

No. 13-04

Approved by the Board of Directors
at its February 13, 2014, meeting:

Original signed by Ralph E. Rodgers
Executive Vice President, General
Counsel and Secretary

MINUTES OF MEETING
OF
THE BOARD OF DIRECTORS
TENNESSEE VALLEY AUTHORITY
NOVEMBER 14, 2013

A meeting of the Board of Directors of the Tennessee Valley Authority was held at The Inn at Ole Miss, 120 Alumni Drive, Oxford, Mississippi, on November 14, 2013. The meeting was called to order at 10:33 a.m. (CST) after an approximately nineteen minute break following the listening session, which began at 9:00 a.m. (CST). The meeting was announced to the public on November 7, 2013. The meeting was open to public observation.

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

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

Chairman Sansom presided over the meeting, which was duly called, notice to each Director having been delivered pursuant to section 1.2 of the Bylaws governing meetings of the Board of the Tennessee Valley Authority. A quorum was present.

* * *

13-04-1. Welcome

Chairman Sansom called the meeting to order, welcoming all and thanking those participating in the listening session for their presence and comments. Chairman Sansom then thanked Director Howorth for providing the Board with a tour of Oxford, and welcomed Director Brown back to the Board. At this point Chairman Sansom invited and received comments from Pete Mattheis, Chairman of the Tennessee Valley Industrial Committee (TVIC), and Wayne Henson, General Manager of East Mississippi Electric Power Association and Chairman of the Board of the Tennessee Valley Public Power Association (TVPPA), both of whom expressed appreciation for the work of Director McBride, in light of the impending expiration of his current term on the Board. Chairman Sansom then thanked Brad Robinson, Chairman of the Northeast Mississippi Public Power Association, for hosting the Board's breakfast on the morning of the

meeting, and recognized several individuals in the audience, including: Mindy Maxwell and Bill Canty from U.S. Senator Thad Cochran's office; Drew Robertson from U.S. Senator Roger Wicker's office; Mike Armour and Sandra Perkins from the Appalachian Regional Commission; Joe Geddie, Executive Director of the North Mississippi Industrial Development Association; Jack Simmons, President of the TVPPA; Robert Collier, General Manager of the Northeast Mississippi Electric Power Association; Rob Neely, Superintendent of the Oxford Electric Department; and John Van Mohl, Secretary of the TVIC.

* * *

Old Business

The Board approved the minutes of its August 22, 2013, meeting.

* * *

New Business

13-04-2. President's Report

President and Chief Executive Officer William D. (Bill) Johnson welcomed Director Brown back to the Board, and on behalf of TVA staff, expressed appreciation to the staff and students at Ole Miss for their hospitality. Mr. Johnson then remarked on TVA's connections to and interests in the State of Mississippi. Mr. Johnson mentioned fiscal and operational challenges faced by TVA in Fiscal Year 2013 (FY13), but stated that overall TVA employees worked safely and found ways to reduce costs significantly. Mr. Johnson expressed his

appreciation for and thanks to TVA employees for their efforts and commitment. In response to lower sales, Mr. Johnson stated that TVA's top priority for Fiscal Year 2014 (FY14) is to reduce Operations and Maintenance (O&M) expenses by \$500 million dollars, in line with expected revenues.

Mr. Johnson stated that TVA generated slightly more power in FY13 than in previous years, and that 57 percent of the power generated was from cleaner energy sources, including nuclear, natural gas, hydro, and renewables. That electricity was delivered with 99.999 percent reliability for the fourteenth consecutive year. At Browns Ferry and TVA's other nuclear units, Mr. Johnson stated that TVA has focused on meeting regulatory and performance standards for safe and effective commercial operations, and implementing improvements to material conditions as well as employee and leadership behavior. Mr. Johnson stated that TVA is on track to complete Watts Bar Unit 2 by the end of calendar year 2015. Mr. Johnson discussed TVA's continuing evaluation of its coal-fired capacity since entering into agreements in 2011 to retire many less economical coal units, and described the role played by TVA's natural gas-fired power plants in meeting power demand efficiently.

Mr. Johnson stated that TVA's FY13 environmental performance was very good, as measured by the number of reportable environmental events, notices of violation, and air quality. Mr. Johnson also noted that TVA is continuing to reduce its carbon emissions aggressively. Mr. Johnson noted the excellent work of TVA's employees in successfully managing the river system during record rainfall in FY13.

With regard to economic development, Mr. Johnson stated that, despite the slow economic recovery, TVA helped to attract or retain approximately 52,000 jobs across the region and bring about capital investment of approximately \$5 billion in FY13. Mr. Johnson stated that TVA is working to improve its power rates for industries and all customers, and he reported that as of October approximately 90 percent of TVA's direct-served customers and 80 percent of the industries served by local power companies have applied to participate in TVA's rate reduction programs.

Mr. Johnson stated that as TVA begins FY14, it is focused on improving performance, reducing costs, and becoming more efficient. Mr. Johnson remarked on the fundamental shift in how consumers and businesses use energy, marked by greater efficiency and lower use at peak times. Programs offered by TVA and local power companies to help consumers and businesses manage energy use, combined with this shift and a slow economy, mean that power demand is not growing as much as it has historically. As a result, TVA will need less base-load power and more intermediate generation in coming years. In addition, the power to be produced will need to be cleaner to meet a number of environmental regulations which, over the next decade, are expected to require more stringent environmental controls and tight operating limits.

Mr. Johnson stated that TVA must live within its means by being financially responsible with its spending and borrowing. He identified FY14 priorities as: aligning spending and revenues; improving operational performance; improving nuclear performance; evaluating the remainder of the coal fleet; stimulating economic development and investment; expanding customer loyalty and relationships; managing the Tennessee River system; protecting and improving our natural resources; and supporting the use and enjoyment of public lands. With respect to improving

operational performance, Mr. Johnson stated that TVA's future generating fleet will need to look different than it has in the past, and that the Board would be asked during this meeting to amend the fleet plan approved with the budget in August to give TVA management the flexibility to respond to the new business environment. Mr. Johnson stated that the amended fleet plan will include exceeding prior commitments with the Environmental Protection Agency (EPA) with respect to coal-fired power plants. The recommended plan would not affect the approved budget, but is designed to result in a future generation fleet comprised of approximately 40 percent nuclear, 20 percent coal, 20 percent gas, and 20 percent hydro, renewables and efficiency.

At this point Mr. Johnson responded to questions from Director McBride, Chairman Sansom, and Director McWherter, regarding the effort to make hydro more efficient (hydro modernization), the status of Raccoon Mountain, and future plans with respect to purchased power, respectively.

Copies of the slides used by Mr. Johnson in his report are filed with the records of the Board as Exhibit 11/14/13A.

* * *

13-04-3. Report of the Finance, Rates, and Portfolio Committee

Director Mahurin, Chairman of the Finance, Rates, and Portfolio Committee, reported that the Committee met on October 30 and received updates on TVA's year-to-year financial

performance and hedging policies. Director Mahurin then requested and received reports from John Thomas, Executive Vice President and Chief Financial Officer, regarding Minute Item Nos. 13-04-4 and 13-04-5, and from Bill Johnson, President and Chief Executive Officer, and Chip Pardee, Executive Vice President and Chief Operating Officer, regarding Minute Item Nos. 13-04-6 and 13-04-7, respectively.

Copies of the slides used by Mr. Thomas with regard to Minute Item No. 13-04-5 are filed with the records of the Board as Exhibit 11/14/13B. Copies of the slides used in the presentation by Mr. Johnson and Mr. Pardee regarding Minute Item Nos. 13-04-6 and 13-04-7 are filed with the records of the Board as Exhibit 11/14/13C and Exhibit 11/14/13D, respectively.

* * *

13-04-4. Financial Performance Update

John Thomas, Executive Vice President and Chief Financial Officer, reported that TVA would file its annual Form 10-K Report with the Securities and Exchange Commission (SEC) on November 15. He then provided a high-level summary of TVA's FY13 financial performance. Mr. Thomas reported that Base Revenues were below plan, but fuel cost also was below plan, due to higher rainfall, runoff, and hydroelectric generation. This fuel cost favorability was somewhat offset by natural gas prices, which were above plan early in the year. From an overall cash flow perspective, lower revenues were offset by other actions that TVA took to reduce O&M expenses and scale back capacity expansion plans.

Mr. Thomas then discussed positive and negative drivers of FY13 financial performance, made comparisons with Fiscal Year 2012 (FY12) performance, and reviewed the FY13 Income Statement and the FY13 Cash Flow Statement. Mr. Thomas reported that TVA ended FY13 with approximately \$1.6 billion in cash. He stated TVA will plan to use that cash to fund overall capital investment needs in 2014 and to accelerate the debt reduction plan previously discussed with the Board as a part of the budgeting process.

Mr. Thomas stated that, utilizing the financial guiding principles the Board helped establish, TVA has invested \$12 billion (since 2008), much of it adding new generation resources, particularly natural gas assets, but also investing in the reliability of the assets currently in the portfolio, while overall incurring only \$2.8 billion in incremental debt. The overall long-term coupon rate for TVA's debt has been reduced from 5.8 percent to 4.9 percent, and the average debt term has been extended from sixteen to eighteen years.

Upon completion of Mr. Thomas's report, Chairman Sansom elicited clarification on some of the figures discussed, Director McBride commented on the success of TVA's efforts in retaining United States Enrichment Corporation (USEC) as a customer longer than would have been possible otherwise given USEC's business condition, and Director Mahurin both complimented TVA management and staff on FY13 financial results, and expressed concern about maintaining cash at appropriate levels.

Copies of the slides used by Mr. Thomas in his report are filed with the records of the Board as Exhibit 11/14/13E.

* * *

13-04-5. Section 13 Tax Equivalent Payments

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Financial Officer, dated October 16, 2013, and filed with the records of the Board as Exhibit 11/14/13F.

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

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

WHEREAS pursuant to a resolution approved by the Board on November 15, 2012, such payments were made during the fiscal year ended September 30, 2013, to the states and counties in accordance with the preliminary estimates approved in said resolution; and

WHEREAS there have now been prepared and reviewed with the states and counties data showing the amounts actually due the states and counties for the fiscal year ended September 30, 2013; and

WHEREAS a report setting forth the basis upon which such amounts have been calculated and containing the aforesaid data accompanied a memorandum to the President and Chief Executive Officer, from the Chief Financial Officer dated October 16, 2013, which report and memorandum are filed with the records of the Board as Exhibit 11/14/13F; and

WHEREAS Schedules 1, 7, and 8 of Exhibit 11/14/13F include estimates of the amounts due to the states and counties under Section 13 for fiscal year 2014; and

WHEREAS final determination of the amounts due under Section 13 for fiscal year 2014 will require additional studies which may consume several months; and

WHEREAS the Board desires to make payments for fiscal year 2014 on the basis of the estimated annual payments for fiscal year 2014, subject to such adjustments therein during the

fiscal year as may be necessary to make the respective sums of the payments conform to the total amounts finally determined to be payable for fiscal year 2014; and

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

BE IT RESOLVED, That the Board of Directors, in accordance with Section 13 of the Tennessee Valley Authority Act, as amended, hereby finally determines that the amounts set out in Schedules 2 and 5 of Exhibit 11/14/13F are the amounts due and payable for the fiscal year ended September 30, 2013, to the respective states and counties named in said schedules; provided, however, that if there is any property for which TVA has a contingent tax replacement responsibility determinable by an assessment not yet made or not yet brought to TVA's attention or determinable by other factors not yet resolved, appropriate adjustments shall be made, in accordance with established procedures, in the amounts payable under Section 13 for this or any subsequent fiscal year after such tax replacement responsibility has been determined;

RESOLVED further, That the Chief Financial Officer is hereby authorized and directed to make payments to said states and counties in accordance with the aforesaid schedules and to adjust the payments heretofore or hereafter made so that the respective sums of the payments for fiscal year 2013 will conform to the amounts shown in said schedules;

RESOLVED further, That the Board authorizes and directs the Chief Financial Officer to make, or cause to be made, payments, including monthly installment payments not in excess of one-twelfth of the estimated annual payments for the fiscal year ending September 30, 2014, to the respective states and counties for the month of October 2013 and each month thereafter in fiscal year 2014, all as provided in Exhibit 11/14/13F, until the Board has made a final determination of the respective amounts due for said fiscal year; provided that the Chief Financial Officer is hereby authorized to make, or cause to be made, as soon as administratively feasible, tax equivalent payments to any additional states and counties found to be entitled thereto for fiscal year 2014 on account of power property purchased and operated by TVA during fiscal year 2013, said payments to be later confirmed and adjusted when the final amounts payable for fiscal year 2014 shall have been determined and approved by the Board in accordance with established procedures;

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

RESOLVED further, That the Board determines that in determining under Section 15d(g) the amount of the reduction of the Section 13 payment otherwise due a state, the contribution of the

Leased Facility to the Section 13 payment attributable to holding the Leased Facility shall be determined based upon how TVA accounts for the Leased Facility and the contribution of the Leased Facility to the Section 13 payment attributable to selling electric energy generated from the Leased Facility shall be calculated using the assumption that the sales of electricity from the Leased Facility are apportioned among the various states in TVA's service area using the same proportion that the states contribute to TVA's gross power proceeds under Section 13;

RESOLVED further, That the Chief Financial Officer shall cause to be explained to the appropriate state and county officials that said payments for fiscal year 2014 are based upon preliminary estimates and are subject to later adjustment.

* * *

13-04-6. Fossil Plant Retirements

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Operating Officer, dated November 4, 2013, and filed with the records of the Board as Exhibit 11/14/13G:

WHEREAS by a resolution dated April 14, 2011, the Board directed TVA management to bring to the Board any plans for the future retirement of TVA's existing coal capacity; and

WHEREAS the Environmental Protection Agency's (EPA) Mercury and Air Toxics Standards (MATS) rule requires TVA and other operators of coal-fired power plants to take action to further reduce emissions from their plants, that, for TVA, would include the installation of new emission controls at Colbert Fossil Plant Units 1-5 and Widows Creek Fossil Plant Unit 8; and

WHEREAS the April 2011 agreements between TVA and EPA and between TVA and several environmental advocacy groups and Valley states require TVA to further reduce emissions at Colbert by installing controls, retiring the units, repowering the units, or idling the units; and

WHEREAS as set forth in a memorandum dated November 4, 2013, the Chief Operating Officer (COO), after considering TVA's future generation and operational needs and the costs and timing necessary to install environmental controls at Colbert Units 1-5 and Widows Creek Unit 8, recommends that the Board approve retirement of those units;

BE IT RESOLVED, That as recommended in the COO's November 4, 2013, memorandum, the Board approves retirement of Colbert Fossil Plant Units 1-5 and Widows Creek Fossil Plant Unit 8, with such retirements to be effective on a date or dates to be determined by the Chief Executive Officer based on TVA's fiscal and operational needs and TVA's obligations under MATS and the Environmental Agreements.

* * *

13-04-7. Paradise Gas Plant

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Operating Officer, dated November 4, 2013, and filed with the records of the Board as Exhibit 11/14/13H:

WHEREAS the TVA system needs generation at the Paradise Fossil Plant site in order to meet system reliability and stability requirements; and

WHEREAS those needs are currently being met in part by Paradise Fossil Plant Units 1 and 2; however, those units will need to have additional emission controls installed in the near future in order to meet the Environmental Protection Agency's mandatory Mercury and Air Toxics Standards (MATS); and

WHEREAS the Board conditionally approved the budget for a capital project for installation of those controls at the Board's August 2012 meeting; and

WHEREAS as set forth in a memorandum dated November 4, 2013, which is filed with the records of the Board as Exhibit 11/14/13H, the Chief Operating Officer (COO), after considering TVA's system reliability and stability requirements and other operational needs and the costs and timing necessary to install emission controls at Paradise Fossil Plant Units 1 and 2, recommends that the Board cancel the budget authorization for additional controls, authorize construction of a gas-fired plant at the Paradise Fossil Plant site (the "Paradise Gas Plant") at an estimated cost of \$1.12 billion, and retire Paradise Fossil Plant Units 1 and 2 after completion of the Paradise Gas Plant;

BE IT RESOLVED, That the Board approves cancellation of the budget for the Paradise Fossil Plant Unit 1 and 2 controls project, construction of the Paradise Gas Plant at an estimated cost of \$1.12 billion, and the retirement of Paradise Fossil Plant Units 1 and 2 after completion of the Paradise Gas Plant, as recommended in the COO's November 4, 2013, memorandum.

* * *

During discussion among the Board members about this resolution, Mr. Johnson assured the Board that TVA would, as it refined its technology decision, provide Board members with more detailed plans and specific cost studies that address all of the Board members' questions regarding the Paradise Gas Plant and any concerns the Board members may have regarding the final project cost.

* * *

13-04-8. Report of the People and Performance Committee

Director Haskew, Chairman of the People and Performance Committee, reported that the Committee reviewed a number of issues related to TVA's workforce. The Committee met on October 29, and received updated information regarding compensation benchmarking and market analysis from the Board's independent compensation consultant, Towers Watson. The Committee also spent time reviewing the compensation disclosure and analysis to be included in the Form 10-K Report that TVA will file with the SEC. Director Haskew reported the Committee spent substantial time reviewing TVA's performance over FY13, and stated the Committee appreciates the work of TVA's employees in achieving the financial results previously reported by the Chief Executive and the Chief Financial Officer. Director Haskew, on behalf of the Committee, then recommended adoption of the resolutions set forth in Minute Item Nos. 13-04-9 and 13-04-10.

* * *

13-04-9. Fiscal Year 2014 Salaries in Excess of Executive Schedule Level IV

The Board adopted the following resolution, as recommended in a memorandum from the Senior Vice President, Human Resources and Communications, dated October 18, 2013, and filed with the records of the Board as Exhibit 11/14/13I:

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

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

WHEREAS the Board does not desire to alter the previously approved guidance as part of any delegation related to Executive Schedule Level IV for Fiscal Year 2014;

BE IT RESOLVED, That the Board hereby delegates to the Chief Executive Officer the authority to approve a list of TVA employees other than the Chief Executive Officer whose salaries will exceed Executive Schedule Level IV for Fiscal Year 2014.

* * *

13-04-10. Extension of Term of Chair

The Board adopted the following resolution (with Director McWherter dissenting):

WHEREAS Section 2(a)(2) of the TVA Act provides that the Board of the Tennessee Valley Authority shall be presided over by a Chairman; and

WHEREAS Section 1.1 of the TVA Bylaws provides that the term of the Chairman shall expire on May 18 of each even-numbered calendar year, unless the Board decides otherwise; and

WHEREAS the Board by action on November 17, 2011 (Minute Item No. 11-04-18), previously extended the term of Director Sansom as Chairman of the Board to run through and including December 31, 2013; and

WHEREAS the People and Performance Committee has reviewed this matter and recommends that the term of the Chairman be conformed with Section 1.1 of the TVA Bylaws;

BE IT RESOLVED, That the Board of Directors hereby approves the extension of the term of Director Sansom as Chairman of the Board to run through and including May 18, 2014.

* * *

13-04-11. TVA Board Practice for Chairman Selection Process

The Board adopted the following resolution:

WHEREAS the Board has from time to time adopted certain practices to address various Board and Board Committee processes and activities or to provide guidance in interpreting provisions of the Bylaws of the Tennessee Valley Authority; and

WHEREAS the Board believes it would be useful and appropriate to adopt a practice outlining the Board's process for selecting a new Chairman for the TVA Board, such selection generally occurring every even-numbered year pursuant to the TVA Bylaws; and

WHEREAS, the People and Performance Committee has developed a TVA Board Practice to aide in the selection of a TVA Board Chairman and has recommended this practice to the full Board;

BE IT RESOLVED, That the Board hereby adopts the TVA Board Practice entitled "Board Chairman Selection Process" as filed with the records of the Board as Exhibit 11/14/13J.

* * *

Following approval of the resolutions contained in Minute Item Nos. 13-04-10 and 13-04-11, Director Haskew, in accordance with the procedures for amending the by-laws, made a motion that at the next meeting of the Board, the Board vote to amend and update the by-laws with

regard to designation of a Director to act as the Board Chairman in the absence of the elected Chairman if the Chairman has not designated another Director to do so. The proposed amendment would change “chair of the governance committee” to “chair of the audit committee” in order to accomplish this update.

* * *

13-04-12. Report of the Audit, Risk, and Regulation Committee

Director McBride, Chairman of the Audit, Risk, and Regulation Committee, reported that the Committee met twice since the last Board meeting, and reviewed TVA’s draft Form 10-K Report to the SEC. This review included meetings with TVA’s external auditors and the Office of the Inspector General. Director McBride stated the Committee expects the Form 10-K Report to be filed after changes are made to reflect the Board’s actions during this meeting. Director McBride reported the Committee continues to work with local power companies around issues of regulation, and appreciates the progress being made in this area. Director McBride pointed out that the Board now has three members with personal experience as leaders of local power companies, Director McWherter, Director Ritch, and Director Evans, and their presence has been invaluable. Director McBride reported the Committee was also updated on TVA’s compliance, risk identification, and risk management programs. Director McBride reported that TVA has made effective and aggressive efforts to reduce its O&M costs, and that the Board’s committees are paying close attention to ensure that cuts are made in as smart a manner as possible, and do not impact critical activities, such as the identification and mitigation of risk, improvement of compliance with regulations governing TVA’s work, and the ability to meet financial and reporting obligations. At

this point, Director McBride recommended approval of the resolution set forth in Minute Item No. 13-04-13.

* * *

13-04-13. Regulatory Assets Related to Bellefonte Nuclear Plant

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Financial Officer, dated November 4, 2013, and filed with the records of the Board as Exhibit 11/14/13K:

WHEREAS the Executive Vice President and Chief Financial Officer (CFO) recommends that the Board of Directors approve recognition of a regulatory asset in the amount of \$573 million for costs associated with the construction of the Bellefonte Nuclear Plant (Bellefonte) currently included in Construction in Progress, together with future approved expenditures related to the Bellefonte project, including spending associated with steam generator payments of \$79 million and maintenance expenditures of approximately \$25 million per year for each of the next two years (FY 2014 and FY 2015), as these amounts are spent in future periods, as all of such amounts are probable of collection in rates over future periods; and

WHEREAS the CFO also recommends that the Board of Directors adjust the period over which the two existing regulatory assets related to Bellefonte (Regulatory Assets - Deferred Nuclear Generating Units and Regulatory Assets - Construction Costs) are recovered by combining these two items with the newly created regulatory asset referenced above and collectively recovering the costs of these assets (expected to total \$1,557 million) in rates at an amount of \$236.3 million per year until fully recovered (approximately 6.5 years);

BE IT RESOLVED, That the Board of Directors hereby approves the recognition of a new regulatory asset in the amount of \$573 million for costs associated with the construction of Bellefonte currently included in Construction in Progress, together with future approved expenditures related to the Bellefonte project, including spending associated with steam generator payments of \$79 million and maintenance expenditures of approximately \$25 million per year for each of the next two years (FY 2014 and FY 2015), as these amounts are spent in future periods, as all of such amounts are probable of collection in rates over future periods;

RESOLVED further, That the Board of Directors hereby combines this new regulatory asset with the other two regulatory assets related to Bellefonte and approves recovery of the costs of these assets collectively at a rate of \$236.3 million per year until fully recovered.

* * *

13-04-14. Report of the Nuclear Oversight Committee

Director Ritch, Chairman of the Nuclear Oversight Committee, reported that the Committee met at TVA's Chattanooga office complex on October 31 and received an update on ongoing construction at Watts Bar Unit 2. At this point Director Ritch requested and received a report from Mr. Pardee regarding Minute Item No. 13-04-15. Following Mr. Pardee's presentation, Director Ritch noted that, in addition to receiving reports from management, the Committee also received a report from TVA's independent nuclear construction review board. Director Ritch stated that all reports indicate the Watts Bar Unit 2 project is proceeding well. Director Ritch reported the Committee also received a nuclear power fleet performance update and that TVA continues to improve its nuclear fleet performance and work toward its goal of top quartile performance in all areas. Director Ritch reported that a number of Board members recently toured the Browns Ferry Nuclear Plant and the Bellefonte site, and that the Committee also visited the Systems Operation Center in Chattanooga.

* * *

At the conclusion of the Committee's report, Chairman Sansom noted that Director Ritch, as had other Directors, attended training at the Institute of Nuclear Power Operations (INPO) in Atlanta.

* * *

13-04-15. Watts Bar Unit Two Update

Mr. Pardee reported that targets previously established for the Watts Bar Unit Two (WBN2) project, related to safety, quality, schedule, and budget, continue to be met and that the project is proceeding with no significant deviations from its plans or budget. TVA continues to apply lessons learned from the Browns Ferry Unit 1 recovery effort and other utilities' ongoing nuclear plant construction activities in Georgia and South Carolina to finishing construction and testing activities, as required to demonstrate compliance with license requirements, prior to commercial operation of WBN2. Mr. Pardee stated that construction of WBN2 is approximately 80 percent complete, so there is now less work pertaining to physical completion and more work pertaining to testing of components and systems. Specifically, open vessel testing is the next significant step; this testing validates performance specifications and TVA's ability to safely and reliably operate plant components and systems together. Crews will begin this testing activity in the spring of 2014. By the end of 2014, TVA will have completed the majority of testing related to individual components, and calendar year 2015 will essentially involve individual systems and integrated system testing. Mr. Pardee stated that upcoming challenges include: integration of the correction of deficiencies discovered during testing into existing work schedules; the pace at which licensing activities are picking up; and the integration of activities at Watts Bar Unit 1 with testing activities at WBN2, which will culminate in a fully integrated operational staff at the end of 2015.

Copies of the slides used by Mr. Pardee in his report are filed with the records of the Board as Exhibit 11/14/13L.

* * *

13-04-16. Report of the External Relations Committee

Director Howorth, Chairman of the External Relations Committee, reported that at its recent meeting, the Committee received updates on a number of things, including the Valley Investment Initiative, TVA's communication strategy, TVA's environmental compliance programs, and TVA's Land Policy. The reports received provide considerable assurance that TVA has an effective plan to reach its objectives in these areas. With regard to the Valley Investment Initiative, Director Howorth reported that more than 380 eligible customers are participating and that changes adopted by TVA should allow even more customers to participate, including smaller operations that will grow into the eligibility requirements with the assistance of program incentives. Director Howorth stated that survey results show TVA is gaining traction with its communication strategy, including a significant upward reputational trend, and TVA's environmental scorecard shows progress against TVA's measurable goals, such as the reduction of reportable environmental events. Director Howorth reported that TVA's Land Policy has continued to generate positive comments from many, but that staff has raised a potentially troubling issue regarding floating homes on TVA reservoirs. These structures are largely stationary and have generated considerable opposition, including concerns over safety, the environment, and the private use of public waters. Director Howorth stated the Committee shares these concerns and has asked staff to initiate an expedited review of the situation and existing regulations because the Committee does not believe individuals should be able to use technicalities to derive special benefit.

* * *

At the conclusion of the Committee's report, Director Brown noted that over the last five years TVA has accomplished the construction of a 1,072 MW virtual power plant by promoting energy efficiency throughout the TVA region. Director Brown further noted that TVA's current overcapacity in generation would be greater if, over this five-year period, TVA had instead added to the generation fleet. In addition, Director Brown noted that thousands of jobs created in support of energy efficiency would not exist but for TVA's efforts in this area.

* * *

13-04-17. Board Committee Appointments to Address Addition of Marilyn Brown

The Board adopted the following resolution upon a recommendation and motion made by Director Sansom and duly seconded:

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

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

WHEREAS Director Marilyn Brown was recently confirmed to the TVA Board so a new slate of membership should be adopted by the Board; and

WHEREAS the Chairman hereby recommends the slate of committee members as set forth below;

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

Audit, Risk, and Regulation Committee

Neil McBride, Chair
Marilyn Brown
Lynn Evans
Joe Ritch

External Relations Committee

Richard Howorth, Chair
Marilyn Brown
Neil McBride
Mike McWherter

Finance, Rates, and Portfolio Committee

Pete Mahurin, Chair
Barbara Haskew
Richard Howorth
Bill Sansom

People and Performance Committee

Barbara Haskew, Chair
Lynn Evans
Pete Mahurin

Nuclear Oversight Committee

Joe Ritch, Chair
Mike McWherter
Bill Sansom

* * *

13-04-18. Resolution Honoring Service to TVA by Director Neil G. McBride

The Board adopted the following resolution:

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

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

WHEREAS Neil G. McBride served on the Board from October 2010 and is now completing his term; and

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

WHEREAS Neil G. McBride has earned respect for his knowledge and leadership, including his work serving on and chairing the Audit, Risk, and Regulation Committee and his guidance on the needs of employees and customers; and

WHEREAS Neil G. McBride has diligently worked on the Board for the benefit of the people of the Tennessee Valley and the United States;

BE IT RESOLVED That the Board of Directors of the Tennessee Valley Authority honors Neil G. McBride for his TVA service.

* * *

The meeting was adjourned at 12:50 p.m. CST.

* * *

Information Item

13-04-19. Settlement of Contract Dispute with Paul C. Rizzo Associates, Inc.

As recommended in an application for Notational Board Approval, a copy of which is filed with the records of the Board as Exhibit 11/14/13M, and in accordance with the TVA Board Practice, Notational Approvals, on October 15, 2013, the individual Board members (i) approved entry into a proposed settlement of a contract dispute with Paul C. Rizzo Associates, Inc. (Rizzo), and (ii) authorized the General Counsel, or his designee, to execute a settlement agreement with Rizzo and any other necessary parties, all upon terms consistent with those set forth in a memorandum dated September 25, 2013, from the Executive Vice President and General Counsel

and the Executive Vice President and Chief Operating Officer, with its attached Confidential Background Paper.