

**Approved December 28, 2024, by
the TVA Board. Signatures are on
file.**

NOTATIONAL BOARD APPROVAL

(Grid Resilience and Innovation Partnerships Program Grant Funding)

WHEREAS in 2021 the United States Congress enacted the Infrastructure Investment and Jobs Act (P.L. 117-58), which among other things appropriated \$10.5 billion for the Grid Resilience and Innovation Partnerships (GRIP) program, to be administered by the United States Department of Energy (DOE); and

WHEREAS the GRIP program is designed to enhance grid flexibility and improve the resilience of the power system against growing threats of extreme weather and climate change by accelerating the deployment of transformative projects that will help to ensure the reliability of the power sector's infrastructure; and

WHEREAS in 2023 the DOE issued a funding opportunity announcement, DE-FOA-0003195, entitled Grid Resilience and Innovation Partnerships, which would award up to \$3.9 billion under the program for Fiscal Years 2024 and 2025; and

WHEREAS, TVA applied to DOE for a portion of this funding on behalf of a coalition consisting of TVA and ten local power companies (LPCs); and

WHEREAS in October 2024 the DOE announced that TVA's application had been selected to negotiate with DOE for an award of up to \$250 million; and

WHEREAS to receive these funds, TVA will be obligated to commit approximately \$210 million of its own funding, and the ten LPCs will be obligated to commit approximately \$73 million, combined, of their own funding; and

WHEREAS the transmission and distribution system upgrades TVA and LPCs would execute, which include new infrastructure build, infrastructure hardening, system automation, vegetation management, and network optimization, would achieve significant advances in region grid resilience and reliability over the next five years; and

WHEREAS a memorandum signed by the Chief Financial and Strategy Officer (by delegation) dated December 20, 2024, a copy of which is filed with the records of the Board as Exhibit _____ (Memorandum), recommends that the Board authorize TVA to enter into a funding agreement with the DOE that would (a) obligate TVA to complete transmission projects in the amount of approximately \$387 million, with \$210 million funded by TVA and \$177 million funded through DOE cost share, beginning in Fiscal Year 2025 and continuing for a period of five calendar years thereafter and (b) allow TVA to administer grant funds on behalf of the DOE in the amount of approximately \$73 million, with those LPCs being obligated to contribute approximately \$73 million of their own funding, for the ten LPC participants in the coalition; and

WHEREAS by his signature below, the Chair of the TVA Board of Directors (Board) has approved the use of a notational approval and established a seven-day voting period on this action; now therefore

BE IT RESOLVED, that, subject to all required and appropriate environmental review, and without prejudicing any of TVA's alternatives currently under NEPA consideration, the Board hereby approves the recommendation as outlined in the Memorandum and specifically: the Board (a) authorizes TVA to enter into a funding agreement with the DOE to govern distribution of funding under the GRIP program and execution of the grant-funded projects; (b) delegates to the CEO the authority to execute the funding agreement upon completion of negotiations with the DOE and development of the form and contents of the agreement; and (c) delegates to the CEO the authority to execute agreements with the ten LPCs governing the administration of up to \$73 million in grant funding for LPC projects, ensuring that those LPCs provide sufficient performance assurance, in accordance with TVA's existing corporate credit and insurance policies, to guarantee their obligations to TVA under the agreements; and

BE IT FURTHER RESOLVED, that the CEO or the CEO's designee shall update the Finance Committee on the progress of the GRIP grant no less than quarterly through the end of the five-year period of performance; and

BE IT FURTHER RESOLVED, that the CEO or the CEO's designee shall update the Board on the progress of the GRIP grant no less than annually through the end of the five-year period of performance.

December 20, 2024

Financial Services – Grid Resilience and Innovation Partnerships Program Grant (Memorandum)

Board of Directors

SUBJECT

Board approval is requested to execute a funding agreement (the “Agreement”) with the United States Department of Energy (DOE) under the Grid Resilience and Innovation Partnerships (GRIP) grant program. The Agreement with the DOE would obligate TVA to execute a series of transmission upgrades over a five-year period of performance and would authorize TVA to administer a portion of the grant funds on behalf of ten local power companies (LPCs), which joined TVA in its GRIP grant funding application, and which will also execute a series of transmission or distribution system upgrades during the period of performance. The Agreement would authorize the disbursement of \$250 million in grant funding to TVA; approximately \$177 million of the grant funding would offset TVA costs for transmission projects and the remainder would be further distributed to ten LPCs to offset their project costs. TVA will be obligated to commit up to approximately \$210 million of its own funds, and the ten LPCs will be obligated to commit a combined total of approximately \$73 million of their funds. The Board is requested to delegate to TVA’s Chief Executive Officer (CEO) the authority to enter into the Agreement with DOE, the exact form of the Agreement to be determined in negotiation with the DOE. The Board is also requested to delegate to TVA’s CEO, or the CEO’s designee, the authority to execute subaward agreements with each of the ten LPCs, with provisions ensuring that those LPCs provide sufficient performance assurance, in accordance with TVA’s existing corporate credit and insurance policies, to guarantee their obligations to TVA under the agreements. These agreements would govern TVA’s administration of the LPC portion of the DOE grant and permit TVA oversight of LPC projects to ensure compliance with the terms and conditions of the DOE grant.

Board approval is requested because of the significant strategic and policy considerations inherent in executing a large portfolio of transmission upgrades and the novel commitment by TVA to fund a significant number of its own projects as part of a DOE agreement, along with the attendant benefits to TVA and the Valley, and due to the expected costs to TVA of up to approximately \$210 million of TVA funds (and \$177 million of DOE matching funds) for the execution of the transmission system upgrades. These costs are to be spread across five years. The requested action would authorize the CEO or the CEO’s designee to enter into the Agreement with DOE and any necessary subaward agreements with the ten LPCs.

BACKGROUND

In November 2021, Congress enacted the Infrastructure Investment and Jobs Act (P.L. 117-58), which appropriate funds to a variety of Federal programs to promote national investment in infrastructure across the industrial spectrum. Among these funds, Congress appropriated \$10.5 billion for grid resilience and reliability upgrades under the Grid Resilience and Innovation Partnerships (GRIP) program. GRIP is administered by the Department of Energy (DOE), and DOE has undertaken to distribute GRIP funds in three tranches; DOE announced the first tranche of grant recipients in 2023, and in November 2023 issued a funding announcement for the second tranche of grant funding, applications being due in spring 2024.

TVA identified projects that would be eligible for funding as part of the GRIP program and which, because of competing project priorities, costs, and other considerations TVA would not be able to undertake without the availability of grant funding. TVA also identified interested LPCs, prioritizing those LPCs with the fewest grid modernizations. The LPCs that joined in TVA's grant application are Aberdeen Public Utilities, Amory Utilities, Athens Utilities Board, Franklin Electric Cooperative, Mountain Electric Cooperative, New Albany Light, Gas & Water, Okolona Electric Department, Philadelphia Utilities, Water Valley Electric Department, and West Point Water & Light.

The transmission system upgrades put forth in TVA's application cover several categories of transmission system improvements. These include new infrastructure build-out, including new switching stations, substations, lines, and tap points, to support system connectivity; among these is a new tie-line that would be TVA's first direct interconnection with Southwest Power Pool. Other projects include infrastructure hardening, such as pole replacement, line reconductoring and relocation; installation of new protective devices to promote system automation; and projects to streamline vegetation management. In total, there are 45 projects to upgrade the TVA system, and the 10 LPCs would execute an additional 39 projects.

In October 2024, the DOE announced that it had selected TVA to negotiate for an award, and negotiations between DOE and TVA commenced promptly. Upon completion of negotiations, DOE will present TVA a funding agreement that will govern the use of the grant funds and specify certain periodic reporting, audit, and other compliance obligations that TVA will have to meet. This includes the period of performance of five years, during which TVA and the ten LPCs will have to execute their system upgrades.

TVA will incur costs of approximately \$387 million for the execution of its upgrades over the next five years, with TVA paying approximately \$210 million in those costs and DOE agreeing to provide grant funding of up to \$177 million through the proposed agreement. Additionally, TVA will administer up to approximately \$73 million in grant funds, to be disbursed periodically to the participating LPCs in accordance with any necessary subaward agreements, assuming the LPCs are able to provide their required matching funds.

ALTERNATIVE CONSIDERED

In lieu of requesting approval of the Agreement and related delegations to the CEO, TVA management has considered the option of declining the award and seeking other opportunities to execute the transmission system upgrades (or simply foregoing the upgrades altogether). This option would result in TVA incurring the full costs of these projects when they are eventually executed (or not achieving the operational benefits these projects would provide) and would likely result in many of the system upgrades being cancelled entirely. In addition, declining the award would have a similar effect on the participating LPCs, many of which stand to benefit substantially from the improvements this grant funding would enable.

CONCLUSION

Approving execution of the Agreement and proceeding with requested delegations would allow TVA and the ten participating LPCs to execute a series of transmission and distribution system upgrades that will improve system resilience and reliability and do so at a significantly discounted cost to TVA and the LPCs compared to executing the same upgrades without grant funding.

RECOMMENDED ACTION

Financial Services requests that the Board authorize TVA to enter into a funding agreement with the DOE, as described above and in the Board Resolution, and to delegate to TVA's CEO the authority to sign the agreement with DOE and the CEO or the CEO's designee to enter into subaward agreements with the ten LPC participants. This Board action would authorize TVA to spend up to \$386.6 million for a five-year period beginning with the execution of the DOE funding agreement, with the DOE agreeing to provide grant funding of approximately \$177 million to offset TVA's costs, and to administer an additional \$73 million in grant funding on behalf of the ten LPC participants in accordance with the terms of the DOE agreement and any subaward agreements with TVA. It would also require the CEO or the CEO's designee to update the Finance Committee no less than quarterly through the same five-year period; and also require the CEO or the CEO's designee to update the full Board no less than annually through the same five-year period.



By Delegation of Authority, Jeremy Fisher

John Thomas
Executive Vice President,
Chief Financial & Strategy Officer
LP6 Executive Suite

cc: Don Moul

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December 23, 2024

David Fountain
Executive Vice President
and General Counsel

Date



December 24, 2024

Jeffrey Lyash
President and Chief Executive Officer

Date

BOARD ACTION: Grid Resilience and Innovation Partnerships Program Grant Funding

APPROVED BY THE INDIVIDUAL BOARD MEMBERS

Joe Ritch, Chair

Date

Beth Geer, Director

Date

Beth Harwell, Director

Date

Bobby Klein, Director

Date

Michelle Moore, Director

Date

Brian Noland, Director

Date

Bill Renick, Director

Date

Wade White, Director

Date