



Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902-1401

November 3, 2014

Mr. Michael Skelly
Clean Line Energy Partners LLC
Plains and Eastern Clean Line LLC
1001 McKinney, Suite 700
Houston, Texas 77002

Dear Mr. Skelly:

TVA provides you with this Letter of Interest to indicate TVA's interest in the Plains and Clean Line transmission project. We also summarize our current participation in the project and address expected next steps.

TVA operates the nation's largest public power system and supplies power to customers in Alabama, Georgia, Mississippi, Kentucky, North Carolina, Tennessee and Virginia. TVA's mission under the TVA Act focuses on energy production, environmental stewardship, and economic development. Under the Act, TVA is directed to deliver electricity at the lowest feasible rates.

Least-cost planning for electricity resources has become more challenging in recent years, given changes to the economy, customer usage patterns and preferences, technological change, and more stringent environmental requirements. The recent promulgation of the draft regulations implementing Clean Air Act Section 111(d) rule will add even greater complexity. One path for TVA to deal with this complexity is by having options to draw from as we refine our resource planning and selection. Clean Line represents this type of optionality, and options are valuable to TVA.

As you are aware, in our 2011 Integrated Resource Plan (IRP), we identified up to 2,500 megawatts of cost-effective renewable power as a resource option that could be beneficial across multiple future scenarios. To date, we have contracted for more than 1,500 megawatts of wind power delivered to the Tennessee Valley via the existing alternating current transmission system. Our current experience with wind purchases as well as the potential requirement for low-cost renewable energy under Section 111(d) leads us to believe that wind energy delivered by HVDC transmission to the TVA system could provide benefit to TVA and the areas that we serve.

We are in the midst of preparing an updated Integrated Resource Plan (IRP), which we expect to complete next year. We are also analyzing the potential impacts of the proposed Section 111(d) requirements, which also will not be final until next year. There is potential particularly in the Section 111(d) requirements to bring about greater use of more economical renewable energy in this country.

Mr. Michael Skelly
Page 2
November 3, 2014

TVA understands that energy could be delivered from the project by December 31, 2018, when the landscape outlined by both the IRP and Section 111(d) regulations should be clearer. TVA also understands that to meet this schedule key regulatory approvals and permits should be received by the end of 2015 and construction should commence in 2016. TVA would expect Clean Line to use local labor and maximize economic and other benefits to the Valley as much as reasonably possible during the development, construction and operation of the project.

We understand that the Plains and Eastern Clean Line is designed to meet the demand for electric transmission capacity to deliver renewable energy to the southeastern United States. TVA has been working with Clean Line on analyzing the proposed interconnection of the project to TVA's Shelby substation. TVA would allow the project to interconnect to the TVA system only following completion of the necessary interconnection studies in such a manner that ensures the project is consistent with TVA's transmission planning efforts and with the efficient and reliable operation of the transmission grid.

TVA supports the advancement of the Plains and Eastern Clean Line as a potential option for the future needs of the region and encourages the appropriate authorities to provide the regulatory and other government review needed to move the project forward. The implementation of the project could provide TVA with the potential to directly access low-cost wind generation from the Oklahoma Panhandle region to serve its customers.

I note that, while Clean Line might represent an option for TVA and its stakeholders' future, only the TVA Board has the authority to approve exercise of such an option. That Board to-date has not undertaken such an approval. That consideration process will focus on the statutory requirements of least cost, need for the resource, and other matters within the purview of the TVA Board.

Sincerely,

A handwritten signature in black ink, appearing to read "William D. Johnson", with a long, sweeping horizontal stroke extending to the right.

William D. Johnson
President and Chief Executive Officer