PROPOSED BOARD RESOLUTION
(Fiscal Year 2025 Budget)

WHEREAS a memorandum from the Executive Vice President and Chief Financial and Strategy Officer (CFSO), dated July 25, 2024 (Memorandum), a copy of which is filed with the records of the Board of Directors as Exhibit 08/22/24I recommends approval of the proposed fiscal year (FY) 2025 budget and certain related items as described in the Memorandum including:

a) Operating and capital budgets for FY 2025; and

b) Proposed capital projects that exceed $200 million and acquisition of land rights in connection with certain capital projects; and

c) FY 2025 Commercial Transactions Contracting Plan; and

d) Retaining for use in the operation of the TVA power system the entire margin of net power proceeds remaining at the conclusion of FY 2025; and

e) Continuing to recognize certain regulatory assets and liabilities and to follow certain accounting policies; and

WHEREAS, TVA management has recommended that the Board of Directors approve TVA making financial commitments on long-lead equipment not to exceed $70 million to preserve options for a potential future capital project using either FY 2024 and/or FY 2025 spend; and

WHEREAS the Board of Directors previously approved TVA's use of an exemption (the End-User Exemption) from the Dodd-Frank Wall Street Reform and Consumer Protection Act's mandatory clearing requirement and TVA management has recommended that the Board of Directors extend this approval to FY 2025; and

WHEREAS as required under Section 9B of the Rules and Regulations of the TVA Retirement System (Retirement System), the Retirement System's Board of Directors has informed the Board of Directors of the minimum required FY 2025 contribution to the Retirement System; and

WHEREAS after consideration of the minimum required contribution and the amendments to the Rules and Regulations of the Retirement System that became effective on October 1, 2016, TVA management has recommended that the Board of Directors approve a $300 million contribution to the Retirement System for FY 2025; and

WHEREAS TVA management has recommended that the Board of Directors (1) approve the final amount of tax equivalent payments to states and counties for FY 2024 and (2) authorize and direct the CFSO to make, or cause to be made, estimated tax equivalent payments to states and counties for FY 2025; and

WHEREAS a memorandum from the CFSO dated July 25, 2024, a copy of which is filed with the records of the Board of Directors as Exhibit 08/22/24I, recommends that the Board of Directors authorize TVA to issue power bonds and enter into other financing arrangements in an aggregate amount not to exceed $4 billion during FY 2025; and

WHEREAS on August 24, 2023, the Board of Directors approved a rate increase to be effective October 1, 2023 with the condition that revenue TVA received from that rate increase in FY

Approved by TVA Board of Directors

August 22, 2024

ECM

ASSISTANT SECRETARY

2024 would be used to support strategic initiatives as specifically approved by the Board and the Board specifically approved the use of funds for certain Operations and Nuclear initiatives during the May 2024 Board meeting;

BE IT RESOLVED, That the Board of Directors hereby approves the FY 2025 budget, contingent on the Board approving a rate action that will be presented separately to the Board during its August 22, 2024 meeting;

RESOLVED further, That the Board of Directors approves the use of revenue TVA received in FY 2024 from the rate increase approved by the Board at its August 2023 meeting, to the extent it has not already been specifically approved for use by the Board of Directors, to support TVA's research and development of strategic innovation initiatives in alignment with TVA's strategic elements, including, but not limited to, advanced nuclear, carbon capture and sequestration, and pumped storage as specifically allocated in this and future Board-approved budgets;

RESOLVED further, That the Board of Directors approves the budgets for the projects listed in the Memorandum's Attachment 2 and, consistent with the Board Practice *Capital Projects Approvals*, authorizes the CEO to make the final decision to proceed with an identified project for purposes of the Administrative Procedure Act subject to the budget approved by the Board of Directors and relevant Board Practices and after completion of all required environmental reviews under the National Environmental Policy Act and other applicable laws; for each capital project for which a final decision has not been made as of the date the Board approves this resolution, the CEO will inform the Board prior to making the final decision;

RESOLVED further, That the Board of Directors approves TVA making financial commitments on long-lead equipment not to exceed $70 million to preserve options for a potential future capital project using either FY 2024 and/or FY 2025 spend;

RESOLVED further, That the Board of Directors approves, in addition to acquisitions approved in prior budgets, acquiring the land rights associated with the transmission capital projects listed in the Memorandum's Attachment 3, including acquiring the land rights through condemnation, contingent upon the CEO's approval for those projects for which such approval is required;

RESOLVED further, That the Board of Directors approves the FY 2025 Commercial Transactions Contracting Plan attached to the Memorandum as Attachment 4, including the delegations to the CEO referenced in the Commercial Transactions Contracting Plan and the approval of a new demand management program as referenced in the Plan;

RESOLVED further, That, in accordance with Section 26 of the TVA Act, the Board of Directors approves retaining the entire margin of net power proceeds remaining at the conclusion of
FY 2025 for use in the operation of the TVA power system;

RESOLVED further, That the Board of Directors approves (1) TVA's following the allowance for funds used during construction policy described in Attachment 5 of the Memorandum, (2) TVA's recognizing regulatory assets and liabilities as described in Attachment 5 of the Memorandum as such amounts are probable of collection (or probable of being refunded) in future rates, and (3) TVA's accounting for certain regulatory accounting matters as described in Attachment 5 of the Memorandum;

RESOLVED further, That the Board of Directors hereby authorizes TVA to use the End-User Exemption during FY 2025 in connection with all new and outstanding swaps as well as any amendments or modifications to new or outstanding swaps;

RESOLVED further, That the Board of Directors approves a contribution of $300 million to the Retirement System for FY 2025 and finds this contribution to be sufficient to meet the requirements of Section 9B of the Retirement System Rules and Regulations and TVA's obligations under Section 11A of the Retirement System Rules and Regulations;

RESOLVED further, That the Board of Directors, in accordance with Section 13 of the TVA Act, hereby finally determines that the amounts set out in Attachments 6 and 7 of the Memorandum are the amounts due and payable for FY 2024 to the respective states and counties named in such schedules;

RESOLVED further, That the Board of Directors authorizes and directs the CFSO to make, or cause to be made, payments to states for FY 2025 in accordance with established procedures on the basis of 98 percent of the estimated annual payments to states for FY 2025 and payments to counties on the basis of 100 percent of the estimated annual payments to counties for FY 2025, until the Board has made a final determination of the respective amounts due for FY 2025;

RESOLVED further, That the CFSO shall cause to be explained to the appropriate state and county officials that the payments for FY 2025 are based upon preliminary estimates and are subject to later adjustment; and

RESOLVED further, That the Board of Directors (1) authorizes TVA to issue power bonds and enter into other financing arrangements in an aggregate amount not to exceed $4 billion during FY 2025 and (2) approves the four resolutions included in Attachment 8.

EXHIBIT 08/22/24I

July 25, 2024
Financial Services

Board of Directors

SUBJECT

Recommend TVA Board approval of the proposed fiscal year (FY) 2025 TVA budget and related matters described in this Memorandum.

BACKGROUND

Under Section 2(g)(1)(D) of the TVA Act, the TVA Board is required to adopt an annual budget. The FY 2025 budget, which includes an operating budget and a capital budget, is based on projected approved expenditures and includes detailed organizational inputs. The proposed budget and the related requests have been reviewed by the Finance, Rates, and Portfolio Committee.

ALTERNATIVES CONSIDERED

Management evaluated the spending levels and capital projects included in the FY 2025 budget request. These spending levels and projects were evaluated on the basis of their criticality to maintain the overall health of the operations of the agency and long-term benefits for the ratepayers. It was determined by management that these levels of expenditure are needed to maintain the effective operation of the agency through FY 2025.

RECOMMENDED ACTION AND POTENTIAL IMPACTS

The FY 2025 budget provides for allocation and utilization of projected revenues to recover projected costs of service and assumes that TVA generates revenue from a rate adjustment proposal, to be effective October 1, 2024, that will be presented to the TVA Board for approval at the same meeting as the budget is presented for approval. In addition, the FY 2025 budget provides for expansion and environmental capital expenditures. Attachment 1 includes the electric revenue requirements for FY 2025 for rate-setting purposes and determines the amount of the rate adjustment beginning in FY 2025 that will be proposed separately for TVA Board approval. The revenue requirements specify the power proceeds necessary to produce gross revenues sufficient to provide funds for operation, maintenance, and administration of the power system; power system projects not funded by debt; payments to states and counties in lieu of taxes; debt service on outstanding bonds; payments to the U.S. Treasury as a return on the appropriation investment; and additional margin as the Board may consider desirable for investment in power system assets, retirement of outstanding bonds in advance of maturity, and other power purposes.

Attachment 2 includes a list of capital projects that each exceed $200 million. The identified projects would not adversely impact TVA operations, and all required program, legal, and environmental reviews have been or will be completed before final decisions to proceed with projects are made. In accordance with the TVA Board Practice, *Capital Projects Approvals*, approval of the budget authorizes approval of the specified projects and, by its approval, the

Board delegates to the Chief Executive Officer (CEO) the authority (1) to determine whether all required reviews have been completed and (2) to make the final decision for purposes of the Administrative Procedure Act to proceed with an identified project subject to the budget approved by the Board. For each capital project for which a final decision has not yet been made as of the date the Board approves the proposed resolution, the CEO will inform the Board prior to making the final decision.

To preserve the option on a potential future capital project to meet expected capacity needs, TVA may need to make financial commitments with a supplier of long-lead equipment in an amount not to exceed $70 million. This option will preserve TVA's flexibility in considering options for meeting its future capacity needs, and TVA management will minimize any financial impacts to TVA in the event (1) TVA does not proceed with the option or (2) the Board does not approve a future capital project that utilizes the long-lead equipment.

The new transmission projects requiring land acquisition are listed in Attachment 3. Money has been included in Transmission & Power Supply's FY 2025 budget for the portion of each listed project (and transmission projects similarly listed in prior budgets) that will be performed in FY 2025. All of the projects have gone through Transmission & Power Supply's budget approval process. Some projects will require further approval by the CEO. The Board is being asked to approve only the acquisition of the land rights associated with performing these projects, and approval to proceed with the projects themselves is contingent upon the CEO's further approval, as may be necessary. The requested approval includes acquisition of land rights associated with these projects by condemnation, if necessary.

The FY 2025 Commercial Transactions Contracting Plan (FY 2025 Contracting Plan), included in Attachment 4, which is confidential, has been reviewed by the Finance, Rates, and Portfolio Committee. Guidance contained in the applicable TVA Board Practice anticipates that the FY 2025 Contracting Plan will be reflected in the Board budget review and approval process. Board approval of the FY 2025 Contracting Plan as a related matter to the Board's approval of the FY 2025 budget satisfies the guidance included in this TVA Board Practice. The Contracting Plan includes certain specific delegations of authority to the CEO (1) to enter into contracts for wholesale power and energy purchases and other forward capacity agreements and (2) to enter into contractual arrangements to purchase and sell renewable energy and renewable energy certificates (RECs) in quantities sufficient to meet the needs of LPC-served and TVA directly served customers.

In accordance with the authority granted to the Board under Section 26 of the TVA Act, we recommend that the Board approve retaining for use in the operation of the TVA power system the entire margin of net power proceeds remaining at the conclusion of FY 2025.

We recommend that TVA continue its allowance for funds used during construction (AFUDC) policy as outlined in Attachment 5. In addition, we recommend that the Board approve the continued recognition of regulatory assets and regulatory liabilities as permitted under Accounting Standards Codification 980, *Regulated Operations,* and that TVA account for certain regulatory accounting matters as described in Attachment 5. Attachment 5 includes a summary of (1) TVA's AFUDC policy, (2) the regulatory assets for which we recommend future rates be established to recover such costs, and (3) the regulatory liabilities which represent amounts we recommend be refunded in future rates.

Board of Directors
Page 3
July 25, 2024

We recommend that the Board approve extending for FY 2025 the previously-approved End-User Exemption from the Dodd-Frank Wall Street Reform and Consumer Protection Act's mandatory clearing requirement.

As required under Section 9B of the Rules and Regulations of the TVA Retirement System (Retirement System), the Retirement System Board of Directors has informed the Board of Directors of the minimum required FY 2025 contribution to the Retirement System. After consideration of the minimum required contribution and the amendments to the Rules and Regulations of the Retirement System that became effective on October 1, 2016, TVA management is recommending that the Board of Directors approve a $300 million contribution to the Retirement System for FY 2025. This contribution level is sufficient to meet the requirements of Section 9B of the Retirement System Rules and Regulations and TVA's obligations under Section 11A of the Retirement System Rules and Regulations.

In accordance with Section 13 of the TVA Act, TVA makes tax equivalent payments to the states and counties in which the power operations of TVA are carried on and in which TVA has acquired properties previously subject to state and local taxation. TVA management is recommending that the Board of Directors determine that the amounts set out in Attachments 6 and 7 are the amounts due and payable for FY 2024 to the respective states and counties named in such attachments. In addition, TVA management is recommending that the Board of Directors authorize and direct the Chief Financial and Strategy Officer to (1) make, or cause to be made, estimated tax equivalent payments to states and counties for FY 2025 in accordance with established procedures until the Board has made a final determination of the respective amounts due for FY 2025 and (2) cause to be explained to the appropriate state and county officials that the payments for FY 2025 are based upon preliminary estimates and are subject to later adjustment.

To support the financing of its power program, TVA regularly issues long-term power bonds and from time to time enters into other financing arrangements. TVA management is recommending that the Board of Directors (1) authorize TVA to issue power bonds and enter into other financing arrangements in an aggregate amount not to exceed $4 billion during FY 2025 and (2) approve the four resolutions included in Attachment 8. The proceeds from these transactions would be used for power system purposes, such as meeting funding needs for new capital expenditures and refinancing existing debt.

In summary, we recommend the Board approve the proposed FY 2025 TVA budget and related matters described in this Memorandum.

John M. Thomas, III
Executive Vice President and
Chief Financial and Strategy Officer

Attachments
Cc: Mary Margaret Painter

Board of Directors
Page 4
July 25, 2024

August 1, 2024

Edward C. Meade delegate for David Fountain
Executive Vice President and General Counsel

August 1, 2024

Jeffrey J. Lyash Date
President and Chief Executive Officer

Attachment 1

FY 2025 Revenue Requirements

	($ million)
Base Revenues	$8,615
Fuel Revenues	3,433
Rate Action Revenues	495
Total Electric Revenues	**$12,543**
Fuel	$3,955
O&M	3,926
Base Capital	1,234
Interest	1,262
Tax Equivalents	603
Other (Nuclear Fuel, Working Capital, Other Revenue, Non-Cash Adjustments)	256
Debt Paydown	1,307
Total TVA Revenue Requirements	**$12,543**
Surplus/(Shortfall)	**$0**
Expansion and Environmental Capital*	$4,663
Debt Paydown	(1,307)
Change in Total Financing Obligations	**$3,356**

*Includes Ash Remediation and Asset Retirement Obligation (ARO) spend

Attachment 2

Projects Specified By Line Item In Budget

Capital Projects Specified By Line Item In Budget (New)

		$ million		
Capital Expenditure	**Project**	**FY24 and Prior**	**FY25**	**Project Total**
Capacity Expansion	Lagoon Creek Combustion Turbines (CT) Expansion	$0.0	$31.0	$430.0
Base Capital	Chattanooga Office Complex Transition (Project Alice)[1]	$0.3	$43.6	

[1]By approving the FY25 budget, the Board is not approving Project Alice in accordance with the TVA Board Practice *Capital Project Approvals*. For FY25 budgeting purposes only, the Board is approving $43.6 million in FY25 dollars to be held to support Project Alice if it receives appropriate approvals consistent with the TVA Board Practice *Capital Project Approvals* or otherwise consistent with TVA's governance practices. Management must obtain appropriate approvals prior to spending or committing TVA to spend any funds on Project Alice in excess of commitments that were made in FY24 and prior.

Capital Projects Specified By Line Item in Budget (Previous)

		$ million			
Capital Expenditure	**Project**	**Last Year's Project Total**	**FY24 and Prior**	**FY25**	**Current Year's Project Total**
Ash Remediation	Allen Fossil (ALF) – East Ash Pond Complex	$504.9	$195.6	$57.0	$504.9
	Gallatin Fossil (GAF) – Ash Pond Complex Closure and Restoration	$1,084.4	$230.6	$80.9	$1,639.2
	Shawnee Fossil (SHF) – Dry Stack Final Closure	$209.4	$200.3	$9.1	$209.4
Capacity Expansion	Allen Aeroderivative Combustion Turbines (CT)	$351.3	$198.1	$75.1	$352.7
	Cheatham County Energy Solution	$1,192.7	$2.1	$443.8	$1,420.0
	Colbert CT	$384.7	$313.4	$4.0	$317.4
	Cumberland Energy Solution	$2,091.7	$958.3	$936.4	$2,098.6
	Johnsonville Aeroderivative CT	$598.7	$583.5	$34.3	$618.8
	Kingston Energy Solution[1]	$2,812.0	$553.6	$1,159.0	$2,809.6
	Lawrence County Solar[2]	$465.3	$51.8	$0.0	$0.0
	New Caledonia CT	$494.9	$118.5	$218.4	$547.8

[1]Battery and solar for Kingston Energy Solution will be funded through the Commercial Transactions Contracting Plan.
[2]TVA Board of Directors approved as a capital project beginning FY20. In FY25, and excluding transmission-related costs, this project will be converted from capital to commercial under the Commercial Transactions Contracting Plan.

Capital Projects Specified By Line Item in Budget (Previous)

		$ million			
Capital Expenditure	**Project**	**Last Year's Project Total**	**FY24 and Prior**	**FY25**	**Current Year's Project Total**
Capacity Expansion	Paradise CT	$415.6	$329.7	$30.4	$360.1
	Project Phoenix (Shawnee Solar)	$215.5	$63.6	$101.9	$261.7
Clean Air	Shawnee Selective Catalytic Reduction – Units 2, 3, 7, and 8	$240.4	$188.6	$51.8	$240.4
Transmission	Aurora Site Project	$283.9	$159.6	$18.5	$328.1
	New Primary Control Center	$331.8	$311.9	$15.2	$331.8
	Strategic Fiber Initiative (FY17-27)	$300.0	$266.5	$15.4	$300.0

Attachment 3

Acquisition of Land Rights

FY25 Real Property Acquisitions – Transmission

The following pages list projects in the Transmission and Power Supply 2025 Business Plan that may require real property acquisition with the rare potential for condemnation.

- Acquire land in fee and permanent easements for transmission line right of way, substation, and communication facilities from private property owners
  - Acquisitions support new construction and upgrades to existing transmission facilities
- Negotiate to arrive at mutually agreeable terms that are fair
  - Just and liberal compensation is based upon land appraisals performed by TVA
  - Since 1993, TVA has acquired 93% of property tracts through voluntary means
  - Voluntary acquisition rates range from a low of 87% (1995) to a high of 97% (2014)
- Proceed with condemnation when that is only option
  - Rare occurrences when TVA and the property owner cannot reach an agreement as to compensation
  - Property ownership is not clearly definable based upon property records
  - TVA President and CEO review and approval required, as delegated
- Continue to negotiate with property owners to arrive at mutually agreeable acquisition terms

Specific transmission lines redacted due to ongoing scoping and siting processes

Contracting Plan Redacted due to forward-looking and.or market sensitive data

Attachment 4

FY25 Commercial Transactions Contracting Plan

Attachment 5

FY 2025 Allowance for Funds Used During Construction, Regulatory Assets and Liabilities, and Regulatory Accounting Policies

TVA may capitalize interest on eligible projects as allowance for funds used during construction (AFUDC), based on the average interest rate of TVA's outstanding debt. Eligible projects have (1) an expected total project cost of $1.5 billion or more and (2) an estimated construction period of at least 3 years in duration. For fiscal year 2025, TVA will not apply AFUDC to any projects, and such interest expense that would have been capitalized will be collected currently in rates.

Recurring regulatory assets and liabilities shall be recognized related to the following amounts for which the timing of recognition under accounting principles generally accepted in the United States (U.S. GAAP) differs from recognition of such amounts in TVA's rates:

- **Retirement Benefit Plans Deferred Costs/(Credits)** – Pension and post-retirement amounts related to unrecognized service costs/(credits), unrecognized net actuarial losses/(gains), and adjustments to the pension funded status are deferred and recognized as regulatory assets or liabilities. Deferred amounts are recovered and amortized into future rates over the remaining service period of the plans' active participants.

- **Nuclear decommissioning costs** – Deferred charges related to the legal obligations recorded for future decommissioning of nuclear long-lived assets are probable of recovery through future nuclear decommissioning trust investment earnings, recovery in rates of debt-financed expenditures made for nuclear decommissioning obligations, or recovery in rates of contributions made into the nuclear decommissioning trust, if necessary. TVA recovers in rates an amount determined by the average life of debt financed to fund nuclear decommissioning expenditures.

- **Non-nuclear decommissioning costs** – Deferred charges related to the legal obligations recorded for future decommissioning of non-nuclear long-lived assets are probable of recovery through future asset retirement trust investment earnings, recovery in rates of debt-financed expenditures made for non-nuclear decommissioning obligations, and recovery in rates of contributions made into the asset retirement trust. TVA recovers in rates an amount determined by the average life of debt financed to fund non-nuclear decommissioning expenditures, and contributions to the asset retirement trust intended to fund the cost of non-nuclear decommissioning expenditures.

- **Unrealized gains or losses on interest rate derivatives** – Unrealized gains or losses on interest rate derivatives are deferred, and realized gains or losses are included in rates when the contracts settle. A portion of certain unrealized gains and losses will be amortized into earnings over the remaining lives of the contracts.

- **Unrealized gains and losses on commodity derivatives** – Unrealized gains or losses on commodity derivatives are deferred, and realized gains or losses are included in rates as the contracts settle and the actual fuel costs are recognized in fuel and purchased power expense.

- **Fuel cost adjustment** – Amounts in the fuel cost adjustment regulatory accounts represent over-collections or under-collections that have not yet been refunded or recovered in rates as well as amounts that will be paid to the states for tax equivalents. These amounts are collected or refunded in subsequent months' fuel rate adjustments.

- **Debt reacquisition costs** – Amounts related to debt reacquisition costs, call premiums, or other related costs are recovered on a straight-line basis over the weighted average life of the company's debt portfolio.

- **Retirement removal costs (non-legally required costs)** – Retirement removal costs, net of related salvage proceeds, are capitalized as incurred and recovered in rates over one year subsequent to project completion.

- **Deferred lease asset and other financing obligation asset costs** – Certain lease and other financing obligation costs are deferred and recovered in rates over the respective arrangement terms as lease or other financing obligation payments are made.

- **Environmental agreements** – Amounts associated with the environmental agreements entered into with the EPA and with Alabama, Kentucky, North Carolina, Tennessee, the Sierra Club, the National Parks Conservation Association, and Our Children's Earth Foundation are included in rates as project payments are made and project costs are expensed.

- **Costs associated with compliance with an order, regulation, settlement, or lawsuit, or costs associated with environmental remediation activities** – Certain amounts associated with compliance with an order, regulation, settlement, or lawsuit, or certain costs associated with environmental remediation activities, including but not limited to those involving environmental cleanup activities and ground water activities, may be deferred as a regulatory asset. These deferred costs will be recovered in rates as costs are incurred or based on the average life of debt financed to fund actual expenditures. Material events to be recovered under this approval will be reported to the Audit, Risk, and Cybersecurity Committee and/or the full Board prior to the issuance of TVA's quarterly or annual financial statements.

Attachment 6

<u>Report on Fiscal Year 2024 Final Payments</u>
<u>Under Section 13 of the TVA Act</u>

Attached for the consideration of the Board are the recommended final tax equivalent payment schedules for fiscal year 2024, along with other recommendations relating to the payment schedule that would be implemented by the Proposed Board Resolution.

On August 16, 2023, the Board authorized monthly payments to states during fiscal year 2024 at 98 percent of one-twelfth of the estimated allocation to each state. The states have received equal monthly payments at this rate beginning in October 2023. The Proposed Board Resolution would ensure that the total amount of the payments that the states receive in fiscal year 2024 conform to the total amount payable, as calculated based upon audited financial data.

TVA is directed by Section 13 of the TVA Act to pay five percent of its gross proceeds from the sale of power (less off-system sales, sales to federal agencies, and power used by TVA) to states and counties where its power operations are carried on or in which it has acquired properties previously subject to state and local taxation. TVA's payments to the states are determined by the following formula:

(1) 50 percent is derived from the ratio of the book value of TVA power properties and reservoir properties allocated to power located within each state compared to the book value of all such TVA properties; and
(2) 50 percent is derived from the ratio of gross proceeds from power sales in each state compared to TVA's total gross proceeds from power sales.

Within the allocation formula, certain criteria are used in the determination of TVA power properties and reservoir properties allocated to power. Coal rights held by TVA are treated as purchased power property. For single-use hydro projects, 100 percent of the land acquired for reservoir purposes has been assigned to power. For multipurpose hydro projects preceding Melton Hill, 42 percent of the cost of reservoir land has been allocated to power. In the cases of Melton Hill, Tellico, Nickajack, and Tims Ford, the power proportion is 35 percent, 21 percent, 12 percent, and 6 percent, respectively, with the exception of the downstream flowage rights accompanying Tims Ford Reservoir, which have been assigned 100 percent to power.

Section 13 of the TVA Act also notes that TVA is required to make direct payments to counties in an amount equal to the two-year average of county ad valorem property taxes (including taxes levied by taxing districts within the respective counties) upon power property and reservoir lands allocable to power. The two-year average payment amount is typically calculated based upon the last two years during which the property was privately owned and operated. All direct payments made to counties within a state will be deducted from the payment otherwise due to the state under the provisions of the TVA Act.

Section 15d(g) of the TVA Act provides that the payment under Section 13 due to a state where a power generating or related facility operated by TVA under a lease or lease-purchase agreement ("Leased Facility") is located shall be reduced by the amount which is determined or estimated by the Board to result from holding the Leased Facility or from selling electric energy generated from the Leased Facility to the extent that taxes or tax equivalents are paid by the owners (or others) on account of the Leased Facility. All direct payments made to counties within a state under Section 15d(g) will be deducted from the payment otherwise due to the state under the provisions of the TVA Act.

After payments are calculated and allocated to the applicable counties, the remaining portion of the tax equivalent payments allocated to each state are distributed to the state by TVA in equal monthly installments. Each state then distributes its tax equivalent payments based upon the individual state's distribution methodology, as dictated by state legislation. TVA has no direct participation in the allocation or distribution of the overall state payments.

Calculation Details

The aggregate final payments for fiscal year 2024 were approximately $588 million. The total payments were distributed among the eight state governments and their counties as shown below.

Final Fiscal Year 2024

State	State Allocations	County Direct Payments	Payments Related to Leases	Total Payments
Alabama	$ 93,033,906	$ 42,961	$ -	$ 93,076,867
Georgia	9,532,882	54,182	-	$ 9,587,064
Illinois	353,521	58,193	-	$ 411,714
Kentucky	39,572,698	422,417	-	$ 39,995,115
Mississippi	27,336,645	17,346,741	1,458,037	$ 46,141,423
North Carolina	3,904,075	7,212	-	$ 3,911,287
Tennessee	390,402,385	3,373,053	-	$ 393,775,438
Virginia	1,263,260	1,291	-	$ 1,264,551
Total	**$ 565,399,372**	**$ 21,306,050**	**$ 1,458,037**	**$ 588,163,459**

During fiscal year 2024, direct ad valorem payments to counties of approximately $21.3 million will be paid on power property purchased and operated by TVA and on that portion of land acquired for reservoir purposes allocated or estimated to be allocable to power. In addition, the payment to the State of Mississippi in fiscal year 2024 was offset by approximately $1.5 million, which represents a portion of the tax payments associated with a facility that TVA leases in Lowndes County, Mississippi.

Recommended Board Actions

1. Finalization of Tax Equivalent Payments for Fiscal Year 2024

On August 16, 2023, the Board authorized monthly payments during fiscal year 2024 at 98 percent of one-twelfth of the estimated allocation to each state. The states have received equal monthly payments at this rate beginning in October 2023. The Proposed Board Resolution would ensure that the total amount of the payments that the states receive in fiscal year 2024 conform to the total amount payable, as calculated based upon audited financial data.

2. Estimation of Tax Equivalent Payments for Fiscal Year 2025

The Proposed Board Resolution would authorize TVA to make estimated payments in fiscal year 2025 in accordance with established procedures until the Board makes a final determination of the amounts due for fiscal year 2025. The estimated payments for fiscal year 2025 will be based on 98 percent of the estimated annual payments to states for fiscal year 2025 (to allow for accounting adjustments) and 100 percent of the estimated annual payments to counties for fiscal year 2025, subject to such adjustments during the fiscal year as may be necessary to make the respective sums of the payments conform to the total amounts finally determined to be payable for fiscal year 2025.

Attachment 7

Report on Fiscal Year 2024 Final Payments Under Section 13 of the TVA Act

Schedule 5
FINAL

TENNESSEE VALLEY AUTHORITY
Payments to Individual Counties-Year Ending September 30, 2024

Alabama	Annual Amount	Kentucky (Cont.)	Annual Amount	Mississippi (Cont.)	Annual Amount	Tennessee (Cont.)	Annual Amount	Tennessee (Cont.)	Annual Amount	Tennessee (Cont.)	Annual Amount
Cherokee	$ 313	Fulton	$ 834	Noxubee	$ 498	Cocke	$ 6,826 *	Lewis	$ 10,275	Union	4,595 *
Colbert	3,594 *	Graves	3,457	Oktibbeha	2,484	Coffee	2,063 *	Lincoln	2,794 *	Van Buren	$ 10,393
DeKalb	1,181 *	Harlan	2	Prentiss	1,282	Crockett	180	Loudon	19,859 *	Warren	37,011 *
Franklin	685	Henderson	168	Tippah	430	Davidson	10,047	Madison	1,539	Washington	5,864 *
Jackson	9,278 *	Hickman	709	Tishomingo	2,466	Decatur	9,355	Marion	67,041 *	Wayne	18,761 *
Lauderdale	5,585 *	Livingston	383	Union	203	DeKalb	107	Marshall	6,945	Weakley	524,298
Lawrence	2,909 *	Logan	5,737 *	Webster	717 *	Dickson	1,357	Maury	9,360	White	31,835
Limestone	4,119 *	Lyon	523	Winston	1,465	Dyer	207	McMinn	35,704 *	Williamson	5,128
Madison	5,618 *	Marshall	389,613 *	Yalobusha	8	Fayette	119	McNairy	2,506	Wilson	7,058
Marshall	6,262 *	McCracken	1,683 *	Total	$ 17,346,741	Franklin	10,215 *	Meigs	4,566 *	Total	$ 3,373,053
Morgan	3,417 *	Simpson	460			Gibson	106	Monroe	29,638 *		
Total	$ 42,961	Todd	3,798	North Carolina		Giles	2,142	Montgomery	763	Virginia	
		Trigg	1,087	Avery	$ 297	Grainger	5,629 *	Moore	2,190 *	Washington	$ 1,291 *
Georgia		Union	3,428 *	Cherokee	1,644 *	Greene	14,775	Morgan	24 *	Total	$ 1,291
Fannin	$ 53,093	Warren	3,471	Clay	985 *	Grundy	2,202	Obion	185		
Towns	438 *	Webster	608	Graham	494 *	Hamblen	2,556 *	Perry	3,562 *	GRAND TOTAL:	
Union	237 *	Total	$ 422,417	Swain	3,792 *	Hamilton	1,203,389 *	Polk	111,173 *		
Walker	414			Total	$ 7,212	Hancock	140	Putnam	1,070	151 Counties	$ 21,306,050
Total	$ 54,182					Hardin	4,083 *	Rhea	6,349 *		
		Mississippi		Tennessee		Hawkins	4,566 *	Roane	68,322 *		
Illinois		Alcorn	$ 4,198	Anderson	$ 33,349 *	Haywood	381,503	Robertson	686		
Franklin	$ 49,272	Benton	3,761,298	Bedford	5,526	Henderson	364 *	Rutherford	15,228		
Hamilton	8,921	Chickasaw	1,409	Benton	7,320 *	Henry	4,673 *	Scott	90		
Total	$ 58,193	Choctaw	5,013,996	Bledsoe	15,985	Hickman	12,805	Sequatchie	3,021		
		Clay	3,959	Blount	13,279 *	Houston	1,046 *	Sevier	8,963 *		
Kentucky		Desoto	8,490,665	Bradley	30,181 *	Humphreys	11,244 *	Shelby	38,739		
Allen	$ 25	Itawamba	158	Campbell	13,388 *	Jefferson	13,297 *	Smith	2,498		
Barren	9	Lee	4,782	Cannon	7,175	Johnson	2,430 *	Stewart	1,749 *		
Bell	139	Lowndes	53,901	Carroll	12 *	Knox	390,740 *	Sullivan	5,905 *		
Caldwell	153	Marshall	47	Carter	30,813 *	Lake	227	Sumner	3,551		
Calloway	3,716 *	Monroe	1,769	Cheatham	1,108	Lauderdale	1,041	Tipton	1,486		
Christian	2,414	Neshoba	1,006	Claiborne	1,976 *	Lawrence	2,290	Unicoi	493 *		

*Includes reservoir land.

Attachment __

July 25, 2024
Financial Services

Board of Directors

SUBJECT

The Executive Vice President and Chief Financial and Strategy Officer (CFSO) recommends that the Board authorize TVA to issue power bonds and enter into other financing arrangements in an aggregate amount not to exceed $4,000,000,000 during fiscal year 2025 by approving:

- A proposed supplemental resolution authorizing the issuance of up to $4,000,000,000 in power bonds in fiscal year 2025 (Resolution #1),
- Proposed Board resolutions that would, after completion of the steps described in the Oversight Reports section of this memorandum:
  - ✓ Approve the amendment of any previously issued supplemental resolution to permit the issuance of an additional installment of power bonds under such supplemental resolution (Resolution #2),
  - ✓ Authorize senior TVA officers to issue power bonds and to hedge interest rate risk and currency exchange rate risk associated with the issuance of such power bonds (Resolution #3), and
  - ✓ Authorize senior TVA officers to enter into other financing arrangements and to hedge interest rate risk and currency exchange rate risk associated with such other financing arrangements (Resolution #4).

BACKGROUND

To support the financing of its power program, TVA regularly issues long-term power bonds. From time to time, in order to provide optimal flexibility in the management of its financing program, TVA also enters into other financing arrangements. TVA anticipates issuing power bonds and entering into other financing arrangements in an aggregate amount of up to $4,000,000,000 during fiscal year 2025. The proceeds from these transactions would be used for power system purposes, such as meeting funding needs for new capital expenditures and refinancing existing debt.

Board approval of the issuance of power bonds is required by the Basic Tennessee Valley Authority Power Bond Resolution. The power bonds may be issued as a new series of power bonds or as an additional installment to a previously issued series of power bonds.

In addition to issuing power bonds, TVA may enter into other financing arrangements in order to provide optimal flexibility in the management of TVA's power program. These other financing arrangements may include, but are not limited to, lease and lease-purchase agreements involving new generation facilities or new assets that are substantially related to existing facilities. Because developing and executing other financing arrangements can involve significant periods of time, TVA may not complete all of these arrangements by the end of the fiscal year in which they were initiated; however, as long as all of the steps described in the Oversight Reports section of this memorandum have been completed with respect to an arrangement by September 30, 2025, TVA may complete such an arrangement after September 30, 2025.

The related resolution provides additional details regarding the various types of other financing transactions that TVA could consider and is designed to be broad enough to provide TVA the flexibility to enter into the various types of other financing transactions as needed from time to time, and yet specific enough to clearly authorize the many various arrangements that TVA would need to enter into to complete such transactions.

Under certain conditions, TVA may elect to hedge interest rate risk or currency exchange rate risk associated with the issuance of power bonds or the execution of other financing arrangements. These hedges would be entered into during fiscal year 2025 but may be utilized in connection with transactions that are completed after fiscal year 2025.

ALTERNATIVES CONSIDERED

Board approval for power bond issuances and other financing arrangements could be obtained on a case-by-case basis or in the recommended shelf format that covers TVA's expected needs through the end of fiscal year 2025. Periods of up to three months typically elapse between Board meetings, and financial markets can be volatile. The shelf format provides the flexibility for TVA to issue power bonds and enter into other financing arrangements when financial market conditions are favorable for TVA.

RECOMMENDED ACTION AND POTENTIAL IMPACTS

The CFSO is asking the Board to approve this memorandum's four companion resolutions.

OVERSIGHT REPORTS

Notification of the Finance, Rates, and Portfolio Committee (or successor committee), as well as the agreement of both the Chief Executive Officer and CFSO, would be obtained for the issuance of new power bonds, the issuance of an additional installment of existing power bonds, the execution of other financing arrangements, or the execution of interest rate or currency exchange rate hedges in connection with the issuance of power bonds or the execution of other financing arrangements.

Board of Directors
Page 3
July 25, 2024

SPECIAL CONSIDERATIONS

The total amount of bonds and other financing arrangements that TVA can collectively issue or enter into under the four companion resolutions is limited to $4,000,000,000.

John M. Thomas, III
Executive Vice President and
Chief Financial and Strategy Officer

Attachments

<u>Resolution #1</u>

PROPOSED SUPPLEMENTAL RESOLUTION
(FY 25 Financial Shelf – Issuance of up to $4,000,000,000 of Tennessee Valley Authority Power Bonds)

BE IT RESOLVED by the Board of Directors of the Tennessee Valley Authority (the “Corporation”) as follows:

ARTICLE I

AUTHORITY, DEFINITIONS, AND STATUS

SECTION 1.1. <u>Authority</u>. This Supplemental Resolution is adopted, and the Bonds to be issued hereunder are authorized, pursuant to the provisions of (a) the Tennessee Valley Authority Act of 1933, as amended, and (b) the Basic Tennessee Valley Authority Power Bond Resolution adopted by the Corporation on October 6, 1960, as amended by an Amendatory Resolution on September 28, 1976, and by the Second Amendatory Resolution and the Third Amendatory Resolution on October 17, 1989, and by the Fourth Amendatory Resolution on March 25, 1992 (as so amended, the “Resolution”).

The Bonds issued pursuant to this Supplemental Resolution may be issued as Book-Entry Bonds in accordance with the Book-Entry Procedures and a Fiscal Agency Agreement (the “Fiscal Agency Agreement”) dated as of October 7, 1997, as may be amended from time to time, between the Corporation and the Federal Reserve Banks, as fiscal agents (together, the “Fiscal Agent”), or such Bonds may be issued as Certificated Bonds, and such Certificated Bonds shall be executed on behalf of TVA by a Designated Officer (as defined in Section 2.2 of this Supplemental Resolution)—or such officer’s duly authorized representative—whose signature may be manual or facsimile.

SECTION 1.2. <u>Definitions</u>. All terms which are defined in the Resolution shall have the same meanings in this Supplemental Resolution. The term “New Power Bonds” shall mean the Bonds authorized by this Supplemental Resolution.

SECTION 1.3. <u>Supplemental Resolution to Constitute a Contract</u>. In consideration of the purchase and acceptance of the New Power Bonds by those who shall hold them from time to time, this Supplemental Resolution, including all terms and conditions set out in the Officer’s Certificate as described in Section 2.1 below, shall constitute a contract between them and the Corporation. The covenants and agreements of the Corporation contained in this Supplemental Resolution shall be for the equal benefit, protection, and security of all holders of New Power Bonds.

ARTICLE II

AUTHORIZATION OF NEW POWER BONDS

SECTION 2.1. Principal Amount, Establishment of Terms. There is hereby authorized for the purpose of providing capital for the Corporation in order to assist in financing the Corporation's Power Program (including refunding of Evidences of Indebtedness issued for such purposes) one or more series of New Power Bonds in the aggregate principal amount of up to $4,000,000,000. That amount may be reduced by the sum of (a) the amount of other power financings commenced during fiscal year 2025 as described in the resolution of the Board of Directors of the Corporation ("Board") entitled "FY 25 Financial Shelf - Execution of Other Financing Arrangements," and (b) the amount of power bonds issued under the resolution of the Board entitled "FY 25 Financial Shelf – Reopening of Existing Power Bonds."

The New Power Bonds must be issued on or before September 30, 2025, and may be (a) issued as Book-Entry Bonds (in which case the Book-Entry Procedures shall be applicable thereto) or (b) issued as Certificated Bonds. The terms and conditions of the New Power Bonds of each series shall be established in accordance with the provisions of Section 2.2 of this Supplemental Resolution and set forth in an Officer's Certificate, prior to the issuance of New Power Bonds of each series. Such terms and conditions of the New Power Bonds of each series, subject to any limitation set out in this Supplemental Resolution, may include:

(a) the title of the New Power Bonds of such series (which shall distinguish the New Power Bonds of such series from Bonds of all other series);

(b) the aggregate principal amount of the New Power Bonds of such series which may be issued and delivered pursuant to this Supplemental Resolution;

(c) the date or dates on which the principal of the New Power Bonds of such series is payable;

(d) the rate or rates at which the New Power Bonds of such series shall bear interest or the method by which such rate or rates shall be determined, whether the rate shall be fixed or floating, the date from which such interest shall accrue, and the interest payment dates on which such interest shall be payable;

(e) the currency in which the New Power Bonds of such series shall be denominated;

(f) in the case of Certificated Bonds, designation of any paying agent, listing agent, or transfer agent therefore (which may be the Corporation);

(g) in the case of Certificated Bonds, the form and method of issuance and transfer of any New Power Bonds of such series;

(h) in the case of Certificated Bonds, the designation of a depository for the New Power Bonds of such series;

(i) designation of the New Power Bonds of such series as Book-Entry Bonds or Certificated Bonds;

(j) the period or periods within which, the price or prices at which, and the terms and conditions upon which New Power Bonds of such series may be redeemed at the option of the Corporation; and

(k) any other terms or conditions of such series (which terms and conditions shall not be inconsistent with the provisions of the Resolution or this Supplemental Resolution).

All New Power Bonds of any one series shall be substantially identical except as to denomination and except as may otherwise be provided in or pursuant to this Supplemental Resolution and set forth in such Officer’s Certificate.

The terms and conditions of each series of New Power Bonds shall be established as provided in Section 2.2 of this Supplemental Resolution. In the case of Certificated Bonds, the New Power Bonds of such series shall be substantially in the form established by the Designated Officer in the Officer’s Certificate.

SECTION 2.2. Designated Officers.

(a) The terms and conditions of each series of New Power Bonds shall be established by a designated officer of the Corporation (the “Designated Officer”) appointed by this Supplemental Resolution and shall be set forth in an Officer’s Certificate executed by the Designated Officer.

(b) The Designated Officers are the Chief Financial and Strategy Officer and the Treasurer of the Corporation. Either of the Designated Officers is authorized to exercise any of the power and authority delegated herein to the Designated Officers.

(c) A Designated Officer may at any time on or prior to September 30, 2025, specify and determine the terms and conditions of the New Power Bonds of one or more series to be issued under this Supplemental Resolution and the terms and conditions of the sale of such New Power Bonds as permitted to be specified in Section 2.1 of this Supplemental Resolution, provided that:

(i) the aggregate principal amount of all New Power Bonds of all series issued hereunder on or prior to September 30, 2025, shall not exceed the amount authorized by this Supplemental Resolution (including any New Power Bonds of any series issued in future installments pursuant to Section 2.3 of this Supplemental Resolution);

(ii) the Maturity Date (the date on which the principal and any accrued and unpaid interest shall be due on any such series of Bonds issued hereunder) of the New Power Bonds of each series shall not be more than 50 years from the date of issuance thereof; and

(iii) the maximum effective interest cost on the New Power Bonds of each series having fixed interest rates shall not exceed 10 percent per annum, and the sale price of the New Power Bonds of each series shall not be less than 90 percent of the principal amount.

(d) The Designated Officers are authorized, separately or jointly, in the name and on behalf of the Corporation, to take any and all such actions and to do, or authorize to be done, all such things as the Designated Officers may deem necessary or appropriate to effectuate the issuance and sale of New Power Bonds under this Supplemental Resolution including, but not limited to, amending this Supplemental Resolution for the purpose of issuing a future installment of New Power Bonds as set forth in Section 2.3 hereof.

SECTION 2.3. New Power Bonds Issuable in Installments. Notwithstanding any limitations established pursuant to Sections 2.1 and 2.2 of this Supplemental Resolution relating to the aggregate principal amount of any series of New Power Bonds or the date by which New Power Bonds must be issued, New Power Bonds of each series may be issued in one or more future installments of such series as determined to be appropriate by a Designated Officer.

If so provided in an amendment to this Supplemental Resolution, the aggregate principal amount of such future installments, together with all series initially issued hereunder, may exceed $4,000,000,000, and the future installments may be issued after September 30, 2025. For the avoidance of doubt, the amendment to this Supplemental Resolution (a) pursuant to Section 7.2(d) of the Resolution, shall not require the consent of holders of Bonds and (b) if within the then-current authorization of the Board for principal amount and time of issuance, shall not require approval of the Board.

New Power Bonds of any series issued in future installments shall be identical in all respects with New Power Bonds of such series initially issued pursuant to Sections 2.1 and 2.2 of this Supplemental Resolution (with any appropriate related changes, including changes in the issue date, issue price, and interest commencement date).

SECTION 2.4. Interest, Maturity, and Place of Payment. Payments of principal (and premium, if any) and interest on the New Power Bonds will be made on the applicable payment dates to holders of the New Power Bonds (as described in Section 9.8 of the Resolution), which are holders as of the close of business on the Business Day preceding such payment dates, by credit of the payment amount to holders' accounts at the Federal Reserve Banks in accordance with the Book-Entry Procedures in the case of Book-Entry Bonds, unless otherwise specified in the Officer's Certificate. Such payments for Certificated Bonds shall be made in the manner described in the Officer's Certificate. Interest payable on New Power Bonds of each series shall be computed on the basis of a 360-day year of twelve 30-day months, unless otherwise specified in the Officer's Certificate.

In any case in which an interest payment date, redemption date, or the Maturity Date is not a Business Day, payment of interest or principal (and premium, if any), as the case may be, shall be made on the next succeeding Business Day with the same force and effect as if made on such interest payment date, redemption date, or the Maturity Date, unless otherwise specified in the Officer's Certificate. The term "Business Day" shall mean any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in New York City are authorized or required by law or executive order to be closed, unless otherwise specified in the Officer's Certificate.

ARTICLE III

DESCRIPTION OF NEW POWER BONDS

SECTION 3.1. General Description. In the case of Book-Entry Bonds, the New Power Bonds of each series will be issued and maintained and shall be transferable and exchangeable only in accordance with the Book-Entry Procedures on the book-entry system of the Federal Reserve Banks in minimum principal amounts set forth in the Officer's Certificate for such series of New Power Bonds.

In the case of Certificated Bonds, except as otherwise permitted in the Officer's Certificate referred to in Section 2.1 above, the New Power Bonds of each series may be issued, may be maintained, and may be transferable and exchangeable in accordance with the procedures of the depository, if any, named in the Officer's Certificate referred to in Section 2.1 above or as otherwise provided in such Officer's Certificate.

The New Power Bonds of each series will not be obligations of, nor will payment of the principal thereof or interest thereon be guaranteed by, the United States of America. Such principal and interest will be payable solely from the Corporation's Net Power Proceeds.

SECTION 3.2. Holders of New Power Bonds. In the case of Book-Entry Bonds, the New Power Bonds of each series may be held of record only by depository institutions (as such term is defined in the Book-Entry Procedures). In the case of Certificated Bonds, the New Power Bonds of each series may be held of record only by the depository designated in the Officer's Certificate or as otherwise provided in the Officer's Certificate. Such depository entities shall be deemed to be the holders of the New Power Bonds for all purposes of the Resolution and this Supplemental Resolution.

SECTION 3.3. Recital. The New Power Bonds of each series shall be issued, and shall be deemed to contain a recital that they are issued, pursuant to Section 15d of the Act.

SECTION 3.4. Global Securities. In the case of Certificated Bonds, the New Power Bonds of such series may be represented by one or more global securities ("Global Securities") registered in the name of a depository nominee for the accounts of participants. Such Global Security or Securities of each series shall be delivered to such depository (the "Depository"), or a nominee or custodian thereof. Arrangements for any such Global Security or Securities will be as provided for in the Officer's Certificate referred to in Section 2.1 of this Supplemental Resolution.

SECTION 3.5. Certificate of Authentication. In the case of Certificated Bonds, New Power Bonds, including any Global Securities representing such New Power Bonds, shall contain the following certificate of authentication:

> This is one of the Tennessee Valley Authority Power Bonds described in the Basic Resolution and is a Tennessee Valley Authority Power Bond authorized by the Supplemental Resolution.
>
> Tennessee Valley Authority
>
> By ________________________
> Authorized Officer

SECTION 3.6. Transfer of New Power Bonds. In the case of Certificated Bonds, the New Power Bonds of such series issued may be transferred in such manner as described in the Officer's Certificate referred to in Section 2.1 of this Supplemental Resolution; provided, however, any such New Power Bonds may be transferred only for registered Certificated Bonds and may not be transferred for coupon Certificated Bonds.

ARTICLE IV

FISCAL AGENT

SECTION 4.1. Designation of Fiscal Agent. In the case of Book-Entry Bonds, the Federal Reserve Banks are hereby designated as Fiscal Agent for the New Power Bonds of each series, subject to all the provisions of the Book-Entry Procedures, the Resolution, and this Supplemental Resolution.

ARTICLE V

PUBLIC LAW NO. 105-62

SECTION 5.1. Public Law No. 105-62. Each holder of the New Power Bonds of each series, by such holder's acceptance thereof, shall thereby acknowledge and accept that, notwithstanding any language in the Resolution, any action that the Corporation may take pursuant to the paragraph captioned "TENNESSEE VALLEY AUTHORITY" in Title IV of the Energy and Water Development Appropriations Act, 1998, Pub. L. No. 105-62, 111 Stat. 1320, 1338 (1997) (such paragraph being hereinafter referred to as the "Appropriations Act Paragraph"), including, but not limited to, any use of revenues by the Corporation from its Power Program for "essential stewardship activities," as such term is used in the Appropriations Act Paragraph, shall not be considered an Event of Default or breach of any provision of the Resolution. The Appropriations Act Paragraph states:

For the purpose of carrying out the provisions of the Tennessee Valley Authority Act of 1933, as amended (16 U.S.C. ch. 12A), including hire, maintenance, and operation of aircraft, and purchase and hire of passenger motor vehicles, $70,000,000, to remain available until expended, of which $6,900,000 shall be available for operation, maintenance, surveillance, and improvement of Land Between the Lakes; and for essential stewardship activities for which appropriations were provided to the Tennessee Valley Authority in Public Law 104-206, such sums as are necessary in fiscal year 1999 and thereafter, to be derived only from one or more of the following sources: nonpower fund balances and collections; investment returns of the nonpower program; applied programmatic savings in the power and nonpower programs; savings from the suspension of bonuses and awards; savings from reductions in memberships and contributions; increases in collections resulting from nonpower activities, including user fees; or increases in charges to private and public utilities both investor and cooperatively owned, as well as to direct load customers: *Provided*, That such funds are available to fund the stewardship activities under this paragraph, notwithstanding sections 11, 14, 15, 29, or other provisions of the Tennessee Valley Authority Act, as amended, or provisions of the TVA power bond covenants: *Provided further*, That the savings from, and revenue adjustments to, the TVA budget in fiscal year 1999 and thereafter shall be sufficient to fund the aforementioned stewardship activities such that the net spending authority and resulting outlays for these activities shall not exceed $0 in fiscal year 1999 and thereafter.

<u>Resolution #2</u>

PROPOSED BOARD RESOLUTION
(FY 25 Financial Shelf - Reopening of Existing Power Bonds)

RESOLVED, That the Board of Directors hereby approves the amendment of any previously issued Supplemental Resolution and any related resolutions to permit the potential issuance during fiscal year 2025 of an additional installment of power bonds under such previously issued Supplemental Resolution and hereby authorizes the Chief Financial and Strategy Officer and the Treasurer, separately or jointly, to execute any such amendments, as long as (1) (a) the Finance, Rates, and Portfolio Committee (or successor committee) is notified of the issuance of the new power bonds and (b) both the Chief Executive Officer and the Chief Financial and Strategy Officer approve the issuance of such bonds and (2) the amount of new power bonds issued pursuant to this resolution, together with (a) the amount of bonds issued pursuant to the Supplemental Resolution entitled “FY 25 Financial Shelf – Issuance of up to $4,000,000,000 of Tennessee Valley Authority Power Bonds,” and (b) the amount of other power financings commenced during fiscal year 2025 as described in the resolution of the Board of Directors entitled “FY 25 Financial Shelf - Execution of Other Financing Arrangements,” shall not exceed $4,000,000,000.

Resolution #3

PROPOSED BOARD RESOLUTION
(FY 25 Financial Shelf - Issuance of Bonds, Execution of Interest Rate and Currency Exchange Rate Hedges)

RESOLVED, That in connection with the issuance of Tennessee Valley Authority Power Bonds as authorized by the Supplemental Resolution entitled “FY 25 Financial Shelf – Issuance of up to $4,000,000,000 of Tennessee Valley Authority Power Bonds” (the “Supplemental Resolution”), the Board of Directors hereby authorizes senior TVA officials to take the following actions as long as (1) the Finance, Rates, and Portfolio Committee (or successor committee) is notified of the issuance of the new power bonds and (2) both the Chief Executive Officer and the Chief Financial and Strategy Officer approve the issuance of such bonds:

The Chief Financial and Strategy Officer, the Treasurer, and their respective duly authorized representatives, or any one or more of them, are hereby authorized, individually or jointly, to (1) approve and execute underwriting agreements or subscription agreements with such underwriters or managers and incorporating such terms and conditions (not inconsistent with the Supplemental Resolution) as any such authorized individual may determine to be appropriate; (2) approve and issue invitations for bids for the purchase of bonds, accept and reject bids received, and execute any bond purchase contracts, incorporating such terms and conditions (not inconsistent with the Supplemental Resolution) as any such authorized individual may determine to be appropriate; (3) approve and execute documents for the listing of bonds authorized by the Supplemental Resolution on the New York Stock Exchange and other exchanges as any such authorized individual may determine to be appropriate; (4) in the case of Certificated Bonds, approve arrangements and execute documents for the issuance of bonds through the use of The Depository Trust Company or any other depository that any such authorized individual may determine to be appropriate; (5) approve and execute any agreement with any paying agent, listing agent, global agent, or transfer agent as any such authorized individual may determine to be appropriate; (6) in the case of Certificated Bonds, execute and deliver bonds authorized by the Supplemental Resolution; and (7) approve and sign any offering circulars or any offering circular supplements or amendments as may be utilized in connection with the sale of any bonds authorized by the Supplemental Resolution;

The Chief Financial and Strategy Officer, the Treasurer, and their respective duly authorized representatives, or any one or more of them, are hereby authorized, individually or jointly, to hedge interest rate risk and currency exchange rate risk in connection with the issuance of the Tennessee Valley Authority Power Bonds authorized by the Supplemental Resolution (even if the new bonds are not issued in fiscal year 2025) using swaps, options, futures, or Treasury locks, or any combination of these instruments, as long as (1) these instruments are standard in the industry and (2) prior to using these instruments, (a) the Finance, Rates, and Portfolio Committee (or successor committee) is notified of the use of such instruments and (b) both the Chief Executive Officer and the Chief Financial and Strategy Officer approve using such instruments;

The Chief Financial and Strategy Officer, the Treasurer, the Controller, the General Counsel, and the Director, Commercial Law, and their respective duly authorized representatives, or any one or more of them, are hereby authorized to execute and deliver, separately or jointly, and under the seal of TVA, or otherwise as may be required, all other such instruments, documents, and certificates, receive and make all such payments, and do all such other acts and things as in their opinion or in the opinion of any of them may be necessary or appropriate in order to complete the issuance of the Tennessee Valley Authority Power Bonds authorized by the Supplemental Resolution and to hedge interest rate risk or currency exchange rate risk associated with the issuance of such power bonds.

<u>Resolution #4</u>

PROPOSED BOARD RESOLUTION
(FY 25 Financial Shelf - Execution of Other Financing Arrangements)

RESOLVED, That the Board of Directors hereby authorizes TVA to enter into other financing arrangements in an amount that, when combined with the power bonds issued under the Supplemental Resolution entitled “FY 25 Financial Shelf – Issuance of up to $4,000,000,000 of Tennessee Valley Authority Power Bonds,” and the power bonds issued under the resolution of the Board of Directors entitled “FY 25 Financial Shelf – Reopening of Existing Power Bonds,” does not exceed $4,000,000,000, as long as on or prior to September 30, 2025, (1) the Finance, Rates, and Portfolio Committee (or successor committee) is notified of the arrangement and (2) both the Chief Executive Officer and the Chief Financial and Strategy Officer approve entering into the arrangement;

RESOLVED further, That such other financing arrangements may include, but are not limited to, lease, lease-leaseback, lease-purchase, power purchase, and similar agreements involving new generation facilities or new assets that are substantially related, as well as electricity prepayments, which arrangements and related authorizations are described in more detail below:

Lease-Purchase Financing Arrangements

The lease-purchase financing arrangements may include, but are not limited to, transactions whereby TVA sells or leases new generation facilities or portions thereof, or new assets that are substantially related to existing facilities, to third-party lessor(s), including TVA customers, and TVA leases such assets from such third-party lessor(s) for a term upon the expiration of which such facility or asset may be returned to TVA;

in connection with these arrangements, TVA may also transfer real estate and enter into construction agreements pursuant to which TVA may agree to complete construction and start-up and test such facilities or assets for a fixed or capped price, or on a cost, cost-plus, or other basis, and by deadlines to be agreed under such agreements;

the lease-purchase arrangements may also contain terms, conditions, and covenants related to the ownership, operation, and maintenance of such facility or assets as well as events of default and remedies during the term thereof;

such lease-purchase arrangements may also include provisions related to early buyout, end-of-term purchase options, and termination purchase options upon the occurrence of various events at a price that may be pre-determined or may be the fair-market value or other value at such time as TVA may agree;

TVA’s rent payments under such lease-purchase arrangements may be fixed or variable and may be in amounts sufficient to cover any debt service or equity returns of such third-party lessor(s); and

such lease-purchase arrangements may contain such other terms and conditions as may be appropriate for such transactions at such time;

Lease, Lease-Lease, and Sale-Lease Financing Arrangements

The lease, lease-lease, and sale-lease financing arrangements may include, but are not limited to, transactions whereby TVA leases or sells a generation facility or portion thereof, or new assets that are substantially related to existing facilities, to third-party lessor(s), including TVA customers, for value and leases such facilities or assets from such lessor(s) for a term that may be for a period less than the expected useful life of the facility or asset;

in connection with these arrangements, TVA may also transfer real estate and enter into construction agreements pursuant to which TVA may agree to complete construction and start-up and test such facilities or assets for a fixed or capped price, or on a cost, cost-plus, or other basis, and by deadlines to be agreed under such agreements;

such arrangements may contain terms, conditions, and covenants related to the ownership, operation, and maintenance of such facility or assets as well as events of default and remedies;

such arrangements may also include provisions related to early buyout, end-of-term purchase options, and termination purchase options upon the occurrence of various events at a price that may be pre-determined or may be the fair-market value or other value at such time as TVA may agree;

TVA may agree under such arrangements to pay periodic rent and any payments related to the repurchase of the facility or asset and other amounts as may be provided therein; and

such arrangements may contain such other terms and conditions as may be appropriate for such transactions at such time;

Power Purchase Arrangements

The power purchase arrangements may include, but are not limited to, transactions whereby TVA sells new generation facilities or portions thereof to one or more third parties, including potentially TVA customers, which facilities or portions thereof may be constructed by TVA or by third parties, including sales of in-service facilities pursuant to options granted during construction or operation, or assists in developing new generation facilities, and TVA purchases the output thereof on terms that may require TVA to make fixed or variable payments, which payments may be based on cost of service or otherwise, and may be payable without regard to whether such facilities are completed, operating, or operable;

in connection with these arrangements, TVA may also transfer real estate and enter into construction agreements pursuant to which TVA may agree to complete construction and start-up and test such facilities or assets for a fixed or capped price, or on a cost, cost-plus, or other basis, and by deadlines to be agreed under such agreements;

such power purchase arrangements may also contain terms, conditions, and covenants related to the ownership, operation, and maintenance of such facility or assets as well as events of default and remedies;

such power purchase arrangements may also include provisions related to early buyout, end-of-term purchase options, and termination purchase options upon the occurrence of various events at a price that may be pre-determined or may be the fair-market value or other value at such time as TVA may agree; and

such power purchase arrangements may be executed in combination with other financing arrangements;

Electricity Prepayments

The electricity prepayments may include, but are not limited to, transactions whereby customers of TVA power prepay TVA for certain electricity costs in exchange for reductions in the price that the customers pay TVA for electricity in the future, which reductions may be reflected as a credit or a discount on the customers' bill or otherwise and may be in amounts and for periods of time as agreed upon by TVA and the customers;

in connection with these arrangements, TVA may enter into commitment agreements, amend power contracts, and enter into other appropriate contractual arrangements; and

such arrangements may contain such terms and conditions as may be appropriate for such transactions at such time;

RESOLVED further, That the Board of Directors believes it is desirable for TVA to have the flexibility to enter into other financing arrangements, and that, subject to the other provisions of this resolution, the grant by the Board of Directors of authority for TVA to enter into other financing transactions should be construed broadly to permit TVA to enter into the other financing transactions in amounts and as described in this resolution or any similar transactions (including master financing facilities utilizing any one or more of these other financing arrangements) on such terms and conditions as market conditions dictate at the time of such financings;

RESOLVED further, That the Chief Financial and Strategy Officer, the Treasurer, and their respective duly authorized representatives, or any one or more of them, are hereby authorized, individually or jointly, to (1) engage advisors, appraisers, and independent engineers; (2) select equity investors and underwriters; (3) arrange for the listing of any lease debt; (4) approve offering materials; (5) execute term sheets; (6) execute transaction documents; and (7) make applications and filings in connection with the other financing arrangements;

RESOLVED further, That the Chief Financial and Strategy Officer, the Treasurer, and their respective duly authorized representatives, or any one or more of them, are hereby authorized, individually or jointly, to hedge interest rate risk and currency exchange rate risk in connection with entering into the other financing arrangements described above using swaps, options, futures, or Treasury locks, or any combination of these instruments, as long as these instruments are standard in the industry and as long as on or prior to September 30, 2025, (1) the Finance, Rates, and Portfolio Committee (or successor committee) is notified of the hedge and (2) both the Chief Executive Officer and the Chief Financial and Strategy Officer approve entering into the hedge;

RESOLVED further, That the Chief Financial and Strategy Officer, the Treasurer, the Controller, the General Counsel, and the Director, Commercial Law, and their respective duly authorized representatives, or any one or more of them, are hereby authorized to execute and deliver, separately or jointly, and under the seal of TVA, or otherwise as may be required, all other such instruments, deeds, documents, and certificates, receive and make all such payments, and do all such other acts and things as in their opinion or in the opinion of any of them may be necessary or appropriate in order to complete the other financing arrangements and to hedge interest rate risk or currency exchange rate risk associated with such other financing arrangements.