PROPOSED BOARD RESOLUTION
(Rate Change and Related Actions)

WHEREAS since February 18, 2026, TVA has engaged with distributors of TVA Power (Distributors) and directly served customers regarding certain structural changes in the rates and charges for electric power; and

WHEREAS the terms and conditions to TVA's wholesale power contracts provide that TVA may change the rate structure "from time to time . . . in order to assure TVA's ability to continue to supply the power requirements of [Distributors] and TVA's other customers on a financially sound basis with due regard for the primary objectives of the TVA Act, including the objective that power shall be sold at rates as low as feasible;" and

WHEREAS a memorandum from the Executive Vice President & Chief Financial Officer, dated August 10, 2026 (Memorandum), a copy of which is filed with the records of the Board as Exhibit 08/20/2026L recommends approval of the proposed rate changes and related matters as they have been further developed through discussions with both Distributors and directly served customers;

BE IT RESOLVED, That the Board of Directors hereby approves (1) the proposed rate changes to be made effective (a) for bills rendered from wholesale meter readings scheduled to be taken on and after October 2, 2026, and (b) for resale bills rendered from resale meter readings taken for the Distributors' October 2026 revenue month; (2) the proposed wholesale power rate schedules WS applicable to Distributors where the Schedule of Rates and Charges in the power contract includes resale schedules, as described in Attachment I, Exhibit 1A; (3) the proposed wholesale power rate schedules WSA applicable to Distributors where the Schedule of Rates and Charges in the power contract no longer includes resale schedules, as described in Attachment I, Exhibit 1B; (4) changes to the Adjustment Addendum for wholesale, resale, and directly served customers necessary to align with changes to the rate structure; (5) the proposed resale rate and resale rate related changes in Attachment II; (6) the proposed changes to the Direct Service Power Rate Schedules as described in Attachment II, Exhibit 2G; and (7) the product, program, and policy changes as described in Attachment III.

RESOLVED further, That (1) the Board hereby authorizes and directs the Vice President, Pricing & Contracts, or that officer's designee: (i) to put the rate changes into effect in accordance with the provisions of the power contracts; (ii) to execute amendatory agreements for the purpose of memorializing customers' adoption of the rate changes; (iii) to enter into contract amendments with Distributors as necessary (a) to approve revisions to the resale rate schedules as described in the Memorandum and (b) to continue and modify the General Manufacturing Credit program; (iv) authorize the publishing of a modified Adjustment Addendum to the wholesale and resale rate schedules required to implement any approved rate changes; (v) approve corrections or modifications to any of the rate-related documents attached as exhibits to this memorandum, in a manner consistent with the intent of any matters approved herein, to correctly memorialize the changes to be implemented; (vi) to approve modifications to any approved rate changes, in a manner consistent with the intent of any matters approved herein, needed to administer such changes with customers that will have unintended product or program-related interactions or that may otherwise be required to overcome administrative obstacles, (vii) to implement the Capacity Commitment Charge, develop guidance, develop procedures, and execute required contractual arrangements for implementation that are consistent with the Memorandum and related rate schedules; (viii) to modify the criteria used to determine a customer's "inflight" status;" and (ix) to approve and apply a one-time, location-specific, 5 MW waiver, upon customer request, of the Capacity Commitment Charge and; (2) the Board hereby authorizes and directs the Executive Vice President and Chief Financial Officer, or that officer's designee, to (i) approve Capacity Commitment Charge payment terms, and (ii) establish interruption requirements and the Firm Generation Date applicable to "inflight," new, or expanded data center load.

Approved by TVA Board of Directors

August 20, 2026

ECM

ASSISTANT SECRETARY

August 10, 2026
Finance

Board of Directors

SUBJECT

The Tennessee Valley Authority ("TVA") Board of Directors ("Board") is requested to approve the proposed (1) changes in wholesale and, where applicable, resale rate schedules that constitute the Schedule of Rates and Charges of TVA's wholesale power contracts with distributors of TVA power ("Distributors"), (2) changes in the rate schedules applicable to directly served customers, (3) the publishing of a modified Adjustment Addendum to the wholesale and resale rate schedules required to implement any approved rate changes, and (4) changes in related product, program, and policy matters.

BACKGROUND

Recently, the seven-state region (the "Valley") has seen historic load growth. TVA, Distributors, and customers served directly by TVA have worked collaboratively to support the Valley's growth demand. The growth within the Valley can be somewhat unpredictable due in large part to very large, rapidly scaling loads – such as those from data centers, artificial intelligence, or other compute-driven industries – that are emerging at a time when the system is already constrained. Distributors and TVA share a vision of positioning the Valley as a national leader in unleashing American energy – delivering reliable, affordable power to meet the demands of these emerging and rapidly growing sectors, while steadfastly protecting the people we serve from undue cost increases associated with this unprecedented growth. The rate changes proposed herein are intended to further that shared vision.

The power contract between TVA and each Distributor includes, in the Schedule of Terms and Conditions, a section entitled either "Adjustments and Change of Wholesale Rate and Resale Rates" or "Adjustment and Change of Wholesale Rate." That section sets out the procedure for making adjustments and changes to wholesale rates and charges for electric power and, where applicable, resale rates. Under these provisions, either party believing changes are warranted may request that the parties or their representatives meet to endeavor to reach agreement upon such changes for a period of 180 days. After that period, TVA is authorized to determine and place in effect changes to the rates and charges.

In accordance with the Schedule of Terms and Conditions of the power contract, TVA notified all Distributors of changes proposed by TVA in the Schedule of Rates and Charges by a letter dated February 18, 2026. The standard copy of that letter is attached as Exhibit 1D in Attachment I. Each Distributor, or its representative, was asked to meet with TVA and endeavor to reach agreement on the proposed changes. Following that letter, TVA continued to conduct numerous meetings with Distributor representatives to explain and seek input on the proposed rate changes. TVA representatives met with Distributors at Tennessee Valley Public Power Association ("TVPPA") meetings and met with Distributors that notified TVA they were not represented by TVPPA in the rate change discussions.

The discussions between TVA and Distributors have provided opportunities to present Distributor views, provide information, answer questions, and otherwise work toward an understanding. The rates proposed for implementation incorporate a number of modifications made in response to Distributors' suggestions. A timeline of the rate change discussions is attached as Exhibit 1E in Attachment I. Also, Exhibit 1F in Attachment I represents the collection of materials reflecting those discussions and, where appropriate, the modifications made as a result of discussions with Distributors related to the rate changes.

ALTERNATIVES CONSIDERED

The proposed changes to the wholesale and resale rates have been discussed at length with Distributor representatives, including TVPPA, during which TVA and Distributors have endeavored to reach agreement on the rate changes that were formally proposed by TVA on February 18, 2026. In addition, proposed changes to the rate schedules applicable to customers served directly by TVA have been discussed with said directly served customer representatives, including the Tennessee Valley Industrial Committee.

RECOMMENDED ACTION AND POTENTIAL IMPACTS

Proposed Wholesale Rate Changes

The Board is requested to approve the changed wholesale power rate schedules attached to and described in Attachment I.

Proposed Resale Rate Changes

The Board is requested to approve the proposed changes to resale rates, the guidelines governing Distributor resale rates, and other changes described in Attachment II. Additionally, the Board is requested to approve the changed direct service rate schedules attached to and described in Attachment II.

Product, Program, Policy Changes, and Related Matters

The Board is requested to approve (1) the proposed extension and modification of the General Manufacturing Credit program, (2) contract demand alignment interactions, 3) changes and clarifications to its approval policy regarding power commitments greater than 100 MW, and (4) the rate structure stabilization option. These changes are described in Attachment III.

Adjustment Addendum

Certain changes to the Adjustment Addendum for wholesale, resale, and directly served customers are necessary to align with changes to the rate structure and will require TVA to publish a new Adjustment Addendum along with the changed rates. The new Adjustment Addendum is not being published to implement a rate adjustment. Changes to the Adjustment Addendum are described in Attachment I. TVA will conduct an annual rate review meeting, as required by the wholesale power contract, at the "All Customer Meeting" prior to the August Board Meeting.

Rate Change Implementation

TVA would create and present to each Distributor an agreement, in a form satisfactory to the Office of the General Counsel, to memorialize the Distributor's voluntary adoption of TVA's rate change proposal. Where agreement is not reached, the rate change would be placed into effect by notice in accordance with the relevant provisions of the wholesale power contract. The proposed wholesale rate changes would be effective for all Distributors, for all bills rendered from wholesale meter readings on and after October 2, 2026. It is recommended that the Board delegate authority to execute rate change agreements on behalf of TVA to the Vice President, Pricing & Contracts, or the currently authorized signatory for wholesale power contract agreements with Distributors, the Director of Power Customer Contracts. It is further recommended that the Board delegate authority to the Vice President, Pricing & Contracts, or to that officer's designee, to (1) authorize the publishing of a modified Adjustment Addendum to the wholesale and resale rate schedules required to implement any approved rate changes; (2) approve corrections or modifications to any of the rate-related documents attached as exhibits to this memorandum, in a manner consistent with the intent of any matters approved herein, to correctly memorialize the changes to be implemented; (3) to approve modifications to any approved rate changes, in a manner consistent with the intent of any matters approved herein, needed to administer such changes with customers that will have unintended product or program-related interactions or that may otherwise be required to overcome administrative obstacles; (4) to implement the Capacity Commitment Charge, develop guidance, develop procedures, and execute required contractual arrangements for implementation that are consistent with the Memorandum and related rate schedules; (5) to modify the criteria used to determine a customer's "inflight" status;" and (6) to approve and apply a one-time, location-specific, 5 MW waiver, upon customer request, of the Capacity Commitment Charge.

The Board is also recommended to delegate authority to the Executive Vice President and Chief Financial Officer, or that officer's designee, to (i) approve alternative Capacity Commitment Charge payment options and deadlines for data center customers, and (ii) establish interruption requirements and the Firm Generation Date applicable to "inflight," new, or expanded data center load.

National Environmental Policy Act Review

These proposals qualify for a categorical exclusion under TVA's procedures implementing the National Environmental Policy Act.

ATTACHMENTS

Attachment I: Changes to Wholesale Rates and Charges
Attachment II: Changes to Resale Rates and Charges
Attachment III: Product, Program, Policy Changes, and Related Matters

Thomas C. Rice
Executive Vice President and
Chief Financial Officer

NPT:KAB:JAN:ELH:ATH:YYA:JDR
Attachments

REVIEWED AND APPROVED:

August 10, 2026	8/10/2026
Edward C. Meade Date Executive Vice President and General Counsel (Interim)	Michael D. Skaggs Date President and Chief Executive Officer (Interim)

cc (Attachments):
Daniel P. Pratt
Laura J. Campbell

ATTACHMENT I
Changes to Wholesale Rates and Charges

Proposed Default Wholesale Power Rate Schedule

The standard wholesale power rate schedule is the changed Wholesale Power Rate Schedule WS, which is attached as Exhibit 1A. The Rider to Schedule WS for the Distributors that continue to utilize mid-month wholesale billing will continue to be available. Changes in proposed Schedule WS (2026) from Schedule WS (2019) are:

Change 1) Elimination of Negative Offpeak Energy Charges

Changes are proposed to the wholesale Manufacturing Service Rate -- Schedules MSB and TDMSA rates that increase the currently negative offpeak, block 3 rates (summer, winter, and transition periods) to 0.010¢ per kWh. To offset the increase, to the extent practicable, TVA would change the wholesale Manufacturing Service Schedules -- MSB and TDMSA by decreasing the onpeak energy rates (summer and winter periods).

Related to this change, TVA further proposes changing the wholesale Adjustment Addendum so that the current wholesale revenue requirement adjustment amounts will be applied in a manner to reverse the impacts of the negative offpeak, block 3 rates (summer, winter, and transition periods).

The changes proposed in this section are intended to eliminate negative energy charges and improve alignment of how TVA incurs costs with how TVA recovers those costs in rates.

Change 2) Addition of Wholesale Large Data Service Rates

The Valley is currently experiencing historic growth from the data center, artificial intelligence, and other compute-driven industries. These loads differ fundamentally from traditional industrial customers in their speed, magnitude, and associated financial and system risk profile (detailed below). Creating a dedicated data center rate classification is necessary to protect system reliability and sustained affordability for all Valley ratepayers while supporting data center growth in the Valley.

Unlike traditional industrial projects that typically require 6-8 years to bring online, data center loads can materialize in as little as six months. This compressed timeline forces TVA to accelerate resource planning, generation commitments, and transmission construction. Without a dedicated rate classification that aligns TVA's commitments necessary for data center load with TVA's risk exposure, TVA's other ratepayers would bear the costs and risk of preparing the system to serve the data center load at unprecedented speed.

An additional 27.5 GW of prospective data center load has expressed interest in locating in the Valley, representing approximately 85% of TVA's current generation capacity. While the majority of those prospects are not expected to materialize, there is approximately 5,000 MW of data center load in the connection process that could locate to the Valley over time. Serving this magnitude of load requires major investment in new transmission and generation assets. Furthermore, data centers impose fundamentally different stresses on the system compared to traditional industrial or commercial load.

For example, data centers present high and continuous power demands, rapid load swings, highly-sensitive protective relays that can trigger large simultaneous load drops, and significant power-quality impacts, all of which strain the system, complicate grid operations, and introduce stability risks not posed by traditional industrial customers. Given the volume and velocity of this prospective load, coupled with the ability to rapidly cease operations, TVA's risk of stranded assets is higher than with previous industrial customers. A dedicated rate classification enables TVA to appropriately allocate costs and risks to these data center customers.

Under the TOU Service section of the Wholesale Power Rate Schedule, TVA is proposing the addition of data center-specific power rates which would be applicable to data center customers. Such customers would not be eligible for service under any other non-data center designated power rates. TVA would classify data center customers as consumers of power conducting activities where:

> The major use of electricity is for activities conducted at the delivery point serving that customer which are (1) classified with 2022 North American Industry Classification System (NAICS) subsector codes 518 or 519 (but excluding 519210), (2) classified with 2022 NAICS codes 522320 or 541214, or (3) used, in TVA's sole judgment, for the operation of computational equipment.

(Also referred to herein as "Data Center Activities"). The proposed wholesale TOU Service Schedule DCA Large Data Service Rates would be applicable to wholesale power and energy distributed to data center customers served by Distributors under the resale rate Schedule DCA, described further in Attachment II below. The proposed wholesale TOU Service Schedule DC Large Data Service Rates would be applicable to wholesale power and energy distributed to data center customers serviced by Distributors under the resale rate Schedule DC, described further in Attachment II below.

For TVA fiscal year 2027, the wholesale TOU Service Large Data Service Rates would be priced at the same level as the currently corresponding (based on customer contract demand) manufacturing-designated rates which would have otherwise currently been applicable to data centers. The rates would then be phased-in over TVA fiscal years 2028 and 2029 in two approximately 8.25 percent increments of TVA fiscal year 2027 rates (based on the non-fuel, non-hydro based rates), resulting in ultimate rates that are expected to result in an overall 10 percent bill impact when factoring-in the current fuel rates. The wholesale TOU Service Large Data Service Rates, as they are being phased-in, would be subject to the same across-the-board adjustments as the other wholesale demand and energy charges under Adjustment 1 of wholesale Schedule WS.

The new Large Data Service Rates presented in Schedule WS would be exclusive of the existing Hydro Allocation and fuel cost adjustment amounts that are applicable to similarly situated customers. The Board is being further requested to approve publishing an Adjustment Addendum with applicable Hydro Allocation and fuel cost adjustment amounts as the mechanism under which those adjustments are implemented in lieu of building them into the base rate amounts presented in Schedule WS.

The fuel cost adjustment resource cost allocator (RCA) in Schedule WS would be modified so customers served under the new Large Data Service Rates with a contract demand greater than 5,000 kW will be allocated under the manufacturing RCA customer group. The RCA allocates total fuel costs in proportion to the average hourly load of certain manufacturing service customers, certain general power service customers, and all other remaining customers.

The changes proposed in this section are intended to (1) more clearly define data center classification, (2) align how TVA incurs costs related to this class of customers, and how TVA recovers those costs in rates to help facilitate forecasted growth while retaining existing customers, and (3) align with the principles of the Ratepayer Protection Pledge, issued by the White House, to ensure that residential customers and existing, non-data-center customers are protected from the cost increases caused by data center loads.

Change 3) <u>Redefining Manufacturing Service Applicability</u>

TVA proposes removing data center eligibility from the wholesale TOU Service manufacturing service rates.

In December 2008, the Board expanded the manufacturing service rate availability to include data centers and similar businesses to attract and retain such customers at a time when load growth was flat. The Board considered factors, including TVA's available excess capacity and the expectation that data centers and similar businesses would generate considerable local job growth. Since that time, factors underlying the Board's 2008 decision have changed. The Valley is now experiencing capacity constraints, continued growth of data center load requests, and comparatively limited permanent job creation from data centers versus other industry sectors.

Except as provided under the section below entitled "Proposed Self-Regulating Distributor Wholesale Rate Schedules," these changes will be implemented in the wholesale rates by changing the availability section of each Distributor's applicable manufacturing-designated resale rates as further described in Attachment II.

The changes proposed in this section are intended to separate manufacturing classification from data center rate applicability.

Change 4) <u>Capacity Commitment Charge</u>

As further described in the section entitled "Large Data Service Rates and Capacity Commitment Charge" in Attachment II below, any new load served under the new Schedule DC would be subject to a Capacity Commitment Charge, which would be a non-refundable payment provided directly to TVA by the data center customer and implemented through a rider ("CCC Rider") to the Schedule DC resale rate schedules.

Without a Capacity Commitment Charge, an approximate 2% non-fuel rate increase to all ratepayers would be needed for every 1,000 MW of data center load added to recover data center-related costs. Furthermore, TVA operates under a Congressionally-mandated debt cap. The Capacity Commitment Charge supports the upfront capital needed to build out the required infrastructure without eroding TVA's remaining debt capacity.

TVA, like many other utilities across the country, is developing innovative mechanisms to ensure that the rapid data center expansion does not shift costs and risks onto the other ratepayers, including residential and commercial customers. In March 2026, President

Trump signed the Ratepayer Protection Pledge Proclamation, and it was endorsed by major tech firms like Amazon, Google, Microsoft, Meta, xAI, OpenAI, and Oracle. Under this proclamation, data centers committed to paying their own way rather than relying on cost socialization across other ratepayers. The Capacity Commitment Charge serves as one of TVA's mechanisms for carrying out the principles in the Ratepayer Protection Pledge Proclamation.

The Capacity Commitment Charge will be part of the wholesale rates and charges that are applicable to wholesale power and energy distributed by Distributors. Further, under the wholesale Schedule WS, failure by any customer of Distributor to pay to TVA any amount due under the CCC Rider will be deemed a failure by the customer to have paid its power bill and all remedies available for non-payment under the Power Contract between Distributor and TVA and under Distributor's power contract with the customer will be applicable for any amount due.

Subject to consideration given to "inflight" load requests described further in Attachment II, the Capacity Commitment Charge will be in addition to all charges applicable under the "Large Data Service Rates -- Schedule DC" to which the CCC Rider is attached. For applicability of the CCC Rider, a customer (served by either TVA or a Distributor under Schedule DC) is required to pay the Capacity Commitment Charge for new or expanded load if the customer meets one or more of the following criteria:

a) is a new customer that will be served by TVA or by a Distributor at a new end-use delivery point and the power consumed by the customer meets the eligibility requirements in the "Availability" section of Schedule DC;
b) is a new customer that has acquired an existing end-use delivery point served by TVA or by a Distributor and the power consumed by the new customer meets the eligibility requirements in the "Availability" section of Schedule DC;
c) is an existing customer that repurposes its existing end-use delivery point that was most recently utilized to consume power that met the eligibility requirements for a rate schedule other than Schedule DC and the power consumed by the customer at the repurposed delivery point meets the eligibility requirements in the "Availability" section of Schedule DC; or
d) is an existing customer requesting an increase in the specified contract demand for its existing end-use delivery point and the power consumed by the customer meets the eligibility requirements in the "Availability" section of Schedule DC.

For customers that meet the eligibility requirements in the "Availability" section of Schedule DC, "Existing" load is not subject to the Capacity Commitment Charge. A customer's load is considered "Existing" if:

- a customer has received TVA Board approval for power supply arrangements for a new load or expansion load prior to June 1, 2026; or
- a customer has an effective power contract for the new or expanded load with either TVA or a Distributor of TVA power prior to October 1, 2026, provided that any effective contract between a Distributor and end-use customer will only be considered "Existing" where proper coordination with TVA has occurred in accordance with the wholesale power contract.

For new load requests, the Capacity Commitment Charge will only apply above the first 5 MW of contract demand. TVA understands that data center loads may need to increase slightly for various reasons. As such, Existing loads (as defined above) may request a one-time, location-specific, 5 MW or less waiver, of the Capacity Commitment Charge for load expansions. Once a waiver is approved and utilized for a location, the site is ineligible for any future waivers.

Proposed Self-Regulating Distributor Wholesale Rate Schedules

For the four Distributors that have entered into agreements under which resale rates are not a part of their Schedule of Rates and Charges ("Self-Regulating Distributors"), it is proposed that a new default Wholesale Power Rate Schedule WSA, attached as Exhibit 1B, would be made available in lieu of the proposed schedules WS. The Wholesale Power Rate Schedule WSA differs from the Wholesale Power Rate Schedule WS in that the WSA rate schedule contains certain provisions recognizing that there are no corresponding TVA-approved resale rate schedules. The changes, rates, availability, and implementation of changed Wholesale Power Rate Schedule WSA correspond to the changed Wholesale Power Rate Schedule WS described above, and certain changes described in Attachment II below will also apply to Wholesale Power Rate Schedule WSA. The Capacity Commitment Charge would also be implemented as a rider to Wholesale Power Rate Schedule WSA to ensure that the same conditions apply to any power and energy resold for Data Center Activities. The CCC Rider to Wholesale Power Rate Schedule WSA is attached as Exhibit 2C to Attachment II below. Self-Regulating Distributors are: the Memphis Light, Gas and Water Division of the City of Memphis; the Electric Power Board of the City of Scottsboro, Alabama; the Knoxville Utilities Board (acting for and on behalf of City of Knoxville, Tennessee); and Meriwether Lewis Electric Cooperative.

Interim Billing Arrangements

The proposed Changes 2 and 3 to Wholesale Rates and Charges and the corresponding proposed changes to resale rates and charges under Attachment II have been designed so that the new Large Data Service Rates are the same as the current corresponding manufacturing service rates through TVA fiscal year 2027. This is intended to allow TVA and Distributors to utilize existing manufacturing rate power billing programming through TVA fiscal year 2027.

Adjustment Addendum

A draft Adjustment Addendum, generally incorporating the wholesale rate changes proposed in Change 1 and Change 2 above, is attached as Exhibit 1C.

Exhibits

The exhibits to this Attachment I are listed below and have been made available to the TVA Board in the main Board folder on Diligent in the book titled "Rate Change Approval". Exhibits 1A through 1C are behind tab 1 titled "Rate Change Rate Schedules". Exhibits 1D through 1F are behind tab 2 and titled "Rate Change Discussion Materials".

Exhibit 1A – Wholesale Power Rate Schedule WS and Mid-Month Billing Rider
Exhibit 1B – Wholesale Power Rate Schedule WSA
Exhibit 1C – Adjustment Addendum Draft
Exhibit 1D – Standard Rate Change Letter
Exhibit 1E – Rate Change Meeting Timeline
Exhibit 1F – Rate Change Meeting Materials

ATTACHMENT II
Changes to Resale Rates and Charges

Mandatory Changes

As described above in Attachment I, approval of Change 1 would result in changes to the Manufacturing Service Rate -- Schedules MSB and TDMSA within both Schedules WS and WSA. Because both the WS and WSA schedules provide a condition of service to manufacturing classification, said wholesale changes must be reflected in the resale Manufacturing Service Rate -- Schedules MSB and TDMSA.

Large Data Service Rates and Capacity Commitment Charge

To implement the wholesale TOU Service Large Data Service Rates for data centers described under Change 2 in Attachment I above, and for the purpose of implementing those rate changes at resale, TVA will develop default resale Large Data Service Rates for each Distributor that is not a Self-Regulating Distributor. Those rates would be made available under Schedule DCA and Schedule DC, draft examples of which are attached as Exhibit 2A and Exhibit 2B, respectively.

Schedule DCA will be an optional Distributor offering and will be available when (a) a customer's currently effective onpeak or offpeak contract demand, whichever is higher, is greater than 1,000 kW but not more than 5,000 kW, and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are (1) classified with 2022 North American Industry Classification System (NAICS) subsector codes 518 or 519 (but excluding 519210), (2) classified with 2022 NAICS codes 522320 or 541214, or (3) used, in TVA's sole judgment, for the operation of computational equipment.

Schedule DC will be mandatory where (a) a customer's currently effective onpeak or offpeak contract demand, whichever is higher, is greater than 5,000 kW, and (b) the major use of electricity is for activities conducted at the delivery point serving that customer which are (1) classified with 2022 North American Industry Classification System (NAICS) subsector codes 518 or 519 (but excluding 519210), (2) classified with 2022 NAICS codes 522320 or 541214, or (3) used, in TVA's sole judgment, for the operation of computational equipment.

Customers that contract for service under Schedule DC for new or expanded load will be subject to a Capacity Commitment Charge. The Capacity Commitment Charge will be implemented through a rider to Schedule DC ("CCC Rider"), a copy of which is attached as Exhibit 2C. The Capacity Commitment Charge Rider applicable to Wholesale Power Rate Schedule WSA is also attached in Exhibit 2C. Capacity Commitment Charge payments are non-refundable.

The Capacity Commitment Charge for TVA fiscal year 2027 for the first Cohort (as defined in the Capacity Commitment Rider) would be $1.521 million/MW for up to 2,000 MW, based on a determination of current key factors (such as expected revenue, incremental capacity costs, interest, incremental revenue, and upfront payment requirements).

Each Cohort would also be subject to certain interruption requirements and be provided the Firm Generation Date based on system position at that time. The Executive Vice President and Chief Financial Officer, or that officer's designee, would establish said interruption requirements and the Firm Generation Date applicable to each Cohort.

Prior to the effective date of any contract for new or expanded load under Schedule DC, any Capacity Commitment Charge approved by the Board and applicable to the customer according to the CCC Rider must be paid by the customer to TVA in accordance with payment instructions and terms to be provided by TVA. Both wholesale Schedule WS and resale Schedule DC will provide that failure by any customer of Distributor to pay to TVA any amount due under the CCC Rider will be deemed a failure by the customer to have paid its power bill and all remedies available for non-payment under the Power Contract between Distributor and TVA and under Distributor's power contract with the customer will be applicable for any amount due.

For initial implementation on October 1, 2026, consideration will be given to load requests that have been meaningfully engaged in the process for service with TVA and/or Distributors prior to the effective date of the proposed rate changes and will not individually require separate TVA Board approval (referred to herein as "Inflight load," or "Inflight load requests"). Inflight load requests will be subject to the same interruption requirements established by TVA (currently designated as power interruption provisions "PIP") as other customers to which the CCC Rider applies.

A new customer or an existing customer requesting a load expansion will be considered Inflight if (a) the power consumed by the customer meets the eligibility requirements in the "Availability" section of Schedule DC, (b) the load request is for 100 MW or less, and (c) the customer meets one of the following:

•Has requested and paid for a System Impact Study (SIS) by June 1, 2026;

•Has a completed SIS by June 1, 2026, and TVA has notified the Distributor or the customer that no direct-assignment or network upgrades are required; or

•Has a fully executed deposit agreement by June 1, 2026, which is between TVA and the customer with whom TVA will execute the power supply contract.

Upon the occurrence of any of the following, an Inflight customer will no longer be considered "inflight" if the customer:

•Fails to execute a deposit agreement, if applicable, between TVA and the customer with whom TVA will execute the power supply contract, within six (6) months of receiving the completed SIS results from TVA; or

•Fails to use fifty percent (50%) of its contract demand within the later of:

–Two (2) years of complete power supply contract execution; or

–One (1) year after TVA's completion of transmission upgrades necessary for the customer to take service.

Inflight customers will be required to execute contractual arrangements TVA determines are required to secure "inflight" status. Inflight load or customer status shall not be assigned or transferred.

The Vice President, Pricing & Contracts may modify the criteria used to determine a customer's "inflight" status to account for situations that may not have been contemplated as of the date of this memorandum, but are consistent with the intent of accommodating load requests that have meaningfully engaged with TVA and/or Distributors prior to the effective date of the rate change.

It will be mandatory for data center customers with a contract demand greater than 5,000 kW to take power under Schedule DC. Accordingly, the availability section of Distributor general power rate Schedules GSB, GSC, and GSD will be changed so that these rate schedules are not available to data customers. A draft example of said schedules is attached as Exhibit 2D.

Redefining Manufacturing Service Applicability

To implement removal of data center eligibility from the wholesale TOU Service manufacturing service rates described under Change 3 in Attachment I above, and for the purpose of implementing those rate changes at resale, the availability section of manufacturing-designated rate schedules would be modified to remove data center eligibility. This would result in the deletion, from manufacturing-designed resale rate schedules, availability for customers where the major use of electricity is for activities conducted at the delivery point serving that customer which are classified with 2002 North American Industry Classification System (NAICS) code 5181, or 2007 NAICS codes 5182, 522320, or 541214. This change would impact Distributor resale rate schedules TDMSA, MSA, MSB, MSC, and MSD, draft examples of which are attached as Exhibit 2E and Exhibit 2F. Data centers would be eligible to remain on schedule MSA, or an equivalent rate, until October 1, 2027.

Operating requirements for Schedule DC Customers

As part of Schedule DC, there would be a requirement that prior to entering into any contract for power for new or expanded data center load, Distributor must notify and consult with TVA. Distributor and Company will contract with TVA, as deemed necessary by TVA, to provide for any TVA-required conditions applicable to delivery of power and energy from TVA to Distributor and from Distributor to the customer.

This change is intended to reinforce existing obligations under the Power Contact between TVA and Distributors and to help ensure that related operational requirements (such as special operating guides and power interruption provisions) are effectively coordinated and implemented among the parties.

Contract Demand Alignment Provisions

All resale rate schedules for customers (a) served under schedules TDGSA, TDMSA, and DCA, or (b) where the currently effective onpeak or offpeak contract demands, whichever is higher, is greater than 5,000 kW, will have contract demand adjustment provisions added to applicable rate schedules under which TVA may adjust the contract demand amounts and applicable rates specified in the customer's power contract. A draft example of schedule TDGSA is attached as Exhibit 2H.

Beginning October 1, 2027, and occurring each October 1 thereafter, TVA will calculate the customer's highest onpeak and offpeak billing demand, established in the preceding 36 months. In the event that the customer's onpeak and/or offpeak billing demand is below 75% of the onpeak or offpeak contract demand, which is higher, TVA will provide at least 60 days written notice of an adjustment to the onpeak and/or offpeak contract demands. Said adjustment to the onpeak and/or offpeak contract demands would be established by dividing the customer's highest onpeak or offpeak billing demand from the preceding 36 months by 0.75. In the event the adjustment of the contract demand warrants the customer being served under a different rate schedule, the applicable rate schedule will be attached to said notice. Within 30 days of the date of the notice from TVA, the customer may submit to TVA a request for a one-year exemption due to force majeure or other events outside of the customer's control that are impacting the onpeak or offpeak billing demand. TVA will approve such request so long as (1) the customer has previously met or exceeded 75% of its onpeak or offpeak contract demand, whichever is higher, and (2) customer demonstrates, to TVA's satisfaction, customer's plan for meeting or exceeding 75% of its contract demand.

The requirement set forth in preceding paragraph shall not apply to customers that have been supplied with service through a single-point of delivery for less than ten years. The requirement set forth in the preceding paragraph also shall not apply to federal customers whose primary use of power supports activities essential to national defense. For purposes of this provision, a customer's use of power shall be considered in support of national defense when the predominant use of electricity directly enables activities, operations, or facilities determined by TVA to be directly tied to national defense needs.

TVA will implement these adjustment provisions in a manner that is compatible with TVA's power billing processes. These changes are intended to help ensure customers are contracting and being served under rates more closely applicable to their actual power requirements.

Corresponding Resale Rate Schedules

The table below lists the existing resale rate schedules and the corresponding changed resale rate schedules.

Existing Resale Rate Schedule (Where applicable)		**Changed Resale Rate Schedule**
TDGSA	corresponds to	TDGSA
TDMSA	corresponds to	TDMSA (If manufacturing-qualified)
TDMSA	corresponds to	DCA (If data center-qualified)
GSB, GSC, and GSD	corresponds to	GSB, GSC, and GSD (If not data center-qualified)
GSB, GSC, and GSD	corresponds to	DC (If data center-qualified)
MSB, MSC, and MSD	corresponds to	MSB, MSC, and MSD (If manufacturing-qualified)
MSB, MSC, and MSD	corresponds to	DC (If data center-qualified)

Local Rate Actions

All local rate actions requested concurrently with the above changes will be evaluated in accordance with the existing rate review process that has been previously approved by the Board.

Revised Direct Service Rate Schedules

Changes required to implement the changes herein to the rate schedules applicable to customers that are served directly by TVA are incorporated into the rate schedules attached hereto as Exhibit 2G.

The table below lists the existing rate schedules and the corresponding changed rate schedules.

Existing Rate Schedule (Where applicable)		**Changed Rate Schedule**
DRS	corresponds to	DRS
DSA	corresponds to	DSA
DSMA	corresponds to	DSMA
TDDSA	corresponds to	TDDSA
TDDSMA	corresponds to	TDDMSA (If manufacturing-qualified)
TDDSMA	corresponds to	DCA (If data center-qualified)
DSB, DSC, and DSD	corresponds to	DSB, DSC, and DSD (If not data center-qualified)
DSB, DSC, and DSD	corresponds to	DC (If data center-qualified)
DSMB, DSMC, and DSMD	corresponds to	DSMB, DSMC, and DSMD (If manufacturing-qualified)
DSMB, DSMC, and DSMD	corresponds to	DC (If data center-qualified)

Exhibits

The exhibits to this Attachment II are listed below and have been made available to the TVA Board in the main Board folder on Diligent in the book titled “Rate Change Approval” behind tab 1 and titled “Rate Change Rate Schedules”.

Exhibit 2A – Schedule DCA
Exhibit 2B – Schedule DC
Exhibit 2C – Capacity Commitment Charge Rider to Schedule DC and Capacity Commitment Charge Rider to Wholesale Power Rate Schedule WSA
Exhibit 2D – Large General Power Rate Schedules GSB, GSC, and GSD
Exhibit 2E – Schedule TDMSA and MSA
Exhibit 2F – Large Manufacturing Service Rate Schedules MSB, MSC, and MSD
Exhibit 2G – Direct Service Power Rate Schedules
Exhibit 2H – Schedule TDGSA

ATTACHMENT III
Product, Program, and Policy Changes

General Manufacturing Credit

It is proposed that the General Manufacturing Credit Program continue until implementation of the next rate change conducted in accordance with the section of the power contract's Schedule of Terms and Conditions entitled either “Adjustments and Change of Wholesale Rate and Resale Rates” or “Adjustment and Change of Wholesale Rate.” The program will be modified, effective October 1, 2027, so that data centers, currently classified with 2002 North American Industry Classification System code 5181, or 2007 NAICS codes 5182, 522320, or 541214 for the purposes of credit eligibility, are no longer eligible to receive credits under the program.

General Manufacturing Credit Program benefits will not be applicable for customers transitioning to the DCA rate schedule beginning October 1, 2026.

Each Distributor’s extension of the General Manufacturing Credit Program would be subject to the Distributor’s agreement to (1) the extension of the General Manufacturing Credit Program contract, (2) the modification of the contractual terms of the program to remove data center customer eligibility, and (3) perform any administrative tasks (such as customer eligibility recertification) that TVA may require to implement the program as so modified.

Contract Demand Alignment Interactions

It is recognized that the contract demand alignment changes described in Attachment II above may affect a power customer’s continued eligibility or applicable rates provided under products or programs that are dependent on a customer’s contract demand. At this time, it is identified that contract demand alignment implementation may impact continued eligibility for customers participating in the Interruptible Power Product and PowerFlex Product. The contract demand alignment changes are not intended to impact such consumers eligibility and program-related rates, and TVA will contract with all such customers, issue guidance, or implement policies as it deems appropriate to mitigate any unintended consequences that may arise from any contract demand alignment that may occur via written notice to the customer.

Additionally, the contract demand alignment is not intended to change TVA’s current policy of serving consumers under the rate schedule that corresponds to the total amount of firm power plus any other additional power type that may be applicable under any contract or overlay (such as Real-Time Energy or Start-up and Testing Power).

100 MW Power Commitment Policy

The Board is requested to modify the approval policy for power supply contracts that are expected to cumulatively exceed 100 MW. At the June 29, 1988, Board meeting, the Board reserved for itself authority to approve commitments for the supply of power greater than 100 MW. It is possible for loads to exceed 100 MW without a single contractual commitment exceeding that limit by phasing-in total load over a period of time.

Board consultation and approval would be required for power supply commitments if TVA becomes aware that any total ultimate power supply commitment could or will exceed 100 MW over any 5-year period. This approval requirement would be applicable to both TVA’s directly served customers and Distributor-served customers, including Distributor-served customers with a shared parent company within a Distributor's service territory.

This modification is intended to increase the Board's visibility and input into matters of large load growth that may occur incrementally and to improve planning that supports growth while maintaining system reliability.

Rate Structure Stabilization Option

TVA proposes offering a new stability-focused contract option for customers eligible to be served under the current distributor resale rate schedules MSB, MSC, MSD, or TVA directly served rate schedules SMB, SMC, or SMD. The current rate structure elements that TVA would commit to remain in place includes onpeak and offpeak energy charges, the hours use of demand offpeak energy block framework, maximum demand charges, onpeak demand charges, and excess demand charges (collectively commonly called a "time of use" rate structure).

The terms of such contract offering would include:

1) A commitment to (a) maintain a rate offering aligned with the current rate structure, inclusive of current minimum bill provisions and subject to any TVA rate adjustments and other changes in non-time of use charges and (b) develop and offer any non-rate related overlays in a non-discriminatory manner to customers that elect the stabilization option;
2) Full power requirement provisions ensuring TVA is the supplier of power with an agreed-upon amount of flexibility to self-serve a portion of its power needs as described in Item 3 below;
3) The flexibility to deploy solar, wind, natural gas, and other carbon-free/neutral resources up to 5% of customer's energy, where the customer's energy is the average hourly capacity usage in the five years immediately preceding the amendment. Further, solar-based power generating resources will be discounted by 60% when counted against the customer's energy cap. Exceptions could be agreed upon by partnerships for emerging energy technologies and existing generation projects would be grandfathered;
4) Optional election, at any time after the implementation of changed default rates under a different rate structure, to transition to the new default rate structure, however a customer cannot return to the previously committed rate structure once moving to the new default structure;
5) The term of TVA's commitment could be up to 11 years beginning on the date default rates with a changed rate structure become effective, but could be for a shorter term to align with the customer's current remaining power contract term; and
6) The commitment ends at any time a customer is no longer eligible to be served distributor resale rate schedules MSB, MSC, MSD, or TVA directly served rate schedules SMB, SMC, or SMD, or the equivalent of said rate schedules if the naming convention changes as part of any rate change.

This offering is intended to give assurances to customers that their charges for power and energy will be based on the current design of the rate structure elements. The currently-proposed changes in rates do not result in a change in the design of the rate structure elements of the applicable rate schedules. Accordingly, TVA would enter into appropriate contractual commitments, consistent with this proposal, prior to the effective date of any such future rate change. The offering of this commitment to eligible Distributor-served customers would be contingent upon the Distributor's agreement to participate.

Items Still under Discussion

As outlined in the rate change letter issued to Distributors on February 18, 2026, TVA was endeavoring to reach agreement with Distributors regarding the following items:

1) Onpeak Hours Shift: In response to system trends, transitioning applicable wholesale onpeak hours for certain months of the year from 1-7 p.m. to 2-8 p.m.

2) Marginal Pricing Rate Option: Development of a new optional rate for Distributors that aligns wholesale rates with the marginal cost of generation. This option will be designed to enable Distributors to explore new revenue opportunities in distributed energy resources while protecting non-participants. This optional rate would be available to all Distributors and could include applicability for customers served under the wholesale TOU Service classifications.

TVA and Distributors, in cooperation with TVPPA, will continue to endeavor to reach agreement on said items. When those endeavors conclude, the Board's approval will be sought for any proposed changes.