No. 14-04

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

NOVEMBER 6, 2014

A meeting of the Board of Directors of the Tennessee Valley Authority was held in The Music City Center, Room 202 A, B, and C, 201 Fifth Avenue South, Nashville, Tennessee, on November 6, 2014. The meeting was called to order at 11:14 a.m. (CST) after an approximately eighteen minute break following the listening session, which began at 9:03 a.m. (CST). The meeting was announced to the public on October 30, 2014. The meeting was open to public observation.

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

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; John M. Thomas, III, Executive Vice President and Chief Financial Officer; Charles G. (Chip) Pardee, Executive Vice President and Chief Operating Officer; Joseph Patrick (Joe) Grimes, Executive Vice President and Chief Nuclear Officer; Katherine J. (Kathy) Black, Senior Vice President, Human Resources and Communications; and Rebecca Chunn Tolene, Vice President, Natural Resources and Real Property Services.

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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14-04-1. Welcome

Chair Ritch briefly introduced a short film regarding the history of TVA, prepared by TVA's Communications department. Following the screening of the film, Chair Ritch welcomed all to the meeting, then invited Decosta Jenkins, President of Nashville Electric Service (NES), to the podium and received remarks. Chair Ritch then acknowledged the presence of Pete Mattheis and John Van Mol, President and Secretary, respectively, of the Tennessee Valley Industrial Committee (TVIC), and received remarks from Mr. Mattheis. Following those remarks, Chair Ritch recognized the presence of Wayne Henson, Chair of the Board of Directors of the Tennessee Valley Public Power Association (TVPPA), and received remarks from

Mr. Henson. Chair Ritch thanked all those viewing the meeting via the live internet stream, after which he called the meeting to order. Chair Ritch then acknowledged that this would likely be the last meeting for retiring Executive Vice President and General Counsel, Ralph Rodgers, after which he expressed his appreciation for Mr. Rodgers' service and accomplishments during his tenure at TVA.

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Old Business

The Board approved the minutes of its August 21, 2014, meeting.

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New Business

14-04-2. President's Report

President and Chief Executive Officer William D. (Bill) Johnson thanked the people of Nashville and Middle Tennessee for hosting the meeting, and also thanked those attending, those participating, and those watching and listening. Mr. Johnson acknowledged the remarks, both complimentary and critical, made during the morning's listening session, and stated that while TVA is not always going to do everything right, TVA's objective is to always do the right thing. Mr. Johnson identified TVA's relationships with twenty-five local power companies in the Middle Tennessee region, two of which, Middle Tennessee Electric Membership Corporation and Cumberland Electric Membership Corporation, join NES in being among TVA's ten largest customers that serve the public directly. Mr. Johnson remarked that TVA also directly provides electricity to Arnold Air Force Base and eight industrial customers in Middle Tennessee.

Mr. Johnson stated that TVA carries out its mission through work in three areas—energy, the environment, and economic development—with safety being TVA's number one priority in all of these areas. Mr. Johnson reported that TVA's Fiscal Year (FY) 2014 safety record was in the top 10 percent of the energy industry, but added that until the record reflects zero injuries, TVA will not be satisfied. He also reported that TVA's FY 2014 financial performance was strong, with \$300 million in sustainable cost reductions realized. TVA also reduced debt by \$1 billion from the previous year, while investing in key capital projects such as the clean air project at Gallatin Fossil Plant, natural gas plants at Allen and Paradise, Watts Bar Unit 2, and more than 400 transmission system projects to maintain and improve reliability. Mr. Johnson reported that TVA has also reached another milestone, its final payment to the federal government on its original \$1 billion investment in TVA. Mr. Johnson explained that TVA will continue to make smaller annual payments to the U.S. Treasury as a return on the government's permanent equity investment in the power program. Mr. Johnson stated that an independent financial firm, Lazard, analyzed TVA's business model as part of the broad strategic review called for by the President in his 2014 budget, and that review validated the worth of what TVA is doing every day.

Mr. Johnson reported that TVA's employees faced some unique challenges in supplying electricity last year throughout the Valley, and commended their work, particularly during the 2014 "polar vortex," when TVA employees kept the lights and heat on across the region during that series of record low temperatures. With the help of TVA’s customers, their employees, and the public, who conserved energy voluntarily, TVA delivered electricity reliably and avoided power shortages. Mr. Johnson stated TVA had to put its full range of generating assets to work, including combined cycle natural gas plants relatively new to the fleet, and that the strong performance across the system was a credit to TVA’s dedicated employees.

Mr. Johnson stated the successful efforts of employees in the nuclear program were recognized by TVA’s regulators, and that all of TVA’s nuclear units have been returned to normal oversight by the Nuclear Regulatory Commission (NRC). TVA’s objective now is to continue progress toward both regulatory and operational excellence. Mr. Johnson stated that the nuclear plants deliver large amounts of carbon-free electricity, and their safe, reliable operation is essential to TVA’s ability to deliver low-cost, cleaner electricity to our customers.
Mr. Johnson reported the improved performance of TVA’s nuclear fleet saved TVA and its customers approximately $200 million in fuel costs last year.

Mr. Johnson stated that TVA’s work on economic development is done in partnership with customers, public officials, local communities, and the economic development agencies across the region, and that 2014 was a banner year. TVA and its partners helped attract and retain over 60,000 jobs and $8.5 billion in capital investment for the Valley, which for Middle Tennessee meant almost 19,000 jobs and $2.3 billion in capital investment.

Mr. Johnson stated TVA is also investing time, energy, and expertise into its energy plan for the future, and mentioned the work being done to update TVA’ s Integrated Resource Plan

(IRP), with public input through TVA's stakeholder group. He described the IRP as an energy roadmap providing options for how best to meet the region's future power needs with cleaner, low-cost, and reliable electricity. Mr. Johnson stated that the IRP anticipates load growth of about 1 percent per year along with tighter requirements for air quality and an ongoing need to deliver electricity at the lowest feasible cost. This means TVA has to consider the full range of uncertainties, options, and energy sources for the best way to meet power demand, including looking at energy efficiency as a resource. Accordingly, for the first time at TVA, and perhaps the first time anywhere, TVA is modeling energy efficiency as a supply side resource. This allows TVA to evaluate energy efficiency in a way that is similar to looking at a conventional power plant, using the same sort of evaluative criteria.

Mr. Johnson reported that the Board and management spent a lot of time in 2014 working on rationalizing TVA's generating fleet. This included decisions about Paradise, Allen, and other plants. Overall, TVA is moving towards a more diverse, cleaner, and reliable generating portfolio, based on least-cost planning principles, which is capable of serving TVA's customers under a variety of conditions, provides greater rate stability by utilizing diverse fuel sources, and promotes economic prosperity across the Valley. TVA has taken action to implement this "optimal portfolio," such as: adding new gas units to the fleet; putting air quality controls on some coal plants where it is cost effective and retiring many others; working to complete Watts Bar Unit 2; getting more generation from TVA's hydro units; and adding megawatts from energy efficiency and renewable resources such as solar and wind.

Mr. Johnson stated that as part of its continuing review of coal units, TVA is now evaluating Shawnee Units 1 and 4 to determine whether to invest in clean air equipment, convert them to biomass, or retire them. TVA is preparing an environmental assessment to help inform this decision, and the first of two public comment periods is underway and continues through November 10. Under the clean air agreements TVA entered into in 2011 with the federal Environmental Protection Agency (EPA) and others, TVA has to make a decision on Shawnee by the end of this calendar year.

Mr. Johnson reported that priorities in FY 2015 look significantly like the priorities for FY 2014. He stated that should not be surprising because TVA's mission is constant, and its priorities support the mission and the strategic imperatives that govern the mission. These strategic imperatives are: to keep rates low; to live within TVA's means; to meet or exceed customers' expectations for reliability; and to provide a balanced portfolio and be responsible stewards. Mr. Johnson stated these priorities align with TVA's values, and after discussing those values, he stated that in FY 2015 TVA will focus on personal accountability, its collective performance, and continuous improvement. In addition to working to maintain low rates, TVA will align operations and maintenance (O&M) spending with revenue and effectively manage its debt while pursuing operational excellence, positioning Watts Bar Unit 2 for successful commercial operation, and balancing the generation portfolio to provide cleaner, reliable, and more affordable energy. TVA will also protect and improve the region's natural resources for the use and enjoyment of the public.

Mr. Johnson stated that the performance of TVA's employees in FY 2014 demonstrated their commitment to serving the region and improving TVA's operations, reducing costs, and delivering greater value, then added that TVA's employees have set the stage for continuous improvement in FY 2015 and beyond.

Copies of the slides used by Mr. Johnson in his report are filed with the records of the Board as Exhibit 11/6/14A.

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14-04-3. Report of the Finance, Rates, and Portfolio Committee

Director Mahurin, Chair of the Finance, Rates, and Portfolio Committee, reported that the Committee met once since the last Board meeting and reviewed financial performance and the generation fleet. At this point Director Mahurin requested and received a report from John Thomas, Executive Vice President and Chief Financial Officer, regarding Minute Items 14-04-4 and 14-04-5. Following the presentations by Mr. Thomas, Director Mahurin stated that over the past year, the Committee addressed generation fleet planning topics multiple times, specifically including TVA's hydroelectric portfolio and the generation assets in the western end of the system, where one of the key assets is Shawnee Fossil Plant. Director Mahurin stated the Committee looked closely at portfolio planning decisions around Shawnee due to the settlement agreement with the EPA, under which TVA must decide whether Shawnee Units 1 and 4 should be retired, converted, or fitted with environmental controls. At this point, Direct Mahurin requested and received a report from Chip Pardee, Executive Vice President and Chief Operating Officer, regarding Minute Item 14-04-6.

Copies of the slides used by Mr. Thomas in his report on Minute Item 14-04-5 are filed with the records of the Board as Exhibit 11/6/14B.

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14-04-4. Financial Performance Update

John Thomas, Executive Vice President and Chief Financial Officer, provided full FY 2014 financial results. He reported that net income for FY 2014 was $468 million better than plan; base revenues were $314 million favorable to plan, and O&M expenditures were $97 million below plan. Because of this financial performance, debt has been paid down at an accelerated pace, resulting in interest expense $100 million below plan. Mr. Thomas then discussed FY 2014 trends in the monthly receipt of non-fuel revenue, fuel rates and how they distributed increased costs incurred in the cold months over months later in the year, and the FY 2014 income and cash flow statements. Reporting on the trend in O&M expenditures, Mr. Thomas stated TVA fully expects to achieve its target of $500 million in reductions in such expenditures during FY 2015.

Mr. Thomas stated that TVA continues to invest in its system. Since 2010, TVA has invested $18 billion in new equipment and maintenance of current equipment, while incurring less than $2 billion in new debt.

Summarizing, Mr. Thomas stated that TVA exceeded its target $300 million O&M savings for the year and is on track to achieve its FY 2015 target of $500 million; provided $2.5 billion in capital investment, which will increase to $3.5 billion in FY 2015; reduced its cash balance to $500 million and will continue to reduce that balance to $300 million by the end of FY 2015; and lowered its overall debt by $1.2 billion.

Copies of the slides used by Mr. Thomas in his report are filed with the records of the Board as Exhibit 11/6/14C.

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14-04-5. **Section 13 Tax Equivalent Payments**

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Financial Officer, dated October 27, 2014, and filed with the records of the Board as Exhibit 11/6/14D:

WHEREAS Section 13 of the Tennessee Valley Authority Act of 1933, *as amended* (16 U.S.C. §§ 831-831ee (2012)) (the “TVA Act”), directs the Board to pay amounts in tax equivalent payments to the states and counties in which the power operations of TVA are carried on and in which TVA has acquired properties previously subject to state and local taxation, the payments to be computed in the manner specified in Section 13 and to be charged against the power operations of TVA; and

WHEREAS Section 13 provides that the Board shall make a determination as to the amounts due to the states and counties and shall make such payments in monthly installments for each fiscal year beginning July 1, 1940, upon a basis more particularly set forth in Section 13; and

WHEREAS pursuant to a resolution approved by the Board on November 14, 2013, such payments were made during the fiscal year ended September 30, 2014, to the states and counties in accordance with the preliminary estimates approved in such resolution; and

WHEREAS there have now been prepared and reviewed with the states and counties data showing the amounts actually due the states and counties for the fiscal year ended September 30, 2014; and

WHEREAS a report setting forth the basis upon which such amounts have been calculated accompanied a memorandum from the Chief Financial Officer to the President and Chief Executive Officer dated October 27, 2014, which report and memorandum are filed with the records of the Board as Exhibit 11/6/14D; and

WHEREAS Schedules 1 and 7 of Exhibit 11/6/14D include estimates of the amounts due to the states and counties under Section 13 for fiscal year 2015; and

WHEREAS final determination of the amounts due under Section 13 for fiscal year 2015 will require additional studies which may consume several months; and

WHEREAS the Board desires to make payments for fiscal year 2015 on the basis of 98 percent of the estimated annual payments to states for fiscal year 2015 (to allow for accounting adjustments) and 100 percent of the estimated annual payments to counties for fiscal year 2015, subject to such adjustments during the fiscal year as may be necessary to make the respective sums of the payments conform to the total amounts finally determined to be payable for fiscal year 2015; and

WHEREAS Section 15d(g) of the TVA Act provides the payment under Section 13 due to a state where a power generating or related facility operated by TVA under a lease or lease-purchase agreement ("Leased Facility") is located shall be reduced by the amount which is determined or estimated by the Board to result from holding the Leased Facility or from selling electric energy generated from the Leased Facility to the extent taxes or tax equivalents are paid by the owners (or others) on account of the Leased Facility;

BE IT RESOLVED, That the Board of Directors, in accordance with Section 13 of the TVA Act, hereby finally determines that the amounts set out in Schedules 2 and 5 of Exhibit 11/6/14D are the amounts due and payable for the fiscal year ended September 30, 2014, to the respective states and counties named in such schedules; provided, however, that if there is any property for which TVA has a contingent tax replacement responsibility determinable by an assessment not yet made or not yet brought to TVA's attention or determinable by other factors not yet resolved, appropriate adjustments shall be made, in accordance with established procedures, in the amounts payable under Section 13 for this or any subsequent fiscal year after such tax replacement responsibility has been determined;

RESOLVED further, That the Chief Financial Officer is hereby authorized and directed to make payments to states and counties in accordance with Schedules 2 and 5 of Exhibit 11/6/14D and to adjust the payments made so that the respective sums of the payments for fiscal year 2014 will conform to the amounts shown in such schedules;

RESOLVED further, That the Board authorizes and directs the Chief Financial Officer to make, or cause to be made, payments to states for fiscal year 2015 on the basis of 98 percent of the estimated annual payments to states for fiscal year 2015 and payments to counties on the basis of 100 percent of the estimated annual payments to counties for fiscal year 2015, such payments to be made in equal monthly installments (except for payments to counties whose annual payment is less than $10,000, which payments shall be made in a lump sum during the first month of fiscal year 2015), all as provided in Schedules 1 and 7 of Exhibit 11/6/14D, until the Board has made a final determination of the respective amounts due for the fiscal year; provided that the Chief Financial Officer is hereby authorized to make, or cause to be made, as soon as administratively feasible, tax equivalent payments to any additional states and counties found to be entitled thereto for fiscal year 2015 on account of power property purchased and operated by TVA during fiscal year 2014, such payments to be later confirmed and adjusted when the final amounts payable for fiscal year 2015 shall have been determined and approved by the Board in accordance with established procedures;

RESOLVED further, That it is the Board's determination that both the amount attributable to holding a Leased Facility and the amount attributable to selling electric energy generated from a Leased Facility shall be used under Section 15d(g) in determining the amount by which TVA shall reduce the Section 13 payment to the state in which the Leased Facility is located;

RESOLVED further, That the Board determines that in determining under Section 15d(g) the amount of the reduction of the Section 13 payment otherwise due a state, (1) the contribution of the Leased Facility to the Section 13 payment attributable to holding the Leased Facility shall be determined based upon how TVA accounts for the Leased Facility, and (2) the contribution of the Leased Facility to the Section 13 payment attributable to selling electric energy generated from the Leased Facility shall be calculated using the assumption that the sales of electricity from the Leased Facility are apportioned among the various states in TVA's service area using the same proportion that the states contribute to TVA's gross power proceeds under Section 13;

RESOLVED further, That the Chief Financial Officer shall cause to be explained to the appropriate state and county officials that the payments for fiscal year 2015 are based upon preliminary estimates and are subject to later adjustment.

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14-04-6. Generation Fleet Planning Update – Shawnee Fossil Plant Units 1 and 4

Chip Pardee, Executive Vice President and Chief Operating Officer, restated that TVA must make decisions regarding the future of Shawnee before the end of the current calendar year. Mr. Pardee then provided some background information on Shawnee Fossil Plant and the agreements entered into by TVA, EPA, and others (the "Environmental Agreements"). The Environmental Agreements require TVA to evaluate and decide whether to retire, convert to biomass, or control stack emissions of Shawnee Units 1 and 4. Mr. Pardee reported that TVA is in the middle of its evaluation, and the required Environmental Assessment (EA) is currently within its initial public comment period, which closes November 10, 2014. At that time, TVA will complete the EA, and another public comment period will open, likely in mid-December. At the same time, TVA is also evaluating the accuracy of project cost and schedule estimates and expects that these efforts will be completed by the end of December. Once these evaluations are completed, and the second public comment period closes, the Environmental Agreements require TVA to notify EPA and the other parties of TVA's decision. TVA must then complete any work that it has decided to perform on Shawnee Units 1 and 4 by the end of calendar year 2017.

Mr. Pardee explained that, due to the language in the Environmental Agreements, if TVA informs EPA that it intends to control the emissions of Units 1 and 4, that decision is reversible, but if TVA informs EPA it intends to retire Units 1 and 4, that decision cannot be reversed. This fact is impacting the evaluation and decision.

Mr. Pardee then discussed risks and benefits surrounding the Shawnee decision, including cost-effectiveness, environmental impacts, how generation assets fit into the load profile, portfolio diversity, and regional impacts on employees and communities. Mr. Pardee stated that the Shawnee decision is separate from the Paradise and Allen decisions previously made, due to Shawnee's location near the confluence of rail assets and waterways, the low cost, reliability, and flexibility of generation from Units 1 and 4, and already-installed pollution control equipment.

Outlining the path forward, Mr. Pardee stated that TVA will complete its EA, and refine project cost estimates prior to the end of the calendar year. Then, in accordance with the Environmental Agreements, management will make a recommendation to the Board and the Board will make a decision. Mr. Pardee added that the Board would need to separately approve the addition of environmental controls to Shawnee Units 1 and 4.

Following his presentation, Mr. Pardee responded to questions from Directors Brown, Sansom, and Mahurin regarding the generation requirements and options for future generation in the Shawnee region, and the performance, generation cost, and reliability of the Shawnee units other than Units 1 and 4.

Copies of the slides used by Mr. Pardee in his report are filed with the records of the Board as Exhibit 11/6/14E.

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14-04-7. Report of the People and Performance Committee

Director Haskew, Chair of the People and Performance Committee, reported the Committee met October 21 in Knoxville and had a brief follow-up meeting by teleconference on October 27. The committee reviewed a number of issues related to TVA's workforce and received updated information regarding compensation, benchmarking, and market analysis from the Board's independent compensation consultant, Towers Watson. The Committee also reviewed draft language for the compensation disclosure and analysis, to be included in the 10-K report filed with the Securities and Exchange Commission (SEC). Director Haskew stated the Committee spent substantial time reviewing performance in the past fiscal year. After reviewing TVA's performance against the goals that the Board set at the beginning of FY 2014, Director Haskew stated the Committee recommends a corporate multiplier of one and payout under the Executive Long-Term Incentive Plan of 100 percent. Director Haskew reported that on the day prior to its meeting the Board received an audit report from the Office of the Inspector General that reviewed the validity of payout award calculations. Director Haskew then made a motion for approval of the resolution contained in Minute Item 14-04-8.

Director Haskew next recommended, on behalf of the Committee, that the Board delegate to the Chief Executive Officer (CEO) the authority to approve salaries of TVA employees that exceed Executive Schedule Level IV. Director Haskew, on behalf of the Committee, then moved for approval of the resolution contained in Minute Item 14-04-9. Prior to voting on the resolution, and at the request of Director McWherter, Chairman Ritch requested that Kathy Black, Senior Vice President, Human Resources and Communications, clarify the meaning of Executive Level IV. Ms. Black stated that Executive Level IV is a federal pay schedule threshold, which TVA uses for purposes of comparison. It equates to $157,100.00 in the current year, and that threshold adjusts on an annual basis. Ms. Black explained that the Chief Executive Officer monitors the pay of employees above that level each year.

Director Haskew stated that the Committee, working with the Board Chair, also conducted its annual review of CEO compensation, utilizing the services of an independent, outside advisor to aid its discussion on the matter. Director Haskew stated that the CEO's current compensation is near the bottom of industry rankings and is well below TVA's own compensation plan. After review of TVA's recent performance and utility industry benchmarking data, Director Haskew stated the Committee is recommending the following: a 4.7 percent increase in the CEO's base salary; an increase in the CEO's annual incentive opportunity from 100 percent to 110 percent of base salary; and an increase in the CEO's long-term incentive opportunity from 150 percent to 175 percent of base salary. Director Haskew explained that the latter two compensation components are at risk, and will only pay out with good performance. Director Haskew stated the Committee also proposes the grant of a retention-based award of $450,000.00 to the CEO, which would vest on December 31, 2016.
Director Haskew then made a motion for approval of the resolution implementing these changes, which is contained in Minute Item 14-04-10. Upon the call for discussion prior to the vote on this resolution, Director Brown noted the Committee had discussed revisiting over the ensuing year the goals against which CEO performance is evaluated in the future, and added that the Committee anticipates providing stretch goals extending beyond those against which the CEO was evaluated in FY 2014. Following the vote to approve the resolution, Director Haskew stated the Committee will be working with the Chair to finalize both annual and long-term goals for the CEO.

Director Haskew then referenced the last (August) meeting of the Board in Knoxville, during which she made a motion to amend the TVA bylaws and other governance documents approved by the Board to replace the word “Chairman” with “Chair” throughout. Director Haskew’s proposed resolution also directs that gender neutral terminology be used wherever possible in future Board governance documents, or when such documents are amended. As required by the Bylaws, Director Haskew made a second motion for this amendment, specifically requesting approval of the resolution contained in Minute Item 14-04-11.

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14-04-8. Incentive Plan Payout Approval for Cycle Ending Fiscal Year

The Board adopted the following resolution:

WHEREAS the Board established and approved a corporate multiplier to be used in the fiscal year 2014 Winning Performance Team Incentive Plan (WPTIP) and Executive Annual Incentive Plan (EAIP); and

WHEREAS in the Executive Long-Term Incentive Plan (ELTIP) the Board establishes measures and goals for certain executives in critical positions who make decisions that significantly influence long-term strategic objectives; and

WHEREAS on August 22, 2013, the TVA Board approved the WPTIP and EAIP Corporate Multiplier measures and goals and the ELTIP measures and goals for the cycle ending in fiscal year 2014; and

WHEREAS the People and Performance Committee has reviewed and assessed TVA’s performance related to the corporate multiplier measures and recommends the proposed WPTIP and EAIP Corporate Multiplier be 1.0 for fiscal year 2014; and

WHEREAS the People and Performance Committee has reviewed performance related to the goals and measures under the ELTIP and recommends its approval at 100 percent for the cycle ending FY 2014;

BE IT RESOLVED, That the Board approves the WPTIP and EAIP Corporate Multiplier and the ELTIP payout percentage as recommended by the People and Performance Committee and set forth above.

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14-04-9. Fiscal Year 2015 Salaries in Excess of Executive Schedule Level IV

The Board adopted the following resolution as recommended in a memorandum from the Senior Vice President, Human Resources and Communications, dated October 27, 2014, and filed with the records of the Board as Exhibit 11/6/14F:

WHEREAS the People and Performance Committee has reviewed and made information available to other Board members regarding the employees other than the Chief Executive Officer and the Inspector General with salaries in excess of Executive Schedule Level IV; and

WHEREAS the Board previously delegated to the Chief Executive Officer the authority to approve lists of TVA employees whose salaries would exceed Executive Schedule Level IV for Fiscal Years 2008 through 2014; and

WHEREAS the Board previously approved (Entry 13-02-13, April 18,2013) compensation ranges for the managerial direct reports to the CEO of 80 percent to 110 percent of the targeted total compensation for comparable positions, with such targeted levels being those consistent with the Board-approved compensation plan for TVA and as established by benchmarking sources outside of TVA, and to authorize the CEO to set or adjust compensation for the CEO's current and future managerial direct reports within such compensation ranges, as well as to approve the parameters under which such executives may participate in certain supplemental benefit plans such as the Supplemental Executive Retirement Plan, provided that the CEO will not finally set or adjust such compensation until the Board members and the Board's compensation consultant have been notified of such action and Board members have been given the opportunity to ask the appropriate Board Committee, or the full Board, to review the proposed action before it is put into effect; and

WHEREAS the Board does not desire to alter the previously approved guidance as part of any delegation related to Executive Schedule Level IV for Fiscal Year 2015;

BE IT RESOLVED, That the Board hereby delegates to the Chief Executive Officer the authority to approve a list of TVA employees other than the Chief Executive Officer and the Inspector General whose salaries will exceed Executive Schedule Level IV for Fiscal Year 2015.

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14-04-10. CEO Fiscal Year 2015 Compensation

The Board adopted the following resolution as recommended in a memorandum from the Chair, People and Performance Committee, and filed with the records of the Board as Exhibit 11/6/14G:

WHEREAS in accordance with the TVA Act, as amended, and the TVA Compensation Plan, as approved by the Board, the People and Performance Committee has considered and recommends proposed compensation adjustments for TVA's Chief Executive Officer beginning in Fiscal Year 2015 consisting of an increase in base salary, an increase in Executive Annual Incentive Plan target opportunity, an increase in Executive Long-Term Incentive Plan target opportunity, and a grant under TVA's Long-Term Retention Incentive Plan (with no adjustment to other previously approved elements of total compensation), as set forth in the memorandum from Barbara S. Haskew to the Board, a copy of which is filed with the records of the Board as Exhibit 11/6/14G; and

WHEREAS Towers Watson, the People and Performance Committee's independent executive compensation consultant, has reviewed and concurred in this recommendation;

BE IT RESOLVED, That the Board hereby approves adjustments to the CEO's compensation beginning in Fiscal Year 2015 consisting of an increase in base salary, an increase in Executive Annual Incentive Plan target opportunity, an increase in Executive Long-Term Incentive Plan target opportunity, and a grant under TVA's Long-Term Retention Incentive Plan (with no adjustment to other previously approved elements of total compensation), as set out in Exhibit 11/6/14G.

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14-04-11. Gender Neutrality in Governance Documents

The Board adopted the following resolution:

WHEREAS Section 4(e) of the Tennessee Valley Authority Act of 1933 provides that the Corporation may adopt, amend, and repeal bylaws; and

WHEREAS the Board adopts governance documents from time to time, including, but not limited to, committee charters and board practices; and

WHEREAS the Board believes that supporting diversity is an important role of the Board and using inclusive language is imperative to encourage diversity; and

WHEREAS Director Barbara Haskew moved on August 21, 2014, that at its November meeting, the Board take up the question of adopting more gender neutral terminology in TVA's governance documents where possible; and

WHEREAS Director Haskew provided the example of amending the word "Chairman" to the word "Chair" in governance documents;

BE IT RESOLVED, That the Board hereby amends the Bylaws of the Tennessee Valley Authority by replacing the word "Chairman" each place it appears with the word "Chair" and by making any additional conforming amendments as may be appropriate to accommodate those changes;

RESOLVED further, That the Board directs TVA's Corporate Secretary and Board Services offices to utilize gender neutral terminology wherever possible in future Board governance documents or when such documents are amended.

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14-04-12. Report of the Audit, Risk, and Regulation Committee

Director Evans, Chair of the Audit, Risk, and Regulation Committee, reported the Committee met October 20 in Knoxville. During the meeting, the Committee sat in executive session with three different groups tasked with evaluating TVA's activities: Inspector General Richard Moore and his staff; TVA's external auditors, who also offered an independent assessment of TVA's financial reporting processes; and TVA's internal regulatory assurance group, which is charged with carefully assessing a wide range of TVA programs. While in regular session, staff provided the Committee with updates on a number of topics, including regulatory assurance, enterprise risk, TVA's cybersecurity program, and the Sarbanes-Oxley reporting process. The Committee also discussed its charter and annual agenda. Director Evans added the Committee will be meeting again later in the current month to review TVA's annual 10-K report, prior to its filing with the SEC.

At this point Director Evans requested and received a report from John Thomas, Executive Vice President and Chief Financial Officer, regarding Minute Item 14-04-13. Following Mr. Thomas' presentation, Director Evans requested and received remarks from George Kitchens, General Manager of Joe Wheeler Electric Membership Corporation and Chair of TVPPA's Regulatory Committee, regarding the service practice standards contained in the resolution comprising Minute Item 14-04-13. Director Evans, on behalf of the Committee, recommended and made a motion for approval of the resolution contained in Minute Item 14-04-13. Prior to the vote on this resolution, upon the call for discussion, Director McWherter commented that while he appreciates the hard work involved in the development of the revised service practice standards, in his opinion, TVA's local power companies can control themselves through accountability to the local communities they serve, and local control is a part of TVA's original mission and business model. As a result, Director McWherter stated he would be a reluctant and respectful no vote on this item.

Director Evans stated the second item for consideration concerns the Board approved Conflict of Interest Policy. Based on Committee discussions, Director Evans stated that a few minor revisions in the policy are merited to reflect the gender terminology that was the subject of Minute Item 14-04-11, and to clarify rules regarding certain holdings covered by the policy. Director Evans, on behalf of the Committee, then made a motion for approval of the resolution contained in Minute Item 14-04-14.

Copies of the slides used by Mr. Thomas in his report are filed with the records of the Board as Exhibit 11/6/14H.

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14-04-13. Revised Service Practice Standards

The Board adopted the following resolution, by a vote of seven to one with Director McWherter voting against, as recommended in a memorandum from the Executive Vice President and Chief Financial Officer, dated October 27, 2014, and filed with the records of the Board as Exhibit 11/6/14I:

WHEREAS under section 10 of the TVA Act, the Board is expressly "authorized to include in any contract for the sale of power such terms and conditions, including resale rate schedules, and to provide for such rules and regulations as in its judgment may be necessary or desirable for carrying out the purposes of [the TVA] Act"; and

WHEREAS on September 20, 1979, the TVA Board adopted four service practice standards affecting consumers of TVA power pursuant to the provisions of the Public Utility Regulatory Policies Act of 1978 (PURPA) and the TVA Act; and

WHEREAS on April 14, 2011, the TVA Board directed TVA management to complete a comprehensive review of all aspects of the TVA regulatory policy; and

WHEREAS as a result of such management review and coordination with distributor customers, a memorandum from the Executive Vice President and Chief Financial Officer, dated October 27, 2014 (Memorandum), a copy of which is filed with the records of the Board as Exhibit 11/6/14I, recommends that the Board approve the revised service practice standards (Revised Service Practice Standards);

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 action recommended in the Memorandum;

RESOLVED further, That the Board having examined, finds satisfactory and hereby approves the proposed Revised Service Practice Standards applicable to distributors in governing practices affecting consumers of TVA power, as set out in Attachment A and described in the Memorandum;

RESOLVED further, That the Vice President of Pricing and Contracts, or that officer's designee, is authorized to enter into appropriate amendments to the wholesale power contract as set out in the Memorandum.

* * *

14-04-14. Conflict of Interest Policy Amendments

The Board adopted the following resolution:

WHEREAS Section 2(g) of the Tennessee Valley Authority Act of 1933 provides that the Corporation shall adopt a conflict of interest policy; and

WHEREAS the Board by action on November 30, 2006 (Minute Item No. 06-07-28), adopted a policy applicable to Board members, the Chief Executive Officer, and employees of TVA; and

WHEREAS the Board finds that certain clarifying provisions to the conflict of interest policy would assist in its administration;

BE IT RESOLVED, That the Board hereby amends the conflict of interest policy, a copy of which amended policy is filed with the records of the Board as Exhibit 11/6/14J, as recommended by the Audit, Risk, and Regulation Committee.

* * *

14-04-15. Report of the Nuclear Oversight Committee

Director Sansom, Chair of the Nuclear Oversight Committee, reported the Committee met October 9 in Chattanooga. During the meeting, Joe Grimes, Executive Vice President and Chief Nuclear Officer, updated the Committee on nuclear fleet performance, specifically, the fact that the Nuclear Regulatory Commission (NRC) has decreased its oversight over TVA's nuclear fleet during the past year. Director Sansom then requested and received a report from Mr. Grimes regarding Minute Item 14-04-16. Following the presentation by Mr. Grimes, Director Sansom stated the Committee also heard from the nuclear quality assurance team, a group that oversees the management/employees concerns program, which gives employees an opportunity to provide comments. The Committee also received a report from Mike Skaggs, Senior Vice President, Watts Bar Nuclear Operations and Construction, regarding progress at

Watts Bar Unit 2. Director Sansom stated that Unit 2 is still within the most recent estimate to complete, with regard to both project cost and schedule, with continued strong safety performance.

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14-04-16. Nuclear Fleet Performance Update

Joe Grimes, Executive Vice President and Chief Nuclear Officer, reported that the improvement in nuclear fleet performance is the result of several years of hard work. The most notable accomplishment over recent months is the completion of major work at Browns Ferry to move the units there back into normal regulatory oversight. Mr. Grimes stated the nuclear fleet is clearly moving from a position of being in regulatory recovery to the pursuit of excellence, recognizing that requires not only a change in mindset, but also daily vigilance. Mr. Grimes stated the fleet's most important priority is safe operation of the plants, and he appreciates the Board's support on that issue.

* * *

14-04-17. Report of the External Relations Committee

Director Howorth, Chair of the External Relations Committee, thanked the TVIC and everyone in Nashville for their hospitality. He then reported the Committee met October 21. During the meeting the Committee reviewed its annual agenda and charter and also received an update on external relations from management covering customer topics, the IRP, the renewables program, the EnergyRight® program, and economic development. Director Howorth stated the

EnergyRight® program encompasses energy efficiency programs being developed through various mechanisms with local power companies and a few third-party vendors. Director Howorth reported TVA exceeded its FY 2014 energy efficiency goal by almost 40 GWh, achieving 553 GWh in savings. The Committee also learned about some activities at Watts Bar Unit 2, specifically with respect to outreach. Director Howorth stated that the TVA team is working hard to ensure TVA stakeholders stay informed about activity at Watts Bar and progress being made.

Director Howorth stated the Committee is very interested in input received from TVA's two federal advisory committees. The Regional Resource Stewardship Council (RRSC), one of those advisory committees, recently met to review TVA's reservoir operations and complimented TVA's balancing of the diverse views of various lake users and shoreline residents. Director Howorth reported the RRSC encouraged TVA to continue its policies and, perhaps, more widely publicize operations initiatives.

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14-04-18. **Resolutions Honoring Service to TVA by Director William B. (Bill) Sansom and Barbara S. Haskew**

The Board adopted the following resolutions:

WHEREAS the Consolidated Appropriations Act, 2005, amended the TVA Act by restructuring the TVA Board from three full-time members to nine part-time members; and

WHEREAS the TVA Board is responsible for, among other things, establishing broad goals, objectives, and policies for TVA and establishing long-range plans to carry out these goals, objectives, and policies; and

WHEREAS William B. Sansom served on the Board from March 2006 to December 2009, then rejoined the TVA Board in October 2010 and is now completing his second term; and

WHEREAS as a member of the Board of Directors, he has worked tirelessly to further TVA's missions and objectives, including the objectives of providing reliable, low-cost electricity, economic development, and environmental stewardship; and

WHEREAS William B. Sansom has earned respect for his knowledge and leadership by serving as Chairman, and his guidance on the needs of employees and customers; and

WHEREAS William B. Sansom has diligently worked on the Board for the benefit of the people of the Tennessee Valley and the United States;

BE IT RESOLVED That the Board of Directors of the Tennessee Valley Authority honors William B. Sansom for his TVA service.

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WHEREAS the Consolidated Appropriations Act, 2005, amended the TVA Act by restructuring the TVA Board from three full-time members to nine part-time members; and

WHEREAS the TVA Board is responsible for, among other things, establishing broad goals, objectives, and policies for TVA and establishing long-range plans to carry out these goals, objectives, and policies; and

WHEREAS Barbara S. Haskew served on the Board from October 2010 and is now completing her term; and

WHEREAS as a member of the Board of Directors, she has worked tirelessly to further TVA's missions and objectives, including the objectives of providing reliable, low-cost electricity, economic development, and environmental stewardship; and

WHEREAS Barbara S. Haskew has earned respect for her knowledge and leadership, including her work serving on and chairing the People and Performance Committee and her guidance on the needs of employees and customers; and

WHEREAS Barbara S. Haskew has diligently worked on the Board for the benefit of the people of the Tennessee Valley and the United States;

BE IT RESOLVED That the Board of Directors of the Tennessee Valley Authority honors Barbara S. Haskew for her TVA service.

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The meeting was adjourned at 1:06 p.m. CST.

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