

13-03-12. Industrial Competitiveness

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Financial Officer, dated August 12, 2013, and filed with the records of the Board as Exhibit 8/22/13M:

WHEREAS industry is vital to the economic health of the TVA region because manufacturing facilities provide jobs directly through employment and indirectly through support industries and services; and

WHEREAS the enhanced load factor offered by industry helps improve fixed cost coverage, thereby keeping rates lower for all ratepayers; and

WHEREAS a combination of factors has led to a decline in industrial sales and placed a number of industries and customers within the Valley region at further risk of reduced operations; and

WHEREAS a Memorandum from the Chief Financial Officer and Executive Vice President, Financial Services, dated August 12, 2013, a copy of which is filed with the records of the Board as Exhibit 8/22/13M, recommends that the Board approve the offering of a Valley Commitment Program, and the creation of optional Manufacturing Service Rate -- Schedule MSA and Direct Service Manufacturing Power Rate -- Schedule DSMA;

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 proposed Valley Commitment Program and the creation of the two optional rate schedules as described in the Memorandum.

* * *

13-03-13. Report of the Nuclear Oversight Committee

Board Chairman Sansom introduced Director Ritch as the new Chairman of the Nuclear Oversight Committee. Director Ritch reported the Committee received an update from Mike Skaggs, Senior Vice President, Nuclear Construction, regarding construction at Watts Bar Unit 2, and also received a report from external construction project experts brought in to assess work at Watts Bar Unit 2. Both the internal update and the external report indicate that the Watts Bar Unit 2 project is proceeding well. Director Ritch stated the Committee also received a nuclear power fleet performance update, which indicates that TVA continues to improve its fleet and work toward its goal of top quartile performance in all areas, and that TVA is working hard to address several regulatory issues, including those associated with maximum flood impacts and implementation of several Fukushima-related requirements. Finally, Director Ritch, on behalf of the Committee, recommended approval of the resolution set forth in Minute Item No. 13-03-14 amending TVA's Commitment to Nuclear Safety to reflect the current organizational structure, Nuclear Regulatory Commission guidance, and industry standards.

* * *

13-03-14. Amendment to Policy - Commitment to Nuclear Safety

The Board adopted the following resolution:

WHEREAS TVA's Commitment to Nuclear Safety constitutes the upper tier, Board-approved policy (Policy), which affirms that TVA's paramount considerations in carrying out its nuclear power activities are the protection of public health and safety, employees, and the environment; and

WHEREAS TVA has undergone an organizational change, adding a position to which roles and responsibilities are assigned in the Policy; and

WHEREAS TVA intends to emphasize, in the Policy, the importance of outside, independent organizations in furthering TVA's commitment to nuclear safety; and

WHEREAS TVA's Policy is revised to reinforce and build on the knowledge and experience gained nuclear industry-wide with respect to maintaining a healthy nuclear safety culture and a high degree of readiness to respond to unexpected or extreme events; and

WHEREAS the Nuclear Oversight Committee has reviewed the amended Policy and believes it would be appropriate to update the Policy reflecting the changes described above;

BE IT RESOLVED, That the Board hereby approves the amended Policy which incorporates such administrative changes as reflected in the document attached hereto and filed with the records of the Board as Exhibit 8/22/13N.

* * *

13-03-15. Report of the People and Performance Committee

Director Haskew, Chairman of the People and Performance Committee, stated that the first items for consideration deal with setting future goals for performance. She then requested and received a report from John Thomas, Executive Vice President and Chief Financial Officer, regarding Minute Item No. 13-03-16. Copies of the slides used by Mr. Thomas in his report are filed with the records of the Board as Exhibit 8/22/13O.

Following Mr. Thomas's presentation, Director Haskew, on behalf of the Committee, recommended approval of the resolution set forth under Minute Item No. 13-03-17, which amends the People and Performance Committee Charter, consistent with new listing standards adopted by the New York Stock Exchange. These standards require (board) committees that deal with compensation matters to review certain independence factors before selecting or receiving advice from a compensation consultant. While TVA is not legally required to adopt these standards, the proposed resolution would add these factors to the Committee's Charter as good governance practices. Director Haskew clarified that the factors address the consultant's independence from management, but do not mandate the selection of any particular consultant.

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13-03-16. Annual and Long-Term Goals

The Board adopted the following resolutions as recommended in two memoranda from the President and Chief Executive Officer filed with the records of the Board as Exhibit 8/22/13P and Exhibit 8/22/13Q:

WHEREAS in a memorandum from the Chief Executive Officer (CEO), a copy of which is filed with the records of the Board as Exhibit 8/22/13P (Memorandum), the CEO recommended approval of revisions in the design of TVA's Winning Performance Team Incentive Plan (WPTIP) and Executive Annual Incentive Plan (EAIP) beginning in FY 2014 as set out in that Memorandum and its attachments; and

WHEREAS in that same Memorandum, the CEO recommended the measures to assess performance for purposes of the revised Corporate Multiplier for FY 2014; and

WHEREAS the People and Performance Committee has reviewed the proposed WPTIP and EAIP design revisions and the Corporate Multiplier performance measures for FY 2014, as described above, and recommends their approval;

BE IT RESOLVED, That the Board approves the WPTIP and EAIP design revisions as set out in the Memorandum and its attachments effective beginning in FY 2014;

RESOLVED further, That the Board approves the WPTIP and EAIP Corporate Multiplier performance measures and goals for FY 2014 as set out in the Memorandum and its attachments;

RESOLVED further, That the Board hereby authorizes the CEO to set and approve the performance measures and goals for each Strategic Business Unit (SBU) and Business Unit (BU) for FY 2014 to be used with the Corporate Multiplier in determining incentive awards under the WPTIP and EAIP;

RESOLVED further, That the Board hereby authorizes the CEO, or designee, to take any actions necessary or desirable to implement these Board-approved design revisions to include, without limitation, the revision of the WPTIP and EAIP documents and related policies and procedures.

* * *

WHEREAS in a memorandum from the Chief Executive Officer (CEO), a copy of which is filed with the records of the Board as Exhibit 8/22/13Q (Memorandum), the CEO recommended approval of the following with regard to the Executive Long-Term Incentive Plan (ELTIP): (a) an adjustment to the manner in which the Organizational Health goal is calculated for the FY 2011 - FY 2013 performance cycle; (b) adjustments to the previously approved goals of the FY 2012 - FY 2014 and FY 2013 - FY 2015 performance cycles as follows: (i) replacement of the Organizational Health measure with an External Measures metric, and (ii) replacement of the Retail Rates measure with a Wholesale Rate Excluding Fuel measure; and (c) establishment of Wholesale Rate Excluding Fuel, Load Not Served, and External Measures metrics and goals for the FY 2014 - FY 2016 performance cycle; and

WHEREAS the People and Performance Committee has reviewed the proposed revisions to and establishment of ELTIP measures and goals, as described above, and recommends their approval;

BE IT RESOLVED, That, with regard to the ELTIP performance cycle of FY 2011 - FY 2013, the Board approves the use of the 2013 Pulse Survey results in the calculation of the Organization Health Index goals;

RESOLVED further, That, with regard to ELTIP measures and goals for the performance cycles of FY 2012 - FY 2014 and FY 2013 - FY 2015, the Board approves the replacement of the Organizational Health Index measure with an External Measures metric, the replacement of the Retail Rates measure with a Wholesale Rate Excluding Fuel measure and the corresponding goals for the External Measures and Wholesale Rate Excluding Fuel metrics (including accompanying definition sheets), as set forth in the Memorandum and Attachment A thereto;

RESOLVED further, That, with regard to ELTIP measures and goals for the performance cycle of FY 2014 - FY 2016, the Board approves the Wholesale Rate Excluding Fuel, Load Not Served, and External Measures metrics and goals (including accompanying definition sheets), as set forth in the Memorandum and Attachment B thereto;

RESOLVED further, That the Board continues to retain the discretionary authority to review the results of performance measures and goals and to approve any adjustments to payouts under the ELTIP in circumstances it considers appropriate.

* * *

13-03-17. Amendments to People and Performance Committee Charter

The Board adopted the following resolution:

WHEREAS at its August 20, 2010, meeting, the Board adopted the existing charter for the People and Performance Committee of the Board of Directors; and

WHEREAS the People and Performance Committee has reviewed the charter and recommends amendments to the charter to include a requirement that the Committee consider certain conflict-of-interest factors on an annual basis and before selecting a compensation consultant or other compensation advisor, and a copy of the proposed amended charter is attached and designated as Exhibit 8/22/13R;

BE IT RESOLVED, That the Board hereby adopts the proposed amended charter.

* * *

13-03-18. Report of the Audit, Risk, and Regulation Committee

Director McBride, Chairman of the Audit, Risk, and Regulation Committee, reported the Committee met to review TVA's third quarter financial report, or 10-Q, which was subsequently filed with the Securities and Exchange Commission (SEC) on August 2. The Committee also reviewed SEC regulations that require TVA to state in its annual financial report whether or not the Committee includes a financial expert and that, after reviewing her qualifications, the Committee determined that Director Evans meets the applicable standard. Director McBride next reported that the Committee spent time reviewing TVA's external auditor, Ernst & Young. After evaluating performance and cost associated with services provided, and comparing those with external audits provided to other utilities, Chairman McBride, on behalf of the Committee, recommended that

TVA continue with the external audit services of Ernst & Young, and that the Board approve the resolution set forth in Minute Item No. 13-03-19.

Director McBride stated the Committee also received reports from the Office of the Inspector General (OIG) regarding its audits and investigations at TVA, and that OIG continues to provide valuable oversight and guidance to TVA. Director McBride reported that OIG undertook one of its investigations in response to allegations of conflict of interest by Board Chairman Bill Sansom, and determined that those allegations were unfounded. The Committee also received a briefing on TVA's Enterprise Risk Strategy; Director McBride noted that the Committee was pleased to see that TVA's risk management program continues to be robust and effective under the interim leadership of John Hoskins.

Finally, Director McBride recommended approval of the resolution set forth in Minute Item No. 13-03-20, amending the Rate Review Process approved at the Board's April 18, 2013, meeting.

*** * ***

13-03-19. Selection of Ernst & Young as TVA's External Auditor

The Board adopted the following resolution as recommended in a memorandum from the Chairman of the Audit, Risk, and Regulation Committee, dated August 22, 2013, and filed with the records of the Board as Exhibit 8/22/13S:

WHEREAS in an August 22, 2013, memorandum to the TVA Board, the Audit, Risk, and Regulation Committee recommended, in consultation with the Inspector General, that the TVA

Board approve engaging Ernst & Young LLP ("EY") as TVA's external auditor for fiscal year 2014;

BE IT RESOLVED, That the TVA Board hereby approves engaging EY as TVA's external auditor for fiscal year 2014.

* * *

13-03-20. Amendment to Rate Review Process

The Board adopted the following resolution as recommended in a memorandum from the Senior Vice President, Policy & Oversight, dated August 12, 2013, and filed with the records of the Board as Exhibit 8/22/13T:

WHEREAS on April 18, 2013, the TVA Board approved a revised process for administration of resale rate provisions of the wholesale power contract (Revised Rate Review Process); and

WHEREAS under the Revised Rate Review Process, TVA staff is authorized to review and approve certain limited distributor resale rate requests, and to make recommendations to the TVA Board through the Audit, Risk, and Regulation Committee for other rate requests; and

WHEREAS under this process, many actions with a minimal overall impact are required to be submitted, through the Audit, Risk, and Regulation Committee, for the TVA Board's review; and

WHEREAS modification is needed to better define the process under which these rate requests proceed; and

WHEREAS a memorandum from the Senior Vice President, Policy & Oversight, dated August 12, 2013 (Memorandum), a copy of which is filed with the records of the Board as Exhibit 8/22/13T, recommends that the Board approve revisions to the Revised Rate Review Process to better define the authority of TVA staff to review and approve certain resale rate requests, as described in the Memorandum;

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 actions recommended in the Memorandum, and approves the modifications to the Revised Rate Review Process.

* * *

Director McWherter expressed concern with the undefined term “minimal” in that portion of Exhibit 8/22/13T authorizing TVA staff to approve requests for rate increases that result in “minimal revenue impacts,” and requested the opportunity to refine that definition in the future, to limit the pressures on and discretion of the staff to determine what impacts are (or are not) “minimal.” Director McBride stated that the Committee will continue to watch this issue and work with TVPPA to address such concerns.

*** * ***

13-03-21. Report of the External Relations Committee

Director Howorth, Chairman of the External Relations Committee, reported the Committee received updates on a number of items, including the work of TVA’s government relations staff and work with local power companies throughout the Valley. He then requested and received a report from Rob Manning, Executive Vice President and Chief Energy Delivery Officer, regarding Minute Item No. 13-03-22. Following Mr. Manning’s presentation, Director Howorth recommended approval of the resolution set forth in Minute Item No. 13-03-23.

Copies of the slides used by Mr. Manning in his report are filed with the records of the Board as Exhibit 8/22/13U.

*** * ***

13-03-22. Revised Policy on Nonconforming Loads

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Energy Delivery Officer, dated July 25, 2013, and filed with the records of the Board as Exhibit 8/22/13V:

WHEREAS in 2007, the TVA Board approved a revision to the Enhanced Growth Credit (EGC) program to exclude large loads with certain operating characteristics that subject the TVA system to extreme fluctuations, known as Nonconforming Loads; and

WHEREAS the TVA Board determined that the higher regulation service costs associated with these loads outweighed the benefits to the system that were the basis for offering credits under the EGC program, and subsequently the Valley Investment Initiative (VII); and

WHEREAS in April 2011, the TVA Board approved two-year pilot arrangements under which a particular Nonconforming Load could be eligible for VII by implementing specified actions that were designed to reduce system impact, including participation in an Instantaneous Response (IR) interruptible product; and

WHEREAS the Nonconforming Load pilot has been successful in mitigating some of the effects placed on the system by such loads; and

WHEREAS a memorandum from the Executive Vice President, Energy Delivery and Chief Energy Delivery Officer, dated July 25, 2013, a copy of which is filed with the records of the Board as Exhibit 8/22/13V, recommends that the Board approve a revised policy governing the availability of economic development incentives, including VII, for Nonconforming Loads;

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 proposed policy governing the availability of economic development incentives for Nonconforming Loads as described in the Memorandum.

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13-03-23. Appointment of Members to First Term of the Regional Energy Resource Council

The Board adopted the following resolution as recommended in a memorandum from the Senior Vice President, Policy & Oversight, dated August 12, 2013, and filed with the records of the Board as Exhibit 8/22/13W:

WHEREAS the Board of Directors authorized the establishment of the Regional Energy Resource Council (Council) and approved the council's charter on April 18, 2013, Minute Entry No. 13-02-5; and

WHEREAS the Council was established to advise TVA about its energy resource activities, and TVA is interested in receiving a broad range of perspectives and advice and providing an opportunity for various members of the public to provide input into TVA's energy resource activities;

BE IT RESOLVED, That the Board of Directors hereby delegates to the Chief Executive Officer the authority, following consultation with the External Relations Committee of the Board, the authority to appoint members to the Council, to fill any vacancies in council membership that may arise during the course of the first term, and to appoint one member to serve as Chairperson of the council.

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The meeting was adjourned at 1:19 p.m. EDT.