

No. 18-01

Approved by the Board of Directors
at its May 10, 2018, 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 16, 2018

A meeting of the Board of Directors of the Tennessee Valley Authority was held in the Missionary Ridge Auditorium, 1101 Market Street, Chattanooga Tennessee, on February 16, 2018. The meeting was called to order at 1:04 p.m. (EST) following completion of the listening session, which began at 9:30 a.m. (EST), and subsequent remarks by the Board's Chair and TVA's President and Chief Executive Officer. The meeting agenda was announced to the public on February 9, 2018. The meeting was open to public observation.

Board members in attendance were: Director and Chair Richard C. Howorth, and Directors Virginia Tyler (Gina) Lodge, Ronald A. Walter, Eric M. Satz, Kenneth E. Allen, A.D. Fraizer, James "Skip" Thompson, and Jeff W. Smith.

Also present were TVA officers, including William D. (Bill) Johnson, 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; Van M. Wardlaw, Executive Vice President and Chief External Relations Officer; Michael D. (Mike) Skaggs, Executive Vice President, Operations; and Rebecca C. Tolene, Vice President and Deputy General Counsel.

Chair Howorth 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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18-01-1. Welcome

Chair Howorth welcomed all, thanked the City of Chattanooga for its hospitality, then introduced the four new members of the Board recently sworn in, after which he requested and received brief remarks from each. Chair Howorth then extended a welcome to the local power companies serving the public in Chattanooga and the surrounding area, specifically mentioning Chattanooga Electric Power Board and its President and Chief Executive Officer, David Wade. Chair Howorth next recognized and received remarks from Doug Peters, President and Chief Executive Officer of the Tennessee Valley Public Power Association (TVPPA). Mr. Peters' remarks were followed by Chair Howorth's recognition of Lloyd Webb and Rob Hoskins, Public

Affairs Consultant and Chairman, respectively, of the Tennessee Valley Industrial Committee (TVIC), after which Chair Howorth invited and received remarks from Mr. Webb.

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Old Business

The Board approved the minutes of its November 9, 2017, meeting.

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Chair Howorth summarized the Board's notational approval in January, following the swearing in of its new members, of a reorganized slate of membership for the Board's five standing committees, which accommodated the participation of new Board members in the January and February committee meetings.

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New Business

18-01-2. President's Report

President and Chief Executive Officer William D. (Bill) Johnson expressed his appreciation for the welcome he received from several of the individuals who spoke at the morning's listening session, then extended his own welcome to the Board's new members. Following this, Mr. Johnson discussed TVA's mission in the context of TVA's strategic imperatives to provide low cost energy, live within its means, act as a responsible environmental

steward, and maintain a fleet of assets that supports low cost energy, high reliability, and generation from diverse fuel sources. Mr. Johnson stated that TVA's long term operational and financial plans track these imperatives and guide the agency's business decisions. Mr. Johnson then discussed the response of TVA, in partnership with its customers and local power companies, to recent cold weather that resulted in several new generation related records. Mr. Johnson next discussed ongoing maintenance on, improvements to, and retirements from the TVA power system, and expressed appreciation for the work of the TVA employees who contribute to these efforts while maintaining TVA's high operational standards.

Mr. Johnson stated that over the next 20 years, TVA will invest more than \$8 billion to support its renewable energy portfolio, resulting in a smaller carbon footprint for TVA and the Valley, and he pointed out the increasing importance of this issue to TVA's customers, who have made their own commitments to environmental quality. Mr. Johnson mentioned that TVA has created a tool for industrial customers to allow them to ascertain the site-specific carbon emissions rate for each of their facilities, and noted TVA's efforts to recognize customers for their success in reducing carbon emissions. Mr. Johnson stated that the heart of TVA's environmental work is managing the Tennessee River system, after which he discussed TVA's efforts to deal with recent heavy rains, prepare for the 2018 recreation season, process requests for shoreline construction, review land use policies, provide environmental education programs for children, and partner with communities on activities and events. Mr. Johnson then provided specific information on the economic value of recreation on TVA lakes.

Mr. Johnson stated that TVA's focus on low rates and high environmental standards aids TVA, in partnership with local power companies and others, in supporting job growth and investment, and provides the TVA region with a competitive advantage. Mr. Johnson then presented specific data on jobs and investments that have resulted from TVA's economic development efforts, and mentioned recent successes, including the Toyota/Mazda joint venture at the Huntsville "megasite" in Limestone County, Alabama.

At this point Mr. Johnson introduced the recipient of TVA's Ike Zeringue Engineer Of The Year award for 2018, Greg Goza, and invited Mr. Goza to the front of the room where he accepted applause from the audience and an extended appreciation from Mr. Johnson. Chair Howorth also expressed the Board's appreciation and congratulations to Mr. Goza.

Copies of the slides used by Mr. Johnson in his report are filed with the records of the Board as Exhibit 2/16/18A.

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18-01-3. Report of the Finance, Rates, and Portfolio Committee

Director Walter, Chair of the Committee, reported the Committee met January 25, then requested and received a report from John Thomas, Executive Vice President and Chief Financial Officer, regarding Minute Item 18-01-4. Following Mr. Thomas' presentation on Minute Item 18-01-4, Director Walter reported the Committee was briefed on a number of items, including discussion of year-to-date performance, TVA's long-range and generation fleet planning, and transmission planning. The Committee also received a report from management

regarding the performance of investments by the Tennessee Valley Authority Retirement System (TVARS), and Director Walter stated the Board will remain engaged in its oversight responsibilities.

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18-01-4. Financial Performance Update

John Thomas, Executive Vice President and Chief Financial Officer, reported on TVA's financial results for the first quarter of Fiscal Year (FY) 2018. Mr. Thomas began with financial highlights for the quarter, then discussed weather volatility and its effect on revenue. Mr. Thomas next reviewed the summary income statement for the first quarter, after which Director Frazier requested and received from Mr. Thomas an explanation of the likely financial impacts on TVA of rising interest rates. Following this, Mr. Thomas reviewed the summary cash flow statement for FY 18's first quarter, and closed by comparing first quarter results to the budgetary plan; in summary, TVA realized higher revenue, lower expenses, and lower debt in the first quarter of FY 18.

Copies of the slides used by Mr. Thomas in his report are filed with the records of the Board as Exhibit 2/16/18B.

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18-01-5. Report of the Audit, Risk, and Regulation Committee

Director Thompson, Chair of the Committee, reported the Committee met twice during the quarter, at its regular Committee meeting on January 25, and again on January 30 by telephone to review the 10-Q report to be filed with the Securities and Exchange Commission (SEC). Director Thompson stated the Committee sat in executive session with three different groups responsible for evaluating TVA's activities: Acting TVA Inspector General Jill Matthews and her staff; TVA's external auditors, Ernst & Young, who offered an independent assessment of TVA's financial reporting; and TVA's Operational & Regulatory Assurance group, which is responsible for carefully scrutinizing a wide range of TVA programs. During the regular portion of the January 25 meeting, TVA staff provided updates to the Committee on a number of topics, including regulatory assurance, enterprise risk management, and a review of the external audit plan. Director Thompson stated the Committee fulfilled its financial reporting oversight requirement by performing its annual review of the Disclosure Control Committee's reporting on the Section 302 certification process.

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At this point, Chair Howorth asked Mr. Johnson about the allegation made during the morning's listening session that TVA had violated the law in failing to make reports to Congress pursuant to the requirements of the TVA Act. Mr. Johnson stated he received a letter from two organizations setting forth that allegation, and in following up found that TVA has in fact filed all legally required reports with Congress.

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18-01-6. Report of the Nuclear Oversight Committee

Director Smith, Chair of the Committee, reported the Committee met February 15. During the meeting the Committee received a report from TVA Senior Vice President and Chief Nuclear Officer, Mike Balduzzi, regarding overall performance of TVA's nuclear fleet, and received specific updates on each nuclear unit. Director Smith stated that a number of performance drivers were discussed, and the Committee paid particular attention to efforts undertaken by management with respect to accountability and leadership at the first line level in TVA's plants. Director Smith reported that the performance of TVA's fleet has improved, but management admitted that a continued focus is needed to ensure those improvements are sustained. The Committee also received updates on activities in the nuclear industry regarding cybersecurity, related regulations promulgated by the federal government, and TVA's response to those regulations. Director Smith stated the Committee will continue following up on these issues in the future. Director Smith next reported that the Committee received feedback on a variety of topics from its external advisor, Sam Collins, who is responsible for providing the Committee with an independent perspective on TVA's nuclear fleet performance.

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18-01-7. Report of the External Relations Committee

Director Satz reported that management provided the Committee with an update on TVA's economic development programs and a review of TVA's investment in technology research. The Committee also discussed the structural rate change currently under review, and

stated the Board seriously considers the impacts of such decisions and the impacts of decisions not taken. Director Satz stated the utility industry is changing and more options are available to people, but they still rely on TVA to provide reliable power no matter what the situation or condition. Director Satz opined that TVA is so good at what it does most people take for granted that when they flip a switch, the lights will go on. TVA wants power users in the Valley to be able to put solar panels on their houses or use other renewable options, but those who use renewable options still have to pay for the system on which they rely for back-up generation. Director Satz explained that many low income and other customers cannot afford to generate their own electricity and should not pay to subsidize others who do so. Accordingly, TVA and its local power company customers are moving slowly and carefully in their approach to these issues. Director Satz explained that the new rate structure does not bring in any more money, but it does make more transparent that those who use the TVA system, including the transmission system and large generating units with attendant fixed costs, must understand that a part of their bill goes to paying system costs. Director Satz stated it is important for TVA to be clear on this issue with its customers, those directly served as well as local power companies and their customers, and that TVA has met at least once each month for approximately the last two years with TVPPA on this topic. At this point Director Satz requested and received a report from Van Wardlaw, Executive Vice President and Chief External Relations Officer, regarding Minute Item 18-01-8.

Copies of the slides used by Mr. Wardlaw in his report on Minute Item 18-01-8 are filed with the records of the Board as Exhibit 2/16/18C.

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18-01-8. Federal Advisory Committee Charter Renewals

The Board adopted the following resolution, as recommended in a memorandum from the Executive Vice President and Chief External Relations Officer, dated January 3, 2018, and filed with the records of the Board as Exhibit 2/16/18D:

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 ninth term will expire on April 26, 2018, and the RERC's third term will expire on July 31, 2019; 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, 2018, memorandum, a copy of which is filed with the records of the Board of Directors as Exhibit 2/16/18D, the Executive Vice President and Chief External Relations Officer has recommended the renewal of the RRSC and the RERC for a tenth and fourth 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 Exhibit 2/16/18E and Exhibit 2/16/18F; authorizes the renewal of these charters for an additional two years; and authorizes and directs the Vice President, Enterprise Relations and Innovation, 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, Enterprise Relations and Innovation, to serve as the Designated Federal Officer for the council 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 ninth term of the RRSC and the third term for the RERC for their service to TVA and the Tennessee Valley region.

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18-01-9. Report of the People and Performance Committee

Director Lodge, Chair of the Committee, reported the Committee met January 25. During the meeting the Committee received information on TVA's diversity and succession planning, and also discussed the process around setting compensation, including an annual review of the performance of outside resources engaged by the Committee to assist in that process. The Committee also spent time reviewing TVA's operational performance over the last fiscal quarter and concluded that performance was good, especially in the areas of economic development and nuclear performance. Director Lodge then requested and received a report from Mike Skaggs, Executive Vice President, Operations, regarding Minute Item 18-01-10. Following Mr. Skaggs' report on Minute Item 18-01-10, Director Lodge expressed the Committee's appreciation to TVA workers for keeping the lights on during recent cold periods. Director Lodge stated TVA had to manage extreme shifts in generation capacity due to immediately preceding mild weather, and that employees performed all of this hard work safely, and under the difficult conditions of ice, snow, and more recent heavy rains.

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18-01-10. Meeting Record Power Demands

Mike Skaggs, Executive Vice President, Operations, stated that TVA employees, local power company customers, and direct served customers recently have dealt with very cold weather, which started in late December. Mr. Skaggs specifically thanked TVA's employees and all others involved in helping TVA meet power and peak-load demands, and recognized that these employees took time away from their families and other activities in order to provide assistance due to the cold weather.

Mr. Skaggs reported that on December 28th, the peak power demand of 26,657 MW was the second highest in TVA history for that time period. As TVA moved into 2018 it experienced its coldest January in 20 years. Several high power demand records were set during the month. The record for the highest holiday load in TVA history, 28,891 MW, was set on January 1. On January 2, TVA experienced its 14th highest peak ever, at 31,740 MW. And on January 18, TVA experienced its 6th highest winter peak ever at 32,513 MW. On January 17, TVA and its local power companies delivered 706,000,000 kilowatt-hours to customers, an all-time record amount, and enough energy to power New York City for sixty-four days. Mr. Skaggs stated the generation sources used were 40% carbon-free, a 20% reduction in CO2 emissions when comparing the same power peak from 2018 to the peak in 2014. Demand during these cold periods was met by dedicated employees working hard, great customer support, good forethought with regard to TVA's generation portfolio, reliable transmission, and by proactive planning that applied past lessons learned to avoid problems previously experienced during similar periods. Mr. Skaggs congratulated TVA on meeting such levels of demand.

Mr. Skaggs next provided an update on the rainfall more recently experienced, reporting that month-to-date the Valley average for rainfall has been 5 inches, which is 300% of normal, and equals 3.6 trillion gallons, enough to fill 5.4 million Olympic-size swimming pools. Mr. Skaggs stated this volume of rainfall serves as a reminder of the manner in which TVA operates its reservoirs, enabling them to be drawn down in anticipation of heavy rainfall in order to maintain releases that minimize or prevent flooding. Mr. Skaggs stated while there is floodwater in West Tennessee and outside of Huntsville, Alabama, those are the only two locations where flooding has occurred. Historically, TVA's river management efforts have prevented \$7 billion in flooding damage.

Copies of the slides used by Mr. Skaggs are filed with the records of the Board as Exhibit 2/16/18G.

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Information Items

18-01-11. Conveyance of Power System Assets to a Customer

As recommended in a confidential application for Notational Board Approval, a copy of which is filed with the records of the Board as Exhibit 2/16/18H, and in accordance with the TVA Board Practice, Notational Approvals, on December 18, 2017, the individual Board members approved the conveyance of 42 acres of real property, equipment located at specific

substations, and certain transmission lines, all within the Pennyrite Rural Electric Cooperative Corporation (PRECC) service territory, to PRECC.

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18-01-12. Committee Membership

As recommended in an application for Notational Board Approval, a copy of which is filed with the records of the Board as Exhibit 2/16/18I, and in accordance with the TVA Board Practice, Notational Approvals, on January 22, 2018, the individual Board members approved a new slate of Board Committee members effective January 24, 2018.

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The meeting was adjourned at 2:09 p.m. EST.