

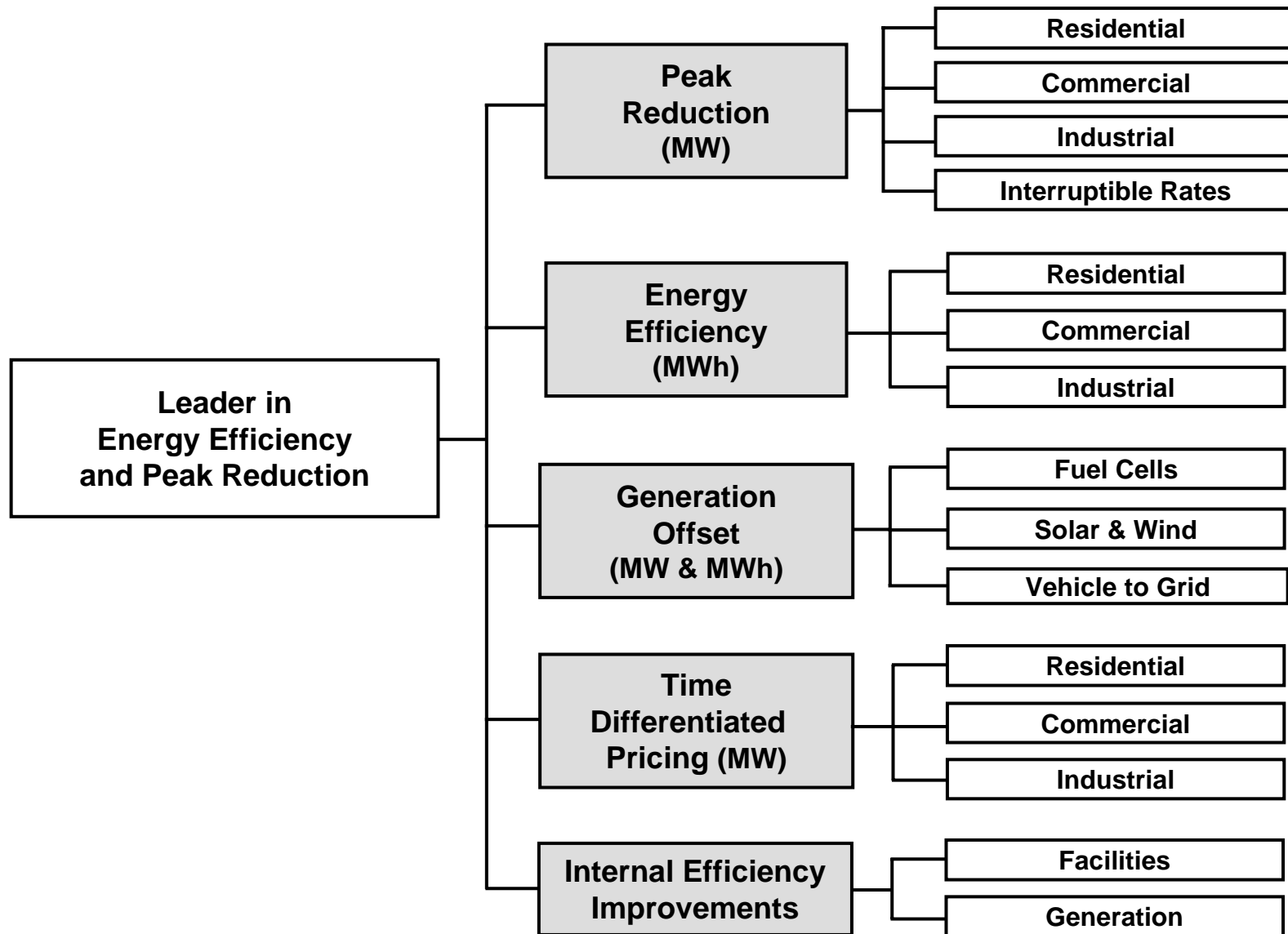
TVA Trends in Energy Efficiency

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August 2007 Heat Wave

- Three weeks of record-breaking heat in the Tennessee Valley
- Peak demand record was broken August 6, 7, 8, and 16
- The most recent record, set on August 16, was a demand of 33,499 MW
- 55-year temperature record was broken when the average Valley temperature reached 103.6 degrees at 3:00 PM Central Daylight Time
- Historic drought conditions have cut hydropower by more than 40 percent
 - January through July among the driest on record in 118 years
 - Water temperatures caused shutdowns and derates
- TVA directly served customers voluntarily reduce 150 MW

DSM Overview: 5-Point Program



Demand Response Pilot

Third-Party Aggregator delivered approximately 4 MW of peak reduction from C&I end-users.

EnerNOC selected to execute pilot with evaluation support from Summit Blue Consulting.

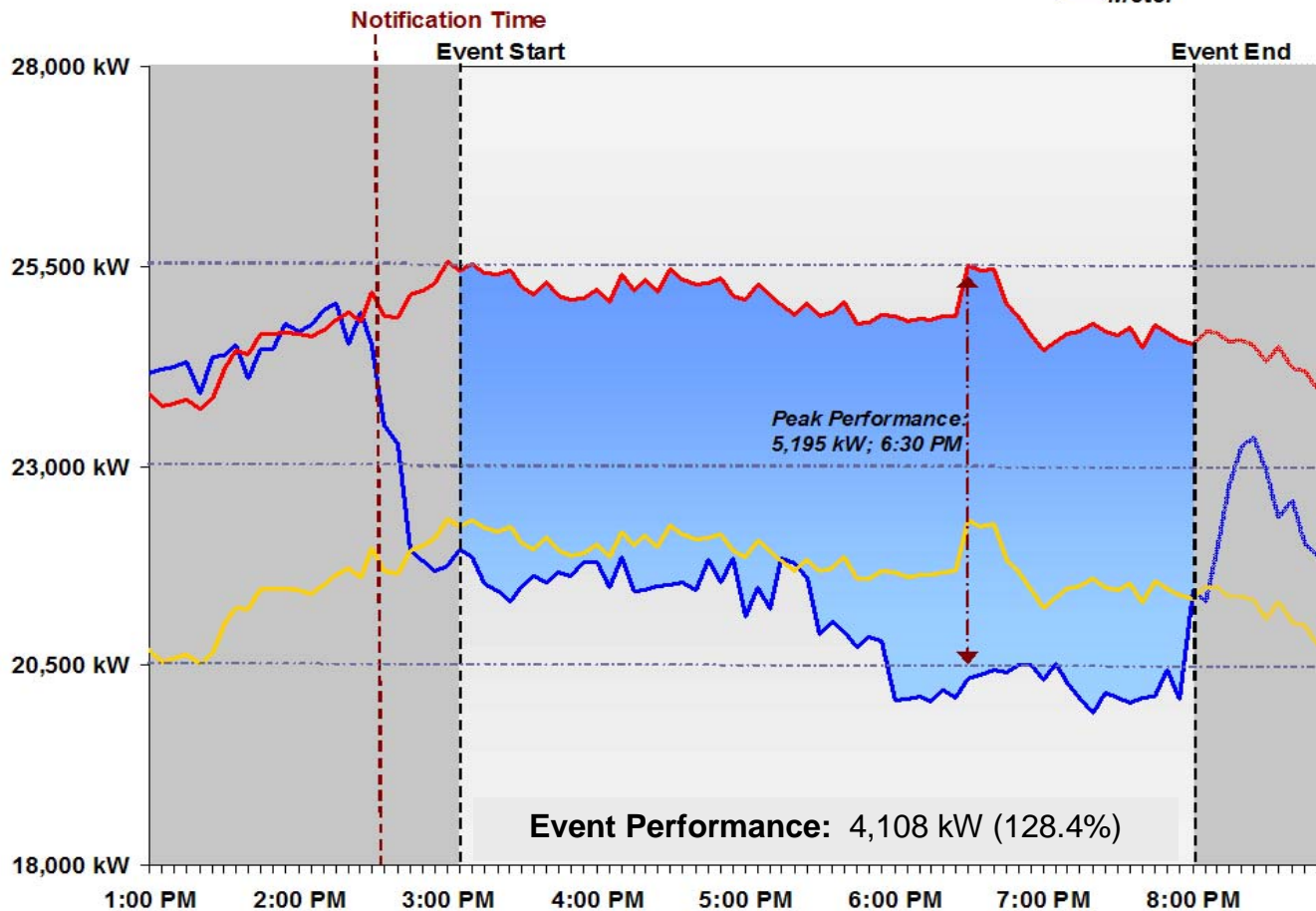
TVA funded the pilot through which EnerNOC paid participants for both “reservation” (per kW) and “exercise” (per kWh during events) of verified curtailment amounts.

Target: C&I customers with a minimum load of 300-500 kW/month to yield at least 100 kW of load reduction each.

Demand Response Event #1

TVA Demand Response Trial Program July 19, 2007

— Committed Capacity
— Baseline
— Meter



Current Event

Event Length	5:00
Nomination (kW)	3,200
Event Performance	128.4%

Season To-Date

Event Count	1
Total Activation Hours	5:00
Average Performance	128.4%

TOU Rate Pilot

Chattanooga EPB testing acceptance of Seasonal Time of Use Rate with Critical Peak Pricing.

CEPB utilizing fiber network and mesh radio system to communicate with and collect data from “smart” meters on participating homes.

Smart meters will receive signals of Critical Peak Pricing periods (up to 90 hours per year) and communicate with Communicating Programmable (“Smart”) Thermostat to raise thermostat setting and shut off water heaters.

Three waves of direct mail solicitations highlighting the free thermostat have resulted in a take rate of approximately 1% with 30 installations in place and about 10 in the pipeline.

Sign-ups have required one-on-one consultation to assess potential and close the deal.

TOU Retail Rates

EXAMPLE TOU YEAR PEAK ALLOCATION

