

No. 22-03

Approved by the Board of Directors  
at its November 10, 2022, meeting:



Executive Vice President, General  
Counsel and Corporate Secretary

MINUTES OF MEETING  
OF  
THE BOARD OF DIRECTORS  
TENNESSEE VALLEY AUTHORITY

August 31, 2022

A meeting of the Board of Directors of the Tennessee Valley Authority was held in the Russell Duncan Ballroom at the University of Tennessee at Martin, 11 Wayne Fisher Drive, Martin, Tennessee, on August 31, 2022. The meeting was called to order at 10:00 a.m. (ET). The meeting agenda was announced to the public on August 24, 2022. The meeting was open to public observation.

Board members in attendance were Director and Chair William (Bill) Kilbride and Directors Jeff Smith, A.D. Frazier, Beth Harwell, and Brian Noland.

Also present were TVA officers, including Jeffrey J. (Jeff) Lyash, President and Chief Executive Officer; David Fountain, Executive Vice President, General Counsel and Corporate Secretary; Jeannette Mills, Executive Vice President and Chief External Relations Officer; Don Moul, Executive Vice President and Chief Operating Officer; John M. Thomas, Executive Vice

President and Chief Financial and Strategy Officer; and Doug Perry, Senior Vice President, Commercial Energy Solutions. David Fountain served as the Board's parliamentarian.

Chair Kilbride 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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**22-03-1                    Welcome**

Chair Kilbride welcomed those joining both in person and online and expressed appreciation for the hospitality received from the City of Martin and the University of Tennessee at Martin. Chair Kilbride noted that overall Covid-19 conditions have improved throughout the region and no specific safety measures are required for the meeting.

The Board then heard remarks from Keith Carver, Chancellor of University of Tennessee at Martin, and Chair Kilbride noted the presence of Clifton Harris, President of the Urban League of Middle Tennessee, and expressed TVA's appreciation for its relationship with the Urban League.

Chair Kilbride next called on TVA's Director of Board Services, Michael McCall, to summarize the comments received during the Board's public listening session. Mr. McCall summarized that TVA heard from 46 individuals in person and received a number of written comments.

Mr. McCall reported that community representatives expressed appreciation for TVA's support of the Weakly County, Kentucky area's recovery after tornado damage last winter. Mr.

McCall reported that representatives of local power companies (LPCs) commented on TVA's reliability and generation flexibility options along with the importance of balance and diversity in TVA's generating assets. Mr. McCall reported that representatives from two industrial customers spoke about quality jobs and the importance of a diverse generation portfolio. Mr. McCall reported that the President of the Engineering Association, a union which represents many TVA employees, spoke about the good relationship between TVA and its unions. Mr. McCall reported eight individuals encouraged TVA to use more renewable energy and limit or end the use of fossil fuels and nuclear energy. Mr. McCall reported one member of the Sierra Club submitted a compilation of almost 200 messages from the public encouraging TVA to use more renewable energy. Mr. McCall reported some speakers objected to TVA's possible new use of natural gas and encouraged TVA to seek opportunities for renewable energy expansion facilitated by the Inflation Reduction Act. Mr. McCall reported five individuals shared concerns about Cypress Creek Marina on Kentucky Reservoir, which operates under a lease from TVA. Mr. McCall reported a speaker representing the Norris Lake Marina Association asked TVA to urgently look into a marina business allegedly operating without proper permits. Two individuals expressed concerns about sufficient energy supply for the long-term stability of the electric system and encouraged TVA to expand production of all forms of energy. Several representatives of Tennessee Valley Farmers expressed concern about agricultural land being converted to solar projects and a desire to be more involved in TVA's long-term power planning processes.

Mr. McCall reported seventeen people submitted written comments, including LPCs expressing appreciation for credits arising from the long-term partnership. Mr. McCall reported representatives from the Southern Alliance for Clean Energy, Appalachian Voices, and Sierra Club submitted petitions from approximately 750 people with comments from 200 of those. Mr.

McCall reported the comments addressed the need for renewable energy, opposed the potential use of natural gas, and opposed the possible construction of a gas pipeline in Middle Tennessee. Mr. McCall reported six members of the public commented on a personnel matter that TVA considers resolved. Mr. McCall reported several people expressed concern with regard to the possible license extension of the units at Browns Ferry Nuclear Plant (BFN) and TVA's role in the nuclear energy industry. In concluding his summary, Mr. McCall reported that one member expressed concern about the impact of aquatic plant eelgrass on Lake Guntersville.

Chair Kilbride then called on President and Chief Executive Officer, Jeff Lyash, to provide an update on the Allen Restoration Project in Memphis. Mr. Lyash reported that TVA has been engaged with the public in Memphis to make sure closure by removal is implemented using best safety practices and a state-of-the-art disposal facility. Mr. Lyash called on Jeannette Mills, Executive Vice President and Chief External Relations Officer, to provide an update on the project's progress.

Ms. Mills reported that remediation of the coal ash is a shared responsibility between TVA, the City of Memphis, Shelby County, Tennessee, Memphis, Light, Gas, and Water (MLGW), and the Port of Memphis. Ms. Mills reported that TVA is keeping its promises to the community with regard to the remediation. Ms. Mills reported that the encapsulated state-of-the-art landfill is located at the Republic Landfill and the movement of coal ash to that location has started. Ms. Mills reported that the Tennessee Department of Environment and Conservation (TDEC) is present at the site every day looking at the remediation activities to make sure they are done in the safest possible manner. Ms. Mills reported that TDEC has been present at public meetings regarding the project and has reviewed TVA's disposal plans. Ms. Mills reported that TVA is engaging with the public on a routine basis, including attending virtual meetings held by

neighborhood associations and providing numerous tours of the site to neighbors and public officials.

Director Harwell called on Mr. Lyash to provide an update on where the municipalities in Shelby County are in the process of considering alternate power supplies. Mr. Lyash reported that TVA has been supporting their process, which is in the final phases, and will stay actively engaged. Mr. Lyash reported that TVA's proposal to MLGW emphasized the value MLGW already derives from the TVA relationship with some of the lowest power prices in the country along with high reliability. Mr. Lyash reported that value, along with TVA's economic development and environmental programs, is an outstanding value proposition. Mr. Lyash reported that TVA's offer is consistent with what has been offered to others across the TVA system, but has a layer of measures to address important specific needs to the Memphis community. Mr. Lyash reported it was his understanding that MLGW is considering TVA's proposal along with the other proposals submitted.

Chair Kilbride expressed his appreciation to Mr. McCall and to the members of the public who provided comments to the Board, noted that the Board greatly values the input received through the listening sessions, and encouraged continued participation by the public.

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### **Old Business**

After a motion duly made and seconded, the Board approved the minutes of its May 11, 2022, meeting.

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### **New Business**

Chair Kilbride called on TVA President and Chief Executive Officer, Jeff Lyash, to

provide a brief overview of the meeting. Mr. Lyash expressed his pleasure in meeting with customers, public officials, and everyone who came to the listening session. Mr. Lyash expressed his appreciation for the hospitality shown by Mayor Randy Brundige and by Andy Harrington and the staff at Weakley County Municipal Electricity System. Mr. Lyash then reported on TVA's efforts to expand charging stations in Tennessee, TVA's regional model and the public power model, TVA's success in delivering reliable energy even under extreme conditions, and how TVA's robust transmission system enabled TVA to access regional markets when beneficial to do so and enabled the Midcontinent Independent System Operator (MISO) to move significant amounts of power between its Midwest, South and North regions to avoid issues on MISO's system.

Mr. Lyash described how partnerships are the foundation of the public power model. As an example, Mr. Lyash noted that Mark Kimble, General Manager of the Gallatin Department of Electricity, is the originator and founder of the new Valley Public Power Leadership Academy. Mr. Lyash reported the Academy's first class consists of 30 representatives of local power companies as well as TVA employees. Mr. Lyash reported the shared goal of this effort is to foster collaboration and leadership across the region.

Mr. Lyash reported that TVA is continuing to hold base rates for electricity flat as previously committed, but noted that fuel costs have increased significantly. Mr. Lyash reported perennially TVA's fuel costs are in the lowest 10% in the industry, which is due to a diverse generation fleet, sound contracting, and a hedging process for buying fuel. Mr. Lyash then reported that due to continued economic pressures and the TVA team delivering above expectations, TVA will be increasing the existing 1.5% Pandemic Recovery Credit to 2.5% for fiscal year (FY) 2023. Mr. Lyash reported the credit applies to the base rate for customers on their

monthly bills. Mr. Lyash reported that LPCs that have signed the long-term agreement will also receive a 3.1% credit each month on their base rate. Mr. Lyash reported that together the credits are expected to total \$1.4 billion through FY 2023 since their inception. Mr. Lyash reported that TVA and LPCs have placed almost \$9 million into the Community Care Fund, which will continue to serve local communities into 2023.

### **22-03-2 Report of the Operations and Nuclear Oversight Committee**

Chair Kilbride called on Director Jeff Smith, Chair of the Operations and Nuclear Oversight Committee, to provide the Committee's report. Director Smith reported the Committee met on July 19, 2022, for its regular quarterly meeting.

### **22-03-3 Browns Ferry Nuclear Plant License Renewal Delegation**

Director Smith reported that there was one action item for the Board which is a recommendation to delegate authority to the CEO to decide whether to submit a license renewal application to extend the operation of the Browns Ferry Nuclear Plant (BFN) from 60 to 80 years. Director Smith reported that the Committee considered that, prior to entering the period of extended operation, the Nuclear Regulatory Commission (NRC) requires completion of many aging management inspections. Director Smith reported that careful planning, scoping, scheduling, and maintenance must be coordinated over a period of years and the proposed delegation provides the CEO the authority to responsively make decisions based on evolving factors, demands, maintenance schedules, and outages. Director Smith reported that the proposed delegation would be subject to all required and appropriate environmental reviews and would not prejudice TVA's ultimate selection of an alternative, or limiting any of TVA's alternatives, currently under National Environmental Policy Act (NEPA) consideration.

After a motion duly made and seconded, the Board adopted the following resolution, as recommended in a memorandum from the Executive Vice President and Chief Nuclear Officer

dated July 6, 2022, and filed with the records of the Board as Exhibit 08/31/22A:

WHEREAS TVA's Strategic Intent and Guiding Principles sets forth six guiding principles for carbon reduction, including maintenance of nuclear generation, and also includes continuing to invest to extend the life of our current nuclear fleet as a step in the path to approximately 80% carbon reduction by 2035;

WHEREAS in May 2021, the Board endorsed TVA's Strategic Intent and Guiding Principles subject to compliance with all required environmental reviews before making any decisions that are subject to such required reviews;

WHEREAS TVA currently operates Units 1, 2, and 3 of the Browns Ferry Nuclear Plant in Athens, Alabama;

WHEREAS Browns Ferry Unit 1 received a license from the Atomic Energy Commission (AEC)<sup>1</sup> to operate for a 40-year period beginning on December 20, 1973 and a 20-year extension of that operating period beginning on May 4, 2006, and will reach the end of the extended operating term on December 20, 2033;

WHEREAS Browns Ferry Unit 2 received a license from the AEC to operate for a 40-year period beginning on June 28, 1974 and a 20-year extension of that operating period beginning on May 4, 2006, and will reach the end of the extended operating term on June 28, 2034;

WHEREAS Browns Ferry Unit 3 received a license from the U.S. Nuclear Regulatory Commission (NRC) to operate for a 40-year period beginning on July 2, 1976 and a 20-year extension of that operating period beginning on May 4, 2006, and will reach the end of the extended operating term on July 2, 2036;

WHEREAS pursuant to the National Environmental Policy Act ("NEPA"), TVA is preparing a Supplemental Environmental Impact Statement ("SEIS") to assess the impacts associated with the subsequent license renewal of Browns Ferry Units 1, 2, and 3;

WHEREAS TVA, in addition to considering a no-action alternative that would result in the shutdown of Browns Ferry Unit 1 on December 20, 2033, Unit 2 on June 28, 2034 and Unit 3 on July 2, 2036, is currently considering three (3) potential action alternatives in the SEIS, which can be generally described as seeking license renewal, and either using existing assets or a combination of existing assets and newly constructed assets, to generate the same amount of electricity without seeking license renewal; the scope of those potential alternatives may increase, decrease, evolve or change over the course of the NEPA process and development of the SEIS, and nothing in this proposed resolution should prejudice TVA's ultimate selection of an alternative or limit any of TVA's alternatives currently under consideration;

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<sup>1</sup> The Atomic Energy Commission (AEC) was established by Congress in the Atomic Energy Act of 1946. Through 1974, the AEC was responsible for both encouraging the use of nuclear power and regulating its safety. In 1974, Congress abolished the AEC and created the U.S. Nuclear Regulatory Commission (NRC) to execute the responsibility of regulating the safe use of nuclear power. The NRC began operations on January 19, 1975.



WHEREAS prior to entering the subsequent period of extended operation for each of the three Browns Ferry units, the NRC requires completion of a large number of aging management program inspections, many of which require a unit outage for performance, which in turn requires careful planning, scoping, and scheduling in advance;

WHEREAS in order to complete the required aging management program inspections within the time frame required by the NRC, TVA must take actions now to develop and preserve the option of applying for subsequent license renewal of Browns Ferry Unit 1, 2, and 3 to the NRC;

WHEREAS a memorandum dated July 06, 2022, a copy of which is filed with the records of the Board as Exhibit 08/31/22A (Memorandum), recommends that the Board finds that it is in the best interest of TVA to delegate authority to the Chief Executive Officer (CEO) to make the decision, along with the authority to implement the decision, whether to submit a subsequent license renewal application to the NRC for Browns Ferry Units 1, 2, and 3, following completion of the NEPA process; and

WHEREAS based on the Memorandum, the Operations and Nuclear Oversight Committee recommends approval by the TVA Board of Directors of the proposed action;

BE IT RESOLVED, that the Board of Directors hereby approves the recommendation as outlined in the Memorandum and specifically delegates authority to the CEO to make the decision whether to submit a subsequent license renewal application to the NRC to extend the operating license for Browns Ferry Units 1, 2, and 3 for an additional 20 years, following all required and appropriate environmental reviews, and if the decision is made to submit a subsequent license renewal application, authorizes the CEO to take such actions as necessary to implement such decision, all of which are subject to the limitations described above and in the Memorandum, and to the requirement that the CEO periodically report to the Board on any actions taken in accordance with the delegations granted in this Resolution.

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#### **22-03-4 Operational Performance Report**

Director Smith called on Don Moul, Chief Operating Officer, to provide a report on TVA's operational performance. Mr. Moul's report addressed current operational challenges, acknowledged the efforts of the TVA workforce, and noted that TVA's diverse generation fleet has performed exceptionally well. Mr. Moul then reported on TVA's efforts to transition to a lower carbon future with a focus on improving the reliability and resiliency of the TVA system, while maintaining the commitment to least-cost planning. Mr. Moul reported TVA is maintaining

and improving existing zero carbon power sources in its nuclear and hydro fleets and is evaluating the use of other technologies such as pumped storage, carbon capture, hydrogen fuel, and battery storage.

Mr. Moul also reported on TVA's efforts with regard to small modular reactors (SMR), the planned commissioning of the System Operation Center, and TVA's efforts with regard to electric vehicle adoption. Mr. Moul then reported on TVA's power purchases during the summer and corrected the misinterpretation of data regarding TVA's purchase of power from the Midcontinent Independent System Operator, or MISO. Copies of the slides used by Mr. Moul in his report are filed with the records of the Board as Exhibit 08/31/22B.

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Director Smith reported that the Committee was provided an update on the causal evaluation of the fatality of lineman Joe Brown. Director Smith reported that while it appears that all safety requirements were in place, TVA identified additional measures that can be taken to reduce the likelihood of a similar accident in the future. Director Smith reported that TVA has learned that there is not a best-in-class program for climbing structures for TVA to adopt and noted that TVA plans to create a best-in-class program. Director Smith expressed TVA's most sincere sympathies to Mr. Brown's family, friends, and coworkers.

Director Smith reported that the Committee reviewed operational performance, which has been very strong overall, with high reliability being provided to customers. Director Smith reported management provided the Committee with an update on TVA's river management strategy and noted it remains a model for comprehensive integrated management of a river system. Director Smith reported that management is exploring implementation of additional pumped hydro capacity.

Director Smith reported that management provided an update on TVA's nuclear program and noted that the TVA fleet continues to maintain top quartile industry performance. Director Smith reported the Committee discussed the ongoing positive performance at BFN, which was recently recognized by the World Association of Nuclear Operations (WANO) for significant progress. Director Smith reported that management provided the Committee with an update on the upcoming refueling outages at BFN Unit 1 and Sequoyah Nuclear Plant Unit 1. Director Smith reported that Watts Bar Nuclear Plant (WBN) Unit 2 is back online after completion of the steam generator replacement. Director Smith noted that the Committee received a report from Dennis Koehl, a consultant on nuclear operations, who advised that TVA's nuclear organization is building a sustainable continuous improvement culture. Director Smith commended management on their strategic focus on continuous improvement and innovation at the corporate and plant levels. Director Smith then called on Mr. Lyash to explain the impact of recent capacity factor improvements at BFN and WBN, which he did.

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### **22-03-5 Report of the Audit, Finance, Risk, and Cybersecurity Committee**

Chair Kilbride called upon A.D. Frazier, Chair of the Audit, Finance, Risk, and Cybersecurity Committee, to provide the Committee's report. Director Frazier reported the Committee met on July 20, 2022, July 28, 2022, and August 1, 2022. Director Frazier reported the first meeting focused on a review of TVA's FY 2023 budget. Director Frazier reported that due to the Board having the minimum number of directors needed for a quorum and Covid-19 cases on the rise, it was appropriate to approve the FY 2023 budget through the notational approval process. Director Frazier then called on John Thomas, Executive Vice President and Chief Financial and Strategy Officer, to provide a financial update.

## **22-03-6 Financial Performance Update and Budget**

Mr. Thomas presented TVA's financial results for the first three quarters of FY 2022. Mr. Thomas reviewed revenues, expenses, and TVA's summary income statement and summary cash flow statement for the period, and reported that TVA had favorable financial performance overall. Mr. Thomas also reported on the FY 2023 budget and on TVA's efforts to maintain flat base rates and stabilize debt. Mr. Thomas then discussed the importance of long-term LPC partner commitments, the extension and increase in the Pandemic Recovery Credit, TVA's fuel cost adjustment and the volatility of gas prices, and the plan to reach 100% funded status for the TVA pension plan. Copies of the slides used by Mr. Thomas in his report are filed with the records of the Board as Exhibit 08/31/22C.

## **22-03-7 FY 2023 Budget Approval**

As requested by Director Frazier during the meeting, the following resolution, which the Board approved by notation on the recommendation of the Audit, Finance, Risk, and Cybersecurity Committee and as recommended in a memorandum from the Executive Vice President and Chief Financial and Strategy Officer dated July 21, 2022 and filed with the records of the Board as Exhibit 08/31/22D, is included in these Minutes:

WHEREAS a memorandum from the Executive Vice President and Chief Financial and Strategy Officer (CFSO), dated July 21, 2022 (Memorandum), a copy of which is filed with the records of the Board of Directors as Exhibit 08/31/22D, recommends approval of the proposed fiscal year (FY) 2023 budget and certain related items as described in the Memorandum including:

- a) Operating and capital budgets for FY 2023; and
- b) Proposed capital projects that exceed \$200 million and acquisition of land rights in connection with certain capital projects; and
- c) FY 2023 Commercial Transactions 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 2023; and
- e) Continuing to recognize certain regulatory assets and liabilities and to follow certain accounting policies; and

WHEREAS the Board of Directors in November 2021 approved an extension of the Pandemic Recovery Credit as a 1.5% bill credit to reduce wholesale and large customer charges over FY 2023 and TVA management has recommended that the Board of Directors increase this bill credit to 2.5%, in a total amount estimated to be approximately \$230 million; and

WHEREAS the Board of Directors previously approved TVA's use of an exemption (the End-User Exemption) from the Dodd-Frank Wall Street Reform and Consumer Protection Act's mandatory clearing requirement and TVA management has recommended that the Board of Directors extend this approval to FY 2023; 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 2023 contribution to the Retirement System; and

WHEREAS after consideration of the minimum required contribution and the amendments to the Rules and Regulations of the Retirement System that became effective on October 1, 2016, TVA management has recommended that the Board of Directors approve a \$300 million contribution to the Retirement System for FY 2023; and

WHEREAS TVA management has recommended that the Board of Directors (1) approve the final amount of tax equivalent payments to states and counties for FY 2022 and (2) authorize and direct the CFSO to make, or cause to be made, estimated tax equivalent payments to states and counties for FY 2023; and

WHEREAS a memorandum from the CFSO dated July 21, 2022, a copy of which is filed with the records of the Board of Directors as Exhibit 08/31/22D, recommends that the Board of Directors authorize TVA to issue power bonds and enter into other financing arrangements in an aggregate amount not to exceed \$2,000,000,000 during FY 2023;

BE IT RESOLVED, That the Board of Directors hereby approves the FY 2023 budget;

RESOLVED further, That the Board of Directors approves an increase to the Pandemic Recovery Credit to enable TVA to extend a 2.5% bill credit to reduce wholesale and large customer charges over FY 2023;

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

RESOLVED further, That the Board of Directors approves, in addition to acquisitions approved in prior budgets, acquiring the land rights associated with the transmission capital projects listed in the Memorandum's Attachment 3, including acquiring the land rights through condemnation, contingent upon the CEO's approval for those projects for which such approval is required;

RESOLVED further, That the Board of Directors approves the FY 2023 Commercial Transactions Contracting Plan attached to the Memorandum as Attachment 4, including the delegations to the CEO referenced in the Commercial Transactions Contracting Plan;

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 2023 for use in the operation of the TVA power system;

RESOLVED further, That the Board of Directors approves (1) TVA's following the allowance for funds used during construction policy described in Attachment 5 of the Memorandum, (2) TVA's recognizing regulatory assets and liabilities as described in Attachment 5 of the Memorandum as such amounts are probable of collection (or probable of being refunded) in future rates, and (3) TVA's accounting for certain regulatory accounting matters as described in Attachment 5 of the Memorandum;

RESOLVED further, That the Board of Directors hereby authorizes TVA to use the End-User Exemption during FY 2023 in connection with all new and outstanding swaps as well as any amendments or modifications to new or outstanding swaps;

RESOLVED further, That the Board of Directors approves a contribution of \$300 million to the Retirement System for FY 2023 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;

RESOLVED further, That the Board of Directors, in accordance with Section 13 of the TVA Act, hereby finally determines that the amounts set out in Attachments 6 and 7 of the Memorandum are the amounts due and payable for FY 2022 to the respective states and counties named in such schedules;

RESOLVED further, That the Board of Directors authorizes and directs the CFSO to make, or cause to be made, payments to states for FY 2023 in accordance with established procedures on the basis of 98 percent of the estimated annual payments to states for FY 2023 and payments to counties on the basis of 100 percent of the estimated annual payments to counties for FY 2023, until the Board has made a final determination of the respective amounts due for FY 2023;

RESOLVED further, That the CFSO shall cause to be explained to the appropriate state and county officials that the payments for FY 2023 are based upon preliminary estimates and are subject to later adjustment;

RESOLVED further, That the Board of Directors (1) authorizes TVA to issue power bonds and enter into other financing arrangements in an aggregate amount not to exceed \$2,000,000,000

during FY 2023 and (2) approves the four resolutions included in Attachment 8.

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### **22-03-8 Power Supply Flexibility**

Director Frazier called on Doug Perry, Senior Vice President, Commercial Energy Solutions, to brief the Board on the flexibility options that were made available to LPCs in June 2020 and describe recommended revisions to the Flexibility Principles governing those options. Mr. Perry noted that the revisions could facilitate the addition of solar generation by LPCs and reported that the recommended changes took into consideration the concern over usage of agricultural land for solar farms. Copies of the slides used by Mr. Perry in his report are filed with the records of the Board as Exhibit 08/31/22E.

After a motion duly made and seconded, the Board adopted the following resolution, as recommended in a memorandum from the Executive Vice President and Chief Financial and Strategy Officer dated July 12, 2022, and filed with the records of the Board as Exhibit 08/31/22F:

WHEREAS on February 13, 2020, the Board (1) approved the implementation of a power supply flexibility option (Flexibility Option) consistent with the Flexibility Principles established by the Board, and (2) delegated authorities to the CEO to develop, implement, and execute amendments to each Valley Partner's wholesale power contract consistent with the Flexibility Principles as provided for in the memorandum;

WHEREAS the CEO has developed and implemented such an amendment and at this time, 78 of the 146 Valley Partners have signed the Flexibility Option; and

WHEREAS TVA management has recognized the need to revise the Flexibility Option after initial implementation in order to better enable deployment of flexible generation; and

WHEREAS a memorandum from the Executive Vice President and Chief Financial & Strategy Officer, dated July 12, 2022 (Memorandum), a copy of which is filed with the records of the Board as Exhibit 08/31/22F, recommends that the Board (1) approve Flexibility Principles to guide future revisions to the Flexibility Option and (2) delegate authority to the CEO to revise the

Flexibility Option and further modify certain Flexibility Principles as described in the Memorandum.

BE IT RESOLVED That the Board hereby (1) approves Flexibility Principles to guide future revisions to the Flexibility Option, and (2) delegates authority to the CEO, or his designee, to approve revisions to the Flexibility Option and modification to certain Flexibility Principles as described in the Memorandum.

RESOLVED further, That no revisions to the Flexibility Option or modifications to Flexibility Principles that require additional environmental reviews will be implemented until such review is completed.

RESOLVED further, That any revisions to the Flexibility Option or modifications to Flexibility Principles must be consistent with existing transmission policies.

As requested by Director Frazier, the Board Chair noted that the approval of the proposed resolution regarding the Flexibility Principles was unanimous.

#### **22-03-9 External Auditor**

Director Frazier reported the Committee is recommending the approval of Ernst & Young, LLP (EY) as TVA's independent external financial auditor for FY 2023. Director Frazier noted that the Committee had approved EY's scope of services for FY 2023, pending approval of their selection by the Board. After a motion duly made and seconded, the Board adopted the following resolution, as recommended in a memorandum from the Audit, Finance, Risk, and Cybersecurity Committee dated July 28, 2022, and filed with the records of the Board as Exhibit 08/31/22G:

WHEREAS in a July 28, 2022, memorandum to the TVA Board, a copy of which is filed with the records of the Board as Exhibit 08/31/22G, the Audit, Finance, Risk, and Cybersecurity 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 2023;

BE IT RESOLVED that the TVA Board hereby approves engaging EY as TVA's external auditor for fiscal year 2023.

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Director Frazier reported that the Committee reviewed Chairman Kilbride's qualifications



and determined he is qualified to serve as the Committee’s financial expert in accordance with Securities and Exchange Commission (SEC) rules and guidance. Director Frazier noted that the Board, through member signatures of TVA’s Form 10-K later in the year, would have the opportunity to confirm this determination. Director Frazier then reported management updated the Committee on key enterprise risks and, provided an overview of TVA’s enterprise risk framework, TVA’s enterprise risk assessment process. Director Frazier noted that management’s report addressed steps TVA has taken to mitigate cybersecurity risk, with a particular focus on insider and international threats.

Director Frazier reported the Committee received an overview from management on TVA’s recently issued request for proposals for carbon-free generation. Director Frazier then reported TVA’s Office of General Counsel provided an update on the status of new and significant lawsuits and an annual ethics update.

### **22-03-10 Ethics Program Update**

Director Frazier reported the Committee received an update on TVA achieving recognition as the first U.S. federal agency to be designated as a “Compliance Leader™” by the Ethisphere Institute for TVA’s ethics and compliance program. Director Frazier emphasized that the recognition is reserved for programs that are best-in-class. Director Frazier then called on David Fountain, Executive Vice President and General Counsel and TVA’s Designated Agency Ethics Official, to provide a report.

Mr. Fountain opened his remarks by noting that integrity is one of TVA’s four core values. Mr. Fountain then described the initiative of the TVA ethics program to expand its ethics program from meeting the minimal requirements for federal agencies to benchmark favorably against best-in-class programs worldwide. Mr. Fountain explained that TVA engaged the

Ethisphere Institute, a consultant with a global reputation for assessing ethics programs, to conduct an independent assessment of TVA's ethics program. Mr. Fountain explained the six key program aspects on which Ethisphere's assessment focused. Mr. Fountain then described TVA's work over the past fiscal year to close gaps and implement best-practices. Mr. Fountain concluded by explaining steps TVA will take to maintain its best-in-class ethics program. Copies of the slides used by Mr. Fountain in his report are filed with the records of the Board as Exhibit 08/31/22H.

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Mr. Frazier reported the Committee met on July 28, 2022, in executive session with TVA's new Inspector General and Deputy Inspector General, and separately with TVA's external auditor, Ernst & Young (EY). Director Frazier reported that in a separate Committee meeting on August 1, 2022, management briefed the Committee on TVA's quarterly report to the Securities and Exchange Commission (SEC) on Form 10-Q, and EY provided an independent assessment of TVA's financial reporting process.

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### **22-03-11 Report of the People and Governance Committee**

Chair Kilbride called on Director Noland, Chair of the People and Governance Committee, to provide that Committee's report. Director Noland reported the Committee met virtually on July 27, 2022. Director Noland reported the Committee reviewed TVA's performance for the third quarter of FY 2022 against established goals and key performance indicators and that TVA experienced strong performance for the quarter. Director Noland reported the Committee also reviewed TVA's incentive plan performances and received management updates which

highlighted trends in the labor market, TVA's 10-year enterprise diversity goals, and TVA's workplace flexibility efforts. Director Noland reported the Committee received an update on results from a recent employee engagement survey. Director Noland then reported the Committee received an update on the funding status of the TVA retirement system, efforts to educate employees on their 401(k) plan benefits, and a recent rule change with regard to the retirement plan. Director Noland concluded by reporting that the Committee conducted its annual succession planning for both immediate and long-term CEO succession and development.

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### **22-03-12 Report of External Stakeholders and Regulation Committee**

Chair Kilbride called on Director Beth Harwell, Chair of the External Stakeholders and Regulation Committee, to provide an update for the Committee. Director Harwell reported the Committee met virtually on July 27, 2022 and received updates from management on TVA's Powerful Partnerships community outreach effort, TVA's review of LPC proposals for broadband deployment, and efforts to resolve outstanding LPC regulatory compliance issues. Director Harwell reported the Committee received an update on the preliminary results of TVA's annual "Voice of the Customer" survey and will receive a full overview of the results at the Committee's next quarterly meeting. Director Harwell reported the Committee received a management update on continued efforts to support LPC deployment of generation through the flexibility options under the long-term agreement and an overview of activities in the West region of TVA's service territory.

Director Harwell reported the Committee received updates on TVA's economic development and government relations efforts and TVA's continued focus on stakeholder engagement. Director Harwell reported the Committee received an update on TVA's integrated

communications strategy, which is focused on building and enhancing TVA's brand across multiple platforms. Director Harwell reported the Committee also received updates on regulatory assurance, the conclusion of the Boone Dam project, TVA's use of social media, and TVA's federal advisory committees. Director Frazier called on Mr. Lyash to provide an update on how TVA's regional model is serving the market. Mr. Lyash discussed the model and reported that it has exceeded his expectations, but noted that TVA has requested public feedback on how the model is working.

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### **22-03-13 President's Report**

Chair Kilbride called on Jeff Lyash, President and Chief Executive Officer, to provide the President's report. Mr. Lyash reported that since 2013 TVA's effective wholesale rates have been flat to declining and, despite volatile fuel costs, TVA remains committed to holding base rates flat through the decade. Mr. Lyash discussed TVA's diverse mix of generating assets, TVA's 2.5% pandemic recovery credit for customers, the additional 3.1% credit received by LPCs that have signed the long-term partnership agreement, and the importance of TVA's strategic framework in guiding TVA's actions. Mr. Lyash then discussed the effort to enhance the generation flexibility option, TVA's commitment to carbon reduction, and TVA's success to date in reducing carbon emissions. Mr. Lyash then discussed TVA's request for proposal to add up to 5,000 megawatts of carbon-free energy.

Mr. Lyash next discussed successes by TVA's nuclear fleet, the continued importance of TVA's hydro generation and TVA's management of the Tennessee River system, and TVA's successful completion of the Boone Dam remediation project. Mr. Lyash then discussed TVA's economic development activities and TVA's actions to reduce energy burdens for the region's

residents, including efforts in the Memphis area and TVA's effort to partner with the Tennessee Urban League on reducing energy burden.

In looking ahead, Mr. Lyash reported that TVA continues to stay focused on balancing the four key pillars of affordability, reliability, resiliency, and sustainability. Mr. Lyash explained the importance of each pillar and TVA's related efforts, including retirement of coal generation and exploration of the use of SMRs at TVA's Clinch River Site. Mr. Lyash showed a video highlighting TVA's collaboration with Ontario Power Generation on the development of SMR technology. Mr. Lyash then discussed other new technologies TVA is exploring in order to achieve affordability, reliability, resiliency, and sustainability, and noted that TVA intends to produce a new integrated resource plan through engagement with the public and a broad range of stakeholders. Mr. Lyash closed by discussing the public power model and how it will continue to drive success in the future. Copies of the slides used by Mr. Lyash in his report are filed with the records of the Board as Exhibit 08/31/22I.

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Chair Kilbride reported that TVA will invite a group of students from Knoxville, Tennessee, who had to leave the meeting early, to meet with TVA staff so that their views could be heard. Chair Kilbride expressed appreciation to TVA's employees and union partners and introduced a video highlighting TVA's dedication to diversity with inclusion.

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The meeting was adjourned at 1:24 p.m. (ET).