

No. 20-01

Approved by the Board of Directors
at its May 7, 2020, meeting:

Original Signed by Sherry A. Quirk
Executive Vice President, General
Counsel and Secretary

MINUTES OF MEETING
OF
THE BOARD OF DIRECTORS
TENNESSEE VALLEY AUTHORITY
February 13, 2020

A meeting of the Board of Directors of the Tennessee Valley Authority was held in The Lyric Theatre, 1006 Van Buren Avenue, Oxford, Mississippi, on February 13, 2020. The meeting was called to order at 8:59 a.m. (CST). The meeting agenda was announced to the public on February 6, 2020. The meeting was open to public observation.

Board members in attendance were: Director and Chair James (Skip) Thompson, and Directors Richard C. Howorth, Kenneth E. Allen, Jeff W. Smith, John L. Ryder, A.D. Frazier, and William (Bill) Kilbride.

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; John M. Thomas, Executive Vice President and Chief Financial Officer; Jeanette Mills, Executive Vice President and Chief External Relations Officer; Joseph J. (Joe) Hoagland, Vice

President, Innovation and Research; and Ashley Douglas (Doug) Perry, Vice President, Commercial Energy Solutions.

Chair Thompson 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.

* * *

20-01-1. Welcome

Chair Thompson welcomed and thanked those attending, both in person and online, and stated the Board was privileged to be in Oxford, Mississippi. Chair Thompson introduced Oxford's Mayor, Robyn Tannehill, then invited and received remarks from the Mayor. Following Mayor Tannehill's remarks, Chair Thompson made note of the hospitality received by the Board while in Oxford, thanked the Tennessee Valley Public Power Association (TVPPA) for hosting a public reception for the Board on the day prior to the meeting, and expressed the Board's gratitude for a breakfast on the morning of the meeting hosted by the North Mississippi Public Power Association (NMPPA). Chair Thompson then recognized and thanked several guests attending the meeting for their presence, including: Mindy Maxwell from the office of Senator Cindy Hyde-Smith; Darren Herring and Robert Smith from the office of Congressman Trent Kelly; Anne Hall Brashier from the office of Governor Tate Reeves; and Kyle Jordan from the office of Congressman Michael Guest. Chair Thompson commented on the fact that Oxford

is the home of Director Richard Howorth. Chair Thompson thanked Director Howorth for his service, summarized his work while on the Board, provided detailed information on progress achieved by TVA from the date Director Howorth joined the Board through the present, then invited and received remarks from Director Howorth.

Following Director Howorth's remarks, Chair Thompson discussed the listening session conducted by the Board on the day prior to the meeting, noted there were a total of twelve speakers, and expressed the Board's appreciation for their attendance. Chair Thompson summarized the topics discussed by the listening session speakers. Director Allen then made brief comments on the listening session in response to Chair Thompson's invitation to the other Directors for remarks. Chair Thompson thanked everyone who participates in TVA's open process and remarked on the input TVA receives from its federal advisory groups, the Regional Resource Stewardship Council (RRSC) and the Regional Energy Resource Council (RERC). Chair Thompson then provided information on where to go online to access a list of all upcoming public meetings and projects open to public comment, specifically mentioning TVA's "Get Involved, Stay Involved" web page. He implored those listening to continue expressing their thoughts, and stated that the public's participation helps TVA make better decisions.

* * *

Old Business

The Board approved the minutes of its November 14, 2019 meeting.

* * *

New Business**20-01-2. President's Report**

President and Chief Executive Officer Jeff Lyash thanked Mayor Robyn Tannehill and the City of Oxford, discussed his experiences while in Oxford for the meeting, and expressed his pleasure to be present in the historic Lyric Theatre. Mr. Lyash thanked Glenn McCullough, former TVA Board Chair, Tupelo Mayor, and head of the Mississippi Development Authority, for his assistance in bringing capital investment and jobs to Mississippi. Mr. Lyash then recognized Chuck Howell, General Manager, Pontotoc Electric Power Association (PEPA), mentioning Mr. Howell's 43-year history at PEPA and his upcoming retirement in March, and thanking him for his service. Mr. Lyash also extended thanks to Director Richard Howorth, remarking briefly on Director Howorth's role in his decision to come to TVA. Mr. Lyash next commented on TVA's history in Mississippi and its relationships with its local power company partners in Mississippi, then introduced and received remarks from TVA's newly appointed Executive Vice President and Chief External Relations Officer, Jeanette Mills.

Following the remarks by Ms. Mills, and in the context of comments offered by Tennessee farmers during the Board's listening session on the day prior to the meeting, Mr. Lyash commented on recent heavy rains in the Valley and the fact that in dealing with this year's rain TVA has implemented improvements based on lessons learned from last year's record winter rainfall. Mr. Lyash noted that during the listening session the Board also heard from the Economic Development Growth Engine (EDGE), the official economic development

agency for Memphis and Shelby County, Tennessee, regarding an opportunity to expand the Port of Memphis through construction of an intermodal transportation facility. Mr. Lyash stated that TVA is looking carefully at the proposal in association with TVA's discussions with Memphis about being its long-term electricity supplier. Mr. Lyash also noted that during the listening session a Sierra Club representative advocated for a community solar project that has submitted an application to TVA, and expressed his belief that this is emblematic of the growing impact of solar energy in the TVA system.

Mr. Lyash discussed TVA's mission of service, commenting on the lessons he has learned during his ten months on the job, and he stated that TVA is right to continue its focus on energy, the environment, and economic development. He discussed the fact that the public power model allows TVA and its partners to focus on people, not profits, in delivering value to the people of the Valley. Mr. Lyash discussed the role of TVA's partnership with communities who work with local power companies and TVA to ensure their priorities are understood, and that TVA and local power companies are helping to meet their needs. Mr. Lyash reported that 135 of TVA's 154 local power company partners have executed the long-term partnership agreement approved by the Board at its August, 2019, meeting, and the most recent agreement was signed by Chattanooga's Electric Power Board.

Mr. Lyash next discussed TVA performance highlights, mentioning a reduction in TVA's debt to its lowest point in thirty years, as well as TVA's determination to continue to reduce debt to a range that is appropriate for TVA. Mr. Lyash reported that with investments that have been

made in its generating fleet, TVA has lowered fuel costs over \$1 billion, and that TVA, together with its local power company partners, is delivering electricity to customers in the Valley at prices that are less than the prices paid by 70% of the customers of other utilities across the United States. Mr. Lyash discussed the evolution of TVA's generating fleet in recent years, specifically mentioning work to optimize the hydroelectric fleet, building a high-efficiency gas fleet, the work resulting in increased nuclear generation, and efforts to grow wind and solar generation. Mr. Lyash reported that, due to the combination of these efforts, the power generated by TVA is now 55% greenhouse gas free. Mr. Lyash specifically mentioned the closure of Paradise Fossil Unit 3, the completion of the extended power uprate at Browns Ferry Nuclear Plant, which added 465 MW of low cost, zero-carbon capacity, and procurement of the early site permit for potential new nuclear generation at TVA's Clinch River site.

Mr. Lyash reported on TVA's energy efficiency efforts, stating that energy efficiency has been an important part of TVA's strategy for decades, and reporting that implementation of programs, including codes and standards developed by the Department of Energy in particular, is significantly impacting TVA. Mr. Lyash stated that in just the last few years TVA has seen a 6% reduction in load associated with the implementation of these programs. He provided specific information on home improvements completed by Mississippi local power companies under TVA's eScore™ program during the last several years, and stated this work improves the quality of people's lives and dramatically reduces their power bills.

Mr. Lyash discussed TVA's history of support for the solar electric industry, the results of those efforts, and TVA's current plan to work together with its local power company partners to support the growth of distributed solar generation by providing them with the flexibility to add

a limited amount of solar generation within their local service areas. As a companion to that local power company flexibility program, Mr. Lyash stated TVA is focusing on development of community solar projects and larger scale solar projects for industrial and commercial customers, and he provided information on recent examples of solar projects. Mr. Lyash reported that TVA is also planning for construction of utility scale solar projects to directly serve TVA's system, and he specifically mentioned a 200 MW solar project TVA will be constructing in the Golden Triangle area of Mississippi that will be coupled with a 50 MW battery to serve the TVA system while also providing an opportunity to study and understand the integration of utility scale storage into the system. Mr. Lyash stated that in the last year alone TVA has added over 1,000 MW of installed, or planned and approved, solar capacity, and that TVA expects to continue adding solar at that pace.

Reporting on economic development, Mr. Lyash stated that since 2012, TVA, working with its partners in the Valley, has attracted \$64 billion in capital investment and more than 500,000 jobs to the TVA service area. In the past year alone the service area has seen the addition of \$2.4 billion in capital investment and 27,500 jobs, including an Amazon distribution center that will add 1,000 jobs in Memphis, Tennessee. Mr. Lyash stated TVA is working to help communities engage middle school and high school children in science, technology, engineering, and math (STEM) as part of that effort to build strong workforces, and he reported on TVA grants for STEM education. Mr. Lyash then offered information on the experience of TVA employee Dr. Noelle Currey, who recently programmed a solution that automates the validation of thousands of electrical connections in TVA's facilities with 100% accuracy, as an example of the importance of encouraging STEM learning in children. At this point Mr. Lyash

invited Dr. Currey to the stage and presented her with TVA's 2020 Ike Zeringue Engineer of the Year award.

Mr. Lyash provided a very brief recap of his report, then called for questions. In response to questions posed, respectively, by Director Ryder, Director Frazier, Director Howorth, Director Frazier again, Director Smith, Director Allen, and Director Kilbride, Mr. Lyash provided information on: the status of the decision to be made by Memphis regarding the future source(s) of its electrical power; the likelihood of the federal government's sale of TVA's transmission assets pursuant to the present administration's budgetary recommendations; the opportunity remaining for implementation of additional energy efficiency measures; the management and safety of TVA's river system; mitigation of the impact of the closure of Paradise Fossil Unit 3 on TVA employees and the local economy; management of pricing risk associated with TVA's evolving generation portfolio; and the state of battery technology for use in storing power generated by intermittent renewable resources.

Copies of the slides used by Mr. Lyash in his report are filed with the records of the Board as Exhibit 2/13/20A.

* * *

20-01-3. Report of the External Relations Committee

Director Howorth, Chair of the Committee, welcomed newly appointed Executive Vice President and Chief External Relations Officer Jeanette Mills on behalf of the Committee, then reported that the Committee met on January 23. Director Howorth next requested and received a report from Dr. Joe Hoagland, Vice President, Innovation and Research, regarding Minute Item

20-01-4. Following the votes on Minute Item 20-01-4, Director Howorth reported that, during the Committee's January 23 meeting, management provided updates on various topics, including a report on TVA's research and innovation efforts. Management also provided an overview of key initiatives. Director Howorth reported that TVA is partnering with a range of groups, including Oak Ridge National Laboratory, the Department of Energy, and a number of universities, on research and is also tapping the creative energy of its employees. Director Howorth stated the utility industry is going through a transformation, and TVA needs to prioritize its efforts, leverage its partnerships, and evolve to best serve its customers and stakeholders. Director Howorth reported that management updated the Committee on the long-term partnership agreement initiative and preparations for TVA's second meeting with its local power company partners in March, 2020. Director Howorth stated the Committee is pleased with progress on the long-term partnership agreement initiative, and he opined that the long-term partnership between TVA and local power companies who distribute TVA power will enable both TVA and the local power companies to do more for the region in delivering on their common mission of service. Director Howorth reported that TVA, understanding the importance of providing customers with the best option, is continuing to assist Memphis Light, Gas and Water (MLGW) with development of their integrated resource plan. Director Howorth reported the Committee also received an update on management of coal combustion residuals. He stated TVA is firmly committed to reaching the best solution for each of its coal ash sites and that decisions will be made only after considering stakeholder input, available technologies, and social, environmental, and economic impacts. Director Howorth stated several written reports were provided to the Committee, including reports on TVA's transparency initiative, economic development efforts, and the advice offered by TVA's federal advisory committees.

Copies of the slides used by Dr. Hoagland in his report on Minute Item 20-01-4 are filed with the records of the Board as Exhibit 2/13/20B.

* * *

20-01-4. Regional Resource Stewardship Council and Regional Energy Resource Council Charter Renewals

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Financial Officer dated January 14, 2020, and filed with the records of the Board as Exhibit 2/13/20C:

WHEREAS the Tennessee Valley Authority (TVA) established the Regional Resource Stewardship Council (RRSC) to advise TVA about its resource stewardship activities and the Regional Energy Resource Council (RERC) to advise TVA about its energy resource activities; and

WHEREAS the RRSC's tenth term will expire on April 27, 2020, and the RERC's fourth term will expire on July 31, 2021; and

WHEREAS these councils have proven to be effective tools in obtaining input from and achieving collaboration among the numerous public and private entities and individuals involved with and interested in natural resource stewardship activities, and in the development and management of energy resources in the Tennessee Valley region; and

WHEREAS as detailed in a January 3, 2020, memorandum, a copy of which is filed with the records of the Board of Directors as Exhibit 2/13/20C, the Chief Financial Officer has recommended the renewal of the RRSC and the RERC for an eleventh term and a fifth term, respectively; and

WHEREAS the Federal Advisory Committee Act requires the appointment of a Designated Federal Officer to call meetings of the council and conduct other administrative functions;

BE IT RESOLVED, That the Board of Directors hereby approves the charters of the Regional Resource Stewardship Council and the Regional Energy Resource Council, copies of which are filed with the records of the Board as Exhibits 2/13/20D and 2/13/20E; authorizes the renewal of these charters for an additional two years; and authorizes and directs the Vice President, Innovation and Research, to complete the charter renewal process in accordance with the Federal Advisory Committee Act;

RESOLVED further, That the Board of Directors hereby appoints the Vice President, Innovation and Research, to serve as the Designated Federal Officer for the councils and, if the DFO is unavailable, authorizes the DFO's designee to serve as the Alternate Designated Federal Officer for the council;

RESOLVED further, That the Board of Directors hereby delegates to the Chief Executive Officer the authority, following consultation with the External Relations Committee of the Board, to appoint members to these councils and to fill any vacancies in council membership that may arise during the course of their terms;

RESOLVED further, That the Board of Directors expresses its gratitude to the members of the tenth term of the RRSC and the fourth term for the RERC for their service to TVA and the Tennessee Valley region.

* * *

20-01-5. Report of the Finance, Rates, and Portfolio Committee

Director Frazier, Chair of the Committee, reported the Committee met on January 22, and during the meeting the Committee received a report on financial results for the first quarter of the fiscal year. Director Frazier then requested and received a report from John Thomas, Executive Vice President and Chief Financial Officer, regarding Minute Item 20-01-6. Following Mr. Thomas' report, Director Frazier introduced and called for a vote on Minute Item 20-01-7. In response to requests from Directors Howorth and Ryder, Mr. Lyash provided background information on Minute Item 20-01-7 prior to the Board's vote on the matter. Following the vote on Minute Item 20-01-7, Director Frazier briefly discussed, then requested and received a report from Doug Perry, Vice President, Commercial Energy Solutions, on Minute Item 20-01-8. Prior to the vote on Minute Item 20-01-8, Mr. Perry and Mr. Lyash responded to questions from Director Frazier and Director Smith.

Following the vote on Minute Item 20-01-8, Director Frazier reported that during the Committee's January 22 meeting, management provided an update on TVA's pension fund investments, and stated that the 20-year plan established in 2016 to fully fund the pension plan by 2036 is on track. Director Frazier further reported that no unplanned contribution to the pension plan by TVA is required at present, and that the Committee will continue to monitor the health of the pension plan to ensure that this important financial obligation is fulfilled.

Director Frazier reported that management presented the Committee with updated projections related to portfolio planning and long-range financial planning indicating the state of each of these matters is consistent with TVA's 2030 Strategic Plan. He stated the Committee reviewed TVA's green energy programs and the status of TVA's recent Request for Proposals for development of renewable energy sources, and reported TVA is currently in the process of selecting the proposals it will accept.

Copies of the slides used by Mr. Perry in his report on Minute Item 20-01-8 are filed with the records of the Board as Exhibit 2/13/20F.

* * *

20-01-6. Financial Performance Update

John Thomas, Executive Vice President and Chief Financial Officer, presented financial results for the first quarter of FY 2020. Mr. Thomas reported first on highlights, including operating revenues \$165 million above budget, net income \$203 million favorable to budget, and total financial obligations \$208 million less than budget. Mr. Thomas then reviewed the first

quarter Summary Income Statement, reporting that revenue favorability was driven by hot weather in October and cold weather in November, and further providing information on the underlying reasons for the results reflected in the statement. Mr. Thomas also reviewed the first quarter Summary Cash Flow Statement, again providing information on factors underlying results, and specifically referenced TVA's current debt of approximately \$22.6 billion. Mr. Thomas finished his report with a brief summary of actual versus planned financial results for the quarter.

Copies of the slides used by Mr. Thomas in his report are filed with the records of the Board as Exhibit 2/13/20G.

* * *

20-01-7. Extension of Spent Nuclear Fuel Claims Agreement with DOE

The Board adopted the following resolution as recommended in a memorandum from the Senior Vice President and Chief Nuclear Officer dated January 14, 2020, and filed with the records of the Board as Exhibit 2/13/20H:

WHEREAS, TVA is satisfied with an existing claims agreement with the Department of Energy (DOE) that sets forth a process for resolving TVA's breach of contract claims against DOE for DOE's failure to dispose of spent nuclear fuel (SNF);

WHEREAS, a memorandum from the Chief Nuclear Officer (CNO) dated January 14, 2020 and attached hereto as Exhibit 2/13/20H (Memorandum), recommends that the Board delegate authority to (a) the Chief Nuclear Officer (CNO) to extend the existing agreement with DOE through 2031 to continue a process for resolving TVA's breach of contract claims against DOE for failure to dispose of SNF; and (b) the Chief Executive Officer (CEO) to approve the resolution of any differences with DOE regarding amounts to be reimbursed;

BE IT RESOLVED, that, the Board approves the extension of the agreement and the delegation of authority to the CEO to approve the resolution of differences, as described in the Memorandum

* * *

20-01-8. Power Supply Flexibility for Local Power Company Partners

The Board adopted the following resolution as recommended in a memorandum from the Executive Vice President and Chief Financial Officer dated January 27, 2020, and filed with the records of the Board as Exhibit 2/13/20I:

WHEREAS on August 22, 2019, the TVA Board of Directors (Board), (i) approved the implementation of a standard long-term agreement (LTA) consistent with the Standard Elements set forth in a July 31, 2019, memorandum from the Chief Financial Officer, a copy of which is filed with the records of the Board as Exhibit 8-22-19J, and (ii) delegated authorities to the Chief Executive Officer (CEO) to implement and change, with oversight, the Standard Elements for such agreements as described in the July 31, 2019, memorandum; and

WHEREAS management has implemented the LTA, and, at this time, 134 local power companies (LPCs) have signed it, extending their termination notice period to 20 years and accepting the other benefits, remedies, and defaults provided for under the LTA; and

WHEREAS TVA committed to provide, by no later than October 1, 2021, to LPCs that signed the LTA enhanced power supply flexibility, which would allow such LPCs the option to self-supply a portion of their customers' power requirements, with mutually agreed-upon pricing structures, for 3-5% of the LPC's energy; and

WHEREAS in accordance with the LTA, TVA has been working with LPCs that signed the LTA to develop a power supply flexibility option to offer those LPCs to fulfill TVA's commitment under the LTA; and

WHEREAS TVA has developed certain guiding principles that will govern the development and implementation of the flexibility proposal (Flexibility Principles); and

WHEREAS a memorandum from the Executive Vice President and Chief Financial Officer, dated January 24, 2020 (Memorandum), a copy of which is filed with the records of the Board as Exhibit 2/13/20I, recommends approval of the proposed power supply flexibility option described in the Memorandum;

BE IT RESOLVED, that, contingent upon satisfactory completion of any required environmental reviews, the Board hereby (i) approves TVA's implementation of a power supply flexibility option (Flexibility Option), to be implemented on the later of June 1, 2020, or the date on which all required environmental reviews are satisfactorily completed, consistent with the Flexibility Principles set forth in the Memorandum; (ii) authorizes the CEO, or his designee, to further develop and revise standard terms to be included in an amendment to each LPC's wholesale

power contract, which will implement the Flexibility Option, in a manner consistent with the Flexibility Principles listed herein, or as adjusted after review by the Finance, Rates, and Portfolio Committee; (iii) authorizes the CEO, or his designee, to execute amendments to each LPC's wholesale power contract to implement the Flexibility Option; and (iv) authorizes the CEO, or his designee, to revise existing contracts, products, and programs as necessary to address interactions with the Flexibility Option.

* * *

Chair Thompson called for a brief recess at approximately 10:35 a.m. (CST). At approximately 10:43 a.m. (CST), Chair Thompson reconvened the meeting.

* * *

20-01-9. Report of the People and Performance Committee

Director Allen, Chair of the Committee, reported the Committee met on January 23. During the meeting, the Committee spent time reviewing TVA's performance during the first quarter of FY 2020 against previously established goals and key performance measures, and he characterized the outcome of that comparison as very positive. The Committee also received its annual update on TVA's diversity and inclusion program, and Director Allen commended Senior Vice President and Chief Human Resources Officer Sue Collins and her team, and Vice President, Human Resources, Megan Flynn, in particular, on their very comprehensive report reflecting the completion of a significant amount of work. The Committee was also provided with information on the efforts of TVA's Employee Resource Groups. Director Allen stated the Committee is encouraged by the downward trend in the number of inappropriate workplace incidents and added the Committee expects that trend to continue. Director Allen stated the Committee is excited about management's recognition that workforce development starts with engaging the communities in the TVA service area, and reported that in order to accelerate

performance management plans to integrate its diversity and inclusion initiatives into TVA's overall talent and culture strategy. Director Allen stated the Committee expects an unwavering focus on making TVA's work environment inclusive and welcoming to all.

Director Allen reported that in executive session the Committee reviewed the performance of its independent consultant, discussed succession planning for senior executives, and received several written updates, including detailed performance reports. The Committee also reviewed its quarterly calendar and upcoming activities.

* * *

20-01-10. Report of the Nuclear Oversight Committee

Director Smith, Chair of the Committee, thanked Mr. Lyash and his team for staying within budget on the Browns Ferry extended power uprate project, for avoiding litigation associated with spent nuclear fuel, and for the fact that TVA is not contending with state level legislation seeking to close or alter the competitive position of TVA's nuclear plants. Director Smith attributed these successes to work done by Mr. Lyash and his team. Director Smith reported the Committee has been discussing getting more out of TVA's nuclear fleet, and stated that Senior Vice President and Chief Nuclear Officer Tim Rausch and his team work every day on achieving that goal.

Director Smith reported the Committee met on January 22. During that meeting management discussed the business plan for the nuclear fleet, focusing on three issues: people, workplace culture, and results. Director Smith announced that a new, simplified vision statement

has been rolled out in association with a new operating model that has been communicated to staff, and early indications are that the new statement and model are easier to understand, remember, and rally behind. Director Smith stated TVA nuclear is focused on developing its supervisors and mid-level management as part of its strategic and long-term goal to sustain performance. Director Smith reported that greater emphasis is being placed on employee engagement and implementation of standard tools and processes across the nuclear fleet, explaining that the latter focus arises from too many situations where lessons learned at one plant are not being communicated to other plants efficiently. Director Smith stated the Committee had a discussion on the newly updated human performance guide and management's expectations for excellence. Management also explained its aspirational goals for TVA nuclear. Director Smith stated that while TVA's nuclear plants run well, they can run better, and it is the last modicum of performance that is the hardest to achieve reliably. Director Smith stated management's goals are attainable and can be achieved safely and efficiently.

Director Smith reported the Committee was informed that the nuclear fleet's business plan addresses equipment needs for improving unit capability factor, the metric used to track how much energy TVA is deriving from each of its plants, and stated that in order to achieve the last increment of energy it will be necessary to make investments. Director Smith stated that Mr. Lyash and his team are beginning to walk the Board through what those investments will need to look like in the long term in order to ensure TVA is financially ready. Director Smith reported the Committee received an annual update on the work of TVA's internal nuclear quality assurance team and is in agreement that the key to effective quality assurance and control is to identify gaps through thorough analysis and have the right plan in place to close those gaps.

Director Smith expressed his belief that TVA has a very strong quality assurance organization that is helping Mr. Rausch and TVA's nuclear fleet to improve.

Director Smith reported that TVA's nuclear organization has seen significant changes in the last year, including the change in leadership direction just discussed, new leaders in several plants, and the arrival of Mr. Rausch, all of which he characterized as a fair amount of churn in leadership. Director Smith stated the Committee feels good about this change, is of the opinion that TVA nuclear has the right people in the right positions, and perceives that the nuclear organization is improving every day. Director Smith then congratulated the 30 new graduates of the Senior Reactor Operator Training Program. He described the program as incredibly rigorous, stated that every person who took the test passed, and went on to state that this pass rate is an indication of how well TVA's nuclear team is doing in preparing people to be reactor operators.

Following the completion of Director Smith's report, Director Kilbride commented on the fact that the goals being set for TVA employees are not easy goals to achieve, but rather long shot goals that express the scant difference between where TVA is now and perfect performance. Director Kilbride stated this is both challenging and encouraging, and translates to the type of financial performance described in Mr. Thomas' report earlier in the meeting. Director Kilbride then congratulated Mr. Lyash and his team.

* * *

20-01-11. Report of the Audit, Risk, and Regulation Committee

Director Ryder, Chair of the Committee, reported the Committee met on January 22 for its regular quarterly meeting, and again on February 3 by teleconference to review TVA's quarterly filing with the Securities and Exchange Commission (SEC). Director Ryder stated that during its January 22 meeting, the Committee was updated by staff on a number of topics including regulatory assurance and enterprise risk management. The Committee was also informed of a potential merger involving two local power companies in Middle Tennessee. Director Ryder defined the central question for TVA as whether such a merger will result in a material net benefit for ratepayers affected by the proposed transaction, and he stated that staff is also examining associated legal and economic issues. Director Ryder reported that during the meeting management reviewed key enterprise risks and examined emergency management in detail. He stated the Committee received a written report on emergency management and that TVA is working to strengthen its plans to and prepare for and mitigate threats and hazards. Director Ryder stated the Committee requested and received a briefing from management on cybersecurity threats, and has specifically reviewed third-party risk associated with TVA's supply chain. Director Ryder explained that third-party supply chain risk continues to evolve, and while the Committee believes TVA is fairly secure at present, there is risk of exposure through third-party vendors. Director Ryder reported that TVA is working to enhance its overall preparedness by raising awareness, staying current on changing regulations, and strengthening its partnerships with federal agencies and industry peers. As part of its oversight of financial reporting, the Committee also reviewed the activities of TVA's Disclosure Control Committee and TVA's Sarbanes-Oxley Section 302 certification process. He stated that the Disclosure Control Committee helps to identify relevant information that needs to be disclosed to investors and works to ensure the integrity of financial reports. Director Ryder reported that Ernst &

Young (EY), TVA's external auditor, also presented its annual audit plan at the meeting.

Director Ryder stated that in executive session the Committee met separately with the Deputy Inspector General and her staff for a quarterly update regarding ongoing audits and investigations and also met separately with EY. Both the Office of the Inspector General (OIG) and EY regularly provide the Committee with independent views that are enormously helpful in identifying opportunities for improvement. The Committee received and reviewed several written documents during the meeting, including updates on regulatory assurance, local power company rate adjustments, and local power company complaint resolution processes, and also including minutes of Disclosure Control Committee meetings.

Director Ryder reported that at its February 3 teleconference meeting, the Committee reviewed TVA's quarterly 10-Q filing with the SEC. After a briefing by TVA staff on the report, EY highlighted some of the key items in the report and provided the Committee with an independent assessment of TVA's financial reporting process. Director Ryder stated that TVA's 10-Q report was filed with the SEC on February 4.

Following the completion of Director Ryder's report, Director Allen requested and received comments from Mr. Lyash on the key aspects of TVA's evaluation of the proposed local power company merger referenced by Director Ryder in his report.

* * *

Information Items**20-01-12. Amendments to the Long-Term Partnership Option**

As recommended in a confidential application for Notational Board Approval, a copy of which is filed with the records of the Board as Exhibit 2/13/20J, and in accordance with the TVA Board Practice, Notational Approvals, on January 23, 2020, the individual Board members approved a delegation of authority to the Chief Executive Officer (CEO) to approve certain changes to key elements of the long-term agreement (Standard Elements) with local power companies that were approved by the Board at its August 22, 2019, meeting.

* * *

The meeting was adjourned at 11:04 a.m. (CST).