



Tennessee Valley Authority, 1101 Market Street, Chattanooga, Tennessee 37402

CNL-15-189

September 10, 2015

10 CFR 50.75(b)

ATTN: Document Control Desk
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555-0001

Watts Bar Nuclear Plant, Unit 2
Construction Permit No. CPPR-92
NRC Docket No. 50-391

Subject: **Decommissioning Funding Update**

- References:
1. Letter from TVA to NRC, "Watts Bar Nuclear Plant (WBN) Unit 2 - Operating License Application Update," dated March 4, 2009 (ML090700378)
 2. Letter from TVA to NRC, "Additional Information Regarding Financial Information Related to Operating License Application Update (TAC No. ME0853)," dated August 26, 2009 (ML092470504)
 3. Letter from TVA to NRC, "NRC Final Rule - Financial Assurance Requirements for Decommissioning Nuclear Power Reactors," dated December 21, 1998 (ML082490844)
 4. Letter from TVA to NRC, "TVA - Decommissioning Funding Status Report - Browns Ferry (BFN), Sequoyah (SQN), and Watts Bar (WBN) Nuclear Plants," dated March 21, 2001 (ML010860345)
 5. Letter from TVA to NRC, "Decommissioning Funding Status Report," dated March 31, 2015 (ML15098A176)

The purpose of this letter is to provide the Nuclear Regulatory Commission (NRC) with an update regarding the Decommissioning Funding Plan for Watts Bar Nuclear Plant (WBN), Unit 2. By letter dated March 4, 2009 (Reference 1), Tennessee Valley Authority (TVA) provided a Decommissioning Report in accordance with 10 *Code of Federal Regulations* 50.33(k) that included the following commitment: "A decommissioning trust fund will be established for WBN Unit 2 prior to fuel load." Additional information regarding the exact method for establishing financial assurance was provided by letter dated August 26, 2009 (Reference 2), in response to an NRC request for additional information. On September 8, 2015, TVA completed the actions necessary to satisfy the commitment made in Reference 1. The following information provides an update to the Decommissioning Report.

The estimated cost to decommission WBN Unit 2 has been recalculated using the formula provided in 10 CFR 50.75(c) and the guidance contained in NUREG-1307, Revision 15, "Report on Waste Burial Charges." The calculation was performed on August 31, 2015, using the NUREG-1307 waste burial adjustment factor for the Generic Low-Level Waste (LLW) Disposal Site and Combination of Compact and Non-Compact Facility for a pressurized water reactor. The latest available Bureau of Labor Statistics indices referenced by NUREG-1307 were also utilized in the calculation for the labor and energy cost adjustment factors. The calculated cost to decommission WBN Unit 2 is \$517.7 million.

On June 20, 1996, TVA established three Master Decommissioning Trusts, which were enclosed in the December 21, 1998 letter to NRC (Reference 3). Subsequently, the three Master Decommissioning Trusts were consolidated on August 18, 2000, into a single Master Decommissioning Trust Agreement with The Bank of New York Mellon (formerly Mellon Bank, N.A.) as reported in Reference 4. Note that there are separate funds for each of the operating TVA nuclear plants. On June 23, 2015, TVA executed the Sixth Amendment to the Master Decommissioning Trust Agreement in order to create a separate fund for WBN Unit 2. The TVA Master Decommissioning Trust Agreement (with Sixth Amendment) is included as Enclosure 1 to this letter.

TVA has chosen to use the external sinking fund methodology, as provided for in 10 CFR 50.75(e)(1)(ii), to set aside funds in an account segregated from TVA assets in which the total amount of funds will be sufficient to pay WBN Unit 2 decommissioning costs at the time permanent termination of operations is expected. This approach is consistent with that used for TVA's other nuclear units as discussed in TVA's most recent Decommissioning Funding Status Report (Reference 5). As required by 10 CFR 50.75(b)(2), TVA will review the fund annually and make adjustments as necessary. The assumptions used for establishing a projection of necessary funds based upon the calculated cost to decommission WBN Unit 2 are as follows.

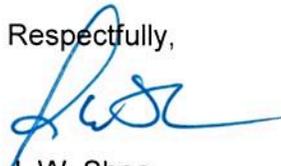
- (1) The assumed escalation in decommissioning costs is four percent.
- (2) The assumed projected annual real rate of return on decommissioning funds is five percent, as authorized by the TVA Board of Directors, TVA's rate-making authority.
- (3) The assumed facility operating license issuance date is September 30, 2015.

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Consistent with this funding approach, and based on the calculations and assumptions discussed above, TVA contributed \$3,402,638 to the WBN Unit 2 Decommissioning Fund on September 8, 2015. Enclosure 2 shows this initial contribution and provides a schedule of the anticipated annual funding amounts. TVA will provide the next biennial update on the status of WBN Unit 2 decommissioning funding in accordance with 10 CFR 50.75(f) by March 31, 2017.

There are no new regulatory commitments contained in this letter. If you have any questions concerning this matter, please contact Edward D. Schrull at 423-751-3850.

Respectfully,



J. W. Shea
Vice President, Nuclear Licensing

Enclosures:

1. TVA Master Decommissioning Trust Agreement (with Sixth Amendment)
2. Schedule of Annual Funding Amounts for Watts Bar Unit 2

cc:

NRC Regional Administrator – Region II
NRC Project Manager - Watts Bar Nuclear Plant, Unit 2
NRC Senior Resident Inspector - Watts Bar Nuclear Plant, Unit 2

**SIXTH AMENDMENT
TO THE
TENNESSEE VALLEY AUTHORITY
MASTER DECOMMISSIONING TRUST AGREEMENT**

This Sixth Amendment to the Tennessee Valley Authority Master Decommissioning Trust Agreement is made as of the 23rd day of June, 2015, between the TENNESSEE VALLEY AUTHORITY, a corporate agency and instrumentality of the United States, created and existing pursuant to the Tennessee Valley Authority Act of 1933, *as amended*, 16 U.S.C. §§ 831-831ee (2012) ("TVA"), and THE BANK OF NEW YORK MELLON (formerly known as Mellon Bank, N.A.; the "Trustee").

RECITALS

WHEREAS, TVA and the Trustee entered into the Tennessee Valley Authority Master Decommissioning Trust Agreement as of August 18, 2000 (as amended as of July 19, 2002, December 17, 2003, May 25, 2006, May 24, 2011, and January 22, 2015, the "Agreement"; capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Agreement); and

WHEREAS, TVA and the Trustee wish to amend the Agreement pursuant to section 10.05 of the Agreement to establish a Fund for Watts Bar Unit Two and to make other clarifying changes.

NOW, THEREFORE, in consideration of the mutual promises herein contained, TVA and the Trustee hereby agree to amend the Agreement as follows:

1. Section 1.01(23) shall be revised to read as follows:

(23) "Units" shall mean Browns Ferry Unit One, Browns Ferry Unit Two, Browns Ferry Unit Three, Sequoyah Unit One, Sequoyah Unit Two, Watts Bar Unit One, and Watts Bar Unit Two, collectively.

2. Section 1.01 shall be revised by adding the following at the end thereof:

(26) "Watts Bar Unit Two" shall mean TVA's ownership interest, in the name of the United States of America, in Unit Two of Watts Bar Nuclear Plant, identified in Construction Permit CPPR-92 issued pursuant to 10 C.F.R. Part 50.

3. The first sentence in Section 2.05 shall be revised to read as follows:

The Master Trust shall be divided by the Trustee into the Funds as follows:

(i) Browns Ferry Unit One Fund; (ii) Browns Ferry Unit Two Fund;
(iii) Browns Ferry Unit Three Fund; (iv) Sequoyah Unit One Fund;
(v) Sequoyah Unit Two Fund; (vi) Watts Bar Unit One Fund; and
(vii) Watts Bar Unit Two Fund.

4. Section 10.04 shall be revised by adding the following at the end thereof:

TVA acknowledges and agrees that any notice, documentation, or other communication in respect of this Agreement or as required pursuant to applicable law may be given by the Trustee's affiliate, Mellon Capital Management Corporation, by electronic means.

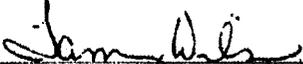
Each party represents and warrants to the other party that it has full authority to enter into this Amendment upon the terms and conditions hereof and that the individual executing this Amendment on its behalf has the requisite authority to bind such party to this Amendment.

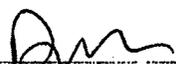
As so amended hereby, the Trust Agreement is hereby confirmed.

IN WITNESS WHEREOF, the parties hereto have executed this instrument as of the 23rd day of June, 2015.

TENNESSEE VALLEY AUTHORITY

THE BANK OF NEW YORK MELLON

By: 
Name: Tammy Wilson
Title: Vice President and Treasurer
Date: 6-23-15

By: 
Name: David Wilson
Title: Managing Director
Date: 7/1/15

**FIFTH AMENDMENT
TO THE
TENNESSEE VALLEY AUTHORITY
MASTER DECOMMISSIONING TRUST AGREEMENT**

This Fifth Amendment to the Tennessee Valley Authority Master Decommissioning Trust Agreement is made as of the 22nd day of January, 2015, between the TENNESSEE VALLEY AUTHORITY, a corporate agency and instrumentality of the United States, created and existing pursuant to the Tennessee Valley Authority Act of 1933, *as amended*, 16 U.S.C. §§ 831-831ee (2012) (“TVA”) and THE BANK OF NEW YORK MELLON (the “Trustee”).

RECITALS

WHEREAS, TVA and Mellon Bank, N.A., entered into the Tennessee Valley Authority Master Decommissioning Trust Agreement as of August 18, 2000 (as amended as of July 19, 2002, December 17, 2003, May 25, 2006, and May 24, 2011, the “Agreement”); capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Agreement); and

WHEREAS, TVA and the Trustee wish to amend the Agreement pursuant to section 10.05 of the Agreement to clarify the circumstances under which the Trustee may be responsible for investing Funds and to make other clarifying changes.

NOW, THEREFORE, in consideration of the mutual promise herein contained, TVA and the Trustee hereby agree to amend the Agreement as follows:

1. Section 7.01 is revised by deleting the first sentence thereof in its entirety, by deleting “However,” from the second sentence thereof, and by deleting the

following language from the fifth sentence thereof: "the Trustee shall be released and relieved of all investment duties, responsibilities, and liabilities specified in Article IX and those customarily or statutorily incident to a trustee with respect to the Investment Account, and as to such Investment Account,".

2. Section 7.02 is revised by replacing the first sentence thereof with the following: "An Investment Manager designated by TVA to manage an Investment Account shall have authority to manage and to direct the acquisition and disposition of the assets of the Master Trust or any Fund, or any designated portion thereof, and the Trustee shall not be under any obligation to invest or otherwise manage any assets in the Investment Account except as set forth in Article IX hereof."

3. The first paragraph of Article IX is amended and restated in its entirety to read as follows: "The Trustee recognizes the authority of an Investment Manager to manage, invest, and reinvest the assets in an Investment Account pursuant to an Investment Manager Agreement and as provided in Article VII of this Agreement, and the Trustee agrees to cooperate with any Investment Manager as deemed necessary to accomplish these tasks. Notwithstanding the foregoing, to the extent that the assets of the Master Trust have not been allocated to an Investment Account under the investment control of an Investment Manager, and to the extent the assets of the Master Trust have been allocated to an Investment Account but have not been invested by an Investment Manager, upon the written instructions of TVA and with the written consent of the Trustee, the Trustee shall have the following investment powers all of which are fiduciary powers to be executed in a fiduciary capacity and in the best interests of this Trust and the purposes hereof, namely:"

Each party represents and warrants to the other party that it has full authority to enter into this Amendment upon the terms and conditions hereof and that the individual

executing this Amendment on its behalf has the requisite authority to bind such party to this Amendment.

As so amended and clarified hereby, the Trust Agreement is hereby confirmed.

IN WITNESS WHEREOF, the parties hereto have executed this instrument as of the 22nd day of January, 2015.

TENNESSEE VALLEY AUTHORITY

THE BANK OF NEW YORK MELLON

By: Rebecca L. Jones
Name: Rebecca L. Jones
Title: Director, Treasury Management
Date: January 22, 2015

By: David W. Pison
Name: David W. Pison
Title: Managing Director
Date: 2/25/15

**FOURTH AMENDMENT
TO THE
TENNESSEE VALLEY AUTHORITY
MASTER DECOMMISSIONING TRUST AGREEMENT**

This Fourth Amendment to the Tennessee Valley Authority Master Decommissioning Trust Agreement is made as of the 24th day of May, 2011, between the TENNESSEE VALLEY AUTHORITY, a corporate agency and instrumentality of the United States, created and existing pursuant to the Tennessee Valley Authority Act of 1933, *as amended*, 16 U.S.C. §§ 831-831ee (2006 & Supp. II 2008) ("TVA"), and The Bank of New York Mellon, successor by operation of law to Mellon Bank, N.A (the "Trustee").

RECITALS

WHEREAS, TVA and the Mellon Bank, N.A. entered into the Tennessee Valley Authority Master Decommissioning Trust Agreement as of August 18, 2000 (as amended as of July 19, 2002, December 17, 2003, and May 25, 2006 the "Agreement"); and

WHEREAS, the Agreement was originally between TVA and Mellon Bank, N.A. and provided that the Trustee can make payments from the trust only following receipt of a distribution certificate;

WHEREAS, TVA and the Trustee wish to amend the Agreement to reflect the change from Mellon Bank, N.A. to The Bank of New York Mellon and to allow for payments to be made by the Trustee based on directions submitted to the Trustee through the Trustee's electronic transactional services; and

WHEREAS, Section 10.05 permits the Agreement to be amended by means of a written amendment signed by TVA and the Trustee.

NOW, THEREFORE, TVA and the Trustee, intending to be legally bound, do hereby amend the Agreement as follows:

1. All references in the Agreement to "Mellon Bank, N.A." or "Trustee" shall hereafter mean "The Bank of New York Mellon."

2. The following Section 1.01(25) shall be added:

"(25) "Authorized Instructions" shall mean (i) all directions to the Trustee from an Authorized Representative pursuant to the terms of this Agreement; (ii) all directions by or on behalf of TVA to the Trustee in its corporate capacity (or any of its affiliates) with respect to contracts for foreign exchange; (iii) all directions by or on behalf of the TVA pursuant to an agreement with the Trustee (or any of its affiliates) with respect to information or transactional services provided via a web site sponsored by the Trustee (or any of its affiliates) (e.g., the Workbench web site); and (iv) all directions by or on behalf of TVA pursuant to any other agreement or procedure between the Trustee (or any of its affiliates) and TVA, if such agreement or procedure specifically provides that authorized persons thereunder are deemed to be authorized to give instructions under this Agreement. Authorized Instructions (i) shall be in writing, transmitted by first class mail, overnight delivery, private courier, or facsimile, (ii) shall be an electronic transmission subject to the Trustee's policies and procedures, other institutional delivery systems or trade matching utilities as directed by an Authorized Representative and supported by the Trustee, or (iii) shall be communicated by other methods agreed upon in writing by TVA and the Trustee. The Trustee may, in its discretion, accept oral directions and instructions and may require confirmation in writing. However, where the Trustee acts on an oral direction or instruction, the Trustee shall not be liable if a subsequent written confirmation fails to conform to the oral direction or instruction."

3. The last sentence of Section 2.07 shall be restated as follows:

"Until otherwise notified in writing by TVA, the Trustee may rely upon any Authorized Instruction reasonably believed by it to be genuine and to be signed or certified by any one or more Authorized Representatives, and the Trustee shall be under no duty to make any investigation or inquiry as to the truth or accuracy of any statement contained therein."

4. Section 4.01 shall be amended to read as follows:

"4.01 Payment of Decommissioning Costs. Upon receipt of a Distribution Certificate or receipt of a direction by an authorized user of transactional services through an on-line communication service provided by the Trustee (such as Workbench transactional services) ("Electronic Direction"), the Trustee shall make payment from the Fund covering a Unit of Decommissioning Costs to any person, including TVA, for goods provided or labor or other services rendered in connection with the decommissioning of that Unit."

5. Section 4.02 shall be amended to read as follows:

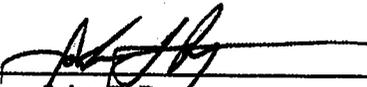
"4.02 Payment of Expenses of Administration. Upon receipt of a Distribution Certificate or receipt of an Electronic Direction, the Trustee shall make payments of administrative costs (including, but not limited to, reasonable Trustee's fees;

reasonable out-of-pocket expenses; reasonable fees payable to an Investment Manager; reasonable fees associated with the purchase, sale, or exchange of investments; and reasonable fees charged by designated Depository Institutions) and other incidental expenses of the Master Trust, any Fund, and any Investment Accounts (including necessary legal, accounting, and actuarial expenses) in connection with the operation of the Master Trust pursuant to this Agreement. All such administrative expenses and incidental expenses of the Master Trust shall be allocated proportionately among the Funds (based upon the fair market value of each Fund) unless otherwise directed in writing by TVA. The Trustee shall maintain such records as are necessary to reflect all costs and expenses paid under this Section 4.02."

6. Except as set forth herein, the Agreement is hereby ratified and confirmed and remains in full force and effect.
7. Each party represents and warrants to the other party that it has full authority to enter into this Amendment upon the terms and conditions hereof and that the individual executing this Amendment on its behalf has the requisite authority to bind such party to this Amendment.

IN WITNESS WHEREOF, the parties hereto, each intending to be legally bound hereby, have executed this Amendment to Agreement as of the day and year first above written.

TENNESSEE VALLEY AUTHORITY

By: 
Name: John F. Rymer
Title: Director, Treasury Management

THE BANK OF NEW YORK MELLON

By: 
Name: Dan Schavolt
Title: Vice President

**THIRD AMENDMENT
TO THE
TENNESSEE VALLEY AUTHORITY
MASTER DECOMMISSIONING TRUST AGREEMENT**

This Third Amendment to the Tennessee Valley Authority Master Decommissioning Trust Agreement made as of the 25th day of May, 2006, between the TENNESSEE VALLEY AUTHORITY, a corporate agency and instrumentality of the United States, created and existing pursuant to the Tennessee Valley Authority Act of 1933, *as amended*, 16 U.S.C. §§ 831-831ee (2000 & Supp. III 2003), *amended by* Consolidated Appropriations Act, 2005, Pub. L. No. 108-447, div. C, tit. VI, 118 Stat. 2809, 2963 (“TVA”) and MELLON BANK, N.A. (the “Trustee”).

RECITALS

WHEREAS, TVA and the Trustee entered into the Tennessee Valley Authority Master Decommissioning Trust Agreement as of August 18, 2000 (as amended as of July 19, 2002, and December 17, 2003, the “Agreement”); and

WHEREAS, TVA and the Trustee wish to amend the Agreement pursuant to section 10.05 of the Agreement to clarify the authority and power of each Investment Manager heretofore or hereafter appointed pursuant to the Trust Agreement and to make other clarifying changes.

NOW, THEREFORE, in consideration of the mutual promise herein contained, TVA and the Trustee hereby agree to amend the Agreement as follows:

1. Section 1.01(15) is amended and restated in its entirety to read as follows:

“(15) “Investment Manager Agreement” shall mean an agreement

(including, but not limited to, subscription agreements, subordinate trust agreements, and fee agreements) executed by TVA pursuant to which TVA appoints an Investment Manager to manage the investment of all or a portion of the Master Trust or any Fund.”

2. Section 2.07 is revised by adding “or TVA’s Chief Financial Officer” after “TVA Board of Directors” each time that the phrase “TVA Board of Directors” appears in such section.
3. The third to last sentence of Section 7.01 is revised by inserting “, if requested by the Trustee,” between “shall” and “certify” each time that the phrase “shall certify” appears in such section.
4. The second to last sentence of Section 7.01 is revised by replacing the word “all” with the word “any”.
5. The first sentence of Section 7.03 is amended and restated in its entirety to read as follows:

“Notwithstanding anything herein to the contrary, the Trustee shall screen all investment transactions of the Investment Manager (except for investments tied to market indexes or other non-nuclear mutual funds, collective, common or pooled trust funds, or futures, options, swaps or other derivative or non-traditional investments) for compliance with any investment requirements, standards, and guidelines communicated by TVA in writing to the Trustee under Section 7.01; provided that the Trustee’s obligation to screen investment transactions shall be limited to screening based upon CUSIP numbers or other generally recognized similar security identifier.”

6. A new Section 7.04 is added that reads as follows:

“7.04 Powers of Investment Manager. (a) Unless TVA gives written notice

to the Trustee to the contrary, each Investment Manager appointed by TVA with respect to assets of any portion of the Master Trust or any Fund (such assets being referred to herein as the "Investment Manager's Account") has and shall have, subject to the terms and conditions of the applicable Investment Manager Agreement, complete and absolute discretionary power and authority with respect to the management, investment, disposition and reinvestment of the assets in the Investment Manager's Account, including without limitation the power and authority to execute and deliver all agreements, documents and certificates, exercise all power and authority with respect to the establishment, maintenance and closing of brokerage, trading, margin and other accounts and take all other actions, in each case with respect to the Investment Manager's Account, as the Investment Manager determines to be necessary or appropriate to the exercise of such power and authority. Notwithstanding the foregoing, the Investment Manager's authority to commit, bind or subject the assets of any portion of the Master Trust or any Fund to any contractual liability shall be limited to the assets in the Investment Manager's Account except to the extent that TVA has, in the Investment Manager Agreement between TVA and the Investment Manager, specifically authorized the Investment Manager to commit, bind or subject other assets of the Master Trust or any Fund to contractual liability.

(b) TVA shall use its best efforts to cause each Investment Manager to report all actions taken, and transactions effected, on behalf of the Master Trust or any Fund to the Trustee pursuant to such procedures as may be established by the Trustee and communicated to the Investment Manager. TVA shall use its best efforts to cause each Investment Manager to provide such information and documentation to the Trustee and/or TVA as either of them may reasonably request. The Trustee shall not be responsible or liable for any actions taken or transactions effected by the Investment Manager,

and, except as otherwise provided in Section 7.03, shall have no responsibility to review, evaluate or monitor any such actions or transactions, or any agreements, documents and certificates delivered to the Trustee by the Investment Manager. Except as otherwise provided in Section 7.03, it shall be the responsibility of TVA to monitor the Investment Manager. TVA hereby expressly understands and agrees that the Investment Manager shall have no authority to make representations on behalf of, or to otherwise bind, the Trustee.”

7. Section 8.04 is revised by adding the following after “this Master Trust” and before the period at the end of the sentence:

“, and, at the direction of TVA, to appoint subtrustees”.

8. A new Section 8.07 is added that reads as follows:

“8.07 Additional Actions. At the written direction of TVA, to enter into agreements or take other actions on behalf of the Trust that the Trustee shall deem proper to facilitate or effectuate the investments of an Investment Manager.”

9. The phrase “(iv) or” in Section 9.02 is revised to read “; or (iv)”.

10. Section 9.06 is amended and restated in its entirety to read as follows:

“9.06. Futures, options, swaps, and other derivative instruments. To purchase, enter into, sell, hold, and generally deal in any manner in and with contracts for the immediate or future delivery of financial instruments of any issuer or of any other property; to grant, purchase, sell, exercise, permit to expire, permit to be held in escrow, and otherwise to acquire, dispose of, hold, and generally deal in any manner with and in all forms of swaps, options and other derivative investments in any combination.”

11. TVA’s notice address in Section 10.04 is revised to read: “John M. Hoskins,

Senior Vice President, Treasurer/Investor Relations, Tennessee Valley Authority,
400 West Summit Hill Drive, Knoxville, TN 37902-1401”.

12. The first sentence of Section 10.09 is revised to read as follows:

In administering this Agreement, the Trustee shall comply with the following conditions and certifications to the extent applicable: (i) the Equal Opportunity for Special Disabled Veterans and Veterans of the Vietnam Era clause, 41 C.F.R. § 60-250.5, (ii) the Equal Opportunity for Workers with Disabilities clause, 41 C.F.R. § 60-741.5, (iii) the Equal Employment Opportunity clause, 41 C.F.R. § 60-1.4, (iv) the Anti-Kickback Procedures clause, 18 C.F.R. § 1316.3, (v) the Discrimination on the Basis of Age clause, 18 C.F.R. § 1316.6, (vi) the Drug-Free Workplace clause, 18 C.F.R. § 1316.7, and (vii) the Officials Not to Benefit clause, 18 C.F.R. § 1316.10, and all amendments to these clauses and all applicable regulations, rules, and orders issued thereunder.

Each party represents and warrants to the other party that it has full authority to enter into this Amendment upon the terms and conditions hereof and that the individual executing this Amendment on its behalf has the requisite authority to bind such party to this Amendment.

As so amended and clarified hereby, the Trust Agreement is hereby confirmed.

IN WITNESS WHEREOF, the parties hereto have executed this instrument as of the 25th day of May, 2006.

Authorized Signer of:
Tennessee Valley Authority

By: Eric J. Davis
Name: Eric J. Davis
Title: Senior Financial Analyst
Date: 5/25/06

Authorized Signer of:
Mellon Bank, N. A.

By: Vicki A. Caldart
Name: VICKI A. CALDART
Title: VICE PRESIDENT
Date: 5/25/06

**SECOND AMENDMENT TO THE
TENNESSEE VALLEY AUTHORITY
MASTER DECOMMISSIONING TRUST AGREEMENT**

This Second Amendment to the Tennessee Valley Authority Master Decommissioning Trust Agreement made as of the 17th day of December, 2003, between the TENNESSEE VALLEY AUTHORITY, a corporate agency and instrumentality of the United States, created and existing pursuant to the Tennessee Valley Authority Act of 1933, 16 U.S.C. 831-831ee (2000) (hereafter "TVA") and MELLON BANK, N.A. (hereafter "Trustee").

RECITALS

WHEREAS, TVA established the Tennessee Valley Authority Master Decommissioning Trust Agreement as of August 18, 2000 (as amended as of July 19, 2002, the "Agreement"); and

WHEREAS, TVA wishes to amend the Agreement pursuant to section 10.05 of the Agreement to add certain language consistent with applicable provisions of the Nuclear Regulatory Commission's Final Rule with respect to Decommissioning Trust Provisions as amended and published on November 20, 2003;

NOW, THEREFORE, in consideration of the mutual promise herein contained, TVA and the Trustee hereby agree to amend the Agreement as follows:

1. A new section 4.06 is added that reads as follows: "4.06 NRC Notice. Notwithstanding the foregoing, except for withdrawals being made under 10 CFR 50.82(a)(8) or for payments of ordinary administrative costs (including taxes) and other incidental expenses of any Fund (including legal, accounting, actuarial, and trustee expenses) in connection with the operation of the Master Trust, no disbursement or payment from any Fund shall be made: (1) unless TVA gives NRC 30 working days prior written notice of such payment or (2) if TVA receives written notice of an objection to such payment from NRC's Director of the Office of

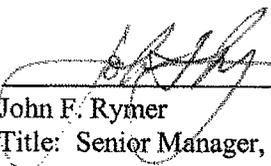
Nuclear Reactor Regulation or the Director of the Office of Nuclear Material and Safeguards, as applicable.”

2. TVA and the Trustee hereby each represents and warrants to the other that it has full authority to enter into this Second Amendment upon the terms and conditions hereof and that the individual executing this Second Amendment on its behalf has the requisite authority to bind it to this Second Amendment.

IN WITNESS WHEREOF, the parties hereto have each caused this Second Amendment to be executed by its duly authorized officer as of the date first above written.

TENNESSEE VALLEY AUTHORITY

By: _____


John F. Rymer
Title: Senior Manager, Cash Management

MELLON BANK, N.A.

By: _____


Carlos Pacheco
Title: Vice President

**FIRST AMENDMENT TO THE
TENNESSEE VALLEY AUTHORITY
MASTER DECOMMISSIONING TRUST AGREEMENT**

This First Amendment to the Tennessee Valley Authority Master Decommissioning Trust Agreement made as of the 19th day of July, 2002, between the TENNESSEE VALLEY AUTHORITY, a corporate agency and instrumentality of the United States, created and existing pursuant to the Tennessee Valley Authority Act of 1933, 16 U.S.C. 831-831ee (2000) (hereafter "TVA") and MELLON BANK, N.A. (hereafter "Trustee").

RECITALS

WHEREAS, TVA established the Tennessee Valley Authority Master Decommissioning Trust Agreement (the "Agreement") as of August 18, 2000; and

WHEREAS, TVA wishes to amend the Agreement pursuant to section 10.05 of the Agreement to clarify that TVA personnel may serve as an Investment Manager hereunder for purposes of establishing, maintaining, and managing an index fund or index funds in an Investment Account;

NOW, THEREFORE, in consideration of the mutual promise herein contained, TVA and the Trustee hereby agree to amend the Agreement as follows:

1. Subsection 14 of section 1.01 is revised to read "Investment Manager' shall mean a person or entity (including, in the case of Index Funds (as defined in section 7.02) managed by TVA, T VA representatives) appointed by TVA under section 7.01 hereof and specified in an Investment Manager Agreement or, in the case of index funds managed by TVA, in a written direction from an Authorized Representative."

2. A new paragraph is added to the end of section 7.02 to read as follows:
"Notwithstanding anything to the contrary in this section 7.02, investment by Investment Managers who are TVA employees shall be limited to investment in securities necessary for composite investment funds designed to track a nationally recognized securities index ('Index Funds')."

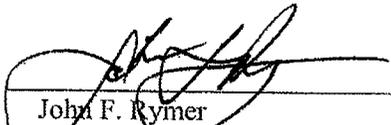
3. The Trustee's notice address in section 10.4 is revised to read: "Carlos Pacheco, Vice President, Mellon Bank, N.A., One Mellon Center, Room 1320, Pittsburgh, PA 15258."

4. TVA and the Trustee hereby each represents and warrants to the other that it has full authority to enter into this First Amendment upon the terms and conditions hereof and that the individual executing this First Amendment on its behalf has the requisite authority to bind it to this First Amendment.

IN WITNESS WHEREOF, the parties hereto have each caused this First Amendment to be executed by its duly authorized officer as of the date first above written.

TENNESSEE VALLEY AUTHORITY

By:


John F. Rymer

Title: Manager, Cash Management

MELLON BANK, N.A.

By:


Carlos Pacheco

Title: Vice President

003695905

TENNESSEE VALLEY AUTHORITY
MASTER DECOMMISSIONING TRUST AGREEMENT

This Trust Agreement made as of the 18th day of August, 2000, between the TENNESSEE VALLEY AUTHORITY, a corporate agency and instrumentality of the United States, created and existing pursuant to the Tennessee Valley Authority Act of 1933, 16 U.S.C. 831-831dd (1994) (hereafter "TVA") and MELLON BANK, N.A. (hereafter "Trustee").

RECITALS OF TVA

WHEREAS, TVA, in the name of the United States of America, is the sole owner of the Browns Ferry Nuclear Plant, which consists of three nuclear power reactor units ("Browns Ferry Unit One," "Browns Ferry Unit Two," and "Browns Ferry Unit Three") and associated facilities; and

WHEREAS, TVA, in the name of the United States of America, is the sole owner of the Sequoyah Nuclear Plant, which consists of two nuclear power reactor units ("Sequoyah Unit One" and "Sequoyah Unit Two") and associated facilities; and

WHEREAS, TVA, in the name of the United States of America, is the sole owner of a nuclear power reactor unit at the Watts Bar Nuclear Plant ("Watts Bar Unit One") and associated facilities; and

WHEREAS, TVA has constructed or caused to be constructed the above described nuclear power reactor units for the purpose of providing electric power and energy for its electric power program pursuant to the Tennessee Valley Authority Act of 1933, as amended; operates and maintains those units for that purpose; and finances those units and their operations from funds of TVA's electric power program; and

WHEREAS, TVA, with respect to the above described nuclear power reactor units, is subject to regulation by the Nuclear Regulatory Commission ("NRC"), an agency of the United States created and existing pursuant to 42 U.S.C. 5841; and

WHEREAS, the NRC, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, established requirements (10 C.F.R. 50.33, 50.75, and 50.82) for indicating how nuclear power plant licensees will provide reasonable assurance that sufficient funds will be available for the decommissioning of licensed nuclear power reactor units for the protection of the public health and safety; and

WHEREAS, TVA, having the obligations pursuant to the Tennessee Valley Authority Act of 1933, as amended, to provide an ample supply of electric power at the lowest rates feasible and to develop the natural resources of the Tennessee Valley region for the purpose of fostering such region's orderly and proper physical, economic, and social development, intends to provide the public reasonable assurance that sufficient funds will be available for the decommissioning of the above described nuclear power reactor units and to comply with applicable NRC regulations and Orders; and

WHEREAS, TVA is not subject, being an agency and instrumentality of the United States, to taxation under subtitle A of the Internal Revenue Code of 1986, as amended, and possesses the authority, pursuant to the provisions of the Tennessee Valley Authority Act of 1933, as amended, and has heretofore established separate trust funds, under three master trusts for the purpose of providing all or part of such financial assurance for decommissioning costs associated with each of the above described nuclear power reactor units (the "Existing Trusts"); and

WHEREAS, TVA wishes to consolidate the assets of the Existing Trusts into a single trust.

RECITALS OF THE TRUSTEE

WHEREAS, the Trustee is a national banking association with trust powers; and

WHEREAS, the Trustee has full power and authority to execute this Master Trust Agreement and is willing to serve as Trustee under the Master Trust on the terms and conditions herein set forth.

NOW, THEREFORE, in consideration of the mutual promises herein contained, TVA hereby agrees to deliver to the Trustee and the Trustee hereby agrees to receive Contributions to the Master Trust beginning on or after the date first written above; and

TO HAVE AND TO HOLD such assets; and

TO INVEST AND REINVEST the assets of the Master Trust as provided herein; and

TO PAY OR DISTRIBUTE from the Master Trust as provided herein;

IN TRUST NEVERTHELESS, for the uses and purposes and upon the terms and conditions as hereinafter set forth.

I. DEFINITIONS

1.01 **Definitions.** As used in this Master Decommissioning Trust Agreement, the following terms shall have the following meanings:

(1) "Agreement" shall mean and include this Master Decommissioning Trust Agreement as the same may be amended, modified, or supplemented from time to time pursuant to Section 10.05.

(2) "Authorized Representative" shall mean any person designated by TVA, individually or by position within TVA, pursuant to Section 2.07 hereof.

(3) "Authorized Representative Certificate" shall mean a document properly completed and executed by the Assistant Secretary of TVA and substantially in the form of Exhibit A hereto.

(4) "Browns Ferry Unit One" shall mean TVA's ownership interest, in the name of the United States of America, in Unit One of the Browns Ferry Nuclear Plant, identified in License Number DPR-33 issued pursuant to 10 C.F.R. Part 50.

(5) "Browns Ferry Unit Two" shall mean TVA's ownership interest, in the name of the United States of America, in Unit Two of the Browns Ferry Nuclear Plant, identified in License Number DPR-52 issued pursuant to 10 C.F.R. Part 50.

(6) "Browns Ferry Unit Three" shall mean TVA's ownership interest, in the name of the United States of America, in Unit Three of the Browns Ferry Nuclear Plant, identified in License Number DPR-68 issued pursuant to 10 C.F.R. Part 50.

(7) "Contribution" shall mean any contribution, cash or otherwise, made to the Trust under this Agreement including cash or assets contributed in connection with the termination of the Existing Trusts.

(8) "Decommissioning Costs" shall mean the expenses incurred in decommissioning a Unit pursuant to a plan approved by the NRC.

(9) "Depository Institution" shall mean any bank or savings association, the deposits of which are insured by the Federal Deposit Insurance Corporation under Chapter 16 of Title 12, United States Code, that is selected under this Agreement as a depository for monies of the Trust or any Fund or such other financial institution as to which TVA may consent in writing.

(10) "Distribution Certificate" shall mean a document properly completed and executed by an Authorized Representative of TVA and substantially in the form of Exhibit B hereto.

(11) "Fund" shall refer to any trust fund which TVA establishes under this Agreement.

(12) "Funds" shall refer to the trust funds which TVA establishes under this Agreement, collectively.

(13) "Investment Account" shall mean an account established by the Trustee pursuant to Section 7.01 hereof.

(14) "Investment Manager" shall mean a person or entity appointed by TVA under Section 7.01 hereof and specified in an Investment Manager Agreement.

(15) "Investment Manager Agreement" shall mean an agreement between TVA and an Investment Manager appointed by TVA, which agreement governs the investment management of all or a portion of the Master Trust or any Fund.

(16) "Master Trust" shall consist of all contributions to the Funds by TVA pursuant to this Agreement together with the proceeds and reinvestment thereof.

(17) "NRC" shall mean the Nuclear Regulatory Commission, as defined in 42 U.S.C. 5841.

(18) "Other master trust agreement" shall refer to any other master trust which TVA may establish under another, separate agreement for the purpose of meeting part of the financial assurance obligations for the decommissioning of the Units.

(19) "Order" shall mean any order relating to decommissioning the Units issued by the NRC.

(20) "Sequoyah Unit One" shall mean TVA's ownership interest, in the name of the United States of America, in Unit One of Sequoyah Nuclear Plant, identified in License Number DPR-77 issued pursuant to 10 C.F.R. Part 50.

(21) "Sequoyah Unit Two" shall mean TVA's ownership interest, in the name of the United States of America, in Unit Two of Sequoyah Nuclear Plant, identified in License Number DPR-79 issued pursuant to 10 C.F.R. Part 50.

(22) "Trustee" shall mean Mellon Bank, N.A., or any successor appointed pursuant to Section 6.01 hereof.

(23) "Units" shall mean Browns Ferry Unit One, Browns Ferry Unit Two, Browns Ferry Unit Three, Sequoyah Unit One, Sequoyah Unit Two, and Watts Bar Unit One, collectively.

(24) "Watts Bar Unit One" shall mean TVA's ownership interest, in the name of the United States of America, in Unit One of Watts Bar Nuclear Plant, identified in License Number NPF-90 issued pursuant to 10 C.F.R. Part 50.

II. MASTER TRUST PURPOSES, NAME, AND FUNDS.

2.01 Master Trust Purposes. The exclusive purposes of this Master Trust are to hold funds for the contemplated decommissioning of the Units and to comply with any Order.

2.02 Establishment of Master Trust. By execution of this Agreement, TVA:

(a) establishes the Master Trust, which shall be effective as of the date first written above, and which shall consist of such Contributions as may be delivered to the Trustee by TVA. The Master Trust also shall include additional Contributions, and earnings and appreciation thereon;

(b) establishes the Funds under the Master Trust, each of which shall constitute a trust consisting of such Contributions as may be delivered to the Trustee by TVA as designated for each such Fund. Each Fund also shall include additional Contributions designated for such Fund, and earnings and appreciation thereon; and

(c) appoints Mellon Bank, N.A. as Trustee of the Master Trust.

2.03 Acceptance of Appointment. Upon the terms and conditions herein set forth, Mellon Bank, N.A. accepts the appointment as Trustee of this Master Trust. The Trustee shall hold all estate, right, title, and interest it may acquire hereunder exclusively for the purposes set forth in this Article II. The Trustee shall receive any Contributions delivered to it by TVA or the trustees of the Existing Trusts and shall hold, manage, invest, and administer such Contributions, together with earnings and appreciation thereon, in accordance with this Agreement.

2.04 Name of Master Trust. The Contributions received by the Trustee from TVA or the trustees of the Existing Trusts together with the proceeds, reinvestments, and appreciation thereof shall constitute the "Tennessee Valley Authority Master Decommissioning Trust."

2.05 Segregation of Master Trust. The Master Trust shall be divided by the Trustee into the Funds as follows: (i) Browns Ferry Unit One Fund; (ii) Browns Ferry Unit Two Fund; (iii) Browns Ferry Unit Three Fund; (iv) Sequoyah Unit One Fund; (v) Sequoyah Unit Two Fund; and (vi) Watts Bar Unit One Fund. TVA may direct the Trustee to establish appropriate arrangements with, and make deposits of all or a portion of the assets of any Fund or the Funds in, one or more depository institutions. The Trustee shall maintain such records as are necessary to reflect each Fund separately on its books from each other Fund.

2.06 Designation of Funds. Upon (i) the initial Contribution to the Master Trust as specified in Section 3.01; (ii) any addition to the Master Trust pursuant to Section 3.02; (iii) any adjustment to the Funds pursuant to Section 3.04; or (iv) any withdrawal from the Master Trust for Decommissioning Costs pursuant to Section 4.01 or for administrative and incidental expenses pursuant to Section 4.02, TVA shall designate in writing the Fund which is to be credited or debited for the amount of such Contribution, withdrawal, addition, or adjustment, and the Trustee shall credit or debit the Fund in accordance with such designation.

2.07 Duties of Authorized Representatives. The TVA Board of Directors shall designate one or more Authorized Representatives who are empowered to act for TVA in all respects hereunder, including, without limitation, to direct the investment management of all assets of the Master Trust, and to appoint one or more Investment Managers as provided under

Section 7.01 hereof. If more than one Authorized Representative are designated by the TVA Board of Directors, such Authorized Representatives may act as a group or may designate one or more Authorized Representatives to perform the duties described in this Section 2.07. TVA shall provide the Trustee with an Authorized Representative Certificate setting forth the name and specimen signature of each Authorized Representative designated under this Section 2.07. Until otherwise notified in writing by TVA, the Trustee may rely upon any written notice, instruction, direction, certificate, or other communications, including those transmitted by electronic facsimile or by other means of communication agreed to by the parties, reasonably believed by it to be genuine and to be signed or certified by any one or more Authorized Representatives, and the Trustee shall be under no duty to make any investigation or inquiry as to the truth or accuracy of any statement contained therein.

2.08 No Authority to Conduct Business. The purposes of this Master Trust are limited specifically to the matters set forth in Section 2.01 hereof.

2.09 Claims Against Master Trust. The Master Trust and any Fund established pursuant to this Agreement shall not be subject to the claims of the creditors of the Trustee, TVA, the United States of America, or any other person or entity and will not be subject to attachment, garnishment, or other legal process; nor may any person or entity assign, transfer, dispose of, or otherwise alienate or encumber any interest in this Master Trust or any Fund; nor shall the Master Trust or any Fund be in any manner liable for or subject to the deeds, contracts, liabilities, engagements, or torts of any person or entity, except as expressly provided herein.

III. CONTRIBUTIONS AND INCOME

3.01 Initial Contribution. Upon or after the establishment of this Master Trust on the date first written above, TVA shall cause to be delivered to the Trustee an initial Contribution. TVA shall designate each Fund which is to be credited in the amount of all or a portion of such initial Contribution.

3.02 Additional Contributions. From time to time after the initial Contribution to the Master Trust and prior to the termination of this Master Trust, TVA may make, and the Trustee

shall accept, additional Contributions to the Master Trust to satisfy the purposes of this Master Trust as set forth in Section 2.01. TVA shall designate each Fund which is to be credited in the amount of all or a portion of each such additional Contribution.

3.03 Allocation of Income or Loss. The Trustee may pool the assets of the Funds for investment purposes and, upon so doing, may treat each Fund so pooled as having received or accrued a pro rata portion (based on the principal balances of the Funds pooled) of the net income or loss of the Master Trust (including appreciation or depreciation) related to such pooled assets in any accounting year of the Master Trust. The Trustee shall maintain such records as are necessary to reflect the allocation of income and losses among the Funds in accordance with this Section 3.03.

3.04 Subsequent Adjustments. The Trustee and TVA understand and agree that the fair market value of the total Contributions made by TVA to a Fund, when totaled with the fair market values of all funds established under any other master trust agreement which cover the same Unit covered by such Fund, may result in a total amount which from time to time may be in excess of that amount which would be necessary for that Unit under the financial assurance obligations for decommissioning applicable to electric utilities under NRC requirements (hereafter "excess amount"). To the extent permitted by law, upon receipt of a written directive of TVA which specifies a portion, or all, of any such excess amount and directs that the amount so specified be transferred or paid from the Fund, the Trustee shall transfer or pay such specified amount to another Fund, other master trust agreement, a person, or an entity designated by TVA, or to TVA directly, as specified in its written directive.

In all cases, a transfer or payment shall not be made by the Trustee under this Section 3.04 unless the Trustee receives certification in writing by TVA: (i) that such transfer or payment would not reduce the combined fair market values of the Fund and all funds established under any other master trust agreement which cover the same Unit covered by such Fund, below that total amount which would be necessary for such Unit under the financial assurance obligations for decommissioning applicable to electric utilities under NRC requirements; (ii) in the event of a transfer or payment to TVA under this Section 3.04, that no other Fund, and all funds established under any other master trust agreement which cover the same Unit covered by such Fund, have a combined fair market value below that total amount which would be necessary for

that Unit under the financial assurance obligations for decommissioning applicable to electric utilities under NRC requirements; and (iii) that such transfer is permitted by law.

Notwithstanding any other provision of this Section 3.04 or of this Master Trust and to the extent permitted by law, in the event that the combined balance of a Fund and all funds established under any other master trust agreement which cover the same Unit covered by such Fund, after the crediting of all amounts payable and received under any insurance policy covering Decommissioning Costs for such Unit, is still insufficient to meet all Decommissioning Costs being incurred for that Unit, the Trustee, if and as directed by TVA in writing, shall transfer amounts from one or more other Funds to such Fund or to the trustee under any other master trust agreement for the purpose of paying such Decommissioning Costs.

3.05 Receipt of Amounts Payable Under Insurance Policies or Transfers From Other Trust Agreements. In addition to Contributions delivered by TVA to the Trustee under this Master Trust, the Trustee is also authorized to receive and credit to the appropriate Fund any amounts to be paid into this Master Trust under the terms and conditions of any insurance policy or any amounts transferred to a Fund from any other master trust agreement.

IV. DISTRIBUTIONS

4.01 Payment of Decommissioning Costs. Upon receipt of a Distribution Certificate, the Trustee shall make payment from the Fund covering a Unit of Decommissioning Costs to any person, including TVA, for goods provided or labor or other services rendered in connection with the decommissioning of that Unit.

4.02 Payment of Expenses of Administration. Upon receipt of a Distribution Certificate, the Trustee shall make payments of administrative costs (including, but not limited to, reasonable trustee's fees; reasonable out-of-pocket expenses; reasonable fees payable to an Investment Manager; reasonable fees associated with the purchase, sale, or exchange of investments; and reasonable fees charged by designated depository institutions) and other incidental expenses of the Master Trust, any Fund, and any Investment Accounts (including necessary legal, accounting and actuarial expenses) in connection with the operation of the Master Trust pursuant to this

Agreement. All such administrative expenses and incidental expenses of the Master Trust shall be allocated proportionately among the Funds (based upon the fair market value of each Fund) unless otherwise directed in writing by TVA. The Trustee shall maintain such records as are necessary to reflect all costs and expenses paid under this Section 4.02.

4.03 Fees. The Trustee shall receive as exclusive compensation for its services pursuant to this Agreement those amounts specified in the fee schedule as may from time to time be agreed upon in writing by the Trustee and TVA. To the extent authorized in advance in writing by TVA, the Trustee shall in addition be entitled to reimbursement, as incidental expenses under Section 4.02, for its expenses in employing professionals and other persons pursuant to Section 8.04, if such persons are not salaried employees of the Trustee or of a company that controls, or is under common control with, the Trustee.

4.04 Sale or Exchange of Investments. At the written direction of TVA signed by an Authorized Representative or any Investment Manager, the Trustee shall sell or exchange such investments of the Funds as may be specified. The proceeds of any such sale or exchange shall be credited pro rata to the Fund or Funds to which such investments were credited prior to such sale or exchange.

4.05 Return of Insurance Proceeds. In the event that amounts are paid into the Master Trust and credited to a Fund under Section 3.05 on account of an insurance policy's coverage of an event or events which result in the believed permanent cessation of operations at the Unit covered by that Fund requiring decommissioning earlier than anticipated, and if such Unit later returns to commercial nuclear operation, the Trustee shall, if and as directed by TVA in writing, pay directly to an insurer, on TVA's account, all or a specified part of any amount which TVA certifies is required to be returned to such insurer under the terms and conditions of such insurance policy.

V. TERMINATION

5.01 Termination of Master Trust. Each Fund established hereunder shall terminate upon the earlier of: (i) receipt by the Trustee of written notice from TVA of TVA's decision to terminate such Fund or (ii) receipt by the Trustee of written notice from TVA confirming

completion of the nuclear decommissioning of the Unit covered by that Fund. The Master Trust shall terminate upon the termination of all of the Funds under this Section 5.01.

5.02 Distribution of Master Trust Upon Termination. Upon termination of this Master Trust or termination of any Fund, the Trustee shall assist any Investment Manager in liquidating the assets of the Master Trust or Fund and distributing the then existing assets thereof (including accrued, accumulated, and undistributed net income), less final Master Trust or Fund administrative expenses (the payment of which shall be subject to Sections 4.02 and 4.03). Upon receipt of a written directive of TVA, the Trustee shall transfer or pay all or a specified portion of any distribution under this Section 5.02, as the case may be, to a Fund, other master trust agreement, person, or entity designated by TVA, or to TVA directly, as specified in its written directive.

VI. TRUSTEE

6.01 Designation and Qualification of Successor Trustees. At any time during the duration of this Master Trust, TVA shall have the right to remove the Trustee (at TVA's sole discretion) acting hereunder and appoint another qualified entity as a Successor Trustee upon thirty (30) days' notice in writing to the Trustee, or upon such shorter notice as may be acceptable to the Trustee. In the event that the Trustee or any Successor Trustee shall: (i) become insolvent or admit in writing its insolvency; (ii) be unable or admit in writing its inability to pay its debts as such debts mature; (iii) make a general assignment for the benefit of creditors; (iv) have an involuntary petition in bankruptcy filed against it; (v) commence a case under, or otherwise seek to take advantage of, any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law, statute, or proceeding, or (vi) resign, TVA shall appoint a Successor Trustee as soon as practicable. In the event of any such removal or resignation, the Trustee or Successor Trustee shall have the right to have its accounts settled.

Any Successor Trustee shall qualify by a duly acknowledged acceptance of this Master Trust, delivered to TVA. Upon acceptance of such appointment by the Successor Trustee, the Trustee shall assign, transfer, and pay over to such Successor Trustee the monies, properties, and

other assets then constituting the Master Trust. Any Successor Trustee shall have all the rights, powers, duties, and obligations herein granted to, or placed upon, the original Trustee.

6.02 Resignation. The Trustee or any Successor Trustee hereof may resign and be relieved as Trustee at any time without prior application to or approval by or order of any court by a duly acknowledged instrument, which shall be delivered to TVA by the Trustee no less than sixty (60) days prior to the effective date of the Trustee's resignation or upon such shorter notice as may be acceptable to TVA. If for any reason TVA cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a Successor Trustee.

6.03 Transactions with Third Parties. No person or organization dealing with the Trustee hereunder shall be required to inquire into or to investigate the person's or organization's authority for entering into any transaction or to see to the application of the proceeds of any such transaction.

6.04 Accounts and Reports. The Trustee shall keep complete, accurate, and detailed accounts of all investments, receipts, and disbursements and other transactions hereunder in accordance with specifications of TVA, and all accounts, books, and records relating thereto shall be open to inspection and audit at all reasonable times by any person designated by TVA. Except as otherwise agreed to by the parties, within 10 business days following the close of each month, the Trustee shall file with TVA a written report setting forth all investments, receipts, and disbursements and other transactions effected by it during the month and containing an exact description of all cash and securities contributed, purchased, sold, or distributed and the cost or net proceeds of sale, and showing all cash, and securities and other investments held at the end of such month and the cost and fair market value of each item thereof as carried on the books of the Trustee. Such accounts and reports shall be based on the accrual method of reporting income and expenses and shall show the portion of the assets applicable to each Fund and also shall identify all disbursements from each Fund to pay Decommissioning Costs or administrative and incidental expenses. Upon written request by TVA, the Trustee shall file with TVA an annual report containing all the information described above within 30 days following the close of a TVA fiscal year (October 1 through September 30) and reports containing such other information as TVA may from time to time request.

In addition to the foregoing, the Trustee shall submit to TVA reports and notices regarding the Master Trust which may be required under the National Bank Act and any applicable regulations promulgated thereunder, under the laws of the Commonwealth of Pennsylvania, and under such other laws or regulations as may be specified in writing by TVA; and the Trustee shall present testimony concerning the Master Trust in any regulatory and other legal proceedings upon the reasonable request of TVA.

The Master Trust's accounting system shall satisfy any standards or requirements applicable under the National Bank Act and any regulations promulgated thereunder, under the laws of the Commonwealth of Pennsylvania, and as may reasonably be specified in writing by TVA.

All records and accounts maintained by the Trustee with respect to the Master Trust shall be preserved for such period as may be required under any applicable laws or regulations. Upon the expiration of any such required retention period, the Trustee shall have the right to destroy such records and accounts after first notifying TVA in writing of its intention and transferring to TVA any such records and accounts requested by TVA.

6.05 Taxation. The Master Trust is intended to be a grantor trust, of which TVA is the grantor, within the meaning of subpart E, Part 1, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended, and shall be construed accordingly.

6.06 Liability. In performing its duties under this agreement, the Trustee shall exercise the same care and diligence that it would devote to its own property in like circumstances. The Trustee shall not be liable for any acts, omissions, or defaults of any agent (other than its officers and employees), or depository institution designated under the terms of this Agreement. The Trustee shall not be responsible or liable for any losses or damages suffered by a Fund arising as a result of the insolvency of any custodian, subtrustee or subcustodian, except to the extent the Trustee was negligent in its selection or continued retention of such entity. The Trustee shall be liable only for such Trustee's own acts or omissions (and those of its officers and employees) occasioned by the material breach of this Agreement by the Trustee or by the willful misconduct or negligence of such Trustee (or that of its officers and employees). TVA shall indemnify and

hold harmless the Trustee and the Trustee's officers, employees, directors, and agents from and against any and all liabilities, claims, and judgments, (including reasonable attorneys' fees and expenses) incurred by the Trustee in connection with this Agreement, except as a result of the Trustee's own negligence, willful misconduct, or material breach of this Agreement. This indemnification shall survive the termination of this Agreement. Under no circumstances shall the Trustee be liable for any indirect, consequential, or special damages with respect to its role as Trustee.

6.07 Force Majeure. Notwithstanding anything in this Agreement to the contrary, the Trustee shall not be responsible or liable for its failure to perform under this Agreement or for any losses to a Fund resulting from any event beyond the reasonable control of the Trustee, its agents or subcustodians, including but not limited to nationalization, strikes, expropriation, devaluation, seizure, or similar action by any governmental authority, de facto or de jure; or enactment, promulgation, imposition or enforcement by any such governmental authority of currency restrictions, exchange controls, levies or other charges affecting the Fund's property; or the breakdown, failure or malfunction of any utilities or telecommunications systems; or any order or regulation of any banking or securities industry including changes in market rules and market conditions affecting the execution or settlement of transactions; or acts of war, terrorism, insurrection or revolution; or acts of God; or any other similar event. This Section shall survive the termination of this Agreement.

VII. INVESTMENTS

7.01 Appointment of Investment Manager(s). Initially, the Trustee shall have investment responsibility for this Master Trust pursuant to Article IX hereof. However, TVA may appoint one or more Investment Managers who may direct the investment of all or part of the Master Trust or all or part of any specified Fund. TVA shall also have the right to remove any such Investment Manager. Whenever such an appointment or removal is made, TVA shall provide written notice of such appointment or removal to the Trustee and, in the case of an appointment, shall also specify the portion of the Master Trust or Fund with respect to which an Investment Manager has been designated, and shall instruct the Trustee to segregate into one or more Investment Accounts those assets with respect to which the specific Investment Manager

has been designated. To the extent that TVA appoints an Investment Manager to direct the investment of an Investment Account, the Trustee shall be released and relieved of all investment duties, responsibilities, and liabilities specified in Article IX and those customarily or statutorily incident to a trustee with respect to the Investment Account, and as to such Investment Account, the Trustee shall act as a custodian. An Investment Manager shall certify in writing to the Trustee that it is qualified to act in the capacity provided under an Investment Manager Agreement, shall accept its appointment as Investment Manager, shall certify the identity of the person or persons authorized to give instructions or directions to the Trustee on its behalf, including specimen signatures, and shall undertake to perform the duties imposed on it under an Investment Manager Agreement. The Trustee may continue to rely upon all such certifications unless otherwise notified in writing by TVA or an Investment Manager, as the case may be. All investments made by an Investment Manager under this Master Trust shall meet any requirements, standards, or guidelines for investment provided by TVA to the Investment Manager in writing.

7.02 Direction by Investment Manager. An Investment Manager designated by TVA to manage an Investment Account shall have authority to manage and to direct the acquisition and disposition of the assets of the Master Trust or any Fund, or any designated portion thereof, and the Trustee shall exercise the powers set forth in Article IX hereof only when, if, and in the manner directed by TVA in writing, and shall not be under any obligation to invest or otherwise manage any assets in the Investment Account except as provided in Sections 9.03 and 9.04 hereof as directed by TVA. An Investment Manager shall have the power and authority, exercisable in its sole discretion at any time, and from time to time, to issue and place orders for the purchase or sale of portfolio securities directly with brokers or dealers it deems to be qualified, including an affiliate of the Trustee. The Trustee, upon proper notification from an Investment Manager (such notification being agreed to by the Trustee and Investment Manager), shall settle the transactions in accordance with the appropriate trading authorizations. Written notification of the issuance of such authorization shall be given promptly to the Trustee by an Investment Manager, and such Investment Manager shall cause the settlement of such transaction to be confirmed in writing to the Trustee. Such notification shall be proper authority for the Trustee to pay for portfolio securities purchased against receipt thereof and to deliver portfolio securities sold against payment therefor, as the case may be. Unless TVA consents in writing to other methods for giving of directions, all directions to the Trustee by an Investment Manager

shall be in writing and shall be signed by a person who has been certified by such Investment Manager pursuant to Section 7.01 hereof as authorized to give instructions or directions to the Trustee.

The Trustee shall not recognize security transactions placed directly with a broker or dealer unless and until it has received instructions or confirmation of such fact from an Investment Manager. Should an Investment Manager direct the Trustee to utilize the services of any person with regard to the assets under its management or control, such instructions shall be in writing and shall specifically set forth the actions to be taken by the Trustee as to such services. In the event that an Investment Manager places security transactions directly or directs the utilization of a service, such Investment Manager shall be solely responsible for the acts of such persons. The sole duty of the Trustee as to such transactions shall be incident to its duties as custodian.

The authority of an Investment Manager and the terms and conditions of the appointment and retention of an Investment Manager shall be the responsibility solely of TVA, and the Trustee shall not be deemed to be a party or to have any obligations under any agreement between TVA and any Investment Manager. Any duty of supervision or review of the acts, omissions, or overall performance of the Investment Manager shall be the exclusive responsibility of TVA; and, except as otherwise provided in Section 7.03, the Trustee shall have no duty to review any securities or other assets purchased by an Investment Manager, or to make suggestions to an Investment Manager or to TVA with respect to the exercise or nonexercise of any power by an Investment Manager.

7.03 Monitoring of Investment Manager Investments. Notwithstanding anything herein to the contrary, the Trustee shall screen all investment transactions of the Investment Manager (except for investments tied to market indexes or other non-nuclear mutual funds or collective, common or pooled trust funds) for compliance with any investment requirements, standards, and guidelines communicated by TVA in writing to the Trustee under Section 7.01; provided that the Trustee's obligation to screen investment transactions shall be limited to screening based upon CUSIP numbers or other generally recognized similar security identifier. If a security does not meet such requirements, standards, or guidelines, the Trustee shall immediately notify the applicable Investment Manager, if any, and TVA of such noncompliance. If directed in writing

by TVA, the Trustee shall take all necessary action to cause the Investment Manager to reverse, break, or rescind such a trade. With respect to any trade which the Trustee has so reversed, broken, or rescinded at such direction of TVA, if such a trade was the investment decision of an Investment Manager, the Investment Manager shall be responsible for any loss or expense and shall receive any gain, resulting from such reversal.

VIII. TRUSTEE'S GENERAL POWERS

The Trustee shall have, with respect to the Master Trust, the following powers, all of which powers are fiduciary powers to be exercised in a fiduciary capacity and in the best interests of this Master Trust and the purposes hereof, namely:

8.01 Extension of Obligations and Negotiation of Claims. To renew or extend the time of payment of any obligation, secured or unsecured, payable to or by this Master Trust, for as long a period or periods of time and on such terms as the Trustee shall determine, and to adjust, settle, compromise, and arbitrate claims or demands in favor of or against this Master Trust, upon such terms as the Trustee and TVA may deem advisable.

8.02 Registration of Securities. To cause any investment, either in whole or in part, in a Fund to be registered in, or transferred into, the Trustee's name or the names of a nominee or nominees, including but not limited to that of the Trustee or an affiliate of the Trustee, a clearing corporation, or a depository, or in book entry form, or to retain any such investment unregistered or in a form permitting transfer by delivery, provided that the books and records of the Trustee shall at all times show that such investments are a part of the Fund; and to cause any such investment, or the evidence thereof, to be held by the Trustee, in a depository, in a clearing corporation, in book entry form, or by any other entity or in any other manner permitted by law; provided that the Trustee shall not be responsible for any losses resulting from the deposit or maintenance of securities or other property (in accordance with market practice, custom, or regulation) with any recognized foreign or domestic clearing facility, book-entry system, centralized custodial depository, or similar organization; and

8.03 Borrowing. To borrow money in such amounts and upon such terms as TVA may

authorize in writing as necessary to carry out the purposes of this Master Trust and to pledge any securities or other property for the repayment of any such loan as TVA may direct. If the Trustee advances cash or securities for any purpose, or in the event that the Trustee shall incur or be assessed taxes, interest, charges, expenses, assessments, or other liabilities in connection with the performance of this Agreement, except such as may arise from its own negligent action, negligent failure to act or willful misconduct, any property at any time held for the Funds or under this Agreement shall be security therefor and the Trustee shall be entitled to collect from the Funds sufficient cash for reimbursement, and if such cash is insufficient, upon thirty days' written notice to TVA, dispose of the assets of TVA held under this Agreement to the extent necessary to obtain reimbursement. To the extent the Trustee advances funds to the Funds for disbursements or to effect the settlement of purchase transactions, the Trustee shall be entitled to collect from the Funds either (i) with respect to domestic assets, an amount equal to what would have been earned on the sums advanced (an amount approximating the "federal funds" interest rate) or (ii) with respect to nondomestic assets, the rate applicable to the appropriate foreign market.

8.04 Retention and Removal of Professional and Employee Services. To employ, retain, and remove attorneys, accountants, custodians, engineers, contractors, clerks, and agents as necessary and proper for the administration of this Master Trust.

8.05 Powers of Trustee to Continue Until Final Distribution. To exercise any of such powers after the date on which the principal and income of the Master Trust shall have become distributable and until such time as the entire principal of, and income from, the Master Trust shall have been actually distributed by the Trustee. It is intended that distribution of the Master Trust will occur as soon as possible upon termination of the Master Trust, subject, however, to the limitations contained in Article V hereof.

8.06 Discretion in Exercise of Powers. To do any and all other acts which the Trustee shall deem proper to effectuate the powers specifically conferred upon it by this Agreement; provided, however, that the Trustee may not do any act or participate in any transaction which would (i) contravene any provision of this Agreement; or (ii) violate the terms and conditions of any written instructions provided by TVA.

IX. TRUSTEE'S INVESTMENT POWERS

The Trustee recognizes the authority of an Investment Manager to manage, invest, and reinvest the assets in an Investment Account pursuant to an Investment Manager Agreement and as provided in Article VII of this Agreement, and the Trustee agrees to cooperate with any Investment Manager as deemed necessary to accomplish these tasks. Notwithstanding the foregoing, to the extent that the assets of the Master Trust have not been allocated to an Investment Account under the investment control of an Investment Manager, and to the extent the assets of the Master Trust have been allocated to an Investment Account but have not been invested by an Investment Manager, upon the written instructions of TVA the Trustee shall have the following investment powers all of which are fiduciary powers to be executed in a fiduciary capacity and in the best interest of this Master Trust and the purposes hereof, namely:

9.01 Preservation of Principal. To hold, manage, and invest the assets of this Master Trust in a manner designed to maximize and preserve the income and principal of this Master Trust for the purposes of this Master Trust, including the duty to ensure that all such assets are invested at all times, except as otherwise provided under Sections 4.04, 5.02, 9.02, and 10.07.

9.02 Investments. To invest and reinvest all or part of the Master Trust; provided, however, that no investment or reinvestment under this Article IX may be made by the Trustee: (i) in any bank, savings and loan association, or other financial institution which is not a depository institution as defined in Section 1.01(9), unless TVA shall have consented in writing to such investment or reinvestment; (ii) which would not comply with the standards for prudent investment generally applicable to trustees under the laws of the Commonwealth of Pennsylvania; (iii) which would contravene any requirements, standards, or guidelines relating to investments communicated to the Trustee by TVA in writing (iv) or in real estate. For this purpose, "real estate" includes, but is not limited to, real property, leaseholds or mineral interests.

In all cases, however, the total investments by the Trustee must be sufficiently liquid to enable the Master Trust to fulfill the purposes of the Master Trust and to satisfy obligations of the Master Trust as such obligations become due.

The Trustee may execute purchases and sales through its affiliated brokerage service at the affiliate's regular institutional rates so long as the service provides best execution.

9.03 Cash Sweep Investments. To the extent that any assets of the Master Trust or any Fund have not been invested on any given day, to invest such uninvested assets subject to the provisions of this Article IX.

9.04 Management of Master Trust. To sell, exchange, partition, or otherwise dispose of all or any part of the Master Trust or any Fund at public or private sale, without prior application to, or approval by, or order of any court, upon such terms and in such manner and at such prices as the Trustee shall determine; to modify, renew, or extend bonds, notes, or other obligations or any installment of principal thereof or any interest due thereon and to waive any defaults in the performance of the terms and conditions thereof; and to execute and deliver any and all bills of sale, assignments, bonds, or other instruments in connection with these powers, all at such times, in such manner and upon such terms and conditions as the Trustee may deem expedient to accomplish the purpose of this Master Trust as set forth in Section 2.01.

9.05 Collective Funds. To purchase units of any collective, common or pooled trust fund operated or maintained exclusively for the commingling and collective investment of monies or other assets including any such fund operated or maintained by the Trustee or its affiliates. Notwithstanding the provisions of this Agreement which place restrictions upon the actions of the Trustee or an Investment Manager, to the extent monies or other assets are utilized to acquire units of any collective trust, the terms of the collective trust indenture shall solely govern the investment duties, responsibilities and powers of the trustee of such collective trust, and, to the extent required by law, such terms, responsibilities and powers shall be incorporated herein by reference and shall be part of this Agreement. TVA expressly understands and agrees that any such collective fund may provide for the lending of its securities by the collective fund trustee and that such collective fund's trustee will receive compensation from such collective fund for the lending of securities that is separate from any compensation of the Trustee hereunder, or any compensation of the collective fund trustee for the management of such collective fund. The Trustee is authorized to invest in a collective fund which invests in Mellon Financial Corporation stock in accordance with the terms and conditions of the Department of Labor Prohibited Transaction Exemption 95-56 (the "Exemption") granted to the Trustee and its

affiliates and to use a cross-trading program in accordance with the Exemption. TVA acknowledges receipt of the notice entitled "Cross-Trading Information," a copy of which is attached to this Agreement as Exhibit C.

9.06 Futures and options. To purchase, enter, sell, hold, and generally deal in any manner in and with contracts for the immediate or future delivery of financial instruments of any issuer or of any other property; to grant, purchase, sell, exercise, permit to expire, permit to be held in escrow, and otherwise to acquire, dispose of, hold and generally deal in any manner with and in all forms of options in any combination.

9.07 Contractual Settlement.

(a) Contractual Income. In accordance with the Trustee's standard operating procedure, the Trustee shall credit the Funds with income and maturity proceeds on securities on contractual payment date net of any taxes or upon actual receipt. To the extent the Trustee credits income on contractual payment date, the Trustee may reverse such accounting entries to the contractual payment date if the Trustee reasonably believes that such amount will not be received.

(b) Contractual Settlement. In accordance with the Trustee's standard operating procedure, the Trustee will attend to the settlement of securities transactions on the basis of either contractual settlement date accounting or actual settlement date accounting. To the extent the Trustee settles certain securities transactions on the basis of contractual settlement date accounting, the Trustee may reverse to the contractual settlement date any entry relating to such contractual settlement if the Trustee reasonably believes that such amount will not be received.

(c) Settlements. Settlements of transactions may be effected only by the delivery of cash or securities (or other property) with the concurrent receipt of securities (or other property) or cash, unless agreed to in writing by TVA.

X. MISCELLANEOUS

10.01 Headings. The section headings set forth in this Agreement are inserted for convenience of reference only and shall be disregarded in the construction or interpretation of any of the provisions of this Agreement.

10.02 Particular Words. Any word contained in the text of this Agreement shall be read as the singular or plural and as the masculine, feminine, or neuter as may be applicable or permissible in the particular context. Unless otherwise specifically stated, the word "person" shall be taken to mean and include an individual, partnership, association, trust, company, or corporation.

10.03 Severability of Provisions. If any provision of this Agreement or its application to any person or entity or in any circumstances shall be invalid and unenforceable, the application of such provision to persons and in circumstances other than those as to which it is invalid or unenforceable and the other provisions of the Agreement, shall not be affected by such invalidity or unenforceability.

10.04 Delivery of Notices Under Agreement. Any notice required or provided for by this Agreement to be given by TVA or the Trustee shall be deemed to have been properly given when mailed, postage prepaid, by registered or certified mail, to the person to be notified as set forth below:

If to TVA:

John M. Hoskins
Senior Vice President and Treasurer
Tennessee Valley Authority
400 West Summit Hill Drive
Knoxville, TN 37902-1499

If to the Trustee:

Carlos Pacheco
~~Assistant~~ Vice President
Mellon Bank, N.A.
One Mellon Center
Room ~~3346~~ 1320
Pittsburgh, PA 15258

TVA or the Trustee may change the above address by delivering notice thereof in writing to the other party.

10.05 Alterations and Amendments. Any alteration or amendment to this Agreement must be in writing and signed by TVA and the Trustee. The Trustee and TVA understand and

agree that modifications or amendments may be required to this Agreement from time to time to effectuate the purpose of this Master Trust, to change the number or designation of nuclear power reactor units, and to comply with any Order or any changes in applicable law or regulations.

The Trustee shall have no duty to inquire or make any investigation as to whether any proposed amendment, modification, or alteration is consistent with this Section 10.05, but the Trustee may decline to adopt such amendment, modification, or alteration upon the advice of legal counsel for the Trustee.

Notwithstanding the provisions of this Section 10.05, the Master Trust may be terminated as provided in Section 5.01 hereof.

10.06 Successors and Assigns. Subject to the provisions of Sections 2.09 and 6.01, this Agreement shall be binding upon and inure to the benefit of TVA, the Trustee, and their respective successors, assigns, personal representatives, executors and heirs.

10.07 Governing Law. All questions pertaining to validity, construction, and administration of this Agreement shall be determined in accordance with the laws of the United States, and in conformity with the law of the Commonwealth of Pennsylvania as it may be amended from time to time to the extent that such provisions of the laws of the Commonwealth of Pennsylvania are not inconsistent with, or preempted by, Federal law.

10.08 Accounting Year. The Master Trust shall operate on an accounting year which coincides with TVA's fiscal year, October 1 through September 30.

10.09 Applicable Federal Laws. In administering this Agreement, the Trustee shall comply with the following conditions and certifications published in Title 18, Code of Federal Regulations, part 1316, which are hereby incorporated by reference to the extent applicable: Affirmative Action and Equal Opportunity; Anti-Kickback Procedure; Discrimination on the Basis of Age; Drug-Free Workplace Act; and Officials Not to Benefit. In addition, this Agreement is subject to the certification for Contracts, Grants, Loans, and Cooperative

Agreements, which is enclosed as Exhibit D, respectively. Execution of this Agreement shall constitute execution by Trustee of this certificate.

10.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original with the same effect as if the signatures thereto and hereto were upon the same instrument. TVA and the Trustee hereby each represent and warrant to the other that it has full authority to enter into this Agreement upon the terms and conditions hereof and that the individual executing this Agreement on its behalf has the requisite authority to bind TVA and the Trustee to this Agreement.

IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be executed by its duly authorized officer as of the date first above written.

TENNESSEE VALLEY AUTHORITY

By: _____

John F. Rymer

Title: Manager, Cash Management

MELLON BANK, N.A.

By: _____

Carlos Pacheco

Title: Assistant Vice President

Exhibit A

AUTHORIZED REPRESENTATIVE CERTIFICATE

I, _____, Assistant Secretary of the Tennessee Valley Authority, hereby certify to the Trustee of the Tennessee Valley Authority Master Decommissioning Trust that the attached is a true and correct copy of Minute Entry _____ from the minutes of the meeting of the Board of Directors of the Tennessee Valley Authority on _____, 19/20__, and that the Board's designation, as evidenced by said Minute Entry, of _____ to be an Authorized Representative, for all purposes under the terms and conditions of that certain Master Decommissioning Trust Agreement, dated August 18, 2000, between the Trustee and TVA, has not been rescinded and is still in full force and effect and that _____ did appear before me and did provide the signature set forth below in their own hand to serve as a specimen signature as required in Section 2.07 of said Agreement.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of the Tennessee Valley Authority on this _____, 20__.

Assistant Secretary

Authorized Representative

Exhibit B

DISTRIBUTION CERTIFICATE

The undersigned Authorized Representative of the Tennessee Valley Authority ("TVA"), a corporate agency and instrumentality of the United States being duly authorized and empowered to execute and deliver this Distribution Certificate, hereby certifies to the Trustee of the Tennessee Valley Authority Master Decommissioning Trust ("Master Trust"), pursuant to Article IV of that certain Master Decommissioning Trust Agreement, dated August 18, 2000 ("Agreement") between the Trustee and TVA as follows:

- (1) Attachment 1 hereto sets forth the amounts either invoiced to, or incurred by, or to be incurred by TVA or the Master Trust that are/will be due and owing to each listed (Payees) for:
 - (a) goods or services provided in connection with decommissioning the Units pursuant to a plan approved by the NRC; or
 - (b) administrative and incidental expenses of the Master Trust

as evidenced by the invoices, contracts, or agreements attached hereto;

- (2) All such amounts due and owing to the Payees constitute Decommissioning Costs or administrative and incidental expenses as described in Article IV of the Agreement; and
- (3) All conditions precedent to the making of this withdrawal and disbursement set in any agreement between such Payees and TVA, if applicable, have been fulfilled.

Accordingly, request is hereby made that the Trustee provide for the withdrawal of \$ _____ from the [Fund or Funds] in order to permit payment of such sum to be made to the Payees. You are further requested to disburse such sum, once withdrawn, directly to such Payees by [Check/Wire Transfer/ _____] on or before _____, 20__.

WITNESS my hand this ____ day of _____, 20__.

By _____
Authorized Representative

Exhibit C

CROSS-TRADING INFORMATION

As part of the cross-trading program covered by the Exemption for the Trustee and its affiliates, the Trustee is to provide to each affected Trust the following information:

I. The existence of the cross-trading program

The Trustee has developed and intends to utilize, wherever practicable, a cross-trading program for Indexed Accounts and Large Accounts as those terms are defined in the Exemption.

II. The "triggering events" creating cross-trade opportunities

In accordance with the exemption three "triggering events" may create opportunities for cross-trading transactions. They are generally the following (see the Exemption for more information):

- A. A change in the composition or weighting of the index by the independent organization creating and maintaining the index;
- B. A change in the overall level of investment in an Indexed Account as a result of investments and withdrawals on the account's opening date, where the Account is a bank collective fund, or on any relevant date for non-bank collective funds; provided, however, a change in an Indexed Account resulting from investments or withdrawals of assets of the Trustee's own plans (other than the Trustee's defined contribution plans under which participants may direct among various investment options, including Indexed Accounts) are excluded as a "triggering event"; or
- C. A recorded declaration by the Trustee that an accumulation of cash in an Indexed Account attributable to interest or dividends on, and/or tender offers for, portfolio securities equal to not more than 0.5% of the Account's total value has occurred.

III. The pricing mechanism utilized for securities purchased or sold

Securities will be valued at the current market value for the securities on the date of the crossing transaction.

Equity securities - the current market value for the equity security will be the closing price on the day of trading as determined by an independent pricing service; unless the security was added to or deleted from an index after the close of trading, in which case the price will be the opening price for that security on the next business day after the announcement of the addition or deletion.

Debt securities - the current market value of the debt security will be the price determined by the Trustee as of the close of the day of trading according to the

Securities and Exchange Commission's Rule 17a-7(b)(4) under the Investment Company Act of 1940.

Debt securities that are not reported securities or traded on an exchange will be valued based on an average of the highest current independent bids and the lowest current independent offers on the day of cross-trading. The Trustee will use reasonable inquiry to obtain such prices from at least three independent sources that are brokers or market makers. If there are fewer than three independent sources to price a certain debt security, the closing price quotations will be obtained from all available sources.

IV. The allocation methods

Direct cross-trade opportunities will be allocated among potential buyers or sellers of debt or equity securities on a prorata basis. With respect to equity securities, please note the Trustee imposes a trivial share constraint to reduce excessive custody ticket charges to participating accounts.

V. Other procedures implemented by the Trustee for its cross-trading practices

The Trustee has developed certain internal operational procedures for cross-trading debt and equity securities. These procedures are available upon request.

Exhibit D

CERTIFICATION FOR CONTRACTS, GRANTS, LOANS, AND COOPERATIVE AGREEMENTS

The undersigned certifies, to the best of his or her knowledge and belief, that:

- (1) No Federal appropriated funds have been paid or will be paid by or on behalf of the undersigned to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.
- (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure of Lobbying Activities," in accordance with its instructions.
- (3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by 31 U.S.C. 1352. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

ENCLOSURE 2

**SCHEDULE OF ANNUAL FUNDING AMOUNTS
FOR WATTS BAR UNIT 2**

ENCLOSURE 2

Real Return 5.0%	WBN Unit 2 9-30-2055		
	Annual Disbursement	Annual Funding Assurance	Projected Fund Assets
Year			
2015		\$3,402,638	\$3,445,171
2016		\$3,402,638	\$7,020,068
2017		\$3,402,638	\$10,773,710
2018		\$3,402,638	\$14,715,033
2019		\$3,402,638	\$18,853,423
2020		\$3,402,638	\$23,198,733
2021		\$3,402,638	\$27,761,308
2022		\$3,402,638	\$32,552,011
2023		\$3,402,638	\$37,582,250
2024		\$3,402,638	\$42,864,001
2025		\$3,402,638	\$48,409,839
2026		\$3,402,638	\$54,232,969
2027		\$3,402,638	\$60,347,256
2028		\$3,402,638	\$66,767,257
2029		\$3,402,638	\$73,508,258
2030		\$3,402,638	\$80,586,309
2031		\$3,402,638	\$88,018,263
2032		\$3,402,638	\$95,821,815
2033		\$3,402,638	\$104,015,544
2034		\$3,402,638	\$112,618,959
2035		\$3,402,638	\$121,652,545
2036		\$3,402,638	\$131,137,811
2037		\$3,402,638	\$141,097,339
2038		\$3,402,638	\$151,554,845
2039		\$3,402,638	\$162,535,225
2040		\$3,402,638	\$174,064,625
2041		\$3,402,638	\$186,170,494
2042		\$3,402,638	\$198,881,657
2043		\$3,402,638	\$212,228,378
2044		\$3,402,638	\$226,242,435
2045		\$3,402,638	\$240,957,195
2046		\$3,402,638	\$256,407,693
2047		\$3,402,638	\$272,630,716
2048		\$3,402,638	\$289,664,890
2049		\$3,402,638	\$307,550,773
2050		\$3,402,638	\$326,330,950
2051		\$3,402,638	\$346,050,136
2052		\$3,402,638	\$366,755,281
2053		\$3,402,638	\$388,495,683
2054		\$3,402,638	\$411,323,106
2055		\$3,402,638	\$430,150,360
2056			
2057			
2058			\$87,557,197
2059	\$517,707,557		\$517,707,557
2060			
2061			
2062	\$517,707,557		