No. 14-03

Approved by the Board of Directors
at its November 6, 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

AUGUST 21, 2014

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 21, 2014. The meeting was called to order at 10:01 a.m. (EDT) after an approximately sixteen minute break following the listening session, which began at 8:33 a.m. (EDT). The meeting was announced to the public on August 14, 2014. The meeting was open to public observation.

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

Also present were TVA officers, including William D. (Bill) Johnson, President and Chief Executive Officer; Ralph E. Rodgers, Executive Vice President, General Counsel and Secretary; John M. Thomas, III, Executive Vice President and Chief Financial Officer; Charles G. (Chip) Pardee, Executive Vice President and Chief Operating Officer; Robin E. (Rob) Manning, Executive Vice President, Shared Services; Joseph Patrick (Joe) Grimes, Executive Vice President and Chief Nuclear Officer; Van M. Wardlaw, Executive Vice President, External Relations; and Rebecca Chunn Tolene, Vice President, Natural Resources and Real Property Services.

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

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14-03-1. Welcome

Chair Ritch welcomed those in attendance and thanked Director Sansom for working with the Board during the transition in the Chair's position. Chair Ritch then acknowledged the presence of those members of TVA's local power distributors and industries in attendance, as well as the presence of TVA's Inspector General, Richard Moore. Chair Ritch welcomed and thanked Jack Simmons, President and Chief Executive Officer of the Tennessee Valley Public Power Association (TVPPA), and both Chair Pete Mattheis and Secretary John Van Mol from the Tennessee Valley Industrial Committee (TVIC), then invited and received remarks from

Mr. Mattheis and Mr. Simmons. Chair Ritch thanked TVA's customers and staff for working to strengthen their relationships, acknowledged the presence of Susan Williams, a former TVA Board member who offered remarks during the listening session preceding the Board meeting, and thanked those viewing the meeting electronically.

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Old Business

The Board approved the minutes of its May 8, 2014, meeting.

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New Business

14-03-2. Chair's Report

Chair Ritch discussed the agenda for the day's meeting and thanked the management team and employees for their hard work during difficult times. Chair Ritch then remarked on TVA's ongoing operational changes and spending reductions, stating that, while some changes have been painful, they will result in a much better organization.

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14-03-3. President's Report

President and Chief Executive Officer William D. (Bill) Johnson thanked the members of the public, those who spoke during the listening session, those watching online, and those with an interest in TVA. Speaking to TVA's customers in attendance, Mr. Johnson stated that TVA values their business and their partnership. Mr. Johnson then acknowledged the upcoming departure from TVA of Rob Manning, Executive Vice President, Shared Services, and thanked him for his efforts. Mr. Johnson announced that Mr. Manning will be replaced by Van Wardlaw, the current Executive Vice President, External Relations.

Mr. Johnson stated TVA is here to serve the people of the Tennessee Valley, to make life better by partnering with local power companies, directly served customers, elected officials, local communities, and many others. TVA carries out its mission by focusing on the key elements of rates, debt, assets, and stewardship in the context of its work on energy, the environment, and economic development. Mr. Johnson stated that the Fiscal Year 2015 budget reflects TVA's continuing efforts to reduce operations and maintenance spending, to modernize and diversify its generating fleet with cleaner and more efficient technology, to increase stewardship activities, and to increase jobs and capital investment in the region.

Mr. Johnson reported that, during Fiscal Year 2014, TVA worked hard to manage its operating expenses and long-term debt, and is making sustainable improvements while adapting to changes in the industry, including less growth in demand, more energy efficiency, new technologies, and new regulatory requirements. Total sales in Fiscal Year 2014 to date are down, but operations and maintenance costs are also down significantly, and TVA is well on the way to meeting its goal of reducing those costs by $500 million by the end of Fiscal Year 2015. Actions to reduce costs have included refocusing on essential activities, accepting almost 1,000 voluntary retirements, eliminating about 1,000 vacant positions, and making a relatively small number of involuntary reductions in force. In addition, during Fiscal Year 2014, TVA has reduced its debt by $1.2 billion, while also investing in the power system to deliver reliable, low-cost, and cleaner energy.

Mr. Johnson stated the total capital budget for Fiscal Year 2015 is $3.5 billion, an all-time high for TVA. This includes about $1 billion of base capital to fund continued operation of current assets, with the rest funding completion of Watts Bar Unit 2, the new (gas) plant at Paradise, environmental controls at Gallatin, the proposed solution at Allen, and significant transmission work. Mr. Johnson reported that funding this capital budget will require an increase in TVA's total debt of $1 billion during Fiscal Year 2015, which will leave TVA with a debt level approximately $1.4 billion below projections in long-range planning. Even with reductions in operations and maintenance spending, the heightened level of capital spending implies an impact on rates, and Mr. Johnson announced that in order to adequately fund the power system in Fiscal Year 2015, the recommended budget will request a modest increase in retail rates of 1.5 percent, slightly below the rate of inflation.

Remarking on TVA's work on energy, Mr. Johnson stated that TVA is continuing to move toward a more diverse portfolio that fits the changing nature of the industry, relying more on cleaner energy sources. Mr. Johnson stated that in May the U.S. Environmental Protection Agency (EPA) proposed guidelines for carbon dioxide emissions from existing coal-fired plants known as the 111(d) Rule. Over the past several decades, TVA has invested more than $5.5 billion in cleaner energy and clean air, resulting in reductions of more than 90 percent in emissions of nitrogen oxide and sulfur dioxide. By 2020, TVA expects its carbon emissions to be at least 40 percent below 2005 levels, and about one-half of what they were at their peak in 1995. As of the end of Fiscal Year 2013, nearly one-half of TVA's generation was from clean energy sources, and carbon emissions were already more than 30 percent below 2005 levels. Mr. Johnson stated that over the remainder of the decade, TVA will add more than 1,800 MW of carbon-free generation to its fleet, approximately 1,600 MW from nuclear and 200 MW from hydro. At this time, it is unknown how much of the work to reduce emissions already done or currently underway will count towards meeting the requirements of the new 111(d) Rule. Nuclear power plants are TVA's largest sources of clean energy, and TVA also is increasing its clean hydroelectric capacity through dam and equipment modernization projects. Mr. Johnson reported that last fiscal year, 16 percent of TVA's power came from renewable energy sources, including hydro, and that TVA has interconnected more than 350 MW of renewable capacity since 2010, in addition to the more than 1,500 MW of wind power under contract. Mr. Johnson stated TVA is working with local power companies to develop new renewable options for consumers and, in the future, will coordinate the acquisition of renewable energy with the Integrated Resource Plan.

Under EPA clear air agreements approved by the Board in 2011, TVA must either retire Allen Fossil Plant or retrofit it by December 2018. The Fiscal Year 2015 budget recommends the retirement of the coal plant and replacement with a 2 x 1 combined cycle natural gas plant, rated at approximately 1,000 MW. Given the level of interest in the decision regarding the Allen

Fossil Plant, Mr. Johnson took time at this point to provide details regarding the decision making process that led to the foregoing recommendation, then stated that other options considered ranged from 80 percent to 360 percent more expensive based on levelized cost of energy, including all costs over the lives of the facilities considered. The recommended plant will emit over 60 percent less carbon dioxide, 90 percent less nitrogen oxide, and almost 100 percent less sulfur dioxide than the existing coal plant. Mr. Johnson stated that plants as large as 1,400 MW were evaluated, but comments were received in the environmental review process urging the use of a smaller plant in order to preserve the opportunity to use other kinds of energy resources, such as renewables, to meet future demand.

Mr. Johnson stated TVA is taking two important steps with regard to energy efficiency. In the Integrated Resource Plan, TVA is modeling energy efficiency and renewables as resources to provide an analytical basis for a better understanding of the value and cost of each. TVA is also working more closely with its local power company partners to coordinate and collaborate on energy efficiency programs.

With regard to the environment, Mr. Johnson reported that, so far in Fiscal Year 2014, TVA has conducted more than 200 stewardship projects including recreation area improvements, watershed improvements, cultural resource protection, reservoir clean-ups, and outreach and education events.

Mr. Johnson stated that the heart of TVA's work in economic development is reliable, low cost electricity, which helps bring jobs to, and keep jobs in, the region. TVA works hard to keep its industrial rates competitive and is in the top quartile with regard to industrial rates nationally. Through July 2014, TVA has helped create or retain approximately 52,000 jobs with employers whose regional capital investments will total almost $8 billion.

Mr. Johnson closed his report with a brief overview of Fiscal Year 2015 priorities.

Copies of the slides used by Mr. Johnson in his report are filed with the records of the Board as Exhibit 8/21/14A.

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14-03-4. Report of the External Relations Committee

Director Howorth, Chair of the External Relations Committee, reported that the Committee met on August 7, at which time it discussed stakeholder relations, customer resources, EnergyRight®, and economic development programs. Director Howorth stated that the Valley Investment Initiative is proving to be a good tool to assist in the recruitment and retention of industry in the region. Director Howorth stated the Committee was also updated on the Integrated Resource Plan (“IRP”) which, in addition to modeling and data analysis, also incorporates input from TVA’s stakeholders. Director Howorth reported that the Regional Energy Resource Council was updated on the progress of the IRP in July, and added that the Regional Resource Stewardship Council will meet in the fall. Director Howorth stated the Committee discussed some of the portfolio options analyzed in the IRP in greater detail, including energy efficiency, renewable energy, and TVA initiatives around wind and solar. Director Howorth added that TVA continues to develop hydro power, using new technology and old fashioned refurbishment to generate additional energy from up to 52 units. Over the past twenty years, TVA has modified 55 hydro units, plus the 4 pumped storage units at Raccoon Mountain, to produce a capacity increase of more than 550 MW, and will be working to extract approximately 200 MW more from the remaining units in the hydro system.

Director Howorth reported the Committee also received updates on the TVA Land Policy and stewardship efforts, including those in connection with the TVA river system. Director Howorth stated the Committee also heard more about how TVA shares its message with the public and stakeholders, and about TVA's corporate citizenship programs. In closing, Director Howorth remarked on the value of Rob Manning's efforts, and congratulated Van Wardlaw on taking over for Mr. Manning.

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14-03-5. Report of the Finance, Rates, and Portfolio Committee

Director Mahurin, Chair of the Finance, Rates, and Portfolio Committee, began by remarking that hydro seems to be the most problem-free energy source TVA has, and stating that TVA should take every opportunity to utilize hydro as fully as possible. Director Mahurin then reported the Committee conducted a teleconference on June 3 related to power supply arrangements with a direct serve customer, and also met on July 24 to hear about TVA's budget. The Committee also discussed the budget and other issues at a meeting on August 6. The August meeting was held at the Gallatin Fossil Plant in order to allow the Board to view progress on the environmental controls project it authorized. The Committee toured ongoing construction, and Director Mahurin stated it is progressing on schedule and on budget. At this point, Director Mahurin requested and received a report from Chip Pardee, Executive Vice President and Chief Operating Officer, regarding Minute Item No. 14-03-6. Following Mr. Pardee’s report, Director Mahurin requested and received a report from John Thomas, Executive Vice President and Chief Financial Officer, regarding Minute Items 14-03-7, 14-03-8, 14-03-9, and 14-03-10.

Copies of the slides used by Mr. Pardee in his report are filed with the records of the Board as Exhibit 8/21/14B.

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14-03-6. Allen Gas Plant

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Operating Officer, dated August 12, 2014, and filed with the records of the Board as Exhibit 8/21/14C:

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

WHEREAS those needs are currently being met by Allen Fossil Plant Units 1-3; however, those units will need to have additional emissions controls installed or be retired by December 31, 2018, to comply with the Clean Air Act Federal Facilities Compliance Agreement between TVA and the Environmental Protection Agency and the related consent decree between TVA and various states and environmental groups; and

WHEREAS as set forth in the memorandum dated August 12, 2014, which is filed with the records of the Board as Exhibit 8/21/14C, 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 Allen Fossil Plant Units 1-3 and construct a coal combustion residual landfill, recommends that the Board authorize construction of a gas-fired

2X1 combined cycle plant at the Allen Fossil Plant site (the "Allen Gas Plant") at an estimated cost of $975 million, and the retirement of Allen Fossil Plant Units 1-3 after completion of the Allen Gas Plant;

BE IT RESOLVED, That the Board approves construction of the Allen Gas Plant at an estimated cost of $975 million, and the retirement of Allen Fossil Plant Units 1-3 after completion of the Allen Gas Plant, as recommended in the COO's August 12, 2014, memorandum.

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14-03-7. Fiscal Year 2014 Financial Performance Update/Fiscal Year 2015 Business Plan and Budget

John Thomas, Executive Vice President and Chief Financial Officer, provided a financial performance update for Fiscal Year 2014, then discussed the Fiscal Year 2015 business plan and budget. Mr. Thomas reported that Fiscal Year 2014 base revenue is $325 million above plan, primarily driven by cold weather in the winter, that operation and maintenance expenses are $133 million below (favorable to) plan, and that interest expenses are $67 million below plan. Mr. Thomas then went over an income statement and a cash flow statement for Fiscal Year 2014 to date, each of which reflected favorable results, including an additional $634 million in operating cash flow, which TVA used to pay down debt, and a level of statutory debt more than $2 billion favorable to plan.

Mr. Thomas stated that the Fiscal Year 2015 budget assumes TVA will live within its means and reduce operations and maintenance expenses by $500 million by 2015, and also stated that it includes an increase in debt of approximately $1 billion, due to continuing work on nuclear construction and other capital projects. Mr. Thomas stated the budget also manages the long-term trajectory of TVA's debt, and incorporates an assumption of modest economic growth of approximately 1 percent annually. Mr. Thomas then detailed the specific budgetary items required to be funded through rates, which will add up to total spending of approximately $10.6 billion in Fiscal Year 2015. Mr. Thomas stated that during Fiscal Year 2015 projections call for an approximately 1 percent increase in energy use and an approximately 1.5 percent increase in peak demand, and these increases should result in slightly higher revenue during Fiscal Year 2015. Mr. Thomas then provided specific details related to operations and maintenance expense projections, and a breakdown of the $3.5 billion capital expenditure plan, the largest in TVA history. Mr. Thomas next reported on total financing obligations for Fiscal Year 2015 and beyond, noting that such obligations will decrease in 2016 and 2017 as TVA completes construction on nuclear and gas plants, and the plants go into service. Mr. Thomas stated that, since 2010, TVA has invested approximately $18 billion in new plant capital, while taking on only approximately $2 billion in new debt.

Following his discussion on financing obligations, Mr. Thomas went over the Fiscal Year 2015 Summary Income Statement and revenue requirements. Mr. Thomas explained that $199 million in incremental revenue will be needed in addition to base revenues and fuel revenues to achieve a balance between required revenue and projected revenue. Accordingly, management is recommending a modest 1.5 percent rate increase to generate that incremental revenue.

Copies of the slides used by Mr. Thomas in his report are filed with the records of the Board as Exhibit 8/21/14D.

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After the presentation by Mr. Thomas, but prior to voting on Minute Items 14-03-8, 14-03-9, and 14-03-10, Director Mahurin made a brief statement on TVA financing practices, Director Evans made a brief statement on the Dodd-Frank End-User Exemption, and Directors Brown and McWherter, as well as Chair Ritch, made statements regarding energy efficiency. Director Brown described why she believed the decline in the energy efficiency budget for Fiscal Year 2015 was not in the long-term best interest of TVA.

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14-03-8. Fiscal Year 2015 Budget

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Financial Officer, dated August 21, 2014, and filed with the records of the Board as Exhibit 8/21/14E:

WHEREAS a memorandum from the Executive Vice President and Chief Financial Officer, dated August 21, 2014 (Memorandum), a copy of which is filed with the records of the Board of Directors as Exhibit 8/21/14E, recommends the approval of the proposed fiscal year (FY) 2015 budget and certain related items as described in the Memorandum including:

a) Operating and capital budgets for FY 2015; and

b) Proposed capital projects that exceed $50 million and acquisition of land rights in connection with certain capital projects; and

c) FY 2015 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 2015; 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 recognize certain regulatory assets and liabilities as it did in FY 2014 and establishing a new regulatory asset related to pension costs; and

WHEREAS the Board of Directors has previously approved TVA's use during FY 2014 of an exemption (the End-User Exemption) from the Dodd-Frank Act's mandatory clearing requirement and TVA management has recommended that the Board of Directors extend this approval to FY 2015; 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 2015 contribution to the Retirement System and has further recommended to the Board of Directors a contribution amount greater than the required minimum so as to help the Retirement System meet the objectives of its long-term funding policy; and

WHEREAS after careful consideration of the minimum required and recommended contributions, TVA management has recommended that the Board of Directors approve a contribution of $215 million to the Retirement System for FY 2015 and authorize the CEO to approve making a discretionary contribution of up to $60 million to the Retirement System for FY 2015;

BE IT RESOLVED, That the Board of Directors hereby approves the FY 2015 budget;

RESOLVED further, That the Board of Directors approves the projects listed in the Memorandum's Attachment 4 and delegates to the CEO the authority (1) to determine whether all required reviews have been completed, and (2) to make the final decision to proceed with an identified project subject to the budget approved by the Board of Directors and with consultation with the members of Finance, Rates, and Portfolio Committee for new listed projects over $50 million;

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 may subsequently require;

RESOLVED further, That the Board of Directors approves the FY 2015 Fuel and Purchased Power Contracting Plan attached to the Memorandum as Attachment 6;

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 2015 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 2015 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 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 2015 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 2015 financing resolutions adopted by the Board of Directors on August 21, 2014, 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 2015;

RESOLVED further, That the Board of Directors approves a contribution of $215 million to the Retirement System for FY 2015 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;

RESOVED further, That the Board of Directors authorizes the CEO to approve making a discretionary contribution of up to $60 million to the Retirement System for FY 2015.

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14-03-9. Fiscal Year 2015 Financial Shelf

The Board adopted the following resolutions as recommended in a memorandum from the Executive Vice President and Chief Financial Officer, dated July 25, 2014, and filed with the records of the Board as Exhibit 8/21/14F:

Resolution #1

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 amount of other power financings commenced during the fiscal year as described in the resolution of the Board of Directors dated August 21, 2014, entitled "FY 15 Financial Shelf - Execution of Other Financing Arrangements." The New Power Bonds must be issued on or before September 30, 2015, and may be (1) issued as Book-Entry Bonds, and the Book-Entry Procedures shall be applicable thereto, or (2) issued as Certificated Bonds. Each series of New Power Bonds will be denominated in United States dollars. 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) in the case of Certificated Bonds, designation of any paying agent, listing agent, or transfer agent therefore (which may be the Corporation);

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

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

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

(9) 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

(10) 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, 2015, 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, 2015, 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 9 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 of Directors of the Corporation ("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, 2015. 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. Holders 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 15 Financial Shelf - Reopening of Existing Power Bonds)

RESOLVED, That in connection with the issuance of Tennessee Valley Authority Power Bonds as authorized by a Supplemental Resolution adopted on August 21, 2014, the Board of Directors hereby approves the amendment of any previously issued Supplemental Resolution to permit the issuance 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 amendment.

<u>Resolution #3</u>

PROPOSED BOARD RESOLUTION
(FY 15 Financial Shelf - Issuance of Bonds, Execution of Interest Rate Hedges)

RESOLVED, That in connection with the issuance of Tennessee Valley Authority Power Bonds as authorized by a Supplemental Resolution adopted on August 21, 2014 (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 (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;

RESOLVED further, That 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 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 2015) 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;

RESOLVED further, That 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 the Corporation, 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, in accordance with the Basic Tennessee Valley Authority Power Bond Resolution, the Supplemental Resolution, and any other resolutions relating thereto which may be adopted by the Board, and to hedge interest 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 2015).

<u>Resolution #4</u>

PROPOSED BOARD RESOLUTION
(FY 15 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 21, 2014, does not exceed $3,000,000,000, as long as on or prior to September 30, 2015, (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; provided, however, that the Chief Financial Officer shall notify the Finance, Rates, and Portfolio Committee (or successor committee) before entering into any such financing arrangements and shall keep said Committee informed about any such arrangements through periodic reports to the Committee;

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 in connection with entering into up to the amount of 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, 2015, (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.

*** * ***

14-03-10. Retail Rate Adjustment

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Financial Officer, dated August 4, 2014, and filed with the records of the Board as Exhibit 8/21/14G:

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 adequate to meet 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 August 4, 2014 (Memorandum), a copy which is filed with the records of the Board as Exhibit 8/21/14G, 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, which 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 $199 million during TVA fiscal year 2015;

BE IT RESOLVED, 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, Pricing and Contracts, or his designee, is further authorized and directed to publish the Adjustment Addendum to each distributor and directly served customer.

* * *

Prior to the report of the Audit, Risk, and Regulation Committee, Chair Ritch announced that the Committee reviewed the Securities and Exchange Commission (SEC) regulations that require TVA to state in its annual financial report whether or not there is a financial expert on the

Committee, and after reviewing Director Evans' extensive qualifications, the Committee determined that Director Evans meets those requirements and will be reported in TVA's next annual report as the financial expert on the Committee.

* * *

14-03-11. Report of the Audit, Risk, and Regulation Committee

Director Evans, Chair of the Audit, Risk, and Regulation Committee, reported the Committee met on three occasions following the last Board meeting. The Committee met August 6 for the standard quarterly meeting, via teleconference on July 31 to review the 10-Q report, and via teleconference on July 18 regarding the potential settlement of legal claims arising out of litigation related to the Kingston ash spill. During the August 6 meeting, the Committee received a report from Inspector General Richard Moore and his staff providing an independent assessment of activities at TVA, and also met in executive session with TVA's external auditors, who offered an independent assessment of TVA's accounting and reporting activities. The August 6 meeting also included regular updates on a number of topics, including regulatory assurance and enterprise risk, as well as a detailed look at project steps and licensing requirements related to the completion of Watts Bar Unit 2. The Committee also heard from General Counsel Ralph Rodgers, the agency's designated ethics official, regarding the Board-approved Conflict of Interest Policy and the TVA Things of Value protocol. Director Evans stated management plans to bring proposed revisions to the Conflict of Interest Policy to the Committee in the fall.

Director Evans stated that the Committee's July 31 meeting was also intended to ensure the Committee receives accurate, timely information about TVA's financial statements. TVA's external auditors also participated in this review. Director Evans stated that TVA and the Committee rely heavily on the independence of TVA's external audits, but noted there can be situations where a company like TVA may wish to use the services of an auditor for matters unrelated to the annual audit. Under these scenarios, procedures must be in place to ensure this work does not create any possibility that the audit work is biased or less than independent. Director Evans stated that with the support of the Inspector General and management, the Committee periodically reviews its relevant policy to ensure the necessary safeguards are in place to maintain independence. Director Evans then recommended, on behalf of the Committee, the adoption of a revised policy as reflected in Minute Item No. 14-03-12.

Director Evans stated the Committee also spent time over the last few months reviewing the performance of the independent external auditor, Ernst & Young. The Committee evaluated performance and cost of services provided, and compared those costs to the external audit costs of other utilities, after which the Committee concluded it is in the best interest of TVA to continue the external audit services of Ernst & Young. The Committee also consulted the Inspector General's office, which concurs in this selection. Director Evans, on behalf of the Committee, then recommended approval of the resolution contained in Minute Item No. 14-03-13.

*** * ***

14-03-12. Policy on Pre-Approval of Audit Services, Audit-Related Services, and Non-audit Services by the External Auditor

The Board adopted the following resolution as recommended in a memorandum from the Chair, Audit, Risk, and Regulation Committee, dated August 21, 2014, and filed with the records of the Board as Exhibit 8/21/14H:

WHEREAS in an August 21, 2014, memorandum to the TVA Board, which is filed with the records of the Board as Exhibit 8/21/14H, the Audit, Risk, and Regulation Committee recommended the TVA Board approve the Policy on Pre-Approval of Audit Services, Audit-Related Services, and Permissible Non-Audit Services ("Pre-Approval Policy"), a copy of which is attached to said memorandum;

BE IT RESOLVED, That the TVA Board hereby approves the Pre-Approval Policy.

*** * ***

14-03-13. Selection of EY as TVA's External Auditor

The Board adopted the following resolution as recommended in a memorandum from the Chair, Audit, Risk, and Regulation Committee, dated August 21, 2014, and filed with the records of the Board as Exhibit 8/21/14I:

WHEREAS in an August 21, 2014, memorandum to the TVA Board, filed with the records of the Board as Exhibit 8/21/14I, 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 2015;

BE IT RESOLVED, That the TVA Board hereby approves engaging EY as TVA's external auditor for fiscal year 2015.

*** * ***

14-03-14. Report of the People and Performance Committee

Director Haskew, Chair of the People and Performance Committee, reported the Committee met August 7 at Gallatin Fossil Plant and expressed appreciation for the hospitality the Committee received. Director Haskew then requested and received a report from John Thomas, Executive Vice President and Chief Financial Officer, regarding Minute Items 14-03-15 and 14-03-16. Following Mr. Thomas' presentation, Director Haskew stated the Committee received an update from management on year-to-year performance and began a more detailed consideration of TVA's compensation plan. The Committee will provide additional information to the Board for consideration in the fall. Director Haskew then gave a brief presentation and made a motion for approval of the resolution contained in Minute Item No. 14-03-17.

Director Haskew next proposed an additional motion related to the bylaws. Specifically, proposing that all references to "Chairman" in the TVA bylaws and all Board approved documents be replaced with the gender neutral term "Chair." Director Haskew made a motion and requested that the full Board consider this proposal at its November meeting.

*** * ***

14-03-15. Winning Performance Team Incentive Plan and Executive Annual Incentive Plan Corporate Multiplier Performance Measures for Fiscal Year 2015

The Board adopted the following resolution as recommended in a memorandum from the President and Chief Executive Officer, dated August 21, 2014, and filed with the records of the Board as Exhibit 8/21/14J:

WHEREAS in a memorandum dated August 21, 2014, a copy of which is filed with the records of the Board as Exhibit 8/21/14J (Memorandum), the Chief Executive Officer (CEO) recommended approval of measures 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 2015; and

WHEREAS the People and Performance Committee has reviewed the Corporate Multiplier performance measures for FY 2015, 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 2015 as set out in the Memorandum and its attachments;

RESOLVED further, That the Board hereby authorizes the CEO to set and approve the performance measures and goals for each Strategic Business Unit (SBU) and Business Unit (BU) for FY 2015 to be used with the Corporate Multiplier in determining incentive awards under the WPTIP and EAIP.

*** * ***

14-03-16. Executive Long-Term Incentive Plan Measures and Goals

The Board adopted the following resolution as recommended in a memorandum from the President and Chief Executive Officer, dated August 14, 2014, and filed with the records of the Board as Exhibit 8/21/14K:

WHEREAS in a memorandum dated August 14, 2014, a copy of which is filed with the records of the Board as Exhibit 8/21/14K (Memorandum), the Chief Executive Officer (CEO) recommended approval of the following Executive Long-Term Incentive Plan (ELTIP) performance measures for the FY 2015 – FY 2017 performance cycle: Wholesale Rate Excluding Fuel, Load Not Served, and External Measures; and

WHEREAS the People and Performance Committee has reviewed the proposed ELTIP measures and goals, as described above, and recommends their approval;

BE IT RESOLVED, That, with regard to ELTIP measures and goals for the performance cycle of FY 2015 - FY 2017, 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.

*** * ***

14-03-17. Bylaws Section 1.7 Conforming Amendment

The Board adopted the following resolution:

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

WHEREAS the Board by action on June 10, 2010 (Minute Item No. 10-03-8), amended the Bylaws of the Tennessee Valley Authority in the respects necessary to revise its committee structure, address the amendment of the Bylaws, and for other stated purposes; and

WHEREAS Section 1.7 of the Bylaws as amended provides for the Chairman to designate a member to preside over a Board meeting in his or her absence; and

WHEREAS Section 6.8 of the Bylaws provides that the Board shall have the power to amend the Bylaws of the Corporation; and

WHEREAS Section 6.8 of the Bylaws further establishes that to provide for notice and consideration of any such amendments, a vote on a motion to approve any amendments of the TVA Bylaws shall be taken no sooner than the next meeting of the Board following the meeting at which such motion is presented; and

WHEREAS Director Barbara Haskew moved on May 8, 2014, that at its August meeting, the Board take up the question of replacing Section 1.7 in its entirety with language providing that the Chair of the Audit Committee preside in the absence of the Chairman;

BE IT RESOLVED, That the Board hereby amends Section 1.7 of the Bylaws replacing it in its entirety with the following language, "The Meetings of the Board of Directors shall be presided over by the Chairman of the Board. In the absence of the Chairman at a meeting of the Board, the Chair of the audit committee shall preside."

*** * ***

14-03-18. Report of the Nuclear Oversight Committee

Director Sansom, Chair of the Nuclear Oversight Committee, reported that during the Committee's meeting, Joe Grimes, Executive Vice President and Chief Nuclear Officer, gave a presentation regarding the performance of TVA's nuclear fleet. Director Sansom stated the fleet is showing steady improvement, as reflected in the substantial improvement of the fleet's ratings with the Nuclear Regulatory Commission (NRC), and that the nuclear fleet continues its outstanding performance in the area of safety. Director Sansom stated that the new Site Vice President, Watts Bar Nuclear Plant, Kevin Walsh, made remarks regarding the operation of Watts Bar Unit 1 during the meeting, and Mike Skaggs, Senior Vice President, Watts Bar Nuclear Operations and Construction, provided the Committee with an update on Watts Bar Unit 2 construction activities. At this point, Director Sansom requested and received a report from Joe Grimes regarding the status of construction on Watts Bar Unit 2, as set forth in Minute Item No. 14-03-19.

*** * ***

14-03-19. Watts Bar Unit 2 Update

Joe Grimes, Executive Vice President and Chief Nuclear Officer, reported outstanding safety performance by the project team, which completed almost 29 million work-hours without a lost time incident, and achieved a recordable injury rate of 0.30, compared to a goal of 0.49. Mr. Grimes stated that the quality control acceptance rate is greater than 98 percent, costs are still trending toward the $4.0 to $4.2 billion target, and the project is still on schedule to achieve commercial operation between September 2015 and June 2016, with a most likely date of December 2015. Mr. Grimes reported construction is over 90 percent complete, and pre-operational testing is in progress to ensure delivery of a safe, reliable unit. Twelve of the eighty-seven systems have been turned over from nuclear construction to operations. A recent major milestone was reached this past April, with open vessel testing. Also, on July 2, full-flow, integrated open vessel testing of the emergency core cooling systems began with approximately

185,000 gallons of water pumped into the reactor. These tests demonstrated that key safety systems will work as designed. Mr. Grimes reported that the reactor vessel was recently assembled, and the site successfully completed a pre-startup review by the World Association of Nuclear Operators (WANO). The review team found that Watts Bar Unit 2 has plans in place to address the challenges and issues ahead, and they also identified some areas for continued work. The next step at the site will be the NRC's operations readiness team inspection.

Mr. Grimes stated Watts Bar is the Fukushima response pilot for the United States nuclear industry, and TVA is on track to achieve full compliance with NRC's Fukushima-related requirements in the early fall of 2014. Designs for Fukushima modifications are complete, including the construction of a new auxiliary feedwater storage tank and a FLEX equipment storage building. Overall, construction of FLEX modifications are 90 percent complete, and the procedures, changes to the station simulator, and related operations training are complete.

Mr. Grimes stated that challenges at Watts Bar Unit 2 include: protecting the safety of Unit 1; completing plant systems for pre-operations testing within a very compressed time period over the next six months while maintaining the safety and quality standards the project has set to date; preparing for upcoming testing milestones; and addressing any challenges or equipment failures during that testing. Mr. Grimes stated that risks include startup and testing, equipment testing and repairs, flushing of systems, working in very congested areas, and constructing and testing in very close proximity to the operating Unit 1; issues yet to be closed with the NRC, including extreme flooding, continued storage of used nuclear fuel, and cybersecurity; and bringing online and supporting Unit 2, which involves workload impacts, coordination of activities, and completion of documentation for Unit 2.

Mr. Grimes stated the project is moving from a construction focus to a focus on operations. Workforce reductions began this past spring, and the process of restoring plant areas from construction has begun. Mr. Grimes stated stakeholders continue to be updated on progress, and gave as an example the Watts Bar Community Action Panel, a group made up of 22 members who maintain a dialogue on a number of topics with senior staff at the plant. Mr. Grimes concluded by stating that Watts Bar Unit 2 remains on track to be the nation's first new nuclear generation plant in the twenty-first century.

* * *

The meeting was adjourned at 12:14 p.m. EDT.

* * *

Information Items

14-03-20. Power Supply Arrangements With Industrial 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 8/21/14L, and in accordance with the TVA Board Practice, Notational Approvals, on June 9, 2014, the individual Board members approved (i) alternative power supply arrangements with International Paper (IP) in Courtland, Alabama, including the use of a cost recovery modifier, for the remaining term of IP's power supply contract, and (ii) a delegation of authority to the Chief Financial Officer, or his designee, to implement the terms of the alternative power supply arrangements in a form acceptable to the Office of the General Counsel.

* * *

14-03-21. **Mediated Global Resolution Ash Spill Litigation**

As recommended in an application for Notational Board Approval, a copy of which is filed with the records of the Board as Exhibit 8/21/14M, and in accordance with the TVA Board Practice, Notational Approvals, on July 23, 2014, the individual Board members approved (i) entry into a mediated resolution of 63 pending claims filed against TVA arising from the December 22, 2008, ash spill at Kingston Fossil Plant and (ii) the grant of authorization to the General Counsel, or his designee, to execute all appropriate documents implementing the proposed resolution as set forth in a confidential memorandum from the General Counsel dated July 16, 2014, which memorandum forms a part of Exhibit 8/21/14M.