

No. 16-03

Approved by the Board of Directors
at its November 10, 2016, 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

August 25, 2016

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 25, 2016. The meeting was called to order at 12:24 p.m. (EDT) after an approximately twenty minute break following the listening session, which began at 8:29 a.m. (EDT). The meeting agenda was made publicly available on August 18, 2016. The meeting was open to public observation.

Board members in attendance were: Director and Chair Joe H. Ritch, and Directors Richard C. Howorth, V. Lynn Evans, Michael (Mike) McWherter, Marilyn A. Brown, Peter (Pete) Mahurin, Virginia Tyler (Gina) Lodge, Ronald A. Walter, and Eric M. Satz.

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; Joseph Patrick (Joe) Grimes, Executive Vice President and Chief Nuclear Officer; and Rebecca Chunn Tolene, Vice President, Natural Resources, and Deputy General Counsel.

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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16-03-1. Welcome

Chair Ritch welcomed all, recognized Greg Williams and Jack Simmons, Chairman of the Board of Directors and President/CEO, respectively, of the Tennessee Valley Public Power Association (TVPPA), then invited and received remarks from Mr. Williams. Following Mr. Williams' remarks, Chair Ritch recognized Pete Mattheis and Rob Hoskins, Chairman and Secretary, respectively, of the Tennessee Valley Industrial Committee (TVIC), then invited and received remarks from Mr. Mattheis. After Mr. Mattheis's remarks, Chair Ritch expressed appreciation for those observing the meeting online and recognized the presence of both former TVA Board member Susan Williams and current TVA Inspector General Richard Moore.

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Old Business

The Board approved the minutes of its May 5, 2016, meeting.

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New Business

16-03-2. President's Report

President and Chief Executive Officer William D. (Bill) Johnson commented on the recent death of TVA helicopter pilot Randy Love and called for a moment of silence. He then discussed TVA's financial condition, rates, competitive position, and budget plan. Mr. Johnson commented on market conditions, TVA's efforts to adapt to those conditions, and upcoming changes in TVA's retirement system.

Mr. Johnson next provided information on various, ongoing generation projects, including Watts Bar Unit 2, the combined cycle natural gas plants under construction at Paradise and Allen, clean air projects at Gallatin and Shawnee coal-fired plants, solar projects currently under environmental review, and smaller renewable projects directed by TVA's local power companies.

Mr. Johnson discussed regional air quality, TVA's efforts to improve its handling of coal combustion residuals, management of the Tennessee River system, and floating homes.

Mr. Johnson then reported briefly on recent economic development efforts, including TVA's

work in the Federal Energy Services Program directed at improvement of energy and water efficiency, and installation of renewable energy systems, at military bases in the Valley.

Mr. Johnson closed with a brief recap of events at the Norris Dam 80th anniversary celebration.

Copies of the slides used by Mr. Johnson in his report are filed with the records of the Board as Exhibit 8/25/16A.

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Following the conclusion of the President's Report, Director McWherter, Director Brown, Director Lodge, Director Satz, and Chair Ritch asked Mr. Johnson questions and provided comments on the President's Report.

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16-03-3. Tennessee Valley Authority Retirement System Rule Changes

The Board adopted the following resolution as recommended in a memorandum from the President and Chief Executive Officer, dated August 24, 2016, and filed with the records of the Board as Exhibit 8/25/16B:

WHEREAS on August 8, 2016, the TVA Retirement System (Retirement System) Board of Directors approved and submitted to the TVA Board of Directors (the Board) amendments to the TVARS Rules and Regulations (TVARS Rules) and the Savings and Deferral Retirement Plan (401(k) plan) in accordance with section 13 of the TVARS Rules and section 12.9 of the 401(k) plan, and the Board and TVA management have reviewed those changes; and

WHEREAS a memorandum from the Chief Executive Officer (CEO), dated August 24, 2016 (Memorandum), a copy of which is filed with the records of the Board of Directors as Exhibit 8/25/16B, recommends that the Board approve the aforementioned amendments to the

TVARS Rules and the 401(k) plan and not exercise its veto rights under section 13 of the TVARS Rules or section 12.9 of the 401(k) plan;

BE IT RESOLVED, That, as recommended in the Memorandum, the Board approves the aforementioned amendments to the TVARS Rules and the 401(k) plan and elects not to exercise its veto rights under section 13 of the TVARS Rules or section 12.9 of the 401(k) plan.

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Copies of the slides used by Rebecca Tolene, Vice President, Natural Resources, and Deputy General Counsel, in her report to the Board on Minute Item 16-03-3 are filed with the records of the Board as Exhibit 8/25/16C.

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16-03-4. Report of the Nuclear Oversight Committee

Director Brown, Chair of the Committee, welcomed Director Evans to the Committee and thanked departing Committee member Director Howorth for his contributions. Director Brown reported the Committee met August 10. Following up on the receipt of a chilled work environment letter from the Nuclear Regulatory Commission (NRC), Director Brown stated the Committee is examining issues of safety at Watts Bar Unit 1, and continues to focus on the operations department there, with the intent of creating a workplace environment in which employees are encouraged to raise concerns. At this point, Director Brown requested and received remarks from Bill Johnson, President and Chief Executive Officer, regarding actions management is taking to help create such an environment. Following Mr. Johnson's remarks, Director Brown reported that Joe Grimes, Executive Vice President and Chief Nuclear Officer, and Watts Bar site leadership, updated the Committee on these issues during its recent meeting.

Director Brown stated the Committee believes TVA and Watts Bar management are making progress and implementing effective and sustainable initiatives that will improve safety and security.

Director Brown reported the Committee also received a report from Carl Terry, the independent chair of TVA's Nuclear Safety Review Board, at its recent meeting. Mr. Terry reported on oversight at Watts Bar and TVA's other nuclear plants. Director Brown thanked Sam Collins, the Committee's independent nuclear advisor, and stated his services have been particularly valuable in recent months in reviewing a stream of reports from various entities, including the NRC, the Office of the Inspector General, the World Association of Nuclear Operators (WANO), and the Institute of Nuclear Power Operators (INPO).

Director Brown stated the Committee has spent significant time discussing the Watts Bar Unit 2 construction project, and that the project is in its final stages, with power ascension testing of Unit 2 ongoing. Director Brown added that the integration required for dual-unit operation is a major driver of the Committee's focus on the operational workforce environment. Director Brown then reported that Joe Grimes and the management team have continued to keep the Committee apprised of overall fleet performance, including a number of initiatives related to Sequoyah Nuclear Plant and Browns Ferry Nuclear Plant

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16-03-5. Report of the Finance, Rates, and Portfolio Committee

Director Mahurin, Chair of the Committee, recognized Directors Walter and Satz as new Committee members, and reported the Committee met twice during the current quarter. Director Mahurin then requested and received a report from John Thomas, Executive Vice President and Chief Financial Officer, regarding Minute Item 16-03-6. Following Mr. Thomas's report, Director Mahurin requested and received remarks from Director Evans regarding the inclusion of the Dodd-Frank end user exemption in the FY 2017 budget. Following Director Evans' remarks, Director Mahurin requested and received remarks from Director McWherter regarding community solar initiatives included in the fuel and purchased power portion of the budget. Following the Board's vote on Minute Items 16-03-7, 16-03-8, 16-03-9, and 16-03-10, Director Mahurin requested and received a report from Joe Grimes, Executive Vice President and Chief Nuclear Officer, regarding Minute Item 16-03-11.

Copies of the slides used by Mr. Grimes in his report on Minute Item 16-03-11 are filed with the records of the Board as Exhibit 8/25/16D.

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16-03-6. Financial Performance Update

John Thomas, Executive Vice President and Chief Financial Officer, reported on TVA's financial performance during the first three quarters of the fiscal year, remarking on the revenue challenges posed by the mild winter. Mr. Thomas then provided detailed information from TVA's income statement and cash flow statement, stating that TVA has continued to reduce its

operating expenses, which overall more than offset lower revenue. In response to a question from Director Mahurin, Mr. Thomas discussed progress on TVA's debt reduction plan. Mr. Thomas next reported on TVA's balance sheet, discussed rates and load projections, and presented the proposed budget for FY 2017, which includes a modest rate increase, and modification of the Real-Time Energy Rate.

Copies of the slides used by Mr. Thomas in his report are filed with the records of the Board as Exhibit 8/25/16E.

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16-03-7. Fiscal Year 2017 Budget

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Financial Officer, dated August 1, 2016, and filed with the records of the Board as Exhibit 8/25/16F:

WHEREAS a memorandum from the Executive Vice President and Chief Financial Officer, dated August 1, 2016 (Memorandum), a copy of which is filed with the records of the Board of Directors as Exhibit 8/25/16F, recommends the approval of the proposed fiscal year (FY) 2017 budget and certain related items as described in the Memorandum including:

- a) Operating and capital budgets for FY 2017; and
- b) Proposed capital projects that exceed \$50 million and acquisition of land rights in connection with certain capital projects; and
- c) FY 2017 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 2017; 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 capitalize interest and recognize certain regulatory assets and liabilities; and

WHEREAS the Board of Directors previously approved TVA's use during FY 2016 of an exemption (the End-User Exemption) from the Dodd-Frank Wall Street Reform and Consumer Protection Act's mandatory clearing requirement and TVA management has recommended that the Board of Directors extend this approval to FY 2017; 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 2017 contribution to the Retirement System; and

WHEREAS after consideration of the minimum required contribution, TVA management has recommended that the Board of Directors approve a \$300 million contribution to the Retirement System for FY 2017;

BE IT RESOLVED, That the Board of Directors hereby approves the FY 2017 budget;

RESOLVED further, That the Board of Directors approves the projects listed in the Memorandum's Attachment 4 and delegates to the CEO (1) the authority to determine whether all required reviews have been completed, and (2) the final decision to proceed with an identified project subject to the budget approved by the Board of Directors;

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 of Directors may subsequently require;

RESOLVED further, That the Board of Directors approves the FY 2017 Fuel and Purchased Power Contracting Plan attached to the Memorandum as Attachment 6; including authorization for the Distributed Solar Solutions and Green Power Provider programs as described therein;

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 2017 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 2017 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 (1) TVA's following the allowance for funds used during construction policy described in Attachment 7 of the Memorandum, and (2) TVA's recognizing regulatory assets and liabilities and accounting for certain regulatory accounting matters 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 hereby authorizes TVA to use the End-User Exemption in connection with (1) all swaps, and any amendments or modifications thereto, that TVA enters into during FY 2017 under the Financial Hedging Program established by the Board of Directors on May 17, 2005, and amended on August 1, 2007, February 12, 2009, and August 20, 2009, (2) all swaps, and any amendments or modifications thereto, that TVA enters into under the FY 2017 financing resolutions adopted by the Board of Directors on August 25, 2016, and (3) all of TVA's swaps outstanding on the date hereof as well as any amendments or modifications thereto that TVA enters into during FY 2017;

RESOLVED further, That the Board of Directors approves a contribution of \$300 million to the Retirement System for FY 2017 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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16-03-8. Fiscal Year 2017 Financing Authority

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Financial Officer, dated August 1, 2016, and filed with the records of the Board as Exhibit 8/25/16G:

PROPOSED SUPPLEMENTAL RESOLUTION
AUTHORIZING THE ISSUANCE OF UP TO \$3,000,000,000 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 \$3,000,000,000, as that amount may be reduced by the sum of (1) the amount of other power financings commenced during fiscal year 2017 as described in the resolution of the Board of Directors of the Corporation ("Board") dated August 25, 2016, entitled "FY 17 Financial Shelf - Execution of Other Financing Arrangements" and (2) the amount of power bonds issued under the resolution of the Board dated August 25, 2016, entitled "FY 17 Financial Shelf – Reopening of Existing Power Bonds." The New Power Bonds must be issued on or before September 30, 2017, and may be (1) issued as Book-Entry Bonds, and the Book-Entry Procedures shall be applicable thereto, or (2) issued as Certificated Bonds. 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) the currency in which the New Power Bonds of such series shall be denominated;

(6) in the case of Certificated Bonds, designation of any paying agent, listing agent, or transfer agent therefore (which may be the Corporation);

(7) in the case of Certificated Bonds, the form and method of issuance and transfer of any New Power Bonds of such series;

(8) in the case of Certificated Bonds, the designation of a depository for the New Power Bonds of such series;

(9) designation of the New Power Bonds of such series as Book-Entry Bonds or Certificated Bonds;

(10) 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

(11) 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, 2017, 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, 2017, 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 8 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 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 \$3,000,000,000 and the future installments may be issued after September 30, 2017. 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. Holder 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 17 Financial Shelf - Reopening of Existing Power Bonds)

RESOLVED, That the Board of Directors hereby approves the amendment of any previously issued Supplemental Resolution and any related officers to act resolution to permit the issuance during fiscal year 2017 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 amendments, as long as (1) (a) the Finance, Rates, and Portfolio Committee (or successor committee) is notified of the issuance of the new power bonds and (b) both the Chief Executive Officer and the Chief Financial Officer approve the issuance of such bonds and (2) the amount of new power bonds issued pursuant to this resolution, together with (a) the amount of bonds issued pursuant to the Supplemental Resolution adopted on August 25, 2016, and (b) the amount of other power financings commenced during fiscal year 2017 as described in the resolution of the Board of Directors dated August 25, 2016, entitled “FY 17 Financial Shelf - Execution of Other Financing Arrangements,” shall not exceed \$3,000,000,000.

Resolution #3**PROPOSED BOARD RESOLUTION**

(FY 17 Financial Shelf - Issuance of Bonds, Execution of Interest Rate and Currency Exchange Rate Hedges)

RESOLVED, That in connection with the issuance of Tennessee Valley Authority Power Bonds as authorized by a Supplemental Resolution adopted on August 25, 2016 (the “Supplemental Resolution”), the Board of Directors hereby authorizes senior TVA officials to take the following actions as long as (1) the Finance, Rates, and Portfolio Committee (or successor committee) is notified of the issuance of the new power bonds and (2) both the Chief Executive Officer and the Chief Financial Officer approve the issuance of such bonds:

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;

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 and currency exchange 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 2017) using swaps, options, futures, or Treasury locks, or any combination of these instruments, as long as (1) these instruments are standard in the industry and (2) prior to using these instruments, (a) the Finance, Rates, and Portfolio Committee (or successor committee) is notified of the use of such instruments and (b) both the Chief Executive Officer and the Chief Financial Officer approve using such instruments;

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 issuance of the Tennessee Valley Authority Power Bonds authorized by the Supplemental Resolution and to hedge interest rate risk or currency exchange rate risk associated with the issuance of such power bonds.

Resolution #4

PROPOSED BOARD RESOLUTION

(FY 17 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 25, 2016, and the power bonds issued under the

resolution of the Board of Directors dated August 25, 2016, entitled “FY 17 Financial Shelf – Reopening of Existing Power Bonds,” does not exceed \$3,000,000,000, as long as on or prior to September 30, 2017, (1) the Finance, Rates, and Portfolio Committee (or successor committee) is notified of the arrangement and (2) both the Chief Executive Officer and the Chief Financial Officer approve entering into the arrangement; 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;

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 and currency exchange rate risk in connection with entering into the 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, 2017, (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 and to hedge interest rate risk or currency exchange rate risk associated with such other financing arrangements.

* * *

16-03-9. Rate Adjustment

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Financial Officer, dated July 29, 2016, and filed with the records of the Board as Exhibit 8/25/16H:

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 are adequate to meet the 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 July 29, 2016 (Memorandum), a copy which is filed with the records of the Board as Exhibit 8/25/16H, 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, in which the 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 base rates designed to produce an additional \$192 million during TVA fiscal year 2017;

RESOLVED further, That as so approved, the Adjustment Addendum shall remain in effect indefinitely, subject to any future rate change or rate adjustment;

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 Attachment A;

RESOLVED further, That the Vice President of Pricing and Contracts, or that officer's designee, is further authorized and directed to publish the Adjustment Addendum to each distributor and directly served customer.

* * *

16-03-10. Real-Time Energy Rate Revisions

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Financial Officer, dated July 29, 2016, and filed with the records of the Board as Exhibit 8/25/16I:

WHEREAS since 1994, TVA has made available to local power companies (LPCs) that distribute TVA power serving loads in the State of Georgia a Real-Time Energy (RTE) pricing product to address the unique competitive situation created for those LPCs by the customer choice law in the State of Georgia; and

WHEREAS the terms and conditions of the RTE product offering limit its application to new services to customers that are entitled to a choice of power suppliers under the Georgia law, and TVA wishes to expand the application of RTE pricing to deal with exceptionally competitive situations which have developed in northern Georgia; and

WHEREAS a memorandum from the Chief Financial Officer and Executive Vice President, Financial Services, dated July 29, 2016 (Memorandum), a copy of which is filed with the records of the Board as Exhibit 8/25/16I, recommends expanding the RTE pricing product as described in the Memorandum;

BE IT RESOLVED, That the Board of Directors hereby approves the proposed revisions to the RTE product described in the Memorandum;

RESOLVED further, That the Board hereby authorizes the Chief Executive Officer (CEO) to make modifications to the RTE product as described in the Memorandum.

* * *

16-03-11. Nuclear Fleet Maintenance and Modifications Contract

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Operating Officer, dated July 25, 2016, and filed with the records of the Board as Exhibit 8/25/16J:

WHEREAS TVA's nuclear fleet needs a reliable but variable source of craft and non-craft labor to execute outage and supplemental modifications and maintenance work; and

WHEREAS, after a competitive bidding process for the nuclear fleet's scope of work, TVA determined that Day and Zimmerman NPS, Inc. ("DZNPS") offers the best value to TVA for long-term support of the nuclear sites, year-round maintenance work, and staff-augmentation services, to reduce future maintenance costs and enhance the plants' operational flexibility; and

WHEREAS, entering into this contract with DZNPS now provides the best technical and risk solution, and minimizes cost impacts and volatility for TVA, while helping to secure long-term, optimal commercial operation of the TVA nuclear fleet; and

WHEREAS, a memorandum dated July 25, 2016, a copy of which is filed with the records of the Board as Exhibit 8/25/16J (Memorandum), recommends that the Board approve a contract with DZNPS with funding of up to \$950 million and a term of up to ten years, if TVA management elects to exercise all extension options, for maintenance and modifications work at all three TVA nuclear plants;

BE IT RESOLVED, That the Board of Directors hereby authorizes entering into the nuclear fleet maintenance and modifications contract with DZNPS, for the scope of work as described in the Memorandum, subject to an aggregate contract ceiling of \$950 million, for a contract term of up to ten years, if TVA management elects to exercise all extension options, subject to Board approval of additional funding, if required.

* * *

16-03-12. Report of the External Relations Committee

Director McWherter, Chair of the Committee, welcomed Director Evans to the Committee. He then reported the Committee met once during the quarter, at which time the Committee received updates from management regarding customer relations with local power companies and directly served industrial customers. Director McWherter then expressed appreciation for the work done by Van Wardlaw and TVA's External Relations business unit. Director McWherter next reported the Committee received an update on TVA's government relations initiatives and economic development program, and stated that TVA's economic development team plays an under-recognized role in improving the Valley's economic health. The Committee also received information from Gary Harris, the leader of TVA's industrial marketing team, regarding the Federal Energy Services Program as it relates to military installations in the Valley, and received a report from TVA's communications team on the work TVA is doing in communities across the Valley. Director McWherter stated that floating homes remains an important issue, and the Committee is continuing to monitor regulatory steps related to floating homes, including those initiatives approved by the Board at its May meeting.

* * *

16-03-13. Report of the People and Performance Committee

Director Howorth, Chair of the Committee, recognized the addition of Director Walter to the Committee. Director Howorth then requested and received reports from John Thomas, Executive Vice President and Chief Financial Officer, regarding Minute Items 16-03-14 and 16-03-15. Following Mr. Thomas's reports, Director Howorth stated the Committee spends time each quarter tracking management's performance against its goals, and reported the Committee received an update from management on FY 2016 performance. Director Howorth reported the Committee also heard from management regarding TVA's employee benefit plans. At this point, Chair Ritch and Director McWherter each announced a conflict of interest with respect to the pharmacy benefit management services resolution on the Board's agenda (**No. 16-03-17, Pharmacy Benefit Management Services**, below) and each stated he would recuse himself from the Board's vote on this item. Director Howorth next delivered a brief report regarding Minute Item 16-03-18 and, on behalf of the Committee, moved for approval of the associated resolution.

Copies of the slides used by Mr. Thomas in his reports on Minute Items 16-03-14 and 16-03-15 are filed with the records of the Board as Exhibit 8/25/16K.

* * *

16-03-14. Winning Performance Team Incentive and Executive Annual Incentive Plan Multiplier Performance Measures and Goals for Fiscal Year 2017

The Board adopted the following resolution as recommended in a memorandum from the President and Chief Executive Officer, dated August 15, 2016, and filed with the records of the Board as Exhibit 8/25/16L:

WHEREAS in a memorandum dated August 15, 2016, a copy of which is filed with the records of the Board as Exhibit 8/25/16L (Memorandum), the Chief Executive Officer (CEO) recommended approval of measures and goals to assess performance for purposes of the Corporate Multiplier under the Winning Performance Team Incentive Plan (WPTIP) and Executive Annual Incentive Plan (EAIP) for FY 2017; and

WHEREAS the People and Performance Committee has reviewed the Corporate Multiplier performance measures and goals for FY 2017, as described above, and recommends their approval;

BE IT RESOLVED, That the Board approves the WPTIP and EAIP Corporate Multiplier performance measures and goals for FY 2017 as set out in the Memorandum and its attachments;

RESOLVED further, That the Board hereby authorizes and directs the CEO to set and approve the performance measures and goals for FY 2017 to be used with the Corporate Multiplier in determining incentive awards under the WPTIP and EAIP.

* * *

16-03-15. Long-Term Incentive Measures and Goals

The Board adopted the following resolution as recommended in a memorandum from the President and Chief Executive Officer, dated August 22, 2016, and filed with the records of the Board as Exhibit 8/25/16M:

WHEREAS in a memorandum dated August 22, 2016, a copy of which is filed with the records of the Board as Exhibit 8/25/16M (Memorandum), the Chief Executive Officer (CEO) recommended approval of the following Long-Term Incentive Plan (LTIP) performance measures for the FY 2017 – FY 2019 performance cycle: Wholesale Rate Excluding Fuel, Load Not Served, and External Measures; and

WHEREAS the CEO also recommended approval of revised fleet INPO ratings and external measures composite for the FY 2015 - FY 2017 and FY 2016 - FY 2018 cycles; and

WHEREAS the People and Performance Committee has reviewed the proposed LTIP measures, as described above, and related goals, as well as the revised fleet INPO ratings and external measures composite, and recommends their approval;

BE IT RESOLVED, That, with regard to LTIP measures and goals for the performance cycle of FY 2017 - FY 2019, 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 A thereto;

RESOLVED further, That the Board approves revised fleet INPO ratings and external measures composite for the FY 2015 - FY 2017 and FY 2016 - FY 2018 cycles, as set forth in the Memorandum and Attachments B and C thereto.

* * *

16-03-16. Health Plan Administration Services

The Board adopted the following resolution as recommended in a memorandum from the Senior Vice President and Chief Human Resources Officer, dated July 29, 2016, and filed with the records of the Board as Exhibit 8/25/16N:

WHEREAS TVA, as part of the comprehensive benefits it provides for employees, provides health insurance and medical plans for eligible employees, non-Medicare retirees, and their dependents; and

WHEREAS TVA provides such benefits through self-insured health plans administered by a third party medical plan administrator; and

WHEREAS a memorandum from the Senior Vice President and Chief Human Resources Officer, dated July 29, 2016 (Memorandum), which is filed with the records of the Board as Exhibit 8/25/16N, recommends that the Board approve a new contract for medical plan administration services with BlueCross BlueShield of Tennessee, Inc., TVA's current provider of medical plan administration services, from January 1, 2017 through December 31, 2019, with the TVA option to extend the contract up to four additional years, with total estimated expenditures by TVA and health plan participants of \$1,255,000,000;

BE IT RESOLVED, That subject to any needed final negotiations, the Board approves the contract with BlueCross BlueShield of Tennessee, Inc., with a term of up to seven years, for medical plan administration services as recommended in the Memorandum.

* * *

16-03-17. Pharmacy Benefit Management Services

The Board, with Chair Ritch and Director McWherter recusing themselves from the vote, adopted the following resolution as recommended in a memorandum from the Senior Vice President and Chief Human Resources Officer, dated July 14, 2016, and filed with the records of the Board as Exhibit 8/25/16O:

WHEREAS TVA, as part of the comprehensive benefits it provides for employees, provides prescription drug benefits for eligible employees, non-Medicare retirees and their dependents; and

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

WHEREAS a memorandum from the Senior Vice President and Chief Human Resources Officer, dated July 14, 2016 (Memorandum), which is filed with the records of the Board as Exhibit 8/25/16O, recommends that the Board approve a contract for pharmacy benefit management services with Express Scripts Holding Company from January 1, 2017 through December 31, 2019, with the TVA option to extend the contract up to four additional years, with a total contract amount not to exceed \$525 million;

BE IT RESOLVED, That subject to any needed final negotiations, the Board approves the award of a contract to Express Scripts Holding Company, with a term of up to seven years, for pharmacy benefit management services as recommended in the Memorandum.

* * *

16-03-18. Compensation Plan Updates

The Board adopted the following resolution as recommended in a memorandum from the People and Performance Committee, dated August 11, 2016, and filed with the records of the Board as Exhibit 8/25/16P:

WHEREAS Section 2(g)(1)(F) of the TVA Act, as amended, states that the Board shall establish a compensation plan for employees of the Corporation; and

WHEREAS the Charter of the Board's People and Performance Committee (Committee), as approved by the Board on February 11, 2016, states that the Committee shall review such a compensation plan and make recommendations to the full Board for approval; and

WHEREAS the Committee has reviewed, with its independent consultant (Frederic W. Cook & Co., Inc.), the TVA Compensation Plan approved by the Board in 2007 and, in a memorandum dated August 11, 2016, a copy of which is filed with the records of the Board as Exhibit 8/25/16P (Memorandum), recommends approval of a revised and restated TVA Compensation Plan;

BE IT RESOLVED, That the Board hereby approves the revised and restated TVA Compensation Plan recommended by its People and Performance Committee, as set out in the Memorandum and its attachments.

* * *

Following the conclusion of the Report of the External Relations Committee, Chair Ritch stated the Audit, Risk, and Regulation Committee reviewed Security and Exchange Commission (SEC) regulations requiring the agency to state in its annual financial report whether that Committee includes a financial expert. Chair Ritch then reported the Committee reviewed the qualifications of Director Evans and determined that she meets the SEC's required standards.

* * *

16-03-19. Report of the Audit, Risk, and Regulation Committee

Director Evans, Chair of the Committee, recognized the addition of Directors Lodge and Howorth to the Committee. Director Evans reported the Committee, along with TVA's external auditor, met July 28 and reviewed TVA's 10-Q report to be filed with the SEC. At its August 10 meeting, the Committee received a report from Inspector General Richard Moore and his staff, and also met in executive session with TVA's external auditor and operational and regulatory assurance staff, to receive independent assessments of various activities at TVA and supplementary information on regulatory assurance (matters related to the regulation of TVA's local power companies). Director Evans next provided a brief report regarding Minute Item 16-03-20 and, on behalf of the Committee, moved for approval of the associated resolution.

* * *

16-03-20. Fiscal Year 2017 External Auditor Selection

The Board adopted the following resolution as recommended in a memorandum from the Audit, Risk, and Regulation Committee, dated August 25, 2016, and filed with the records of the Board as Exhibit 8/25/16Q:

WHEREAS in an August 25, 2016, 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 2017;

BE IT RESOLVED, That the TVA Board hereby approves engaging EY as TVA's external auditor for fiscal year 2017.

* * *

Information Items**16-03-21. Delegation to CEO to Approve Contract Amendment With a Customer**

As recommended in a confidential application for Notational Board Approval, a copy of which is filed with the records of the Board as Exhibit 8/25/16R, and in accordance with the TVA Board Practice, Notational Approvals, on July 15, 2016, the individual Board members approved delegation of authority to the Chief Executive Officer to finalize and execute a contract amendment between TVA and East Mississippi Electric Power Association (EMPA) to address a regulatory matter.

The meeting was adjourned at 2:38 p.m. EDT.