

**Tennessee Valley Authority (TVA)
Regional Energy Resource Council (RERC)
January 22-23, 2014
Meeting Minutes**

The Tennessee Valley Authority Regional Energy Resource Council was convened for the second meeting of its first term at 12:52 P.M. on January 22, 2014, at the TVA West Tower Auditorium, Knoxville, Tennessee. Designated Federal Officer Dr. Joe Hoagland and RERC Chair Dus Rogers began the meeting by welcoming the group.

Council members present:

- Dus Rogers, Chair
- Tony Almeida
- Jillian Boxler
- Anne Davis
- Wayne Davis
- Catherine Glover
- Rodney Goodman
- Dave Hrabosky
- Jason Keith
- Wes Kelley
- Bob Martineau
- Len Peters
- Jack Simmons
- Stephen Smith
- Clifford Stockton
- Lloyd Webb
- Susan Williams

TVA Staff present:

- Brenda Brickhouse
- Gary Brinkworth
- Cathy Coffey
- Joe Hoagland
- Hunter Hydas
- Beth Keel
- Kelly Love
- Rob Manning
- Kendra Mansur
- Khurshid Mehta
- Mark McNeely
- John Myers
- Scott Self

- Greg Signer
- Liz Upchurch
- Jacinda Woodward

TVA Office of Inspector General

- Jessica Monroe

Facilitator

- Randy McAdams

Members of the Public:

- Cole Adams
- Jason Bentley
- Bill Bissett
- Lauren Bush
- Joe Carson
- Steve Eckert
- Jimmy Glotfelty
- John Hafner
- Mike Halhowitz
- Mark Klan
- Matthew Larson
- Jo Anne Lavender
- Jonathan Levenshus
- Stephen Levy
- Kelly Mader
- Ed Mareum
- Carson Mitchell
- Stefan Partin
- Justin Stevens
- Seth Sullivan

Welcoming Comments - *Dus Rogers, RERC Chair; Joe Hoagland, RERC Designated Federal Officer (DFO), Randy McAdams, Facilitator*

RERC Chair Dus Rogers called the meeting to order at 12:52 PM and welcomed the group.

DFO Joe Hoagland expressed appreciation to the group for their attendance and service on this group and encouraged the group to collaborate and discuss the issues presented today. He also presented a safety message on actions to take in the event of a building emergency.

Randy McAdams, a partner with ScottMadden and meeting facilitator, also welcomed the group.

Meeting Purpose and Recap from October 2013 Meeting - *Randy McAdams, Facilitator*

The focus of this meeting is to have roundtable discussions and gain insight about “the priorities around competing priorities and values.” That will be the focus over the next two days. There are many views represented in this room and we look forward to robust discussion on the issues.

McAdams reviewed the agenda for the meeting with the group. He also reviewed the charter for the RERC and meeting protocols (agenda, meeting minutes, voting, and discussion).

Lloyd Webb asked how the RERC recommendations were sent to the Board. Hoagland answered that the recommendations are sent to the External Relations committee of the TVA Board.

McAdams provided a recap of the October 2013 meeting. Common themes were competitive rates, declining demand, environmental regulations, multi-directional grid and supply-side balance.

Jack Simmons asked for a clarification on rates and suggested TVA clarify whether commercial rates in the slides also includes industrial rate competitiveness.

McAdams provided interactive thought starter or “pulse check” questions to get the group thinking about priorities and trade-offs.

Balancing Business Decisions with the IRP - *Joe Hoagland*

Hoagland provided background on the various business considerations and competing priorities (financial health, rates, reliability, resiliency, environmental stewardship) that TVA must consider in addition to the Integrated Resource Plan recommendations as it makes energy resource decisions. He noted that three guest speakers would provide more in depth discussion on these business considerations.

Dus Rogers asked about the frequency of an IRP. Hoagland answered that TVA planned to do a 4-5 cycle but since so much has change since the 2011 IRP, TVA has started within 3 years of its last release. The IRP looks 20 years into the future.

Hoagland then moved to discuss Board Resolutions from the November 2013 TVA Board Meeting. The 2011 IRP suggested that TVA retire more coal units. The EPA Agreement put TVA on a path to retire units on a given schedule. TVA has some units that are economical to run into the future and others that are being evaluated. The Board made a decision to retire some of these units that were being evaluated.

Len Peters asked how the Paradise fossil plant (PAF) decision was made. Hoagland answered that the IRP is based on a least-cost model and suggested that TVA retire more coal and add more gas. Gas prices are now forecasted much lower than when the 2011 IRP was released. This decrease in prices has driven the decision to add more gas capacity. The two PAF units to be retired needed more environmental controls to continue to run, and it was too expensive to add these controls when compared to natural gas replacement.

Stephen Smith asked about the size of the gas replacement at PAF. Lloyd Webb asked about refueling the boiler with gas at PAF instead of the shutdown. Hoagland answered that it is a design and cost issue. PAF would have to be converted to be able to burn gas in the existing boiler. This would be more expensive than adding new gas capacity at the site. In addition, the size of the replacement gas hasn't been determined, but the decision will be made soon because the clock is ticking on environmental compliance for the existing coal units and generating capacity is needed there.

Hoagland gave an overview of TVA's current coal fleet showing which units will be retired, which units are being evaluated, and which units will continue to operate.

Clifford Stockton asked about Allen fossil plant. Hoagland answered that it is a unique case since it was originally constructed as a gas plant and the boilers have the flexibility to burn coal or gas. TVA is evaluating all the options at Allen.

Dus Rogers asked about the options for alternative use of the sites at Colbert fossil plant and Widows Creek fossil plant if they will not be used for coal generation in the future. Hoagland answered that there is some interest in bringing gas generation to those facilities but there is not currently any gas infrastructure at Widows Creek fossil plant.

Len Peters asked about the messaging of coal unit shutdowns. He said all the discussion is about economics but the slides presented to the RERC say environmental requirements and flat demand. Hoagland answered that those two issues translate into economics in his mind because of the cost of the environmental controls and the expected long term operational cost.

Lloyd Webb asked about Integrated Gasification Combined Cycle and Carbon Capture and Sequestration. Hoagland answered that these two technologies aren't completely off the table but not economically viable for TVA at this point. TVA, as well as everyone else, is interested in what is going on at Kemper but the cost/kW is almost on par with a nuclear plant. Southern Company is learning a lot but it has been a very expensive project.

Dave Hrabosky asked about the generation mix and how it is determined for the future. Hoagland answered the direction is determined by the IRP.

Clifford Stockton said that ozone non-attainment is affecting Memphis, Northern Mississippi, and Eastern Arkansas. He speaks for Memphis and Shelby County in asking that TVA considers full gas conversion at Allen. Hoagland said it is still being evaluated.

Susan Williams asked about capacity needed in 2024 and if all 5500 MW of coal capacity that is planned to be retired will be replaced. Hoagland answered that some additional capacity will be added (Watts Bar 2, PAF gas, etc.) and TVA will evaluate additional capacity needs in the 2015 IRP.

Wes Kelly asked about the 25-25-25-25% mix in the 2011 IRP vs. the 40-20-20-20% portfolio discussed at the November 2013 Board meeting. He suggested that this may be a difference in capacity vs. energy. He questioned the need to do an additional IRP if TVA already have a direction established. Joe answered that the IRP will inform if the 40-20-20-20% portfolio is indeed the best direction in the very complex world our industry is facing today.

Integrated Resource Plan (IRP) Update – Gary Brinkworth, Senior Project Manager, Customer Resources

Brinkworth provided an update on the current status of the IRP process with a primary focus on the scenarios under consideration. He discussed that scenarios define 'world's' TVA will be considering in this round of IRP. 'Strategies' relate to business decisions TVA can determine. Strategies are analyzed to determine if they play well across scenarios.

The process of scenario development starts with uncertainties. Brinkworth discussed the nine key uncertainties and that TVA is consistent with our peers as seen from our benchmark analysis. After scenarios are selected, the modeling team then works to develop numeric components to use in the modeling work.

Stephen Smith discussed that some of us believe humans are destabilizing the climate – and have more extreme weather. But when we see droughts, tornados, etc, at what point does weather become a category because it drives sales, and capital investment. Brinkworth discussed that weather is actually in each of these. TVA does energy and demand forecasting in a way that gets at weather. Most peers also indicate weather important and allow it to feed in how they make decisions.

Bob Martineau asked in addition to weather, does nuclear have a Three Mile Island scenario. Brinkworth responded that the IRP Working Group actually asked us to look at an event that looks at that. TVA and the IRP Working Group together decided to not create a scenario but will test a risk case study by stressing the IRP results by assuming the nuclear fleet is gone.

Jason Keith asked about evaluating uncertainties. He discussed that he would establish a baseline and then run the model many times. Brinkworth responded that TVA will have reference forecast for each one and then use Monte Carlo to run case runs and analysis.

Wayne Davis discussed the challenge with Monte Carlo that is with so many runs and scenarios but not likely that any one will be likely – there are lots of variables. Brinkworth responded that TVA uses a scorecard to keep up with this, and this allows all scenarios to be equally likely. Stakeholders to determine how likely they are.

Jason Keith asked what about energy the fleet is using? Brinkworth responded that TVA defines energy futures and allow strategies to be flexible and allow an optimization tool to work so the balanced fuel mix is different by scenarios. Balanced mix is different depending on the future.

Len Peters asked what are you optimizing on? Brinkworth replied that the IRP team is looking at low cost, and may consider looking at CO2 optimizing. In 2011 they looked at cost optimization, then rate impact.

Brinkworth then discussed the scenarios within five themes and provided additional detail about how scenarios are built. Our stakeholders provide input and prioritization on the scenarios too.

Jill Boxler asked who TVA defines as stakeholders. Brinkworth responded that they are the representative from various groups. Some are on both the RERC and that group.

Brinkworth discussed the scenario ranking process which determined that there were five scenarios TVA should look at. TVA also assesses the scenarios to ensure enough diversity to provide adequate coverage.

Brinkworth asked for comments or observations.

Wes Kelley commented about existing nuclear expansion, where if you are talking about greenfield nuclear expansion isn't that cost unknown? Brinkworth responded that TVA has representative costs, but that is correct we don't really know exact costs.

Lloyd Webb commented that it is not really in the mix – the test is what happens if we don't have nuclear capacity. Brinkworth responded that this is correct, and we are not sure how to design the future of impactful issue.

Len Peters asked what about the perfect storm, if gas becomes costly, and a large carbon tax, where does that leave you with price if you are not considering new nuclear? Brinkworth responded that in some scenarios we may include that. But the volume of gas does not go away – it just costs more. We have scenarios with increasing gas price and increasing carbon regulation cost. Peters also shared Kentucky's analysis, that if gas doubles – there are no job impacts. But if it triples in price, then jobs drop significantly.

Lloyd Webb commented that gas has been volatile in the last few years. But when have lots of coal, utilities think about volatility in relation to coal price.

Stephen Smith asked when are you going to make the dollar assumptions visible to working group and are you going to make Small Modular Reactor numbers available. Brinkworth responded that TVA will share the assumption in will in April and May with the IRP Working Group. Smith also asked how economic development is modeled. Brinkworth responded that TVA has capable modelers in house and we are determining which model to use, and will look at economic development impacts.

Hoagland commented that the recent IRP Working Group presentation materials have been posted on the TVA website if anyone would like to review those.

The Cost of Electricity - Scott Self, VP Enterprise Planning

Self discussed TVA's need to balance rates vs. debt. He presented information around trends in energy use and future projections, changes in customer behavior over time, impacts of demand in energy rates, and TVA's relative competitiveness in residential and industrial rates. TVA's O&M reduction effort is focused heavily on rate competitiveness.

Anne Davis asked for the definition of weather-normalization with respect to a footnote on one of the slides. Self answered that it removes weather related impacts.

Lloyd Webb asked if these projections would be used in the IRP. Brinkworth said these (or updated versions) would be the baseline.

Wes Kelley commented that TVA is getting a lot of value out of an old fleet without adding much debt.

Dave Hrabosky asked about the steep slope of declining sales until FY 14 and why FY14-16 increases. Self responded that the last few months of FY13 and FY14, TVA has seen greater than 0.8% increase in sales.

Stephen Smith asked about the impacts of PAF gas, Watts Bar 2, Gallatin, and Allen to debt. Self responded that TVA is adding some debt but TVA is paying off a majority of that debt as it is accrued.

Reliability/Resiliency - *Jacinda Woodward, SVP Transmission*

Woodward discussed that TVA is responsible for the transmission of electricity but also integrating the generation assets so power is available where it is needed.

The transmission system and generation system are modeled together to make sure the grid is reliable and able to meet load in the areas where it is needed. TVA needs assets that are good at following the load. Baseload generation assets are not good for this, but intermediate and peaking units are able to follow load. TVA has two systems operations centers per NERC requirements that allow TVA to see transmission and generation systems as well as load and outage information to prevent outages or blackouts.

Load Not Served looks at system outages and is measured in system minutes. The leading causes of outages are aging assets and weather.

Dus Rogers asked how the 2011 storms affected this measure. Woodward responded that TVA has the ability to remove force majeure measures from this metric but TVA responded well to these events. The system was able to serve load within the week. Stephen Smith asked if TVA is seeing an increase in weather-related outages. Woodward said that there is a certain threshold that an event has to cross before it is excluded but the 2011 tornadoes were excluded from the Load Not Served measure.

Woodward continued to discuss another measure that TVA tracks, Frequency of Outages. Lightning is the #1 cause of outages and contributes to the frequency of outages. TVA has done some lightning mitigation in corridors that are prone to lightning strikes to reduce outage frequency. TVA also tracks Consistency of Voltage to minimize voltage fluctuation.

Dus Rogers asked how involved Woodward is in unit decisions for voltage support. She answered that she is very involved in system planning for capacity retirements, capacity additions, power purchases, etc.

Woodward showed a demand load chart of the January 5-January 8, 2014 cold weather event and discussed the way units dispatch to meet high demand. She discussed how the combustion turbines are held for energy reserves. NERC standards require utilities to hold in reserve enough megawatts of generating capacity to meet the load of the utility's largest generator within 15 minutes (TVA's largest is Cumberland fossil plant - 1300MWs). The Eastern interconnect was below its normal reserve so TVA had to purchase and run combustion turbines to meet demand.

Jack Simmons asked for a MW per degree figure to meet load. Woodward said that in the teens, you need about 400MW per degree that the temperature changes.

Stephen Smith asked how interruptibles are communicated. Woodward answered that operators know which contracts to hit in which order for reliability. TVA also has interruptibles for economics so they could ask for interruptions because it would be cheaper to pay the customer to interrupt than to purchase power. In the first week of January, TVA called on every interruptible product they had on the books.

When planning for resiliency, projects must be in place to ensure power can still be delivered where it is needed.

TVA is one of 23 planning authorities in the Eastern Interconnection and has to model the impact of neighboring utilities' decisions to maintain resiliency in the event of fluctuations. It is a very integrated system.

Stephen Smith asked if adding high-voltage DC lines would make the system more reliable or resilient. Woodward answered that TVA would evaluate it just like any other generation project. He also asked if it would give TVA more options. Woodward said it would offer more generation options but TVA has 68 AC connections that can bring in power from anywhere in the country.

Environmental Stewardship - Brenda Brickhouse, VP Environment

Brickhouse introduced TVA's Environmental Policy which was established in 2008 to provide areas of focus. She focused primarily on four of the areas defined in the Policy: carbon, air quality, water resources and waste, and also discussed briefly the other components natural resource and land management.

Brickhouse discussed TVA's projected 40% reduction by 2020 in carbon dioxide emissions, which will be achieved by completion of Watts Bar Unit 2 and plant closures. The presidential Climate Action Plan directs a 17% reduction by 2020. Stephen Smith commented that this is such a good news story and that TVA isn't saying this to their customers who care about carbon footprint of what they buy. Clifford Stockton commented that in the area he represents, this needs to be known. He encouraged TVA to communicate these figures, including to businesses and industries.

Stephen Smith asked whether the red line on the Coal Combustion Product slide reflects the amount sold. Brickhouse clarified that this it is how much is being dry handled. The blue line is how much is generated per year. He also asked how is legacy ash reflected. Brickhouse responded that legacy ash not reflected on this chart. Anne Davis asked if TVA has plan for legacy ash. Brickhouse responded that TVA is closing ponds and decommissioning plants.

Wes Kelley asked if the chart refers to dry ash and gypsum. Brickhouse responded that it includes bottom ash, fly ash, and gypsum. He also asked about dust issues associated with storage of dry ash. Brickhouse responded that TVA 'conditions' ash by wetting it. TVA also actively manages open cells, and closes and vegetates cells.

Brickhouse also discussed TVA's SO₂ and NO_x emission reductions which are attributed to controls and retirements. Daily and annual emissions fluctuate some due to outage and weather, but overall we are in better shape to allow room for more economic development expansion.

Brickhouse discussed TVA's water management and that the river has many competing uses and interests. TVA's River Operation Center balances competing priorities of flood reduction,

hydrothermal generation, navigation, recreation and natural resources every day. It is a balancing act and that she thinks TVA does well.

She also discussed TVA's waste management, in particular our coal combustion product reduction due to dry handling and closures and how less water is used. For our plans after 2017, the direction is to continue to move to dry. The current trajectory on the chart represents projects on the ground now. We are anticipating new regulations coming that will tell us how to handle waste and water. So rather than invest now, we are waiting to see the specifics of these new regulations and how they affect how we operate in the long haul.

Brickhouse discussed our environmental regulatory outlook, that we generally know what is coming, and that it really is an ongoing conversation to understand the regulations and where they are anticipated to go in the future.

Day 1 Wrap-Up/Comments - Randy McAdams

McAdams wrapped up the presentations by discussing that there are several themes around the need to balance competing priorities – rates, reliability and responsibility. TVA has good stories here, as well as challenges.

Tomorrow the Council will further discuss these competing priorities and, if possible, reach consensus on some recommendations for the Board.

January 23, 2014

Recap From Day 1 - Randy McAdams

McAdams reviewed what was done on Day 1 and set the context for evaluating competing priorities. He reviewed the evolving reality that there are multi-directional pressures from demand side and supply side resources and there are trade-offs.

In the quick “pulse check” yesterday, the Council’s vote indicated that the most important goals for the Valley are affordable power, reliable power, and economic development/jobs creation.

McAdams suggested the Council give feedback on three main questions:

1. What goals should TVA consider when making energy resource decisions?
2. Should something else guide or dictate TVA’s decision making?
3. If TVA’s public mission goals should be the foundation for its energy resource decisions, should those be prioritized or weighted and if so, how?

Dus Rogers echoed his concerns about economic development in Jackson County, AL, with Widows Creek idling 7 units and Bellefonte nuclear plant not being completed. He is looking for low-cost reliable electricity to attract economic development to the area.

Lloyd Webb said he is concerned that system reliability needs to be addressed by the Board and the RERC in light of the coal asset decisions. For context, he is seeing accelerated retirements of coal units across the country and those retirements are affecting system reliability. In high-load events, there are large voltage swings that are affecting high-efficiency motors for industrial customers. TVA staff has assured Mr. Webb that the reliability issues are taken care of but he hasn’t seen any modeling results to make him feel like the system is secure. He is not seeing any voltage issues on the TVA system but thinks it could be an issue as more units are shut down.

Anne Davis suggested that the Board Committee meetings be open to the public.

Wes Kelley suggested that TVA become a national leader on energy issues. He thinks that TVA needs to capitalize on its unique business model to avoid becoming just another utility. He voiced skepticism that “frugality” was a sufficient branding theme to show TVA leadership

Len Peters stated that you cannot always balance the competing priorities. The discussion of prioritization of issues is very important and TVA needs to decide what its number one priority is. Affordable power should be the number one priority as TVA is in the heartland of the manufacturing sector and must preserve that.

Stephen Smith suggested that there may be a difference between what is best for local economic development and what is best for the region. You may have to make tough decisions that affect a small area but are better for the region as a whole. He also seconded the idea that Board Committee meetings should be open to the public. He also said that competing priorities are converging more than ever before. Technology is improving and utilities have to be willing to change from the traditional model. Utilities are used to electrons flowing in one direction but we are moving to a multi-directional electron flowing model. Customers are becoming more and more involved in how, when, how much energy they receive, consume, etc. TVA needs to be a leader in responding to this sea change in the utility model instead of resisting the change.

Wayne Davis asked how much energy and effort has been given to finding jobs for displaced people from retired power plants. He pondered how TVA should protect the welfare of the people as we embrace change and shut down coal plants in rural areas where the coal plant is the main source of jobs.

Tony Almeida said the IRP scenario that really caught his eye yesterday was the customer driven resources. Prices are going to move the market and the customers are going to respond. TVA is making long-term decisions in a time when things are changing so rapidly. TVA needs in-house talent to make sure it can see change coming and how it will impact TVA.

Lloyd Webb said he doesn't see distributed generation being a big player in the utility model going forward. He said he doesn't see it being cost-competitive with centralized power plants short of government incentives.

Len Peters said that the manufacturing industry is one where displaced utility workers will find work. The southeast has a manufacturing sector that is very energy-intensive. We have to ensure that we are not doing harm to the manufacturing sector that is competing internationally.

Susan Williams says she is encouraged by what TVA is doing in clean energy and retiring coal plants but it also has to maintain jobs. It is hard to anticipate what is coming in 10 years and how it will affect jobs. Economic development is also a priority for the states that TVA serves. TVA's main priority should be affordable reliable power.

Stephen Smith said that the paradigm shift for the utility industry will start off slow and then ramp up rapidly. He sees technology advancing rapidly and driving the utility to change how it relates to the customer. He sees carbon as a global issue and all countries need to be held to the same standard so there is no shortcut or loophole. He suggested a 40% nuclear, 30% fossil (coal and gas), 30% (hydro, EE, other) mix of generating assets.

Jillian Boxler said TVA should look at geographic distribution of assets and resources and put money back into the economy where plants are retired. She also asked that TVA coordinate and communicate upcoming Board decisions to the states in advance if possible so they can draw on their resources to help affected communities.

Wes Kelley said the pace of change will be driven by electric rates.

Anne Davis said that there is a lot of solar demand that is not being met because of program limits. She also wanted to note that there are some environmental groups that think that 40% reliance on nuclear is too high.

Dave Hrabosky said that, for every steel manufacturing job, there are seven other jobs to support it. The steel industry is a good economic indicator for the health of the economy. The steel industry is energy intensive and very efficient. If there are reliability issues, it takes a long time for a steel plant to recover. Also, he would like to see increased consumption at steel plants in an efficient way. That is good for the region.

Rodney Goodman said he represents the low income population and would like to see TVA's programming for energy efficiency expand to reduce energy consumption. If you can do it in a low income setting, you can do it in any setting.

Bob Martineau echoed that the most reliable, cheapest, cleanest kWh is the one that is not generated. TVA has a good story and a marketing advantage with respect to carbon to attract economic development to the region.

Public Comment Period - Randy McAdams, Facilitator

Bill Bissett with Kentucky Coal Association represents coal industry in KY. He stated that TVA needs to listen to the 13,000 coal miners in KY. TVA also needs to listen to the rate payers to see what they want. TVA should not make long-term decisions based on natural gas prices because they are not sustainable. Coal faces challenges from an air emissions standpoint but its fuel price is more stable than the uncertain future of natural gas prices. TVA shouldn't base its decisions to shut down coal units based on a natural gas price forecast.

Cole Adams with CFACT conducted surveys to see how college students feel about fossil fuel generation. College students want affordable, reliable power over renewable power.

Matthew Larson, Attorney with Wilkinson, Barker, Knauer, LLP, discussed that he agrees affordable power is the number one goal. Power should be sold at rates that are low as feasible in accordance with the TVA Act. He also asked that Board Committee meetings be public, and that modeling and economic data be made public. For generation percentages, the analysis needs to support the 40-20-20-20% direction instead of making the numbers work to end at that goal.

Jimmy Glotfelty with Clean Line Energy discussed that they continue to make progress. DOE is completing their environmental review and will issue the environmental impact statement soon, with a record of decision at the end of 2014. Clean Energy will file to become a public utility in TN in the first quarter on 2014. The cost of wind is coming down dramatically: \$24/MWh fixed price for 20 years. Transmission cost would be added to that price to make it about \$40/MWh total. The capacity factor is 55-60%.

Joseph Carson discussed the Civil Service Reform Act. He stated that TVA has a poor safety record at its nuclear plants and it putting the public's health and safety at risk.

Council Advice - Randy McAdams, Facilitator and Council Members

A set of bullets attempting to summarize advice heard thus far was provided as a starting basis for consideration by the Council. There was robust discussion and further refinement of the bullets to capture the sentiments and advice provided by Council members. The Council acknowledged the complexity of issues and the desire to continue to delve into these matters more over the term of the Council.

A motion to approve the revised advice was made by Anne Davis and seconded by Catherine Glover. The motion to approve carried unanimously.

RERC Approved Advice Statement:

While never sacrificing reliability and safety, the Council recognizes and endorses TVA's focus on financial discipline, and providing for affordable costs based on efficient consumption of electricity. In addition, the Council makes the following preliminary observations:

1. *The utility business model is clearly changing. Given its unique position, the Council believes that TVA should embrace this change in a leadership role, particularly related to adoption of innovative technologies. It is critical that TVA work with its customers (e.g., Local Power Companies, Direct Serve customers, etc.) in addressing these technologies.*
2. *The Council believes that TVA must balance certain priorities, including environmental stewardship, competitive rates, system reliability, economic development, and workforce impact. TVA must not allow focus on near-term cost reduction to undermine its essential priorities of technology innovation in both supply-side and demand-side technologies.*
3. *Given TVA's responsibilities as articulated in the TVA Act, it has a broader imperative than investor-owned utilities. Business decisions should reflect the interest of all stakeholders in the Tennessee Valley. An important consideration should be the impact of decisions on local communities*
4. *The Council recommends the TVA Board considers in its deliberations the importance of ensuring system reliability, including voltage impacts, in addition to economic analysis when making asset decisions.*
5. *The Council believes it is critical for TVA to engage with stakeholders when making business decisions. To ensure transparency, Council recommends that TVA consider opening Board committee meetings.*

Closing Comments - *Dus Rogers, RERC Chair; Joe Hoagland, RERC Designated Federal Officer (DFO), Randy McAdams, Facilitator*

Hoagland discussed next steps including preparation of the minutes. Kelly Love clarified that RERC Minutes are approved only by the Chair rather than the full Council. Hoagland also discussed the next meeting planned for mid-May 2014. Hoagland thanked the Council and expressed appreciation for their input and advice.

Dus Rogers closed the meeting with an appreciation to the Council members that they were able to provide good discussion points in a respectful manner.

Meeting Adjourned by RERC Chair Dus Rogers at 12:01 p.m. ET

Minutes Approved:


Dus Rogers, RERC Chair

Date:

