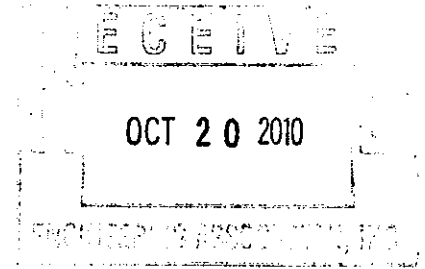




Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902

Peyton T. Hairston, Jr.
Acting Vice President
Labor Relations



October 18, 2010

Ms. Gay Henson
Valley-Wide President
Engineering Association, Inc.
34 Market Square Mall
Knoxville, Tennessee 37902

Dear Ms. Henson:

This is in response to your October 8, 2010, letter concerning changes to TVA's medical plan prescription drug program. As you may know, prescription drug costs represent approximately 26 percent of the total health plan cost. Over the years, TVA and our pharmacy benefits manager, Medco, Inc., have implemented a number of utilization management initiatives designed to help manage plan costs while still ensuring effective prescription treatment and patient safety. Examples of existing utilization management initiatives include prior authorization and utilization reviews based on diagnoses, age, duration of therapy, and quantity limits.

Beginning November 1, 2010, Medco will begin additional medication utilization edits designed to help manage plan cost. These edits are the logical next step in drug cost management and will target certain high-use classes of medications to encourage the use of less expensive drug alternatives. The use of less expensive alternatives means less out-of-pocket expense to employees and less cost to the plan. Targeted medications include certain drugs used to treat gastric reflux, insomnia, depression, osteoporosis, allergies, high blood pressure, and migraines.

Patients currently prescribed a targeted medication have been, or will soon be, notified in advance of the program's implementation. This notification will give them the opportunity to contact their personal physician about any potential changes to preferred medications.

Beginning November 1, 2010, a patient seeking to fill or refill a targeted medication will be informed that certain drugs are no longer covered under the plan, but that an alternative is covered.

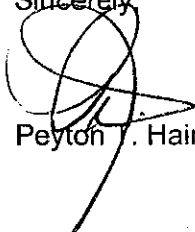
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- If the patient is attempting to fill a prescription at a retail pharmacy, the pharmacist or the patient can contact the prescribing physician about a switch to an alternative medication.
- If the physician is attempting to fill a prescription through Medco's mail-order pharmacy, the Medco pharmacist will contact the prescribing physician about the possibility of switching to a preferred alternative.

If the physician agrees to switch, the preferred medication will be dispensed. If the physician does not agree to switch, Medco will perform a coverage review to determine if there is a clinical justification for a patient's use of the non-covered medication. If the coverage review is approved, the patient will receive the medication at the standard co-payment. If the coverage review is not approved, the patient can choose to accept the alternative or pay the full price of the non-covered medication.

I hope this letter addresses the concerns you expressed in your letter. We are willing to meet and discuss these utilization management changes in the hope that we can come to a common understanding. TVA appreciates your cooperation as we try to manage the cost associated with the prescription drug program.

Sincerely,



Peyton T. Hairston, Jr.