

No. 20-03

Approved by the Board of Directors
at its November 13, 2020, 2020, meeting:



Executive Vice President, General
Counsel and Secretary

MINUTES OF MEETING
OF
THE BOARD OF DIRECTORS
TENNESSEE VALLEY AUTHORITY
August 27, 2020

A meeting of the Board of Directors of the Tennessee Valley Authority was held by teleconference via live internet streaming on August 27, 2020. The meeting was called to order at 10:02 a.m. (EDT). The meeting agenda was announced to the public on August 20, 2020. The meeting was open to public observation.

Board members in attendance were: Director and Chair John L. Ryder, and Directors Kenneth E. Allen (via teleconference), A.D. Frazier (via teleconference), William (Bill) Kilbride (via teleconference), and Jeff Smith (via teleconference).

Also present were TVA officers, including Jeffrey J. (Jeff) Lyash, President and Chief Executive Officer; Sherry A. Quirk, Executive Vice President, General Counsel and Secretary (via teleconference); John M. Thomas, Executive Vice President and Chief Financial Officer; Jeannette M. Mills, Executive Vice President and Chief External Relations Officer; Ashley

Douglas (Doug) Perry, Senior Vice President, Commercial Energy Solutions; and David B. Fountain, Senior Vice President and Vice General Counsel.

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

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20-03-1. Welcome

Chair Ryder welcomed and thanked everyone viewing the meeting via TVA's live internet stream, explaining that no live audience was present in order to ensure compliance with the social distancing recommendations of the Centers for Disease Control and Prevention. Chair Ryder stated that while he and TVA President and Chief Executive Officer Jeff Lyash were present in the meeting room, and properly distanced, all other Directors and Sherry Quirk, TVA's Executive Vice President, General Counsel, and Secretary, were participating via teleconference. Chair Ryder then discussed the manner in which speakers would participate and the fact that all matters presented for the Board's consideration would be decided by voice vote.

Chair Ryder expressed the Board's empathy for those affected by the ongoing Covid-19 pandemic, and its deep gratitude to the medical and public health professionals on the front line of the fight against the disease. Chair Ryder stated the Board appreciates the extraordinary efforts of TVA employees and the employees of TVA's local power company partners to maintain the reliability of the power system and the integrity of TVA's rivers and dams, after

which he discussed the importance these efforts in fighting Covid-19 and containing its impact. Chair Ryder stated the Board fully supports TVA's actions to keep the public power model strong during the pandemic, specifically mentioning and discussing those actions unrelated to power production and distribution taken in support of TVA's customers and communities.

Chair Ryder stated the Board is confident that, working with its partners and stakeholders, TVA will weather the impact of the pandemic and other natural disasters. He then mentioned those in Louisiana being impacted by Hurricane Laura on the morning of the meeting, and expressed his appreciation for the electric power industry's mutual assistance practices that assist with power restoration efforts in the aftermath of natural disasters.

Chair Ryder stated that due to the ongoing pandemic the Board could not hold an in-person listening session prior to the meeting. The Board did, however, receive written comments from twenty individuals through TVA's meeting registration system, including twelve TVA customers or customer representatives. Chair Ryder reported that almost all of the customer comments voiced strong support for the region's public power model, after which he discussed specific elements of those customer comments. Chair Ryder reported on comments received from a representative of the Red Hills Coal Mine in Ackerman, Mississippi, then discussed comments submitted by three representatives of the Sierra Club. Chair Ryder stated that two other individuals commented, respectively, on the need for more renewable energy and concerns about coal ash at a former coal plant site, and a solar developer expressed concern about the impact of TVA guidelines on her project. In addition, a former TVA employee whose position was eliminated in the recent Information Technology (IT) reorganization asked about reinstatement procedures and potential future procedural improvements. Chair Ryder reported

that in addition to the foregoing, the Board received a large package of comments via e-mail from two groups, The Sierra Club and property owners in and around Tellico Village. One hundred fourteen members of The Sierra Club commented on a number of themes, including calls for TVA to lead a transition to a clean-energy economy, invest in more renewable energy, invest in more energy efficiency, phase out coal generation, remove coal ash from plant sites, and better protect flowing streams. Approximately one hundred residents of the Tellico Village area commented on the potential economic and environmental impact of the invasive Asian Silver Carp, and several of the residents called on TVA to close the lock at Watts Bar Dam to accommodate construction of an electric barrier to prevent the spread of the species. Chair Ryder stated that all of the issues raised in the comments received by the Board are important to the public and also important to the Board.

Chair Ryder stated that at its May 2020, meeting, the Board also received a large number of comments on Asian Silver Carp. Given the level of public interest demonstrated by the number of submissions on Asian Silver Carp at successive meetings, Chair Ryder requested and received a report from Mr. Lyash regarding TVA's active support of the state and federal agencies who have lead responsibility for researching the issue and determining the best solution. Mr. Lyash mentioned during his discussion that the majority of coves, embayments, dams, and tail waters from Knoxville to Guntersville Dam have been surveyed, and no evidence of Asian Silver Carp has been found to date. In response to those who submitted comments suggesting the closure of locks to prevent the spread of the species, Mr. Lyash stated that part of TVA's mission is to maintain a navigable river system; and, because no evidence of habitation in the TVA system has been found, closing TVA's locks is not a practical choice at this time due to the impact that would have on the Valley's economy. Mr. Lyash encouraged all viewing the

meeting to monitor the internet sites of the U.S. Fish and Wildlife Service, state wildlife agencies in the region, and TVA for future developments.

Chair Ryder thanked all who submitted comments for the Board's consideration, emphasizing the importance the Board assigns to this input from the public, and the fact that the content is taken into consideration in the Board's deliberations. Chair Ryder stated that the opinions of members of the public are valuable to the Board, whether submitted in writing or in person, and the Board will be asking TVA staff to follow up with those who raised specific questions or concerns.

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Old Business

The Board approved the minutes of its May 7, 2020 meeting.

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At this point, Chair Ryder expressed the importance of addressing concerns voiced by the President earlier in August. He stated that, because TVA is part of the federal government and all Board members are appointed by the President, the current administration's priorities are an important filter TVA must use in fulfilling its obligation to uphold the requirements of the TVA Act. Chair Ryder reported that the Board and TVA leadership clearly understand and totally support the administration's direction on maintaining and growing American jobs. He commented on the fact that one of TVA's core missions is economic development, creating new opportunities for jobs and businesses in the TVA service area. Chair Ryder stated that overall

TVA has been very successful in that aspect of its mission, even during the current pandemic; however, in spite of that success, the Board and TVA leadership have come to realize that TVA was not itself setting an example during its recent IT restructuring. That message was shared with the administration at a White House meeting during the same week the President voiced his concerns. Chair Ryder described the meeting as productive, and that TVA immediately set out to make things right. Chair Ryder stated that all reduction-in-force notices issued in 2020 impacting TVA's IT workers have been rescinded, and each will return to their previous IT job if they wish to do so. In addition, Chair Ryder reported that TVA has provided notice to cancel contracts for IT work with four external firms, and the functions that would have been performed under those contracts will continue to be performed by TVA employees going forward. Chair Ryder stated that TVA has taken additional steps to ensure that all of TVA's contractors and supply chain partners share TVA's commitment to emphasize opportunities for American workers.

Chair Ryder briefly discussed concern expressed regarding the compensation paid to TVA's Chief Executive Officer and reported that Director Allen, as Chair of the People and Performance Committee, would be providing an update on that subject during his committee report. Chair Ryder stated that the Board remains committed to working with the White House and Congress to help TVA move forward. He then discussed the recent nomination of Bill Cook, from Oxford, Mississippi, to become a member of the Board, and made brief comments regarding the previously pending Board nominations of Beth Harwell and Brian Noland.

Chair Ryder stated that questions about the compensation paid to TVA's Chief Executive Officer do not indicate there are questions about the performance of Mr. Lyash during his tenure

to date. Chair Ryder reported that Mr. Lyash's leadership has been instrumental in guiding TVA through very challenging circumstances and delivering performance improvements that the Board believes are in the best interests of the nearly 10 million people that TVA serves.

Chair Ryder then called on Mr. Lyash to deliver the President's report.

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New Business

20-03-2. President's Report

President and Chief Executive Officer Jeff Lyash greeted those watching and expressed his appreciation for the opportunity to report on the work of TVA employees in service to the residents of the Tennessee Valley. He stated that the current pandemic conditions present unique challenges that TVA has and will continue to overcome as it continues delivery of vital services and support across the Valley. TVA employees and employees of TVA's local power company partners are on the job daily operating generating stations, controlling river flows, restoring power after storms, helping the economy recover, and much more. Mr. Lyash stated that his report would be centered on three concepts at the heart of public power: Service, Partnership, and Performance.

Mr. Lyash then addressed TVA's service to the nation and the Tennessee Valley, specifically referencing: the value of TVA's transmission system, the production of large quantities of low-cost, greenhouse gas-free energy by TVA's nuclear fleet, the fact that TVA produces more renewable energy (including hydroelectric power) than any of its regional peers; the economic

impact associated with TVA's management of the Tennessee River system; and TVA's economic development program, which Mr. Lyash stated is one of the most effective in the utility industry. Mr. Lyash then emphasized that TVA performs all of those functions without any taxpayer support in a competitive environment where TVA's fiscal and operational performance are contributing factors in determining whether businesses locate, expand, and create jobs in the Valley.

Mr. Lyash stated that partnership is the key to delivering TVA's mission of service, explaining that TVA cannot deliver on its mission alone. He noted that nearly 10,000 TVA employees, together with the 12,000 individuals employed by partner companies supporting TVA's operations, work together to deliver results using a mix of skills, experience, and focus needed to achieve TVA's goals. Mr. Lyash reported that these TVA and partner company employees are represented by more than 15 labor unions, and he stated that TVA's partnerships with these unions are the backbone of TVA's ability to serve the people of the Valley.

Mr. Lyash then discussed the union-led, TVA empowered Code of Excellence Program. He provided information on the members of that program's core leadership team, which is made up of union officials and TVA management, TVA employees acting as union representatives to the program, and the individuals participating in the program acting as representatives of TVA business unit management. Mr. Lyash stated that, collectively, these people work together to empower teams of ambassadors in each of TVA's business units who work across boundaries focusing on communications, problem solving, and empowerment of employees. Mr. Lyash reported that the results of the program can be seen in better relationships, an excellent safety record, and outstanding performance. Mr. Lyash stated that during the week prior to the meeting, TVA and the Trades and Labor Council for annual employees extended TVA's

previous 5-year recognition of the Council as the representative of TVA's craft employees, converting it to a 10-year, recurring term. Mr. Lyash reported that TVA is also in the final stages of putting an agreement in place between TVA and the hourly North American trade unions that will extend the term of the project agreement between these parties to 10 years, the longest term for an agreement of this kind in the United States. Mr. Lyash stated that TVA values the longstanding constructive relationships it shares with the trade unions, and the high quality craftsmanship of union members.

Mr. Lyash reported that TVA also has strong partnerships with veterans' organizations, that almost 20% of TVA's workforce are veterans, and that TVA is one of the largest sponsors in the nation of the Helmets to Hardhats Program designed to connect veterans with opportunities. He remarked on the strong, positive impact that the experience, skills, and commitment demonstrated by veterans has on the entire TVA team.

Mr. Lyash stated that the bedrock of TVA's public power system is the long-term partnership between TVA and local power companies, and he reported that during the last year 141 of the 153 local power companies distributing TVA power have signed 20-year agreements with TVA. Mr. Lyash stated that the companies that have signed to date, known as Valley Partners, represent almost 90% of TVA's annual revenue. These companies enjoy a number of benefits, including an option to provide some of their own generation and a 3.1% credit on their monthly wholesale power bill. Mr. Lyash stated that, through June, these Valley Partners received a total of \$108 million in credits, and for the entirety of Fiscal Year (FY) 2020 the credits will total \$160 million, representing real savings that will benefit the people TVA serves. In addition, Mr. Lyash reported that TVA is now executing on the power supply flexibility

option and renewable energy programs approved by the Board, stating that TVA, its partners, and their customers are engaging to develop projects and deploy technology.

Mr. Lyash next discussed performance, noting that TVA employees are delivering outstanding performance in the areas of operations, innovation, economic development, and financial results. Mr. Lyash noted that, for TVA, operational performance means sustainability, and that means the delivery of low-cost, reliable energy and other benefits now, while at the same time planning ahead to ensure future generations have the same or better opportunities. Mr. Lyash stated that TVA released its first comprehensive report on its sustainability efforts during the month before the meeting, noting that the report is user-friendly and available to the public at any time on TVA's internet site. The report highlights TVA's performance during FY 2019, setting forth various accomplishments, including: TVA's top ranking among its peers for employee safety; the avoidance of \$1.6 billion in flood damage through river system management; support of Valley businesses through the purchase of \$2 billion in products and services; TVA's ranking in the top 10 of the nation's utilities for economic development and job creation; the provision of environmental programs to more than 10,000 students; support for more than 340 environmental stewardship programs to enhance natural resources and recreation; and the production of more than 60% of its power from carbon-free sources. Mr. Lyash added that TVA is on course to reduce its carbon emissions by 60%, compared to peak 2005 levels, in FY 2020, and has plans for an additional 10% reduction by 2030, placing TVA in the top quartile of industry peers with regard to carbon emission reductions.

Mr. Lyash stated that sustainable economic development is another fundamental part of TVA's mission, and he discussed recent accomplishments, including announcements by Amazon

of plans to locate a high-tech fulfillment center near Memphis that will create 1,000 jobs and another facility near Nashville. TVA has also invested in smaller communities, and Mr. Lyash made reference to recent job creation announcements in Batesville, Mississippi; Cookeville, Dayton, and Johnson City, Tennessee; and Graves County, Kentucky. In addition, after investment by TVA of over \$3 million, Fontana Village, North Carolina, is back up and running, providing more than 50 full-time, local jobs. Mr. Lyash reported that over the past 5 years, TVA has helped attract or retain more than 350,000 jobs and \$44 billion in capital investment in the Valley. Mr. Lyash recalled that the vision of Senator George Norris and President Franklin Roosevelt upon the founding of TVA and stated that quality economic growth fosters opportunity and a better quality of life for everyone served by TVA.

Mr. Lyash stated that TVA is also delivering performance in innovation, with employees taking action now to ensure that TVA's outstanding service continues in the future, and he added that continued performance in coming decades will require a new level of innovation. Mr. Lyash stated that this means working to be innovators, developing and deploying new technologies, and building the energy system of the future. TVA is working with local power companies and others to explore, for example, the best use of batteries on distribution systems, new uses for electricity such as fast-charging for electric vehicles, and smart cities that operate more efficiently. Mr. Lyash reported that TVA has broken ground for its new system operations center that will have state-of-the-art equipment to help TVA incorporate new and more dispersed energy sources. With the third largest nuclear fleet in the nation, TVA is continuing to explore the potential for small modular reactors (SMR), and he noted that TVA's Clinch River early site permit is the first of its kind for the United States. Mr. Lyash added that TVA has submitted a proposal to the United States Department of Energy for consideration of a funding opportunity to

advance the development of an SMR option for the Valley and the country at the Clinch River site, and he stated that TVA has put in place partnership agreements with entities including Oak Ridge National Laboratory and the University of Tennessee, Knoxville, to support its SMR efforts. Mr. Lyash stated that TVA is building a culture of excellence in innovation that will help deliver a better future.

Mr. Lyash stated that TVA's financial performance and discipline matter to its customers and the greater economy. TVA employees have improved the agency's financial and operational performance enough in recent years to cut \$800 million from TVA's annual operating costs, and to reduce TVA's debt to the lowest level in 30 years, creating one of the strongest balance sheets in the utility industry. The performance of TVA's employees has enabled TVA to run more efficiently across the enterprise, improve operations, and incorporate best practices from the utility industry and elsewhere. Mr. Lyash stated that TVA funds all of its operations through power system revenues, receives no government appropriations, and sets power rates as low as feasible to cover TVA's costs. TVA's retail rates are lower than those offered by 70% of utilities nationwide, and TVA power has been supplied to its customers at 99.999% reliability during each of the past 20 years. Mr. Lyash recounted that at the August 2019, Board meeting, TVA management presented a 10-year financial strategy, telling the Board that TVA's intention was to hold power stable for the ensuing 10 years, and he stated this commitment was made possible by the performance of TVA employees.

Mr. Lyash stated that as TVA management and employees continuously work to improve operations they may not always get things right. Referencing the relevant portion of Chair Ryder's comments earlier in the meeting, Mr. Lyash explained that one example was the

reorganization previously underway in TVA's IT organization, which was intended to make TVA more effective in leveraging technology. While the agency's intentions were good, Mr. Lyash stated that execution was not what it should have been, and, as a result the President raised concerns. Mr. Lyash stated that TVA has quickly taken action to address the specific issues raised by the President and, more broadly, to ensure that TVA is aligned with administration objectives. Mr. Lyash stated that TVA representatives have had two subsequent conversations with Mark Meadows, the President's Chief of Staff, both of which were clear and positive, and TVA is committed to ensuring that its actions related to the issues raised by the President match the content of those conversations.

Mr. Lyash discussed the challenges presented by the Covid-19 pandemic to TVA employees, customers, and the communities it serves. He stated that TVA's employees have stepped up to meet the needs of people across the region. In addition, TVA itself has offered \$1 billion in credit support to local power companies along with regulatory flexibility to assist those companies in meeting local needs. Mr. Lyash stated that TVA partnered with local power companies to establish a Covid-19 Community Care Fund for those affected by the pandemic and invested \$2 million in funding to match local contributions. Mr. Lyash stated that charitable organizations across the Valley will also benefit from contributions TVA is making in honor of its retirees who built the foundation for TVA's current success. TVA employees are also taking care of each other by contributing to an employee relief fund to help those affected by the pandemic and the tornados that occurred in the Valley during the spring, and he stated that TVA contributed \$100,000.00 to that fund. Mr. Lyash reported that TVA has also offered a Back-to-Business Credit incentive program to assist large customers in reopening production facilities and getting people back to work. Mr. Lyash then requested and received an update from

Jeannette Mills, Executive Vice President and Chief External Relations Officer, on how the efforts detailed above are helping to meet needs across the Valley.

Ms. Mills provided examples of how businesses have been applying the Back-to-Business Credit to reopen production facilities after they had been closed at the beginning of the Covid-19 pandemic. She also described widespread appreciation from organizations and individuals who received relief assistance from the Covid-19 Community Care Fund,

Following Ms. Mills' report, Mr. Lyash stated that it is a privilege to assist and support people throughout TVA's service territory in these challenging times. He noted that TVA's ability to make the kind of difference in peoples' lives described by Ms. Mills is a direct result of the efforts of TVA's employees to strengthen TVA's operations and balance sheet. Mr. Lyash shared that the Board had previously asked management what more TVA can do help address pandemic-related challenges across its service territory. Mr. Lyash also shared that TVA's customers have asked him the same question, and added that he would be making recommendations regarding additional support for customers later in the meeting.

Following the completion of Mr. Lyash's report, Chair Ryder asked for questions or comments from other Directors. Director Frazier requested and received extensive information from Mr. Lyash regarding the response from local power companies to the partnership concept, things local power companies are doing differently since entering into long-term partnership agreements, and what is being done about the local power companies that have not yet signed a long-term partnership agreement. Following Mr. Lyash's response to Director Frazier, Director

Kilbride requested and received information from Mr. Lyash regarding key takeaways TVA should consider from the wildfires once again affecting California.

Copies of the slides used by Mr. Lyash in his report, and those used by Ms. Mills during her update, are filed with the records of the Board as Exhibit 8/27/20A.

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20-03-3. Report of the Finance, Rates, and Portfolio Committee

Chair Ryder then called on Director Frazier to provide the report of the Finance, Rates, and Portfolio Committee.

Director Frazier, Chair of the Committee, requested and received a report from John Thomas, Executive Vice President and Chief Financial Officer, regarding Minute Item 20-03-4. Following his report on Minute Item 20-03-4, Mr. Thomas explained that, because management was still trying to understand the trends and long-term impacts of the Covid-19 pandemic, earlier this year it asked the Board if review of a full budget for FY 2021 could be deferred until the Board's meeting in November 2020, with the understanding that management would request moving forward with some spending authority and administrative items in the FY 2021 budget at the current meeting. Mr. Thomas then made a presentation to the Board regarding (i) the specific FY 2021 spending and contracting authority for which management was requesting approval at the current meeting, (ii) the preliminary forecast for rates in FY 2021, and (iii) the preliminary forecast for FY 2021 total financing obligations.

Following the presentation by Mr. Thomas, Mr. Lyash commented on the outstanding performance by TVA's nearly 10,000 employees in the face of unprecedented challenges caused by the Covid-19 pandemic. Mr. Lyash noted that TVA's strong operational performance translated into the strong financial performance that Mr. Thomas summarized. Based on the strength of TVA's overall performance, Mr. Lyash recommended that the Board consider three additional pandemic relief measures: (i) an additional investment by TVA of \$2 million in the Community Care Fund; (ii) an extension of the previously approved Back-to-Business Credit for large industrial and directly served customers; and (iii) the implementation of a Pandemic Relief Credit that will lower rates by 2.5% in FY 2021 for all local power companies, directly served customers, and large customers served by local power companies. Mr. Lyash stated that TVA is committed to ensuring that the TVA region and the nation make a strong recovery from the Covid-19 pandemic.

Director Frazier reported that TVA remains financially strong. He then reported that the Committee met by teleconference on July 25, August 5, and August 18. Director Frazier stated that the impacts of the pandemic made it apparent to the Committee that the Board would need to adjust its approach to approval of the FY 2021 budget. As a result, the Committee recommended and the Board issued notational approval, by unanimous consent, of spending authority for FY 2021. Director Frazier added that the Committee and the Board expect to approve the FY 2021 budget at the Board's meeting in November, using the additional time to gain the information needed to make the best budgetary decisions for TVA and its stakeholders. Director Frazier reported that, in association with its approval of FY 2021 spending authority, the Board also issued notational approval for FY 2021 financing authority. In addition, as recommended by the Committee, the Board issued notational approval for the Pandemic Relief Credit. Director

Frazier stated that, despite the pandemic and other economic challenges, TVA has performed better than planned as a result of the outstanding work of its employees. Director Frazier stated the Board recognizes the importance of coming together to help customers and communities in need and is pleased to be able offer the \$200 million Pandemic Relief Credit to benefit its customers. Director Frazier observed that the combination of these factors and the resulting Pandemic Relief Credit demonstrate the strength of the public power model when it is working well.

Director Frazier reported that the Committee recommended and the Board issued notational approval of a new Customer Generated Resale Rate Classification that will be administered by local power companies, as well as an extension of the Back-to-Business Credit incentive program. At this point Director Frazier requested and received a report from Doug Perry, Senior Vice President, Commercial Energy Solutions, regarding the new Customer Generated Resale Rate Classification and the extension of the Back-to-Business Credit incentive program. Following the presentation by Mr. Perry, Director Kilbride requested and received an update from Mr. Perry regarding TVA's development of small-scale and large-scale solar power generation.

Director Frazier stated that, in order to mitigate the risk of the Board lacking a quorum in the future due to Covid-19 or other factors, the Board also approved several measures to enable management and the Board to work together to ensure that TVA is able to continue normal business operations. These measures include authority for acquisition of transmission assets, new distributed energy programs or products, new electric vehicle programs, and implementation of the Board's approved direction for TVA. Director Frazier explained that these authorities will

only be available to management if the composition of Board drops below the five members needed to establish a quorum. Director Frazier also noted that the authorities will expire automatically at any time the Board has a sufficient number of members to form a quorum. In each case, before management takes action under these authorities, TVA's Chief Executive Officer must consult with the current members of the Board, and the exercise of these authorities must fall within the FY 2021 spending authority set forth in the notational approval issued by the Board and referenced in the presentation by Mr. Thomas earlier during the Committee's report.

Director Frazier reported that, in addition to reviewing the actions recommended by management detailed above, the Committee also received briefings on TVA's financial performance, including the impact of the Covid-19 pandemic, and the progress of programs under the Committee's oversight. This latter update included information on TVA's progress on entering into long-term partnership agreements with local power companies and the implementation of flexibility agreements allowing local power companies who have already executed long-term partnership agreements to install additional renewable energy resources within the TVA region. In addition, the Committee received an update on solar energy requests for proposals during which the Committee was informed that TVA has the potential to add significant solar generation within the Valley while at the same time incentivizing industrial recruitment. Director Frazier added that current requests for proposals could result in the addition of as much as 1,000 MW within the Valley, enough to power 100,000 homes. Director Frazier reported the Committee also received an update on electric vehicle charging stations, and that TVA will be working with local power companies to create a network of charging stations throughout the Valley.

Copies of the slides used by Mr. Thomas in his presentation seeking FY 2021 spending and contracting authority requested by management, providing a preliminary forecast for FY 2021 rates, and providing a preliminary forecast for FY 2021 total financing obligations are filed with the records of the Board as Exhibit 8/27/20B. Copies of the slides used by Mr. Lyash in his presentation recommending three additional pandemic relief measures are filed with the records of the Board as Exhibit 8/27/20C. Copies of the slides used by Mr. Perry in his report regarding the Customer Generated Resale Rate Classification and the extension of the Back-to-Business Credit incentive Program are filed with the records of the Board as Exhibit 8/27/20D.

Director Frazier then called on Mr. Thomas to provide an update on TVA's financial performance.

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20-03-4. Financial Performance Update

John Thomas, Executive Vice President and Chief Financial Officer, discussed the impacts from the Covid-19 pandemic experienced by TVA to date, starting with a discussion detailing the negative affect on overall energy sales, then moving on to providing specifics regarding the negative affect on energy sales to large industrial customers in the region. After presenting this information, Mr. Thomas discussed the pandemic-related revenue impact on TVA's third fiscal quarter, noting a revenue decline of approximately \$130 million from plan during the 10 weeks of the quarter affected by the pandemic. Mr. Thomas then reviewed the forecast for the fourth fiscal quarter and FY 2020 revenue as a whole in light of the pandemic, noting a projected \$100 million decline in revenue from plan during the 13 weeks of the fourth

fiscal quarter, and a total decline of \$230 million from the revenue projected for the fiscal year as a whole in the FY 2020 budget. Mr. Thomas stated that management considered several financial scenarios coming into the pandemic to try to understand how significant the impact on TVA would be, and at this point in time, forecasts are more in line with the mild impact scenario considered.

Mr. Thomas next reviewed overall financial results, beginning with a review of the FY 2020 third quarter Summary Income Statement. He discussed factors contributing to operating revenue being \$330 million unfavorable to plan, fuel and purchased power costs being \$127 million favorable to plan, operation and maintenance costs being \$128 million favorable to plan, and interest expense being \$58 million favorable to plan, all of which combined to result in TVA exceeding budgeted net income by \$153 million. Mr. Thomas next reviewed the FY 2020 third quarter Summary Cash Flow Statement stating that, due to the performance of its employees during the first 9 months of the fiscal year, TVA was able to almost entirely offset any negative cash flow impact. He then he discussed all of the various factors contributing to that result, and provided specific details on how \$200 million was saved through performance and ultimately applied to lowering debt and interest costs. Mr. Thomas then summarized fiscal year-to-date actual results versus planned results, noting that operating revenues, fuel and purchased power costs, operating expenses, and total financial obligations were all lower at the end of the third fiscal quarter than planned.

Copies of the slides used by Mr. Thomas in his report are filed with the records of the Board as Exhibit 8/27/20E.

20-03-5. Report of the Audit, Risk, and Regulation Committee

Chair Ryder then confirmed that he serves as Chair of the Audit, Risk and Regulation Committee and that he would present the committee's report.

Chair Ryder reported that the Committee met by teleconference twice during the quarter, once on August 3 to review the quarterly 10-Q report to be filed with the Security and Exchange Commission (SEC) and again on August 7 for its regular quarterly meeting. TVA staff briefed the Committee on the 10-Q report during the August 3 meeting, after which TVA's independent auditor, Ernst & Young (EY), discussed their independent assessment of TVA's financial reporting process. Chair Ryder reported that the 10-Q report was filed with the SEC later that same day.

Chair Ryder reported that at its August 7 meeting the Committee pre-approved EY's services fees and rates for FY 2021 in furtherance of the notational approval issued by the Board on August 5 selecting EY as TVA's external auditor for FY 2021. Chair Ryder stated that management also updated the Committee on a number of topics during the meeting, including enterprise risk and regulatory assurance. With regard to enterprise risk, management informed the Committee that TVA's Operational Assurance group has been renamed Risk and Performance Assurance, and the mission of the renamed group is to add value to TVA by providing independent and objective insight to TVA leadership by confirming that strategic, operational, and financial risks are being managed adequately. Chair Ryder stated that the group will also conduct leadership driven performance assessments to support continuous improvement. Chair Ryder reported that the group had recently completed evaluations of

transmission wildfire prevention and TVA's purchasing card program. With respect to regulatory assurance matters, management reported to the Committee that five local power companies are out of compliance as a result of lending too much in association with their broadband programs. Chair Ryder stated that TVA is continuing to leverage risk mitigation measures included in the new broadband review process to monitor local power companies and prevent them from engaging in the same non-compliant behavior. In addition, he stated that TVA will increase financial monitoring of local power companies that are out of compliance. Chair Ryder reported that the Committee met with the Deputy Inspector General and her staff in executive session and received updates on Inspector General audits and investigations. The Committee also met separately with EY in executive session, and Chair Ryder stated the Committee appreciates EY's assistance in identifying risks and opportunities for improvement at TVA. Chair Ryder stated that during the meeting several written reports were provided to the Committee, including: updates on ethics, litigation, and distributor regulation; copies of Disclosure Control Committee meeting minutes; and reports on cybersecurity threats and local power company rate requests.

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20-03-6. Report of the External Relations Committee

Upon the conclusion of the prior committee's report, Chair Ryder called on Director Smith to provide the report of the External Relations Committee.

Director Smith, Alternate Chair of the Committee, reported that the Committee met by teleconference on August 6. The Committee received several updates from management,

including a status report on the long-term partnership agreement and a report on TVA's external Covid-19 response efforts. Director Smith expressed the Committee's pleasure at how well received TVA's long-term partnership agreement has been among the local power companies distributing TVA power. He stated that the collective commitment by such a large majority of TVA's partners provides a foundation of certainty that is absolutely critical to meeting TVA's primary obligation to provide electricity at rates that are as low as feasible. Director Smith stated that an equally important part of the long-term partnership agreement is the flexibility option included in response to requests from local power companies. He explained that the flexibility option allows those local power companies that enter into a long-term partnership agreement with TVA to generate up to 5% of the power they distribute. To date, 48 of TVA's long-term local power company partners have signed a flexibility agreement, which Director Smith characterized as a key enabler to the development of local renewable resources throughout the TVA region.

Director Smith reported that much of the Committee's time in recent months has been directed at coming together to help TVA's customers and communities in need, addressing weather-related challenges and responding as quickly as possible to the Covid-19 pandemic. TVA has provided regulatory, community, and economic development support to mitigate the impact of the pandemic throughout the region. Director Smith stated that the Community Care Fund set up by TVA in partnership with local power companies to match local charitable contributions has resulted in nearly \$5 million in contributions to local non-profit organizations. When combined with other TVA efforts, including the Back-to-Business Credit incentive program, the total financial impact of TVA's Covid-19 efforts is over \$15 million, and the Board has approved another \$2 million investment in the Community Care Fund to support community

organizations dedicated to pandemic relief. Director Smith reported that management briefed the Committee on specific economic development support being offered to communities. He stated that TVA has provided flexibility to customers participating in the Investment Credit program, resulting in another \$4.2 million in benefits to businesses in the TVA region, and that TVA is assisting communities by offering TVA Telework Technology grants to enhance technology capability in order to enable remote work. Director Smith stated that all of the foregoing are good examples of the strength of the TVA public power model at work.

Director Smith continued that TVA continues to support the Memphis community and work towards maintaining its supplier relationship with Memphis Light, Gas and Water (MLGW) and that TVA has presented a proposal to MLGW that would provide \$2 billion in value over the next twenty years. Taken together, the long-term partnership agreement and the proposal currently on offer to MLGW would help address community needs such as electric distribution reliability, community revitalization, relief of energy burden, development of the Port of Memphis, and renewable energy. The Board and TVA management understand that MLGW intends to seek proposals from others in order to secure the best possible arrangement to serve the people of Memphis. He stated that Memphis is an important part of the TVA community, and that the Board and management believe that TVA will ultimately offer the most compelling response to MLGW's current request for proposals.

Director Smith reported that, in addition to major economic announcements of national businesses like Amazon and its new fulfillment center in Memphis that will create 1,000 jobs, or Facebook's high-tech data in Gallatin, Tennessee, that will be powered by 100% renewable energy, there are a number of less-publicized economic development achievements that are also

important. This includes the re-opening of Fontana Village after the prior operator shut down and surrendered its lease earlier this summer. TVA worked to re-open this recreational resort in Graham County in the mountains of western North Carolina and it now employs approximately 50 full-time employees as well as a number of short-term subcontractors. TVA invested over \$3 million in Fontana Village in order to sustain its economic impact on one of the most economically challenged areas of North Carolina.

Director Smith reported that at its meeting the Committee received updates on the Investment Credit program and TVA's federal advisory committees, as well as a variety of other communications.

Following the completion of his report, Director Smith referenced the status report on Covid-19 relief efforts made by Executive Vice President and Chief External Relations Officer Jeannette Mills earlier in the meeting during presentation of the President's Report, after which he requested and received expanded comments from Ms. Mills on the economic development component of those efforts.

Following the comments made by Ms. Mills, Chair Ryder made reference to his review of the "2020 Utility Bill Comparison for Selected Cities" published by MLGW, and its report that the utility rate for the average household in Memphis is lower than that of the average household in Little Rock, Arkansas, a comparable city served by Entergy and the Midcontinent Independent System Operator (MISO). Chair Ryder pointed out that Entergy is one alternative electric supplier being considered by MLGW, and if selected it would deliver its electricity to Memphis through MISO's transmission system. Chair Ryder then made reference to the fact that

the bond rating organization Moody's recently rated City of Memphis bonds at "A2A." Chair Ryder explained that one of the bases used for granting that rating was MLGW's contractual relationship with TVA, and he stated Moody's noted that if MLGW left the TVA system it would threaten Memphis' credit rating because of the capital expenditures that would be necessary to support the transition to a new electric supplier. Chair Ryder then invited and received comments from Mr. Lyash regarding these observations.

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20-03-7. Report of the Nuclear Oversight Committee

Chair Ryder then called on Director Smith to provide the report of the Nuclear Oversight Committee.

Director Smith, Chair of the Committee, reported that TVA's nuclear fleet provides more than 40% of the power that TVA delivers in its service territory, and stated that running the nuclear plants safely and efficiently is important. Director Smith thanked TVA's employees and partner companies who have been working to keep TVA's nuclear plants operating, and stated that the efforts exerted by the individuals involved have been extraordinary. Director Smith reported the Committee met via teleconference on July 14. During the meeting, the Committee discussed the overall performance of the nuclear fleet and reviewed information regarding outages as well as the progress of the business plan initiatives put in place by the nuclear leadership team. Director Smith stated that the nuclear fleet's performance tends to be a bit cyclic. The fleet is focused on performance improvement in order to meet its goal of becoming a leader among the nation's nuclear operators, and Director Smith stated the Committee is fully

supportive of the leadership changes implemented by Mr. Lyash and Tim Rausch, Senior Vice President and Chief Nuclear Officer. Both Mr. Lyash and Mr. Rausch have been personally engaged in implementing those changes and the Committee believes the changes are foundational to achievement of long-term, sustained improvement in the nuclear fleet.

Director Smith reported that at its meeting the Committee received an update from the Institute of Nuclear Power Operations (INPO), independent experts in the nuclear industry who visit periodically and provide their perspective on the performance of TVA's nuclear fleet relative to other nuclear fleets across the country. Director Smith stated the Committee's discussion with the INPO representatives provided Committee members with a lot of insights, and the Committee appreciates the time the representatives took in delivering their briefing.

Continuing its review of the nuclear plan business plan initiatives, Director Smith reported that in April the Committee discussed the Results Initiative. During the current quarter the Committee discussed the Culture Initiative, which emphasizes continuous improvement in the workforce, and Director Smith stated the Committee believes it is seeing indications of changes evidencing progress on that initiative. Director Smith provided an example, noting that TVA employees reduced the time required for the spring refueling outages from 35 days to 27 days, which places TVA in the top quartile of all nuclear operators with regard to that metric. Director Smith stated there is more work to be done and the Committee looks forward to receiving future updates as well as seeing the results of management's efforts to improve the culture of the nuclear fleet.

Director Smith reported the Committee also reviewed the performance of Browns Ferry Nuclear Plant but were not able to visit the plant due to the current pandemic. Director Smith stated the Committee appreciates the update provided by plant management, which included a briefing on ongoing challenges and successes at the plant, and the Committee is eager to learn the results of the recent INPO evaluation at its next meeting. Director Smith stated the Committee is encouraged by the overall progress of the business plan and the continuous improvement being made by the nuclear team, and he added that the hard work of the team to increase output in a safe and reliable manner will help TVA and its customers with lower energy costs and further reduction of carbon emissions in the future.

Director Smith made reference to the proposal TVA has submitted to the U.S. Department of Energy for consideration of a funding opportunity to advance development of an SMR option for the Valley, mentioned by Mr. Lyash in the President's Report, stating the Committee is very excited about the potential offered by this opportunity. He stated the Committee is fully supportive of exploring installation of an SMR at the Clinch River site.

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20-03-8. Report of the People and Performance Committee

Chair Ryder then called on Director Allen to provide the report of the People and Performance Committee.

Director Allen, Chair of the Committee, reported that the Committee met by teleconference on August 6 and discussed numerous topics. Management presented the

Committee with a quarterly summary of TVA's year-to-date performance for FY 2020 versus goals established at the outset of the year. TVA's Chief Operating Officer and Chief Nuclear Officer updated the Committee on TVA's operational performance. The Committee also received an update on corporate goals for FY 2021 tied to TVA's five strategic priorities: powerful partnerships, people advantage, operational excellence, igniting innovation, and financial strength. Director Allen stated that additional work is in progress to ensure that metrics align with strategic priorities and that a final proposal regarding that alignment will be presented to the Committee and Board at a future meeting. Director Allen reported that the Committee conducted an annual review of TVA's compensation plan, a guiding document for management of compensation matters involving all TVA employees. Director Allen explained that the Board must approve the compensation plan to ensure that the plan is consistent with the TVA Act and supports TVA's strategic goals. Its annual review is also required pursuant to the Committee's charter. Director Allen stated that the compensation plan was revised in 2019, and that going forward the Committee will be conducting a completely fresh review of chief executive officer compensation. He stated that through the TVA Act, as amended, Congress has directed the Board to establish compensation levels that are competitive, not just with other federal agencies, but also in comparison to other utilities that compete with TVA for the highly skilled and experienced talent necessary to fulfill TVA's mission. Director Allen stated that, notwithstanding the foregoing, the Committee and Board must also recognize the nature of TVA's public service mission, and it is the Board's responsibility to ensure that the right balance is struck as TVA seeks to hire individuals who are capable of producing results that are in the best interests of the people in the TVA service territory.

Director Allen reported that the Board has hired an independent compensation consultant, F.W. Cook & Co., Inc. (FW Cook), to assist the Committee in reviewing compensation practices, and that the newly assigned lead consultant from FW Cook is Erin Bass-Goldberg. Director Allen stated he looks forward to Ms. Bass-Goldberg's report regarding TVA's compensation practices. Director Allen stated that the Committee received a report on benchmarking currently underway with regard to TVA's supplemental compensation plans and the schedule for updating those plans. Director Allen reported that the Committee also received an annual update from the TVA Retirement System (TVARS). Committee members were pleased to learn that TVARS is experiencing strong growth in employee saving contributions, that the TVARS 401(k) plan is performing well in comparison to its peers, and that the retirement system's health scores are good. Director Allen stated that TVARS has done well in navigating the uncertainties associated with the Covid-19 pandemic due to strong communication with the TVA workforce and retirees, and also due to good investment decisions.

The Committee also received an update on workplace climate at its meeting and discussed the need for a continued focus on diversity and inclusion in the workforce. Director Allen stated that, among other things, management will be focusing on attracting and retaining diverse candidates, and communicating career opportunities for a wide variety of backgrounds and skills. As a part of this update, the Committee discussed the results of TVA's recent engagement survey. In addition, several written reports were provided to the Committee, including a detailed year-to-date performance report and the quarterly calendar of upcoming activities for the Committee.

20-03-9. Board Committee Assignments

The Board adopted the following resolution upon the recommendation of the Board Chair. The motion was duly seconded and an opportunity for discussion was provided before a voice vote was conducted. The resolution passed unanimously:

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 Chair of the Board to the Board for its approval as a single slate of appointees; and

WHEREAS, the Chair hereby recommends the slate of committee members as set forth below:

Audit, Risk, and Regulation Committee
John Ryder, Chair
Bill Kilbride

People and Performance Committee
Kenny Allen, Chair
AD Frazier

External Relations Committee
Bill Kilbride, Chair
Jeff Smith

Nuclear Oversight Committee
Jeff Smith, Chair
Kenny Allen

Finance, Rates, and Portfolio Committee
AD Frazier, Chair
John Ryder

BE IT RESOLVED, That the Board of Directors hereby approves the slate of committee members as recommended by the Chair, with said assignments to become effective immediately and to continue in place as provided in the Bylaws or until modified.

* * *

20-03-10. Assistant Corporate Secretary

The Board adopted the following resolution upon the recommendation of the Board Chair. The motion was duly seconded and an opportunity for discussion was provided before the Chair conducted a voice vote. The resolution passed unanimously:

WHEREAS, the Executive Vice President and General Counsel has recommended the designation of one individual to serve as an Assistant Secretary of TVA, with full authority to affix the corporate seal to approved documents and to attest to the seal and signatures of persons authorized to sign such documents on behalf of TVA;

BE IT RESOLVED, That effective immediately, and continuing until the earlier of separation from service as an employee of TVA or further action by the Board, David Fountain is designated and appointed as an Assistant Secretary of TVA with full power to affix the corporate seal to approved documents and to attest to the seal and signatures of persons authorized to sign such documents on behalf of TVA.

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Following the vote on Minute Item 20-03-10, Chair Ryder conducted a voice vote regarding the ratification of the Board's prior notational approval of the items set forth in Minute Items 20-03-11, 20-03-12, and 20-03-13. Chair Ryder noted that all of those items, other than the election of the Chair, had previously been discussed during today's meeting. All of the aforementioned items were ratified unanimously.

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Information Items

20-03-11. Omnibus Approvals and Non-Quorum Arrangements

As recommended in a confidential application for Notational Board Approval, a copy of which is filed with the records of the Board as Exhibit 8/27/20F, and in accordance with the TVA Board Practice, Notational Approvals, on August 6, 2020, the individual Board members (i) provided omnibus approval of FY 2021 Spending Authority, the FY 2021 Financing Shelf, Customer Generator Resale Rates Classifications, extension of the Back-to-Business Credit program, and selection of TVA's FY 2021 external auditor, and (ii) approved delegation of

authority to the Chief Executive Officer, at any time the Board is acting without a quorum, to carry out the following activities: acquisition of transmission assets; approval of distributed energy resources, programs, or products; approval of programs to support or fund electric vehicle charging networks; and, with regard to previous delegations from the Board to the Chief Executive Officer, to exceed limitations related to (a) monetary limits of any capital project or land transaction, (b) durations of Board-approved programs or activities, and (c) requirements that are procedural in nature or immaterial.

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20-03-12. Selection of Board Chair

As recommended in a confidential application for Notational Board Approval, a copy of which is filed with the records of the Board as Exhibit 8/27/20G, and in accordance with the TVA Board Practice, Notational Approvals, on August 17, 2020, the individual Board members approved selection of Director John L. Ryder as Chair of the TVA Board of Directors through May 18, 2021.

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20-03-13. Pandemic Relief Credit

As recommended in a confidential application for Notational Board Approval, a copy of which is filed with the records of the Board as Exhibit 8/27/20H, and in accordance with the TVA Board Practice, Notational Approvals, on August 20, 2020, the individual Board members

approved a Pandemic Relief Credit designed to reduce effective rates with the intention of helping to address hardships that local power companies, businesses, and industry have experienced due to the Covid-19 pandemic.

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The meeting was adjourned at 12:11 p.m. (EDT).