

No. 15-01

Approved by the Board of Directors  
at its May 7, 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  
FEBRUARY 12, 2015

A meeting of the Board of Directors of the Tennessee Valley Authority was held in the TVA Missionary Ridge Auditorium, Chattanooga Office Complex, 1101 Market Street, Chattanooga, Tennessee, on February 12, 2015. The meeting was called to order at 10:35 a.m. (EST) after an approximately sixteen minute break following the listening session, which began at 8:33 a.m. (EST). The meeting was announced to the public on February 5, 2015. The meeting was open to public observation.

All current Board members attended, 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 Tyler (Gina) Lodge, and Ronald A. Walter.

Also present were TVA officers, including William D. (Bill) Johnson, President and Chief Executive Officer; Sherry A. Quirk, 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; Van M. Wardlaw, Executive Vice President, External Relations; Katherine J. (Kathy) Black, Senior Vice President, Human Resources and Communications; Jacinda B. Woodward, Senior Vice President, Transmission and Power Supply; Joseph J. (Joe) Hoagland, Vice President, Stakeholder Relations; Rebecca Chunn Tolene, Vice President, Natural Resources and Real Property Services; Janet J. Brewer, Vice President, Communications.

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 Directors of the Tennessee Valley Authority. A quorum was present.

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**15-01-1. Welcome**

Chair Ritch thanked the City of Chattanooga for its hospitality, then welcomed and received brief comments from Director Walter and Director Lodge. Chair Ritch gave a special welcome to the local power companies serving the Chattanooga area, specifically mentioning the Chattanooga Electric Power Board, after which he received brief remarks from Harold DePriest, its President and Chief Executive Officer. Chair Ritch then introduced and received remarks

from Wayne Henson, Chairman of the Board of the Tennessee Valley Public Power Association (TVPPA), and John Van Mol, Secretary of the Tennessee Valley Industrial Committee (TVIC). Chair Ritch recognized Susan Williams, a former TVA Board member, and TVA's Inspector General, Richard Moore, after which he expressed appreciation for those watching the meeting online. Chair Ritch then welcomed TVA's new General Counsel, Sherry Quirk, and stated that the Board looks forward to working with her.

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### **Old Business**

The Board approved the minutes of its November 6, 2014, and December 30, 2014, meetings.

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### **New Business**

#### **15-01-2. Appointment of Corporate Secretary**

The Board adopted the following resolution:

WHEREAS Ralph E. Rodgers was designated and appointed the Corporate Secretary of the Tennessee Valley Authority (Minute Entry 10-02-7), effective April 17, 2010, with such designation and appointment to continue for such time as Mr. Rodgers is no longer performing the duties of the General Counsel or until further action of the Board; and

WHEREAS Mr. Rodgers retired from TVA and ceased being the General Counsel as of January 9, 2015; and

WHEREAS the Chief Executive Officer has designated and appointed a new General Counsel;

BE IT RESOLVED, That the Board of Directors hereby designates and appoints the individual serving as the General Counsel, or any successor position fulfilling essentially the same duties, as designated and appointed by the Chief Executive Officer to be Corporate Secretary of the

Tennessee Valley Authority effective immediately, with all powers and duties of said office, until further action of the Board.

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**15-01-3.                    President's Report**

President and Chief Executive Officer William D. (Bill) Johnson delivered the President's report and, among other matters, provided an overview on TVA's progress to date in meeting its business priorities for FY 2015. At the conclusion of his presentation, Mr. Johnson introduced former TVA Chief Operating Officer, Ike Zeringue, who presented the Ike Zeringue TVA Engineer of the Year Award to Jeffrey L. Phillips. Mr. Zeringue discussed many of Mr. Phillips' accomplishments while at TVA, and Mr. Johnson wished Mr. Phillips well in the federal engineer of the year contest. Copies of the slides used by Mr. Johnson in his report are filed with the records of the Board as Exhibit 2/12/15A.

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**15-01-4.                    Report of the External Relations Committee**

Director McWherter, Chair of the External Relations Committee, reported the Committee met January 29, at which time management provided the Committee a detailed report on the customer relations program, including various initiatives related to TVA's local power companies and directly served industrial customers. Director McWherter stated management also discussed economic development programs with the Committee, and he complimented TVA on its economic development efforts, which he stated have had a tremendous impact in helping the Valley during the current economic recovery. One key service of the economic development

program is aimed at helping Valley communities identify potential commercial customer candidates that may fit their particular demographic profiles. Director McWherter reported that in the past five years TVA and its partners have helped retain or create approximately 300,000 jobs, and have brought approximately \$35 billion of capital investment to the service area. The information received by the Committee also addressed initiatives associated with technological innovations and the schedule for the IRP, the latter of which Director McWherter stated would soon be presented to the public for comment.

Director McWherter reported the Committee was also briefed on a number of stewardship and land management issues, with a particular emphasis placed on the TVA transmission right-of-way maintenance program, a topic about which the Board has heard frequently during its listening sessions. At this point Director McWherter requested and received a report from Jacinda Woodward, Senior Vice President, Transmission and Power Supply, regarding Minute Item 15-01-5. Following Ms. Woodward's presentation, Director McWherter requested and received a report from Van Wardlaw, Executive Vice President, External Relations, regarding Minute Item 15-01-6.

Copies of the slides used by Mr. Wardlaw in his report on Minute Item 15-01-6 are filed with the records of the Board as Exhibit 2/12/15B.

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**15-01-5. Transmission Rights-of-Way**

Jacinda Woodward, Senior Vice President, Transmission and Power Supply, provided the Board with an update on TVA's right-of-way management program and highlighted the important roles that communication and process improvement play in managing the program. Copies of the slides used by Ms. Woodward in her report are filed with the records of the Board as Exhibit 2/12/15C.

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**15-01-6. Regional Energy Resource Council Charter**

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President, External Relations, dated January 16, 2015, and filed with the records of the Board as Exhibit 2/12/15D:

WHEREAS the Tennessee Valley Authority (TVA) established the Regional Energy Resource Council (Council) to advise TVA about its energy resource activities; and

WHEREAS the Council's first term will expire on July 31, 2015; and

WHEREAS the Council has proven to be an effective tool in obtaining input from and achieving collaboration among the numerous public and private entities and individuals involved with and interested in the development and management of energy resources in the Tennessee Valley region; and

WHEREAS as detailed in a January 16, 2015, memorandum, a copy of which is filed with the records of the Board as Exhibit 2/12/15D, the Executive Vice President and Chief External Relations Officer has recommended the renewal of the Council for a second term; and

WHEREAS the Federal Advisory Committee Act requires the appointment of a Designated Federal Officer to call meetings of the Council and conduct other administrative functions;

BE IT RESOLVED, That the Board of Directors hereby approves the Regional Energy Resource Council charter, a copy of which is filed with the records of the Board as Exhibit 2/12/15D; authorizes the renewal of the charter for an additional two years; and authorizes and directs the

Vice President, Stakeholder Relations, to complete the charter renewal process in accordance with the Federal Advisory Committee Act;

RESOLVED further, That the Board of Directors hereby appoints the Vice President, Stakeholder Relations, to serve as the Designated Federal Officer for the Council and the Senior Program Manager, Integrated Resource Plan, to serve as the Alternate Designated Federal Officer for the Council;

RESOLVED further, That the Board of Directors hereby delegates to the Chief Executive Officer the authority, following consultation with the External Relations Committee of the Board, to appoint members to the Council and to fill any vacancies in Council membership that may arise during the course of the second term;

RESOLVED further, That the Board of Directors expresses its gratitude to the members of the first term of the Council for their service to TVA and the Tennessee Valley region.

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#### **15-01-7. Report of the Audit, Risk, and Regulation Committee**

Director Evans, Chair of the Audit, Risk, and Regulation Committee, reported the Committee met January 28 and sat in executive session with three groups responsible for evaluating TVA's activities. First, the Committee received a report from TVA Inspector General Richard Moore and his staff. Later in the meeting, the Committee met with TVA's external auditors, who offered an independent assessment of TVA's financial reporting. Finally, the Committee met with TVA's internal regulatory assurance group, which is responsible for carefully scrutinizing a wide range of TVA programs. During the meeting, TVA staff provided the Committee with regular updates on a number of topics, including enterprise risk management and regulatory assurance, while the external auditors provided a review of the external audit plan for FY 2015. In addition, the Committee discharged its oversight responsibility over financial reporting by performing its annual review of the Disclosure Control Committee process and Section 302 certification process under the Sarbanes-Oxley Act. Director Evans stated the

Disclosure Control Committee process serves as a procedural mechanism that helps management identify relevant information that needs to be disclosed to investors as part of TVA's financial reports. Director Evans reported the Committee also received a detailed update on TVA's first quarter 10Q filing required by the Securities and Exchange Commission (SEC).

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**15-01-8. Report of the People and Performance Committee**

Director Howorth, Chair of the People and Performance Committee, reported the Committee met January 29, and received a detailed briefing from management regarding TVA's human resources (HR) improvement plan. Director Howorth explained that TVA is taking a number of initiatives across the entire HR program, including the adoption of some new technological tools to facilitate routine processes. Director Howorth stated he especially enjoyed the opportunity to meet and talk with two recent additions to the HR staff, Sue Collins and Chris Hinton. Director Howorth stated the Committee received information related to TVA's diversity and succession planning, and also discussed the process around setting compensation. The compensation discussion included an annual review of the performance of the outside resources engaged by the Committee to assist in the process. Director Howorth stated that the members of the Committee view HR as critical to TVA's success, right alongside safety, financial performance, and fleet performance, and he went on to state that the Committee fully supports the new HR programs and initiatives. Director Howorth reported the Committee spent considerable time reviewing TVA's operational performance over the last fiscal quarter, and found planning goals were generally met. Director Howorth stated the Committee appreciates

the hard work of TVA's employees, and noted the attention to and focus on HR matters that TVA's Chief Executive Officer has provided.

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**15-01-9. Report of the Finance, Rates, and Portfolio Committee**

Director Mahurin, Chair of the Finance, Rates, and Portfolio Committee, reported the Committee met January 28 and reviewed financial performance and the generation fleet. At this point Director Mahurin requested and received reports from John Thomas, Executive Vice President and Chief Financial Officer, regarding Minute Items 15-01-10 and 15-01-11. Following Mr. Thomas' presentations, Director McWherter requested and received reports from Chip Pardee, Executive Vice President and Chief Operating Officer, regarding Minute Items 15-01-12, 15-01-13, and 15-01-14. Prior to the vote on Minute Item 15-01-14, upon the call for discussion, comments and/or questions were received from Directors Evans, Brown, Lodge, and McWherter. Director Lodge, while expressing support for solar energy, stated she would not be able to vote for approval of Minute Item 15-01-14 because she would have preferred a more open and transparent proposal process. Following the vote on Minute Item 15-01-14, Director Mahurin stated the Committee received a report from management regarding the performance of various investment funds, which he characterized as good, and he added the Board will remain engaged in oversight of this issue, particularly with regard to the costs of operating the funds.

Copies of the slides used by Mr. Thomas in his report regarding Minute Item 15-01-11 are filed with the records of the Board as Exhibit 2/12/15E. Copies of the slides used by

Mr. Pardee in his reports regarding Minute Items 15-01-12, 15-01-13, and 15-01-14 are filed with the records of the Board as Exhibit 2/12/15F, Exhibit 2/12/15G, and Exhibit 2/12/15H, respectively.

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**15-01-10. Financial Performance Update**

John Thomas, Executive Vice President and Chief Financial Officer, provided the Board with an overview of TVA's financial performance for the first quarter of FY 2015. Copies of the slides used by Mr. Thomas in his report are filed with the records of the Board as Exhibit 2/12/15I.

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**15-01-11. Off-Peak Overlay Rate Extension**

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Financial Officer, dated January 15, 2015, and filed with the records of the Board as Exhibit 2/12/15J:

WHEREAS the Board previously authorized an off-peak pricing (OPP) product to encourage customers to add load during off-peak hours, enable TVA to optimize generating resources, and reduce Valley-wide fuel costs; and

WHEREAS the existing OPP product authorization expires March 31, 2015, and TVA is working with customers to incorporate the product's price signals into the next Rate Change authorized by the Board, consistent with the goals of TVA's Strategic Pricing Plan; and

WHEREAS a memorandum from the Chief Financial Officer, dated January 15, 2015 (Memorandum), a copy of which is filed with records of the Board as Exhibit 2/12/15J, recommends that the OPP product be extended as described in the memorandum;

BE IT RESOLVED, That after review of said Memorandum, the Board of Directors find it to be appropriate and in the interest of TVA to extend the offering of the OPP product as set forth in the Memorandum.

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**15-01-12.                    Extension of Fleet Services Contract**

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Operating Officer, dated January 16, 2015, and filed with the records of the Board as Exhibit 2/12/15K:

WHEREAS the ongoing work under TVA's contract with G•UB•MK Constructors (TVA Contract No. 2800) is expected to extend beyond the contract's current May 2015 expiration date; and

WHEREAS G•UB•MK Constructors' safety, cost, schedule, and quality performance under the contract since May 2010 have been beneficial to the TVA non-nuclear fleet; and

WHEREAS TVA's non-nuclear construction and operations groups and its Supply Chain & Facilities organization need time to develop and execute a re-competition strategy to support one or more new contracts as part of a new non-nuclear fleet services strategy; and

WHEREAS in a memorandum dated January 16, 2015, a copy of which is filed with the records of the Board as Exhibit 2/12/15K (Memorandum), the Executive Vice President and Chief Operating Officer recommends that the Board approve a three-year extension of the contract term, from May 2015 until May 2018, and approve a \$585 million increase in the contract ceiling, from \$950 million to \$1.535 billion;

BE IT RESOLVED, That the Board of Directors hereby authorizes a three-year extension of the term of the G•UB•MK Constructors contract, from May 2015 until May 2018, and approves a \$585 million increase in the contract ceiling from \$950 million to \$1.535 billion, as recommended in the Memorandum.

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**15-01-13. Acquisition of Gas Facility**

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Operating Officer, dated January 16, 2015, and filed with the records of the Board as Exhibit 2/12/15L:

WHEREAS the Fiscal Year 2015 budget approved by the Board at its August 21, 2014, meeting included budgetary authority for capacity expansion and potential plant acquisitions; and

WHEREAS TVA is in the process of finalizing a facility purchase agreement (the "Purchase Agreement") with Quantum Choctaw Power, LLC, and Quantum Choctaw Power Holdings, LLC (collectively, the "Seller") to purchase a combined-cycle gas-fired electric generation facility located in Choctaw County, Mississippi (the "Choctaw Facility"), subject to the Board's approval of the acquisition and completion of certain conditions to closing, including receipt of final Federal Energy Regulatory Commission approval, among other customary conditions to closing and various representations, warranties, and covenants between the parties; and

WHEREAS the Seller has previously entered into certain contracts with various vendors, including an operations and maintenance agreement with a term extending until 2017 and a long-term services and warranty agreement with a term extending until 2043, both with Siemens Energy, Inc. (collectively, the "Facility Contracts"), in order to operate the Choctaw Facility and TVA may, in connection with the acquisition, be obligated to assume the Facility Contracts and may thereafter desire to modify, renegotiate, and, if advisable, terminate the Facility Contracts based on TVA's needs; and

WHEREAS TVA may be required to negotiate and enter into other agreements, as necessary, to complete the transition of the Choctaw Facility to TVA ownership and to ensure the safe and reliable operation of the Choctaw Facility (collectively, the "Ancillary Agreements"); and

WHEREAS as set forth in a confidential memorandum from the Chief Operating Officer, dated January 16, 2015, a copy of which is filed with the records of the Board as Exhibit 2/12/15L, TVA management recommends that the Board delegate authority to the CEO to negotiate and enter into agreements and other instruments as necessary to (a) complete the purchase of the Choctaw Facility consistent with the terms of the Purchase Agreement; (b) assume, modify, renegotiate, and, if advisable, terminate the Facility Contracts; and (c) negotiate and enter into the Ancillary Agreements;

BE IT RESOLVED, That the Board delegates authority to the CEO to negotiate and enter into agreements and other instruments as necessary to (a) complete the purchase of the Choctaw

Facility consistent with the terms of the Purchase Agreement, (b) assume, modify, renegotiate, and if advisable, terminate, the Facility Contracts, and (c) negotiate and enter into the Ancillary Agreements.

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**15-01-14. Utility-Scale Solar PPA**

The Board, by a vote of seven to one, adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Operating Officer, dated January 16, 2015, and filed with the records of the Board as Exhibit 2/12/15M:

WHEREAS TVA desires to further its goal of providing clean, low-cost power and to increase its renewable energy portfolio; and

WHEREAS NextEra River Bend Solar, LLC, submitted a proposal to TVA for the sale of power from an 80 MW solar farm in Lauderdale County, Alabama, at prices economically competitive with other system generation alternatives; and

WHEREAS a Confidential Memorandum from the Chief Operating Officer, dated January 16, 2015, a copy of which is filed with the records of the Board of Directors as Exhibit 2/12/15M, recommends that the Board authorize the Chief Executive Officer to enter into a Power Purchase Agreement (PPA) for the purchase of such solar power;

BE IT RESOLVED, That the Board of Directors hereby authorizes the Chief Executive Officer to enter into a PPA with NextEra River Bend Solar, as described in the Confidential Memorandum.

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**15-01-15. Report of the Nuclear Oversight Committee**

Director Brown, Chair of the Nuclear Oversight Committee, reported the Committee met January 21 at Browns Ferry Nuclear Plant. Director Brown stated that she has visited the Browns Ferry site four times since joining the Board in 2010, and has noticed a remarkable improvement in cleanliness and orderliness, and in the engagement of the site's employees.

Director Brown explained that part of the reason the improvements are so visible is that the site has re-lamped interior high-bay spaces with 147-watt LED bulbs in place of the 200-watt incandescent bulbs formerly used. The re-lamp has resulted in a twenty-five percent improvement in energy efficiency and, more importantly, a reduction in O&M costs due to the longevity of the new bulbs. The new bulbs also nearly double the lumens generated by the lamps. Director Brown stated that the on site report received by the Committee from Keith Polson, Browns Ferry Nuclear Site Vice President, gave context to recent news that all three units at Browns Ferry, and all six (nuclear) units operated by TVA, are in the Nuclear Regulatory Commission's (NRC's) green category, also known as Category 1, for the first time in eight years. Director Brown congratulated the nuclear fleet operators and staff on this accomplishment.

Director Brown reported that, while on site, the Committee heard from Joe Grimes, Executive Vice President and Chief Nuclear Officer, regarding overall fleet performance. The Committee also received an update from Mike Skaggs, Senior Vice President, Watts Bar Nuclear Operations and Construction, on the Watts Bar Unit 2 project, which continues to meet quality and safety goals and remains on-budget and on-schedule. This assessment was also supported by an independent report about the Watts Bar Unit 2 project from the Nuclear Construction Safety Review Board. Director Brown stated this is the last time TVA will hear from the Nuclear Construction Safety Review Board, as Watts Bar Unit 2 moves from construction to operation, and she expressed her appreciation to that organization for its contribution over the years in helping TVA with its safety record.

Director Brown stated the Committee also continues to receive very useful assistance from its external nuclear advisor, Sam Collins, who is responsible for advising the Committee on regulatory and operational issues. Finally, Director Brown opined that Keith Polson, who arrived in approximately 2010, is personally responsible in large part for the transformation of the site over the years to NRC Category 1 status.

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The meeting was adjourned at 12:17 p.m. EST.