

No. 14-05

Approved by the Board of Directors
at its February 12, 2015, meeting:

Original Signed by Sherry A. Quirk
Executive Vice President, General
Counsel and Secretary

MINUTES OF MEETING
OF
THE BOARD OF DIRECTORS
TENNESSEE VALLEY AUTHORITY
DECEMBER 30, 2014

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 December 30, 2014. The meeting was called to order at 10 a.m. (EST). The meeting was announced to the public on December 23, 2014. The meeting was open to public observation via webcast.

All current Board members attended either in person or telephonically, as follows:
Director and Chair Joe H. Ritch, and Directors Richard C. Howorth, V. Lynn Evans, C. Peter (Pete) Mahurin, Michael (Mike) McWherter, Marilyn A. Brown, Virginia (Gina) Tyler Lodge, and Ronald Anderson Walter. Directors Lodge and Walter, having been sworn in just one week prior to the date of the meeting, did not participate in the Board's deliberations.

Also present were TVA officers, including William D. (Bill) Johnson, President and Chief Executive Officer (by telephone); Ralph E. Rodgers, Executive Vice President, General Counsel and Secretary; and Charles G. (Chip) Pardee, Executive Vice President and Chief Operating Officer.

Chair Ritch 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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14-05-1. Welcome

Chair Ritch stated that the Board was convening a specially called meeting to primarily address one topic: the future of Units 1 and 4 at TVA's Shawnee Fossil Plant. Chair Ritch stated the Board would also take the opportunity to address a governance issue regarding Board Committee assignments. Chair Ritch noted the Board was using a telephonic format for the meeting, similar to the format used to provide quarterly financial calls for investors and the media. Chair Ritch noted that most of those listening to the meeting would be on a telephone or computer, though some would be present in person, and he expressed the Board's appreciation to all for taking the time to be with the Board during the meeting. Chair Ritch reported that Ralph Rodgers, Executive Vice President, General Counsel and Secretary, would be acting as Secretary and Parliamentarian during the meeting, after which he called the meeting to order.

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New Business

14-05-2. President's Report

President and Chief Executive Officer William D. (Bill) Johnson reported that under agreements with the federal Environmental Protection Agency (EPA) and other parties several years ago, TVA committed to declaring by year end in 2014 whether it would retire, retrofit, or replace Units 1 and 4 at Shawnee Fossil Plant in Paducah, Kentucky. The Board's vote today will make that decision. Mr. Johnson explained that this plant-specific decision, and recent, similar decisions by the Board, are made in the context of developing an optimal, long-term energy resource fleet for the Tennessee Valley, which will produce reliable, low-cost energy and promote the economic development and environmental stewardship aspects of TVA's mission. Mr. Johnson stated that TVA knows from its work on the Integrated Resource Plan (IRP) and its own internal planning that in the next decade TVA's fleet will transition to one with much more no-emitting or low-emitting generation, and more energy efficiency and demand response. TVA also knows that to get to that optimal portfolio of resources it must continue to balance low cost, reliable power, economic development and job creation, and environmental and natural resource stewardship. Consistent with that long-term view, management's recommendation is to retrofit Shawnee Units 1 and 4 and keep them in operation for some period of time. Mr. Johnson noted that the particular operating characteristics of these units actually make the transition to more low-emission and no-emission resources more feasible on both the supply and demand side. Mr. Johnson stated that in making this recommendation, TVA used the same analytical processes, standards, and considerations used in previous decisions where coal plants were

canceled. Mr. Johnson stated the recommendation to retrofit Units 1 and 4 provides the least cost solution that will meet all known and foreseeable environmental standards, and will help continue the trend of capital investment and job creation seen in recent years.

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14-05-3. Report of the Finance, Rates, and Portfolio Committee

Director Mahurin, Chair of the Finance, Rates, and Portfolio Committee, in addressing Shawnee Units 1 and 4, stated the Committee carefully looked at TVA's generation portfolio, and that under the EPA agreements, TVA must decide whether Units 1 and 4 should be retired, or converted, or if TVA should install environmental controls. Director Mahurin then requested and received a report from Chip Pardee, Executive Vice President and Chief Operating Officer, regarding Minute Item 14-05-4. Following the completion of his presentation, Mr. Pardee received and responded to questions from Directors Mahurin, McWherter, Howorth, Evans, and Brown.

Copies of the slides used by Mr. Pardee in his report on Minute Item 14-05-4 are filed with the records of the Board as Exhibit 12/30/14A.

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14-05-4. Emission Reduction Controls for Shawnee Units 1 and 4

The Board adopted the following resolution, as recommended in a memorandum from the Executive Vice President and Chief Operating Officer, dated December 17, 2014, and filed with the records of the Board as Exhibit 12/30/14B:

WHEREAS TVA entered into two agreements on April 14, 2011, to resolve lingering disputes over the application of the Clean Air Act to maintenance activities at its coal-fired power plants; and

WHEREAS one of the agreements was with the U.S. Environmental Protection Agency and the other was a consent decree with the States of Kentucky, Tennessee, Alabama, and North Carolina and three environmental advocacy groups, the Sierra Club, the National Parks Conservation Association, and Our Children's Earth Foundation; and

WHEREAS TVA is required by the agreements to control, convert, or retire Shawnee Units 1 and 4 by December 31, 2017; and

WHEREAS the agreements also require TVA to notify EPA and other parties to the agreements by December 31, 2014, of the emissions reduction option that it elects for Shawnee Units 1 and 4; and

WHEREAS TVA has conducted a portfolio optimization study that concludes that the installation of dry scrubbers, a selective catalytic reduction system, and associated equipment at the Shawnee Fossil Plant Units 1 and 4 (the "Shawnee Project") would assist TVA in fulfilling its air quality goals and commitments while also serving the TVA goals of meeting electricity demand and minimizing costs to TVA customers; and

WHEREAS analyses estimate the cost of the Shawnee Project to be \$185 million and support a recommendation of installing additional controls on Shawnee Units 1 and 4; and

WHEREAS a memorandum from the Chief Operating Officer, dated December 17, 2014 (Memorandum), a copy of which is filed with the records of the Board as Exhibit 12/30/14B recommends that the Board approve the Shawnee Project;

BE IT RESOLVED, That, as recommended in the Memorandum, the Board approves the Shawnee Project, with a capital budget of \$185 million;

RESOLVED further, That TVA management is directed to provide periodic updates to the Board when appropriate on the Shawnee Project and on any environmental, regulatory, financial, and business developments that could have an impact on the viability of the Shawnee Project.

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14-05-5. Board Committee Assignments

The Board adopted the following resolution upon the motion of Director Evans, which was duly seconded:

WHEREAS Section 2(g)(1) of the TVA Act requires that the Board create and maintain an “audit committee” and directs the Board to create such other committees of Board members as the Board considers to be appropriate; and

WHEREAS Section 2.1 of the Bylaws further provides that appointees for the membership of committees shall be submitted by the Chair of the Board to the Board for its approval as a single slate of appointees; and

WHEREAS the Chair hereby recommends the following slate of committee members;

Audit, Risk, and Regulation Committee

Lynn Evans, Chair
Marilyn Brown
Ron Walter

People and Performance Committee

Richard Howorth, Chair
Lynn Evans
Pete Mahurin
Gina Lodge

External Relations Committee

Mike McWherter, Chair
Marilyn Brown
Joe Ritch
Ron Walter

Nuclear Oversight Committee

Marilyn Brown, Chair
Richard Howorth
Joe Ritch
Gina Lodge

Finance, Rates, and Portfolio Committee

Pete Mahurin, Chair
Richard Howorth
Mike McWherter
Joe Ritch

BE IT RESOLVED, That the Board of Directors hereby approves the slate of committee members as recommended by the Chair, with said assignments to become effective immediately and to continue in place as provided in the Bylaws or until modified by further action of the Board.

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The meeting was adjourned at 10:35 a.m. EST.

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