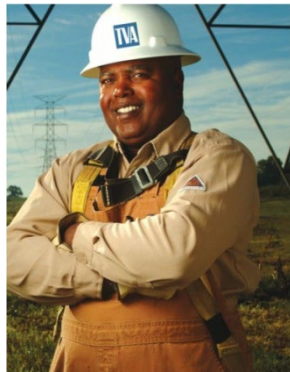


# FY 2026 Budget Details & Management Agenda and FY 2024 Annual Performance Report



For the Fiscal Year Ending  
September 30, 2026

Submitted to Congress  
May 2025





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## Executive Summary

### Mission of Service

The Tennessee Valley Authority (“TVA”) was created as a government-owned corporation to help develop the Tennessee Valley region by reducing the risk of flooding, enabling year-round navigation, providing affordable and reliable electricity; supporting economic growth; improving water quality and water supply, and providing recreational opportunities.

### Energy

TVA generates affordable, reliable, and resilient power for the region’s homes and businesses, working with local power companies to keep service steady and reliable. TVA delivers power at affordable rates. As of February 2025, TVA’s retail electric rates were lower than approximately 80% of the top 100 U.S. utilities and TVA’s industrial power rates are lower than approximately 90% of the top 100 U.S. utilities. Since FY 2000, TVA has operated with 99.999 percent reliability in delivering electricity to its customers.

### Economic Development

From the beginning, TVA was charged with giving the people of the Tennessee Valley region a better opportunity to prosper. Today, TVA works with partners across the region to help bring new investments and good jobs to the region and keep them here. TVA’s affordable, reliable, and resilient electricity helps the region recruit industry. Over the past five years, TVA helped create about \$45.9 billion in projected capital investment, and helped contribute to the announcement of over 90,000 new jobs and the retention of nearly 235,000 existing jobs in the Valley.

### Environmental Stewardship

TVA’s mission includes being stewards of the region’s natural resources, including its waterways and surrounding public lands. TVA manages the thriving Tennessee River system to provide multiple benefits – including flood control, recreation, navigation, power production, and water quality and supply. TVA-managed reservoirs and recreation serve as a driver for nearly \$12 billion in total economic activity and more than 130,500 jobs. TVA prevents on average more than \$300 million in flood loss each year and provides navigation support for 50 tons of product shipped on the Tennessee River.

### Organizational Overview

Initially, all TVA operations were funded by federal appropriations. Direct appropriations for the TVA power program ended in 1959, and appropriations for TVA’s stewardship, economic development, and multipurpose activities ended in 1999. Since 1999, TVA has funded all of its operations almost entirely from the sale of electricity and power system financings.

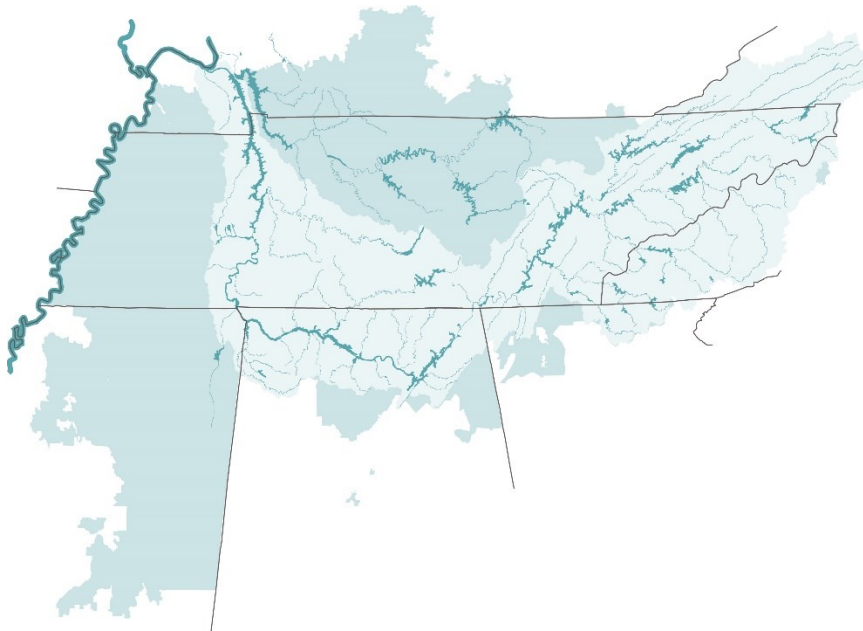
### Serving the Tennessee Valley through Powerful Partnerships

TVA’s priority of creating powerful partnerships includes promoting progress through the shared success of TVA’s customers and stakeholders. TVA has consistently partnered with stakeholders across the region to promote the Tennessee Valley region as an attractive area for both economic investment and job creation. Additionally, TVA consistently seeks to build on its relationships with the local power companies (“LPCs”) throughout the Valley.

For example, as of September 30, 2024, 148 of the 153 LPCs TVA serves had signed long-term partnership agreements with TVA, further strengthening the relationship between TVA and communities. All LPCs signing long-term partnership agreements commit to 20-year rolling contract terms with TVA. In return, LPCs signing the long-term partnership agreement are eligible to receive benefits including a 3.1 percent wholesale bill credit in exchange for their long-term contractual commitment. Additionally, any LPCs signing the long-term partnership agreement are eligible for a Power Supply Flexibility Agreement, which allows an LPC to generate, or purchase from within the TVA service area, up to approximately five percent of their average total hourly energy sales in order to meet their individual customers’ needs. As of September 30, 2024, 102 LPCs had signed a Power Supply Flexibility Agreement.

TVA’s service area, the area in which it sells power, is defined by the TVA Act. TVA supplies power in most of Tennessee, northern Alabama, northeastern Mississippi, and southwestern Kentucky and in portions of northern Georgia, western North Carolina, and southwestern Virginia. Under the TVA Act, subject to certain minor exceptions, TVA may not, without the enactment of authorizing federal legislation, enter into contracts that would have the effect of making it, or the LPCs that distribute TVA power, a source of power supply outside the area for which TVA or its

LPCs were the primary source of power supply on July 1, 1957. This provision is referred to as the “fence” because it bounds TVA’s sales activities, essentially limiting TVA to power sales within a defined service area as illustrated in the map below including all of the state of Tennessee and parts of six surrounding states.

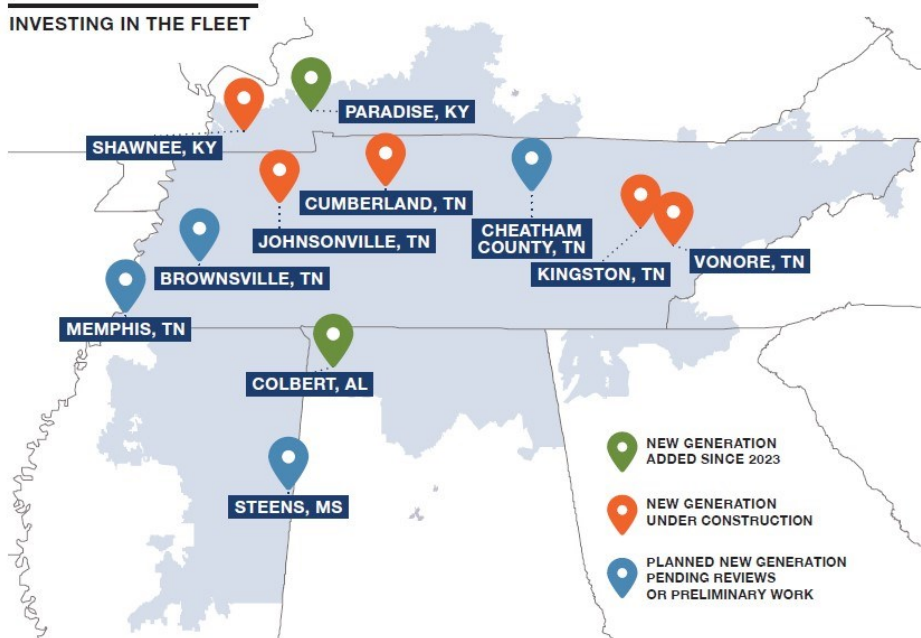


In addition, the Federal Power Act (“FPA”) includes an “anti-cherrypicking” provision prevents the Federal Energy Regulatory Commission (“FERC”) from ordering TVA to provide other suppliers access to its transmission lines to deliver power to customers within TVA’s defined service area.

### **Preparing the Tennessee Valley for the Future**

In recent years, the seven-state region served by TVA has grown three times faster than the national average, resulting in an increase in forecasted demand for electricity. To address the need for more electricity, TVA is undertaking one of the largest capital investments in TVA history.

TVA invested more than \$22 billion in the power system over the past decade. TVA expects to invest more than \$19 billion in the coming years to build generation and update the power and transmission systems. As of September 30, 2024, TVA has 3,570 megawatts (“MW”) of new generation under construction and an additional 1,950 MW of new generation pending environmental reviews.



A diverse energy portfolio is the foundation for energy security helps ensure affordable, and reliable energy. In FY 2024, 52% of TVA's power supply came from nuclear, hydroelectric, and other renewables such as solar and wind.

TVA has the nation's first early site permit from the U.S. Nuclear Regulatory Commission ("NRC") for a small modular reactor ("SMR") at its Clinch River Nuclear Site. Advanced nuclear technology has the versatility to serve as baseload power or a complement to renewables. TVA has joined with GE Hitachi Nuclear Energy ("GEH"), Ontario Power Generation ("OPG") and Orlen Synthos Green Energy ("OSGE") to advance the development of the GEH BWRX-300 SMR standard design. The TVA Board has approved \$350 million in total to support the new nuclear program, which includes funding for the BWRX-300 standard design and other activities.

In FY 2024, TVA executed over 230 natural gas, hydro, and coal generation continuous improvement efforts that improved safety, gained efficiency and lowered costs. TVA has plans to add up of 10,000 MW of solar by 2035 as informed by the least-cost planning process, with around 4,000 MW of solar in commercial operation or in development today. In the fall of 2024, TVA began operating a new System Operations Center ("SOC"). The new SOC employs smart technologies to manage power grid operations more reliably and efficiently. The SOC also features robust security systems to help ensure our assets are protected from threats, including cyberattacks and electromagnetic pulses.

### **Valley Vision**

TVA is working with its LPCs to unlock new opportunities in the energy system. Electrification and distributed energy resources are increasing the amount of electricity used and changing how it is accessed. In anticipation, TVA and its LPCs are embarking on Valley Vision, a collaborative effort to plan for this future. The working group has three dedicated workstreams: Collaborative, System-Wide Planning and Operations; Distributed Energy Resource Integration and Enablement; and Load Service, Products, and Pricing. At TVA, Valley Vision has been identified as an enterprise-wide transformational initiative by the TVA Board and leadership team.

TVA will be working alongside its customers – helping them to enhance and improve their systems to unlock distributed energy resources and other generation and technology opportunities that will help deliver the best value and service for the region. This is an effort to make the public power model more dynamic, responsive to innovation, and cost-effective.

**2025 Integrated Resource Plan**

TVA is working with stakeholders and the public on its 2025 Integrated Resource Plan ("IRP"), a comprehensive plan that will shape TVA's energy system through 2050. TVA's integrated resource planning is grounded in fundamental least-cost principles: low cost, risk informed, environmentally responsible, reliable and resilient, diverse and flexible. Long-term planning entails considering future energy demand, evolving regulations, current power generation resources and new resource options, and then determining what new power resources would work best to fill future capacity needs. The IRP helps identify the optimal mix of resources for the region's future energy system. As part of the IRP process, TVA has released an Environmental Impact Statement ("EIS") for public comment in September 2024. The draft IRP was developed by a Working Group comprised of a diverse group of stakeholders that meets regularly to provide comprehensive feedback. The members represent the broad perspectives of those who live and work in the Valley. The 2025 IRP Working Group includes both customer and stakeholder representatives. The public has provided comments during the public scoping comment period, quarterly TVA Board listening sessions, Regional Energy Resource Council ("RERC") meetings and public IRP webinars. The public's continued insights and opinions will help shape TVA's energy system of the future.

## Energy

*TVA is building the energy system of the future to enable ongoing and future growth around the Valley.*

- We are focused on maintaining low energy costs and reliable service for the 10 million people across the region with a diverse, reliable and resilient power system.
- Since FY 2000, TVA has operated with 99.999 percent reliability in delivering electricity to its customers. The TVA transmission system is one of the largest in North America, delivering approximately 163 billion kWh of electricity to TVA customers in FY 2024.
- TVA's operational objectives include building on TVA's best-in-class reputation for reliable service and low-cost power. This is more important than ever as increasing load growth coupled with extreme weather events have the ability to strain power system assets. For example, during an extreme winter weather event in January 2024, TVA surpassed its prior all-time high power demand record twice over the course of a five-day period. In FY 2025, TVA experienced another winter weather event setting another all-time high power demand record on January 22, 2025.
- We are working with our customers to manage cost and load. TVA continues to make investments in its demand management portfolio, consisting of energy efficiency and demand response programs. These are typically offered in partnership with LPCs and are designed to offset load growth and peak demand spikes while lowering energy bills for customers.
- Pursuing innovative solutions is another priority for TVA. This includes promoting and encouraging new and creative ideas that may help with respect to improving system reliability, and lowering costs as TVA seeks to capitalize on new technologies in an industry that is constantly evolving. As part of this initiative, TVA formed a New Nuclear Program.

### Power System

TVA is primarily a wholesaler of energy. It sells electricity to LPCs which then resell power to their customers at retail rates. TVA's LPCs consist of (1) municipalities and other local government entities ("municipalities") and (2) customer-owned entities ("cooperatives"). These municipalities and cooperatives operate public power electric systems whose primary purpose is not to make a profit but to supply electricity to the general public or the cooperative's members. TVA also sells power directly to certain end-use customers, primarily large commercial and industrial loads and federal agencies, including military installations, with loads larger than 5,000 kilowatts ("kW"). In FY 2026, TVA expects sales of approximately 167 billion kilowatt-hours ("kWh") of electricity to these LPCs and end-use customers. In addition, power in excess of the needs of the TVA system may, where consistent with the provisions of the TVA Act, be sold under exchange power arrangements with certain electric systems. Per the TVA Act, TVA may sell surplus power to certain electric systems which it had exchange arrangements as of July 1957.

The chart below reflects TVA-owned generation at September 30, 2023 compared to ending FY 2005 levels:

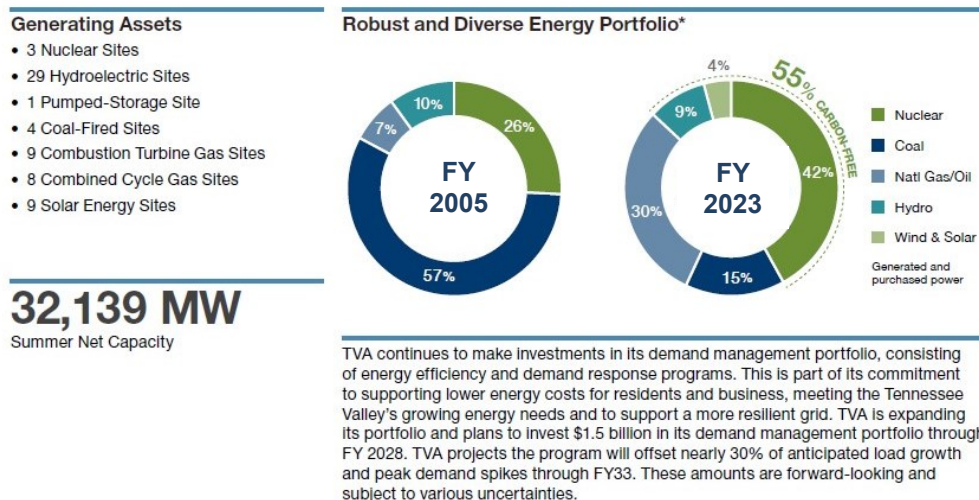
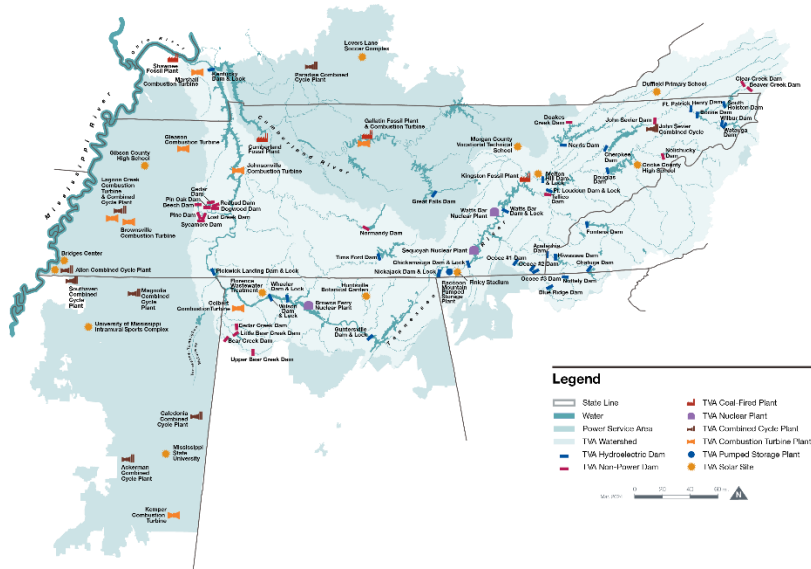


Chart depicts both generated and purchased power within respective resource types.

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Power generating facilities operated by TVA as of September 30, 2024, included 29 conventional hydroelectric sites, one pumped-storage hydroelectric site, four coal-fired sites, three nuclear sites, 18 natural gas and/or oil-fired sites, one diesel generator site, and nine operating solar installations.

As of September 30, 2024, TVA's nuclear units had a combined summer net capability of 8,232 MW. These nuclear units generated 47 percent of the power from TVA-operated facilities, which excludes purchased power, during FY 2024. TVA's system also includes 85 combustion turbine power blocks powered by natural gas and/or oil with a total summer net capability of 12,656 MW. These generators can be quickly started and are vital for meeting peak electricity demands. These generators provided 28 percent of the power from TVA-operated facilities in FY 2024. TVA's four coal-fired sites accounted for 5,815 MW of summer net capability on September 30, 2024, and generated about 16 percent of the power from TVA-operated facilities in FY 2024. TVA-owned hydroelectric units had a combined summer net capability of 5,472 MW as of September 30, 2024, and generated about 9 percent of the power from TVA-operated facilities in FY 2024.



### Transmission System

TVA's transmission system is a critical link in moving electricity throughout the eastern United States. Since FY 2000, TVA has operated with 99.999 percent reliability in delivering electricity to its customers. The TVA transmission system is one of the largest in North America, delivering approximately 163 billion kWh of electricity to TVA customers in FY 2024.

TVA's transmission system has 69 interconnections with 13 neighboring electric systems and consisted primarily of the following assets as of September 30, 2024:

- Approximately 2,500 circuit miles of 500 kilovolt, 12,000 circuit miles of 161 kilovolt, and 1,900 circuit miles of other voltage transmission lines, and 5,196 miles of fiber;
- 583 transmission substations, power switchyards, and switching stations; and
- 1,351 customer connection points (customer, generation, and interconnection).

TVA continues to invest in transmission assets to strengthen system reliability and incorporate new technology that provides a clearer picture of grid conditions over a wider area at any given time.

Additionally, to support TVA's transmission system, the Board approved a new SOC for \$332 million. The new secured facility, which is in Meigs County, Tennessee, was built to accommodate a new energy management system and to adapt to new regulatory requirements. The facility is expected to be fully operational in CY 2026 and will enhance reliability and resiliency.

TVA is currently building a new energy management system. As the current energy management system is nearing the end of its life cycle, this project will replace the existing analog system with a digital system, which will also

network the new control center with existing locations to enable better remote visibility and control. The system is expected to be complete in CY 2027 at an expected cost of \$108 million.

### **Operational Excellence**

TVA's operational objectives include building on TVA's best-in-class reputation for reliable service and low-cost power. Increasing load growth coupled with extreme weather events have the ability to strain power system assets, reinforcing the need for TVA to maintain a reliable asset portfolio which can serve the Valley's energy needs across seasons. For example, during an extreme winter weather event in January 2024, TVA surpassed its prior all-time high power demand record twice over the course of a five-day period. This included a peak power demand of approximately 34,577 MW on January 17, 2024. Moreover, in January 2025, TVA experienced another winter weather event setting its highest all-time power demand record in history, approximately 35,319 MW, on January 22, 2025. TVA satisfied the power demand without event.

Focusing on operational excellence will allow TVA to continue to reliably serve the Valley's energy needs and mitigate operational risks for the people of the region.

### **Designing and Implementing Energy Programs and Services**

TVA continues to make investments in its demand management portfolio, consisting of energy efficiency and demand response programs. These are typically offered in partnership with LPCs and are designed to offset load growth and peak demand spikes while lowering energy bills for customers. These offerings also help TVA and the LPCs position themselves as the trusted energy advisors, innovators, and energy providers of choice as the utility industry enters an era of greater competition amid both economic and population growth in the region.

Current TVA EnergyRight® programmatic areas include:

- **Demand Response** – Demand Response programs are anticipated to provide more than 2,200 MW of peak reduction capacity from 2024 – 2028. These projections are forward-looking and subject to various uncertainties. Demand Response programs provide flexibility to both lower TVA's peak demand when called upon and offset the need for additional generation to meet peak demand levels. Participants in these programs also gain valuable insight into their energy usage.
- **Energy Efficiency** – Through energy efficiency programs, services, and advice, TVA helps consumers lower their energy costs, and improve productivity, health, and comfort while positioning LPCs and TVA as trusted energy providers. TVA is planning to invest more than \$1.5 billion in energy efficiency upgrades and demand response programs from 2024 - 2028, with TVA ultimately seeking to offset 30% of new load growth over the next decade through these programs. In FY 2024, TVA helped more than 653 businesses reduce their energy use, resulting in over \$121 million in savings on their electric bills over the life of their energy improvements. Over 42,477 homeowners have taken advantage of energy efficiency upgrades, receiving more than \$5.2 million in rebates and helping them to save nearly \$51.6 million on their electric bills over the life of their energy improvements.

### **Igniting Innovation**

Pursuing innovative solutions is another priority for TVA. This includes promoting and encouraging new and creative ideas that may help with respect to improving system reliability and lowering costs as TVA seeks to capitalize on new technologies in an industry that is constantly evolving.

As part of this initiative, TVA formed a New Nuclear Program which provides a systematic roadmap for TVA's exploration of advanced nuclear technology. In August 2024, to further support the development of new nuclear technologies, TVA's Board of Directors authorized an additional \$150 million for TVA's New Nuclear Program to advance reactor development and licensing. This is an investment of \$350 million in total since the launch of the New Nuclear Program in December 2021.

In January 2025, TVA and a consortium of co-applicants applied for a U.S. Department of Energy ("DOE") grant to support the potential development and future deployment of an SMR at TVA's Clinch River site as part of the New Nuclear Program. In April 2025, TVA and the consortium of co-applicants submitted a revised application to address new DOE guidance regarding the grant. In April 2025, TVA also submitted a Notification of Intent to the NRC regarding a construction permit application at the Clinch River site.

## Economic Development

*TVA works to attract new businesses to the Tennessee Valley region while engaging with communities and existing companies.*

- TVA's primary economic development goals are to recruit major business operations to the Tennessee Valley, encourage the location and expansion of companies that create good paying jobs, and prepare communities in the Tennessee Valley for economic growth. Over the past five years, TVA helped create about \$45.9 billion in projected capital investment, and helped contribute to the announcement of over 90,000 new jobs and the retention of nearly 235,000 existing jobs in the Valley.
- TVA conducts these economic development efforts in partnership with state, regional and local economic development organizations and LPC partners.

### Economic Development Summary

Since its creation in 1933, TVA has promoted the development of the Tennessee Valley region. TVA works with LPCs, regional, state and local agencies, and communities to showcase the advantages available to businesses locating or expanding in TVA's service area. In fact, many businesses have said they chose to locate in this region because of the affordable, and reliable energy TVA provides. TVA's primary economic development goals are to recruit major business operations to the Tennessee Valley, encourage the location and expansion of companies that create good paying jobs, and prepare communities in the Tennessee Valley for economic growth. TVA seeks to meet these goals through a combination of initiatives and partnerships designed to provide program support, technical services, industry expertise, financial assistance, and site-selection assistance to new and existing businesses. TVA's economic development efforts helped recruit or expand nearly 178 companies into the TVA service area during FY 2024. These companies announced anticipated capital investments of \$8.9 billion during the fiscal year. Additionally, TVA's economic development efforts helped attract the announcement of over 10,350 new jobs and retention of nearly 42,400 existing jobs in the Valley during FY 2024. Please see page 38 for definitions of "new jobs" and "retained jobs."

### Economic Development Services

TVA's partnerships with its customers and communities have helped create jobs and attract significant capital investments from new and existing companies. TVA conducts these economic development efforts in partnership with state, regional and local economic development organizations and LPC partners. This serves the needs of TVA stakeholders through regional economic development, which contributes to a better quality of life for Tennessee Valley residents. TVA's innovative programs and services combine to create effective tools for economic development. These programs and services include, but are not limited to, the following:

- **Recruiting Services** – TVA works with LPCs and their customers and local, state, and regional economic development organizations to recruit companies through an integrated package of economic development resources.
- **Regional Development** – TVA assigns a regional development specialist with economic development expertise to serve counties in a specific area to help create and sustain job growth.
- **Training and Development** – TVA helps communities increase their competitiveness in attracting investment and creating jobs by delivering resources and training to local economic development partners.
- **Workforce Development** – TVA provides support for education and workforce training programs in partnership with local economic development organizations through programs designed to aid in developing a highly-skilled and diverse Valley workforce.
- **Rural Initiative Strategy** – TVA helps rural communities develop and better market their sites and buildings to prospective companies. TVA also offers leadership development, planning, and project assistance.
- **Product Development** – TVA works with regional and local community partners to identify and enhance communities' industrial sites and buildings through its economic development preparedness programs.
- **Business Development Support** – An array of products and services is designed to meet the needs of prospective or existing industries. This work provides vision to businesses for locating and being successful in the Tennessee Valley.

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- **Technical Services** – TVA offers general engineering design services to help industrial prospects make sound location decisions and to help communities market themselves for prospects and growth.

TVA Economic Development facilitates recruitment of new companies and investments to the region in these targeted industry sectors: aerospace and defense,, food and industrial technologies, technology systems and security, life sciences, and automotive and mobility technologies. TVA staff provides ongoing economic development assistance through technical services, economic research, proposal writing, training, and other services. Financial support, offered by TVA and LPCs, continues to be successful in helping new and existing companies locate or expand and make a commitment to enhance economic development in the region. TVA and LPCs offer financial support to businesses across the Valley in several forms. Some examples include energy bill credits, which are based on capital investments and jobs created which helps to incentivize customers to locate to the Valley. Additional examples of support offered by TVA and LPCs include energy efficiency and demand response programs which help lower energy costs.

For the nineteenth consecutive year, TVA made Site Selection magazine's list of the top utilities in North America for economic development activity, one of only three utilities to earn this distinction. Further information regarding TVA's economic development program is available on its website ([TVA Economic Development](#)).

## Environmental Stewardship

*TVA's mission of service includes being stewards of the region's natural resources, including its waterways and surrounding lands.*

- TVA manages the Tennessee River system to provide multiple benefits to the people of the region, including flood control, navigation, enhanced water quality, and recreation.
- TVA's overarching [Environmental Policy](#) is to improve quality of life and the environment in the Tennessee Valley by providing reliable, and affordable energy; engage in proactive stewardship of the Tennessee River system and public lands; and support sustainable economic growth. We comply with applicable environmental laws, regulations, and commitments.

### **Tennessee River System**

TVA's stewardship efforts include serving the people of the Valley through the integrated management of the Tennessee River system and public lands, which include approximately 11,000 miles of shoreline, 650,000 surface acres of reservoir water, and 293,000 acres of reservoir lands.

The Tennessee River System is made up of approximately 42,000 miles of rivers, streams, and tributaries, including the 652-mile-long Tennessee River, and 49 dams and 14 navigation locks. It is a vital part of the nation's inland waterway system, transporting more than 50 million tons of cargo annually. In addition to supporting commercial navigation, TVA's integrated management of the river system supports recreation, public and industrial water supply needs, aquatic habitat protection, flood risk reduction, hydroelectric power production, and cooling water for TVA's generation units. The watersheds of the Tennessee River and its 16 tributaries encompass more than 41,000 square miles across 125 counties in portions of seven states.

### **Environmental Policy**

#### **Air Quality**

As of September 30, 2024, TVA had invested \$6.8 billion to improve air quality through air emission controls and reduced emissions of nitrogen oxides by 97% and sulfur dioxide by 99% from historic peaks in 1995 and 1977, respectively.

#### **Water Quality and Quantity**

TVA understands that clean water is vitally important – for plants, animals and people. Managing the Tennessee River system means balancing the needs of diverse stakeholder interests – including power production, navigation, industry, agriculture, recreation, aquatic biodiversity and public water supply – through periods of flooding and drought. More than 5 million people get their water from the Tennessee River and its tributaries every day. TVA supports a broad range of initiatives to protect and improve water resources, help ensure adequate water quality and maintain water supply.

#### **Environmental Reviews**

TVA conducts environmental reviews in accordance with the National Environmental Policy Act ("NEPA"), which requires federal agencies to consider the effects of their proposed projects on the human and natural environment before final decisions are made. The environmental reviews under NEPA typically include assessments that facilitate compliance with other environmental review requirements, such as those under the National Historic Preservation Act and the Endangered Species Act.

## Budget and Financial Plan

*TVA delivers value for the Valley through financial strength and stability.*

- TVA receives no direct federal appropriations. We are funded primarily by power sales and the issuance of power system financings. These funds the TVA power system as well as economic development programs and integrated river management. TVA is eligible for and receiving grants and tax credits as approved for certain projects.

With a high credit rating, TVA issues power bonds – backed by power revenues.

- 97% of TVA's LPC customers have signed the long-term partnership agreement, providing long-term financial stability for the significant investments needed to support a system the size of TVA and meet the growing demand of our region. These strategic investments contribute to TVA's \$51 billion in total assets as of September 30, 2023.
- Over the last ten years, TVA has returned more than \$5.4 billion of power revenues to the states served through tax equivalent payments.
- In FY 2024, TVA began a strategic effort with its Enterprise Transformation Initiative to drive efficiencies and lower expenses across the enterprise.
- TVA is committed to funding the retirement benefits for current and future retirees and beneficiaries through the TVA Retirement System ("TVARS"), a separate legal entity from TVA. As evidence of this commitment, TVA has worked with TVARS in recent years to implement changes to improve the long-term health of the pension plan.

### **TVA Budget Overview**

TVA is governed by the nine-member TVA Board of Directors, which is responsible for approving an annual budget. An annual presentation of TVA's budget for the following year is presented for review and full Board approval each year, along with a review of TVA's 3-year Business Plan. The information included in this document is based on TVA's FY 2025 annual budget, which was approved by the TVA Board in August 2024.

Initially, all TVA operations were funded by federal appropriations. Direct appropriations for the TVA power program ended in 1959, and appropriations for TVA's stewardship, economic development, and multipurpose activities ended in 1999. Since 1999, TVA has funded all of its operations almost entirely from the sale of electricity and power system financings. TVA has not received federal appropriations since 1999, and none are requested for FY 2026.

Beginning in 1961, TVA began making annual payments to the U.S. Treasury as a repayment of and as a return on the power system appropriation investments. TVA will indefinitely continue to pay a return on the remaining \$258 million power system appropriation investment outstanding to the U.S. Treasury. TVA's power system financings consist primarily of the sale of bonds and notes and some alternative financing (collectively known as "Total Financing Obligations", or "TFOs").

The TVA Board approved a 5.25% base rate increase for FY 2025 to fund operational needs, and additional rate actions may be necessary to help ensure TVA's ability to continue to provide affordable, and reliable energy. This increase follows a 4.5% base rate increase in FY 2024. Despite the FY 2024 base rate increase, effective wholesale rates were actually lower than the prior year due to lower fuel costs.

These cost pressures are not unique to TVA. Despite the FY 2024 base rate increase, TVA's retail rates continued to rank in the top quartile amongst utility peers as of June 2024, and industrial rates remain the lowest compared to peer regional utilities. TVA remains committed to an appropriate balance between rates and debt in order to maintain financial stability while providing affordable, reliable, and resilient energy.

### **Borrowing Limit**

TVA follows financial guiding principles to help ensure the appropriate use of debt and only borrows for power system expansion activities and certain environmental investments. This helps ensure debt is predominantly used for productive assets that support the generation of cash flow that repays the debt over time. Borrowing responsibly for productive assets allows TVA to recover the costs of new power system investments over the life of those assets – a prudent matching principle – which helps ensure assets are paid for by those that benefit from them.

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TVA has the authority per the TVA Act to issue bonds, notes, and other evidence of indebtedness up to a \$30 billion limit, sometimes referred to as TVA's statutory debt limit. TVA's balance of TFOs, which include statutory debt and other financing obligations, was \$21.2 billion as of September 30, 2024. Of this amount, TVA had \$20.2 billion of bonds subject to the \$30 billion statutory limit as of September 30, 2024. (See Appendix B for a calculation of TFOs utilizing financial statement line items reported in accordance with GAAP.)

It is important to note that TVA borrows in the public capital markets, and TVA's bonds are not guaranteed by the federal government.

### **Power Rates and Revenue**

TVA's retail electric rates are lower than approximately 80% of the top 100 U.S. utilities, and industrial power rates are lower than approximately 90% of the top 100 U.S. utilities.

Under the TVA Act, TVA is required to charge rates for power that will produce gross revenues sufficient to provide funds for:

- Operation, maintenance, and administration of its power system;
- Tax equivalent payments to states and counties in lieu of taxes;
- Debt service on outstanding indebtedness;
- Payments to the U.S. Treasury in repayment of and as a return on the government's remaining appropriation investment in TVA's power facilities; and
- Such additional margin as the TVA Board may consider desirable for investment in power system assets, retirement of outstanding bonds, notes, or other evidences of indebtedness, additional reduction of the appropriation investment, and other purposes connected with TVA's power business, having due regard for the primary objectives of the TVA Act, including the objective that power shall be sold at rates as low as are feasible.

TVA uses a seasonal time of use wholesale rate structure comprised of base demand and energy rates, a fuel rate, and a grid access charge. In setting the base rates, TVA ensures it will collect enough in revenue to pay for its annual operating costs while satisfying debt obligations. Per the TVA Act, TVA must collect gross revenues sufficient to fund annual revenue requirements with TVA's Board having final authority on rates set for customers. TVA recovers fuel costs and tax equivalent payments associated with fuel cost adjustments through a monthly rate reflecting the forecasted costs of fuel. Beginning on October 1, 2018, fuel costs are allocated to three groups of customers: Standard Service (residential and small commercial customers), Large Manufacturing customers with contract demands greater than 5 MW, and Large General Service customers with contract demands greater than 5 MW. Fuel costs are allocated to these three classes of customers in relation to their hourly loads and TVA's hourly incremental dispatch cost. Total monthly fuel costs include costs for natural gas, fuel oil, coal, purchased power, emission allowances, nuclear fuel, and other fuel-related commodities as well as realized gains and losses on derivatives purchased to hedge the costs of such commodities.

### **Payments in Lieu of Taxes**

TVA provided \$588 million in tax equivalent payments in FY 2024 to state and local governments where it sells electricity or has power properties. In total, payments over the past 10 years have totaled over \$5.4 billion.

The TVA Act requires TVA to annually return five percent of its gross proceeds from the sale of power during the previous fiscal year (excluding sales or deliveries to other federal agencies, off-system sales with other utilities, and power used by TVA, with a provision for minimum payments under certain circumstances) in the form of tax equivalent payments. The payments compensate state and local governments that cannot levy property or sales tax on TVA as a federal entity. TVA pays tax equivalent payments to the eight states where it sells electricity or owns generating plants, transmission lines, substations, or other power assets, and directly to 150 county governments where TVA owns power properties that were previously privately owned and operated and subject to ad valorem taxes.

State and local governments distribute the funds according to their own formulas and discretion to support a variety of initiatives, including schools, fire departments, other emergency response agencies, tourism and recreation, and human service organizations.

### **Enterprise Transformation Initiative**

To help ensure TVA continues to provide affordable, and reliable energy, it will need to be efficient in managing its operating costs and is undertaking a cost optimization project designed to reduce planned cost increases by approximately \$950 million from 2024-2026 to address these pressures.

### **TVA Retirement System**

The TVA Retirement System (“TVARS”) was established by the TVA Board in 1939 to provide retirement benefits for TVA employees. TVARS is a separate legal entity from TVA and is governed by its own board of directors consisting of seven members: three elected by and from active employees who are members of TVARS, three appointed by TVA, and a seventh who is selected by the other six and is a TVA retiree. TVARS administers a defined benefit (pension) plan and a 401(k) plan, both of which are tax-qualified retirement plans under Section 401(a) of the Internal Revenue Code.

As of September 30, 2024, the pension plan had assets of \$8.7 billion compared with liabilities of \$11.0 billion and currently pays out over \$760 million per year in retirement benefits to approximately 21,000 retirees and beneficiaries. As of September 30, 2024, the 401(k) plan had assets of \$4.9 billion.

TVA is committed to funding the retirement benefits for current and future retirees and beneficiaries under the pension plan, and as evidence of this commitment, has worked with TVARS in recent years to implement changes to improve the long-term health of the pension plan, including the following:

- Closing the pension plan to new employees – employees who were hired first on or after July 1, 2014, receive retirement benefits under the 401(k) plan only;
- Shifting future benefit accruals for most current employees from the pension plan to the 401(k) plan based on the employees' hire date, years of service, and individual elections;
- Increasing non-elective and matching contributions to employees' 401(k) plan accounts to offset reduced accruals in the pension plan; and
- Committing to increased annual contributions to the pension plan of at least \$300 million for a period of 20 years (from FY 2017 through FY 2036) or until the plan is fully funded, whichever occurs first.

Over the last several years, TVA has worked with TVARS and their investment and actuarial consultants to model the TVARS assets and liabilities and alternative asset allocation policies in light of the state of the markets, the forward-looking capital market assumptions, TVA's annual contribution commitment, and the goal for the pension plan to be fully funded. As a result of this work, in both FY 2021 and FY 2023, TVARS updated its asset allocation policy and de-risking strategy to provide greater stability in TVARS' asset value and reduce TVARS' funded status volatility while working toward the goal of fully-funded liabilities.

All retirement benefit payments continue to be made by TVARS to retirees and beneficiaries, and with the changes to the plans, TVA's long-term annual contributions to fund benefits, and TVARS' dynamic asset allocation policy and investment de-risking strategy, the pension plan remains on-track to achieve 100% funded status by FY 2036.

With the transition from pension benefits to 401(k) benefits, TVA and TVARS are also committed to providing the best retirement outcomes for current TVA employees through the 401(k) plan with competitive matching and nonelective contributions by TVA to participants, best-in-class 401(k) investment options and plan design and features, dedicated one-on-one financial consultants, and beginning in FY 2024, a lifetime retirement income election option for participants between ages 55 and 72 through the 401(k) plan's target retirement portfolios.

**TVA Operating Budget***(Millions of dollars)*

	<b>2024 Actual</b>	<b>2025 Estimate</b>	<b>2026 Estimate</b>
Revenue	\$ 12,314	\$ 12,712	\$ 12,902
Operating Expenses			
Fuel & Purchased Power	3,750	3,955	4,172
Operating, Maintenance, & Other	3,641	3,926	3,915
Depreciation & Amortization	2,138	2,313	2,441
Tax Equivalents	<u>557</u>	<u>603</u>	<u>632</u>
Total Operating Expenses	10,086	10,797	11,160
Operating Income	2,228	1,915	1,742
Other Income / (Expense)	71	48	45
Other Net Periodic Benefit Cost	(98)	(80)	(91)
Interest Expense, net	<u>1,066</u>	<u>1,262</u>	<u>1,430</u>
Net Income	\$ 1,135	\$ 621	\$ 266

**Capital Budget & Cash Flow***(Millions of dollars)*

	<b>2024 Actual</b>	<b>2025 Estimate</b>	<b>2026 Estimate</b>
Cash flows from operating activities			
Net income	\$ 1,135	\$ 621	\$ 266
Items affecting operating activities	<u>1,868</u>	<u>1,798</u>	<u>2,009</u>
<b>Net cash provided by operating activities</b>	<b>3,003</b>	<b>2,419</b>	<b>2,275</b>
Cash Used in Capital Budget			
Capital Projects			
Nuclear	(240)	(299)	(276)
Power Operations	(356)	(320)	(241)
River Operations	(55)	(131)	(124)
Transmission	(209)	(188)	(178)
Other Base Capital	<u>(170)</u>	<u>(296)</u>	<u>(399)</u>
Total Base Capital	(1,030)	(1,234)	(1,218)
Ash Remediation & Other	(14)	(21)	(76)
Clean Air	(86)	(130)	(217)
Wastewater Treatment	<u>(37)</u>	<u>(4)</u>	<u>-</u>
Total Environmental Costs	(137)	(155)	(293)
Gas Plant Expansion Builds	(1,666)	(2,916)	(2,071)
Transmission and Other	(486)	(620)	(655)
Hydro, Solar, and Battery	(148)	(272)	(312)
Nuclear Uprates and License Renewal	<u>(174)</u>	<u>(312)</u>	<u>(317)</u>
Total Capacity Expansion	(2,474)	(4,120)	(3,355)
Nuclear Fuel Capital	(294)	(265)	(216)
Other Investing Activities	<u>344</u>	<u>111</u>	<u>(112)</u>
<b>Net cash used in investing activities</b>	<b>(3,591)</b>	<b>(5,663)</b>	<b>(5,194)</b>
Borrowings (net of redemptions)	704	3,414	3,092
Other financing activities	<u>(114)</u>	<u>(170)</u>	<u>(173)</u>
<b>Net cash provided by financing activities</b>	<b>590</b>	<b>3,244</b>	<b>2,919</b>
Net change in cash and cash equivalents	2	-	-
Cash and cash equivalents at beginning of year*	500	502	502
Cash and cash equivalents at end of year*	502	502	502
Cash Payments to U.S. Treasury**	(7)	(15)	(14)
Increase/(Reduction) in Total Debt and Debt-Like Obligations	\$ 678	\$ 3,356	3,033

\* Beginning and ending cash equivalents exclude restricted cash

\*\* For federal reporting purposes Payments to U.S. Treasury are not considered

## Governance and Oversight

*In December 2004, Congress passed legislation to make TVA's governance structure more like that of other large corporations, working to ensure the efficiency and flexibility as well as the relevant oversight mechanisms needed of an entity performing functions such as TVA.*

- In 2004, The TVA Board changed from three full-time members to nine part-time members who are responsible for providing strategic direction, governance, and oversight. In addition, a full-time Chief Executive Officer ("CEO") position was established to supervise day-to-day activities. The CEO is appointed by and reports directly to the TVA Board.
- TVA has oversight from Congress, the Government Accountability Office ("GAO"), the Executive Branch including the U.S. Treasury, and an independent Office of the Inspector General ("OIG"). In addition, TVA has oversight similar to other utilities, such as a board of directors, SEC requirements, credit rating agencies, and Sarbanes-Oxley requirements as well as internal teams focused on processes to effectively identify and manage risks, capitalize on opportunities, and improve risk management behaviors.

### **TVA Governance**

TVA is governed by the TVA Act, the bylaws of TVA, Board practices, and committee charters. The Board has established five committees to help it fulfill its responsibilities: 1) the Audit, Risk, and Cybersecurity Committee; 2) the External Stakeholders and Regulation Committee; 3) the Finances, Rates, and Portfolio Committee; 4) the Operations and Nuclear Oversight Committee; and 5) the People and Governance Committee.

These documents form the backbone of TVA's governance.

- [TVA Act](#) (PDF)
- [Bylaws of the Tennessee Valley Authority](#)
- [Board Practices](#) (PDF)
- [Board's Conflict of Interest Policy](#) (PDF)
- [Code of Conduct For the Members of the TVA Board of Directors](#) (PDF)
- [Board Committee Charters](#)

The TVA Board has nine part-time members, at least seven of whom must be legal residents of the TVA service area. The TVA Board members are appointed by the President of the United States with the advice and consent of the U.S. Senate. The TVA Board's responsibilities include formulating broad goals, objectives, and policies for TVA, approving plans for their implementation, reviewing and approving annual budgets, setting and overseeing rates, and establishing a compensation plan for employees.

With many years of experience serving the Tennessee Valley, our executives oversee all TVA strategy, policy and operations and are responsible for delivering TVA's mission of service through affordable energy, environmental stewardship and economic development. Additionally, TVA has oversight from Congress, GAO, the executive Branch including the U.S. Treasury, and an independent OIG. TVA also maintains Sarbanes-Oxley requirements, SEC requirements, and is reviewed by credit rating agencies.

### **Board of Directors**

The TVA Board's Audit, Risk, and Cybersecurity Committee is responsible for, among other things, recommending an external auditor to the TVA Board, overseeing the auditor's work, and reviewing reports of the auditor and the TVA OIG.

### **Independent Inspector General**

The OIG conducts ongoing audits of TVA's operational and financial matters in accordance with Government Auditing Standards, which incorporate the American Institute of Certified Public Accountants Generally Accepted Auditing Standards. The OIG had an approved headcount of 105 employees as of September 30, 2024, including more than 50 auditors. TVA's Inspector General is appointed by the President of the United States and confirmed by the U.S. Senate. The OIG provides semi-annual reports to Congress on the results of its audit and investigative work.

As required by the Inspector General Reform Act of 2008 (Pub. L. No. 110-409), the TVA OIG made an aggregate budget request of \$31 million for FY 2026, which includes amounts for OIG training and support of the Council of the Inspectors General on Integrity and Efficiency. TVA's FY 2026 budget assumes OIG activities at the level requested.

## TVA FY 2026 Budget Details & Management Agenda and FY 2024 Annual Performance Report

\$ million	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 OIG Proposed	FY 2026 OIG Proposed
OIG Expenditures	\$25	\$25	\$25	\$26	\$28	\$28	\$33	\$31

### **Independent Auditor**

An independent auditor audits TVA's annual financial statements in accordance with standards of the Public Company Accounting Oversight Board and with Government Auditing Standards issued by the Comptroller General of the U.S. The auditor also provides an opinion as to whether those statements are presented in conformity with U.S. Generally Accepted Accounting Principles.

Additionally, the TVA OIG conducts an annual audit of the work of TVA's independent auditor to help ensure compliance with generally accepted Government Auditing Standards. A peer review audit of the OIG is conducted every three years by another federal Inspector General's office.

### **U.S. Congress**

Congress provides formal oversight of TVA through two committees, the U.S. House of Representatives Transportation and Infrastructure Committee and the U.S. Senate Environment and Public Works Committee. The GAO also conducts audits of various TVA activities and programs, generally at the request of members of Congress.

TVA's congressional charter, the TVA Act of 1933, as amended, defines the range of TVA's business activities. TVA is also subject to the Government Performance and Results Act ("GPRA") and the GPRA Modernization Act, which require that a strategic plan and an annual performance report be submitted to Congress.

### **Executive Branch**

As a government-owned corporation TVA's budget is included in the consolidated budget of the U.S. Government. TVA's financial results also are included in the federal government's financial statements, which are coordinated with the U.S. Treasury and are subject to audit by GAO.

### **Additional Federal Regulatory Oversight**

In aspects of its operations, TVA is subject to regulations issued by other governmental agencies, including the Environmental Protection Agency, state environmental agencies, the Securities and Exchange Commission ("SEC"), the NRC as well as some regulations issued by the Federal Energy Regulatory Commission.

Other organizations providing oversight functions on TVA and others in the electric utility industry include the North American Electric Reliability Corporation and the industry-based Institute of Nuclear Power Operations.

### **Accounting and Financial Reporting**

The December 2004 legislation modernizing TVA's governance also amended the Securities Exchange Act of 1934 by adding Section 37. This section requires TVA, as a non-accelerated filer under SEC rules, to file financial reports with the SEC. In December 2006, TVA filed its first Annual Report on Form 10-K with the SEC and now files Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K with the SEC.

TVA is required, as a non-accelerated filer under SEC rules, to file financial reports with the SEC. In December 2006, TVA filed its first Annual Report on Form 10-K with the SEC and now files Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K with the SEC.

- As an SEC filer, the management reporting requirements of Section 404(a) of the Sarbanes-Oxley Act became effective for TVA for FY 2008.
- As a non-accelerated filer, the external auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act are not applicable. However, TVA implemented the auditor attestation requirements of Section 404(b) in FY 2009 and continues to do so on a voluntary basis.
- The Dodd-Frank Act deferred indefinitely the auditor attestation requirements of Section 404(b) for non-accelerated filers; however, management has chosen to continue to have external auditor attestations.

In addition, on an annual basis, TVA submits a closing package, which is a set of special purpose financial statements and notes that represent TVA's comparative, consolidated, department-level financial statements, to the

## **TVA FY 2026 Budget Details & Management Agenda and FY 2024 Annual Performance Report**

U.S. Treasury to comply with the requirements of the U.S. Treasury Financial Manual. This provides financial information to the U.S. Treasury and the GAO to use in preparing the Financial Report of the U.S. Government. TVA's independent auditor also provides an opinion on whether the closing package is prepared in accordance with accounting standards and other pronouncements issued by the Federal Accounting Standards Advisory Board. TVA's financial transactions are subject to audit by the Comptroller General under various statutes.

TVA presents its financial statements and related disclosures in conformity with GAAP promulgated by the Financial Accounting Standards Board. These financial statements are annually audited by an independent financial auditor. Consistent with the Payment Integrity Information Act of 2019 (the "PII Act"), TVA has determined that none of its programs or activities are susceptible to significant improper payments.

### **Internal TVA Oversight Functions and Processes**

#### **TVA Enterprise Risk Management**

Internal to TVA, the Enterprise Risk Management ("ERM") team is a strategic business function that provides TVA with a comprehensive risk perspective to more effectively identify and manage risks, capitalize on opportunities, and improve risk management behaviors. ERM is specifically responsible for TVA's risk governance structure, performing risk assessments and analysis (including fraud risk), and facilitating enterprise risk discussions and awareness to evaluate risk profiles as an interrelated portfolio in order to support risk-informed decisions for achieving TVA's strategic and operational objectives. The TVA Board has established an Enterprise Risk Council ("ERC") to oversee TVA's management of enterprise risks and establish an appropriate tone for a risk management culture throughout TVA, and the ERM organization, along with other designated subcommittees, carries out the ERC mission at the direction of the ERC and TVA's Chief Risk Officer.

The PII Act was enacted in March 2020. Among other things, the legislation is intended to improve federal agency financial and administrative controls and procedures to assess and mitigate fraud risks and to improve federal agencies' development and use of data analytics for the purpose of identifying, preventing, and responding to fraud, including improper payments.

To help ensure compliance with the PII Act, TVA operates a Fraud Risk Management program (the "Fraud Program") led by the Enterprise Risk and Assurance organization. In accordance with the guidelines of the PII Act, TVA has adopted the GAO's Framework for Managing Fraud Risks in Federal Programs to document its Fraud Program. Additionally, TVA has considered both the fraud risk principles in the Standards for Internal Control in the Federal Government and OMB Circular A-123 with respect to the leading practices for managing fraud risk in the development of the Fraud Program.

To establish a commitment to combating fraud, TVA issued an executive policy regarding fraud risk management, establishing TVA's approach, designating the guiding principles, and outlining the governance structure. Additionally, TVA implemented supporting processes and procedures to define roles and responsibilities within the Fraud Program.

To determine TVA's fraud risk profile, TVA has included the identification and assessment of fraud risks as a component of its annual risk assessment process. Among other areas, TVA will continue to assess fraud risk related to payroll, beneficiary payments, grants, large contracts, purchase and travel cards, physical asset misappropriation, and information technology and security.

To help mitigate assessed fraud risks, TVA will evaluate its current control activities and consider the need for additional financial and administrative controls based on the fraud risk profile.

In order to improve the Fraud Program, TVA has developed a strategy for monitoring and evaluating its fraud risk management activities. The results of the monitoring activities and evaluations will be utilized to adapt the Fraud Program's activities and communicate through the program's governance structure.

#### **TVA Internal Monthly Reporting Process**

Internal financial performance reporting is done on a monthly basis at all levels within the enterprise. The monthly financial performance reports contain analysis for the income statement, cash flow statement, and statement of capital expenditures. The reports also include a balance sheet analysis detailing significant changes during the reporting period. TVA also performs agency-wide financial forecasts on a monthly basis in order to anticipate and respond to events that may have a significant impact on financial performance during the year.

## TVA FY 2026 Budget Details & Management Agenda and FY 2024 Annual Performance Report

### **Pending GAO and OIG Recommendations**

Periodically, the GAO and OIG may offer recommendations to TVA as part of their standard review process of the organization. TVA actively works with the GAO and OIG to review any potential recommendations in order to better serve the Valley.

The table below lists open recommendations that had been outstanding for at least one year as of September 30, 2024.

<b>Source</b>	<b>Report Number</b>	<b>Report Title</b>	<b>Report Date</b>	<b>Recommendation Status</b>	<b>Estimated Date of Completion</b>
GAO	GAO-17-343	Tennessee Valley Authority: Actions Needed to Better Communicate Debt Reduction Plans and Address Billions in Unfunded Pension Liabilities	3/23/2017	Accepted / Implementing	Closed /Ongoing
GAO	GAO-23-104489	Working Dogs: Federal Agencies Need to Better Address Health and Welfare	10/19/2022	Accepted / Implementing	Ongoing

For additional information regarding the recommendations listed above, and TVA's actions taken to date, please see Appendix A.

## Strategic Priorities, Objectives, and Performance Goals

*In line with strategic priorities, objectives, and performance goals, TVA achieved a record performance year in safety as well as industry-leading performance in FY 2024.*

- Zero serious injuries reported, one of the best safety years in TVA history.
- Invested over \$3.9 billion in FY 2024 to build new generation and infrastructure and enhance the performance and reliability of existing assets.
- Successfully met TVA's all-time peak power demand record of 35,319 MW on January 22, 2025.
- Helped attract \$8.9 billion in projected capital investment to the region that is expected to help create more than 10,350 jobs while retaining nearly 42,400 jobs.

### **Strategic Priorities and Objectives**

In order to help ensure that TVA accomplishes its strategic goals, TVA is focusing on the following objectives:

- **People Advantage** - Amplifying the energy, passion, and creativity within us all
- **Operational Excellence** - Building on our best-in-class reputation for reliable service and competitively priced power
- **Financial Strength** - Investing in our future, while keeping energy costs as low as possible
- **Powerful Partnerships** - Promoting progress through the shared success of customers and stakeholders
- **Igniting Innovation** - Pursuing innovative solutions for TVA and our communities

### **Performance Goals**

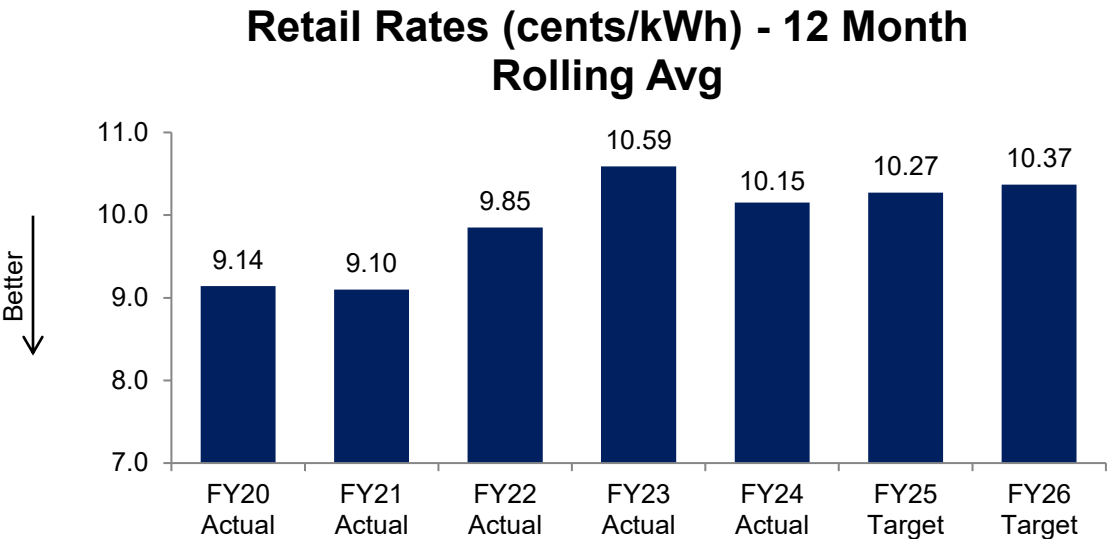
TVA has formulated key performance goals to support its strategic priorities. The intent of each measure is to align employees to TVA's mission by focusing collective efforts on financial strength, operational excellence, people advantage, powerful partnerships, and igniting innovation. The goals are designed to promote teamwork, encourage high performance behaviors, and motivate TVA employees to achieve goals aligned with TVA's mission and values.

The performance goals include the following:

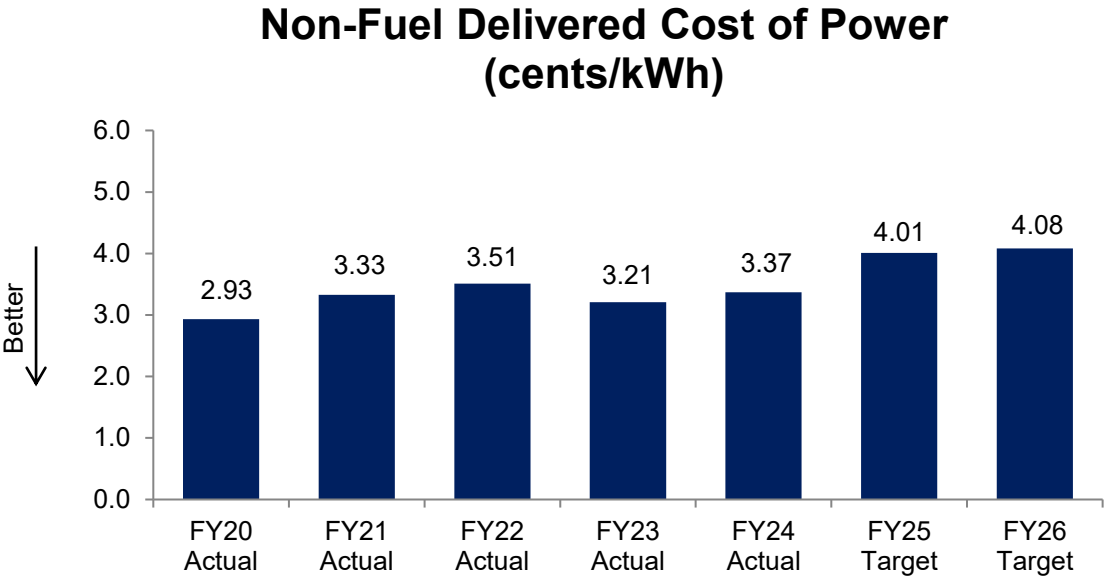
- Financial Strength
  - Retail Rates
  - Non-Fuel Delivered Cost of Power
  - Operating Cash Flow
  - Net Income
  - Total Financing Obligations
- Operational Excellence
  - CO<sub>2</sub> Emissions Rate
  - Environmental Violations of Significance
  - Load Not Served
  - Coal Equivalent Forced Outage Rate ("EFOR")
  - Nuclear Performance Index
  - Combined Cycle EFOR
  - Nuclear Online Reliability Loss Factor
- People Advantage / Powerful Partnerships
  - Serious Injury Incident Rate
  - Capital Investment
  - New and Retained Jobs
- Igniting Innovation
  - Milestone Metrics

All projected metrics and performance goals on the following pages are subject to Board review and approval.

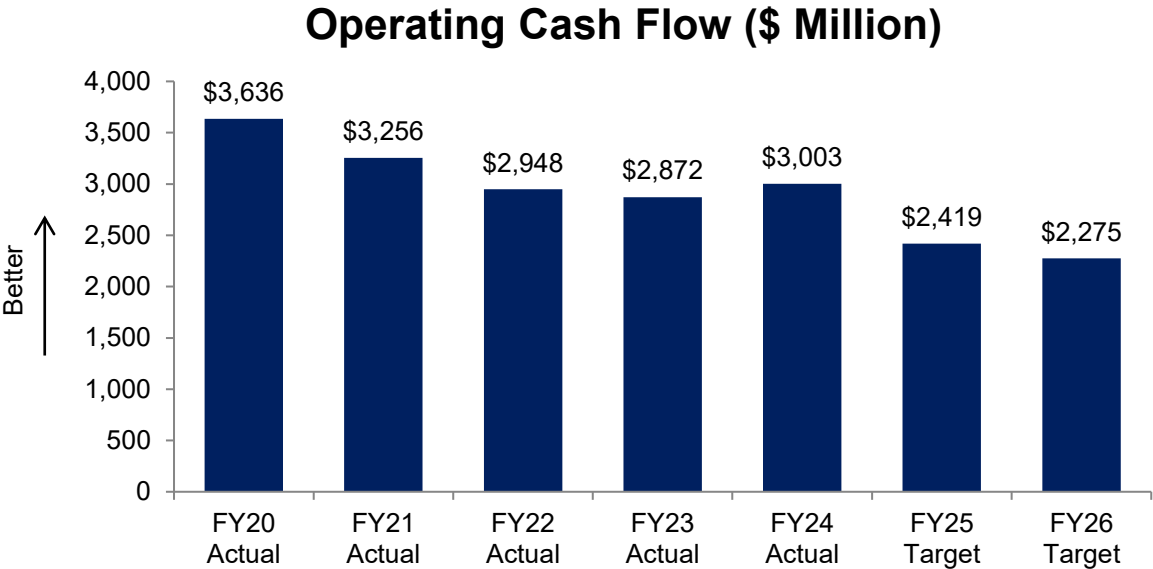
**Financial Strength**



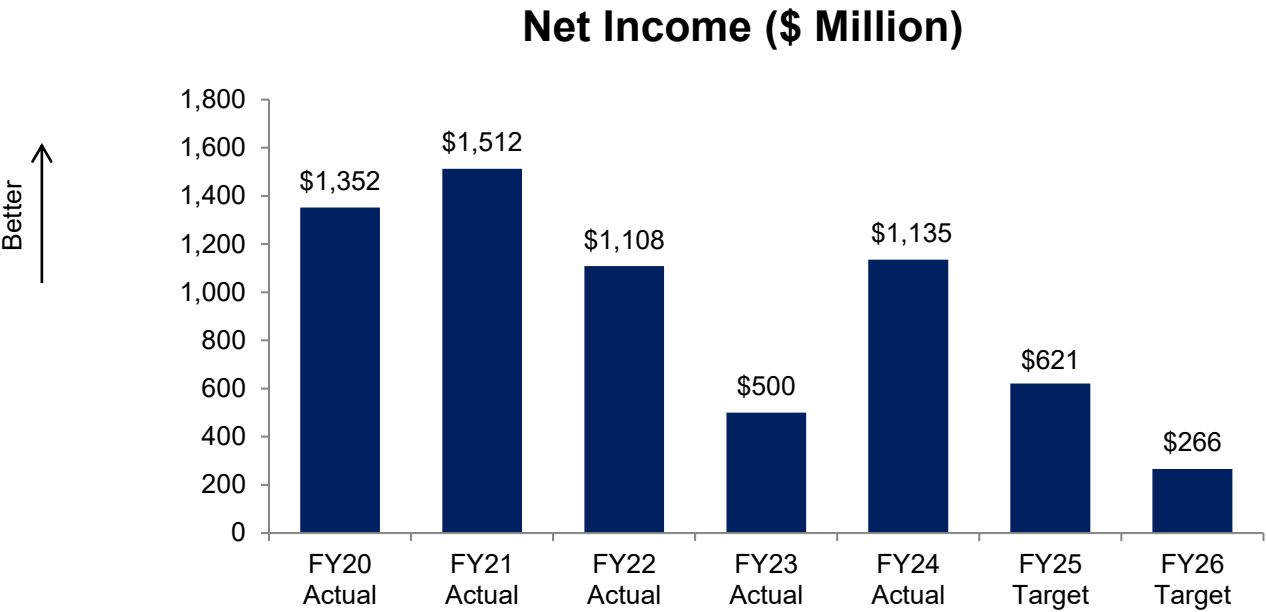
Definition	Average of the previous twelve months' LPC reported retail power revenue and directly served power revenue divided by LPC reported retail power sales and directly served power sales.
Calculation	(LPC reported retail power revenue + Directly served power revenue) / (LPC reported retail power sales + Directly served power sales)



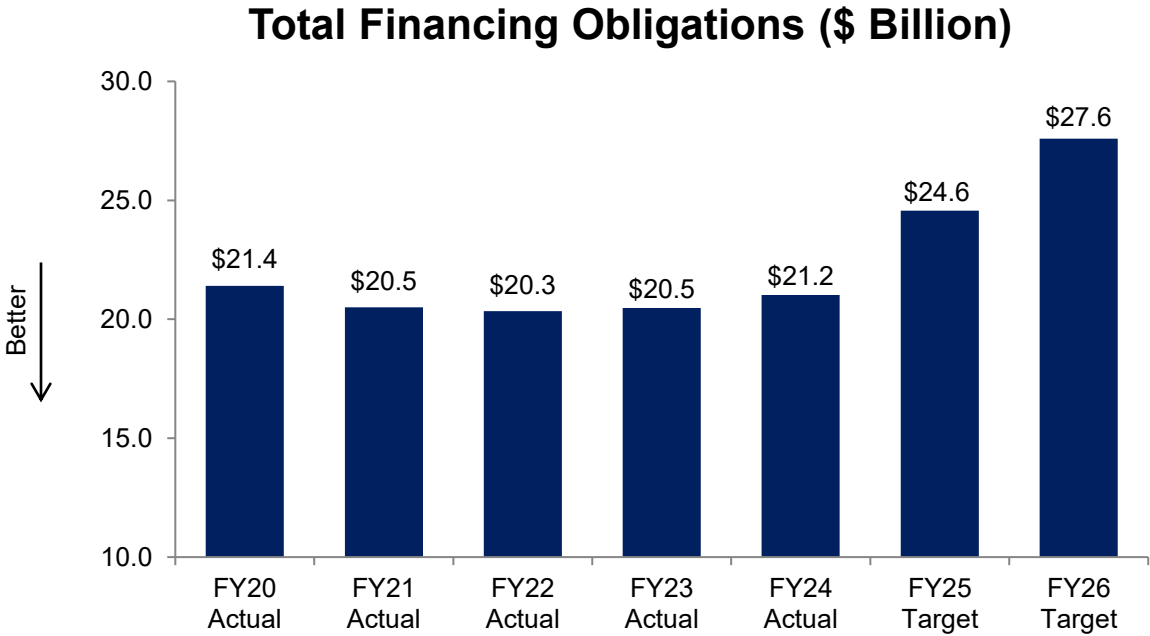
Definition	TVA's Non-Fuel Delivered Cost of Power represents TVA's non-fuel O&M, base capital, interest, and other cash needs divided by budgeted electric sales.
Calculation	<div>(Non-Fuel O&amp;M + Base Capital + Interest + Other Cash Needs) / Budgeted Electric Power Sales</div> <div>Additional incremental contributions to liabilities approved by the Board of Directors are excluded from the measure.</div>



Definition	Operating Cash Flow refers to the amount of cash generated from power production and other mission-related activities and is generally defined as Operating Revenues received less cash payments made for Operating Expenses. This amount can be found on the Consolidated Statement of Cash Flows under Cash Flows from Operating Activities.
Calculation	Net income + Non-cash expenses + Impact of changes in working capital and other deferred operating items



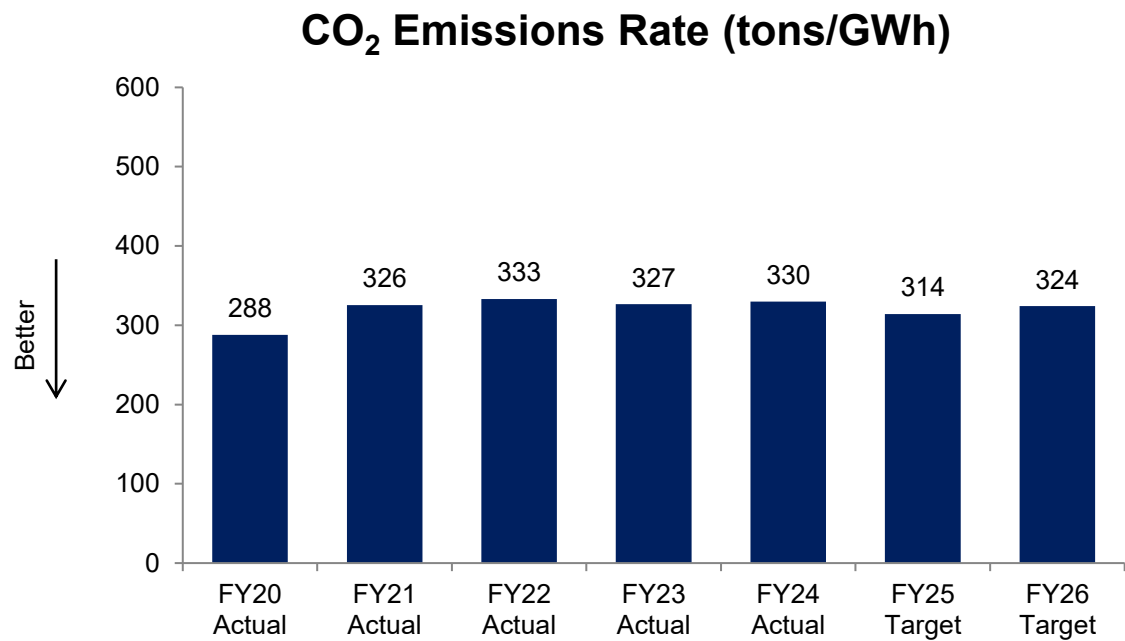
Definition	Net Income is an entity's net earnings derived by adjusting revenues for the cost of doing business, including cost of sales, depreciation, interest, in lieu of tax payments, and other expenses. This amount is shown on the bottom line of the Consolidated Statement of Operations.
Calculation	Operating Revenues – Operating Expenses + Other Income/(Expense) – Net Interest Expense



Definition	TFOs include all statutory debt and other financing obligations, as shown on TVA's balance sheet.
Calculation	Long-term Power Bonds + Short-Term Debt + Leaseback Obligations + Energy Prepayment Obligations + Debt of Variable Interest Entities ("VIE") + Membership Interests of VIE Subject to Mandatory Redemption + Notes Payable

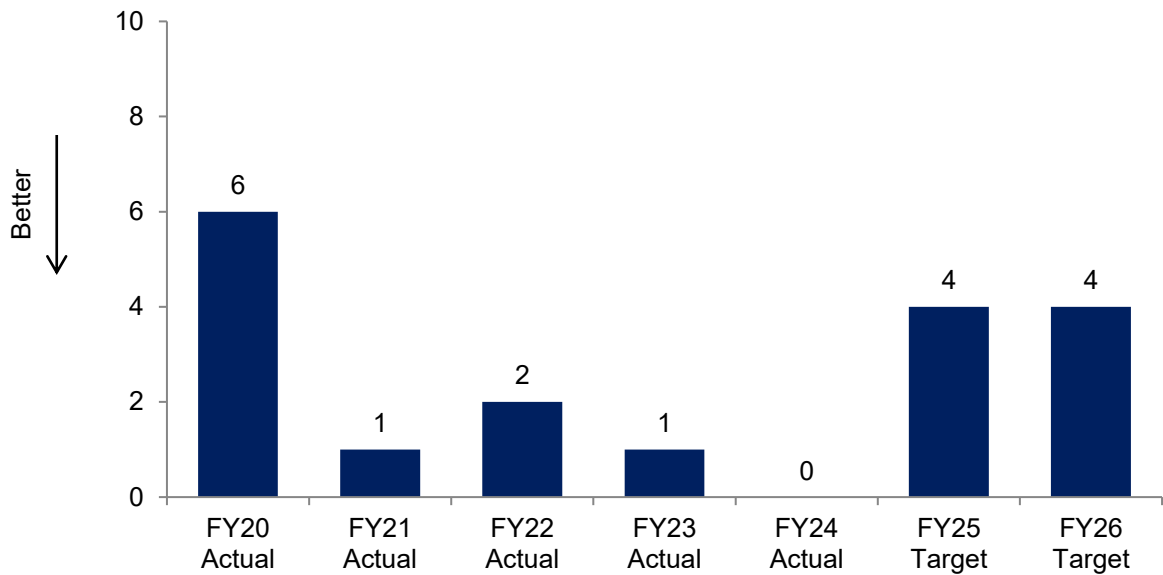
\* See Appendix B for a calculation of TFOs utilizing financial statement line items reported in accordance with Generally Accepted Accounting Principles.

Operational Excellence

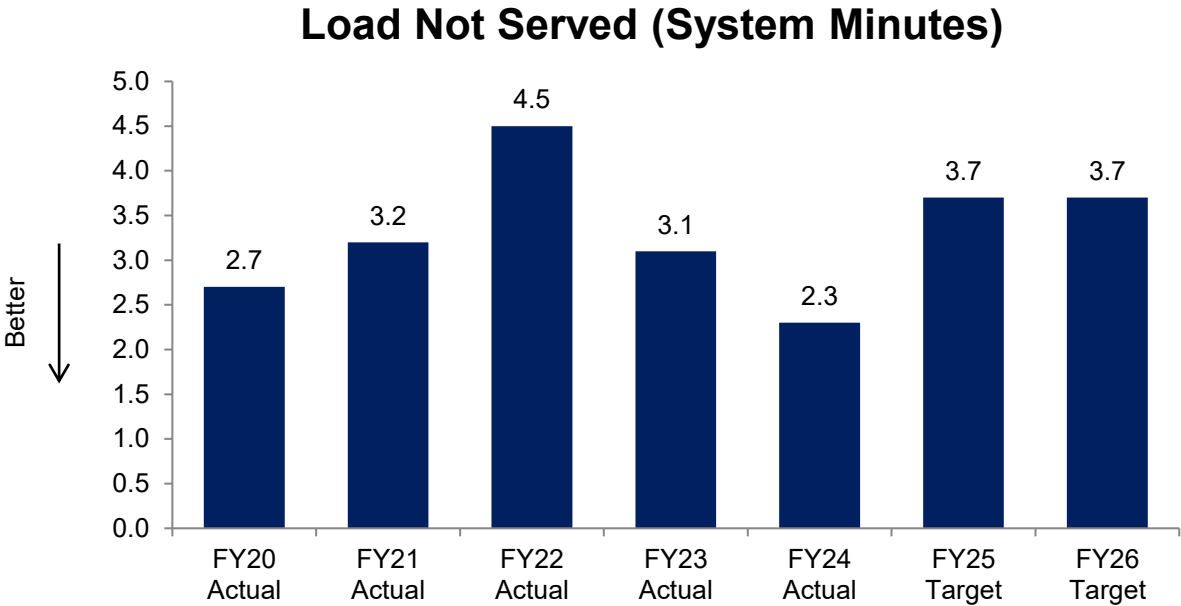


Definition	This measure reflects TVA's commitment to manage greenhouse gas emissions through efficient operation of its diverse generation mix.
Calculation	Tons of CO <sub>2</sub> emissions / GWh of generation

## Environmental Violations of Significance

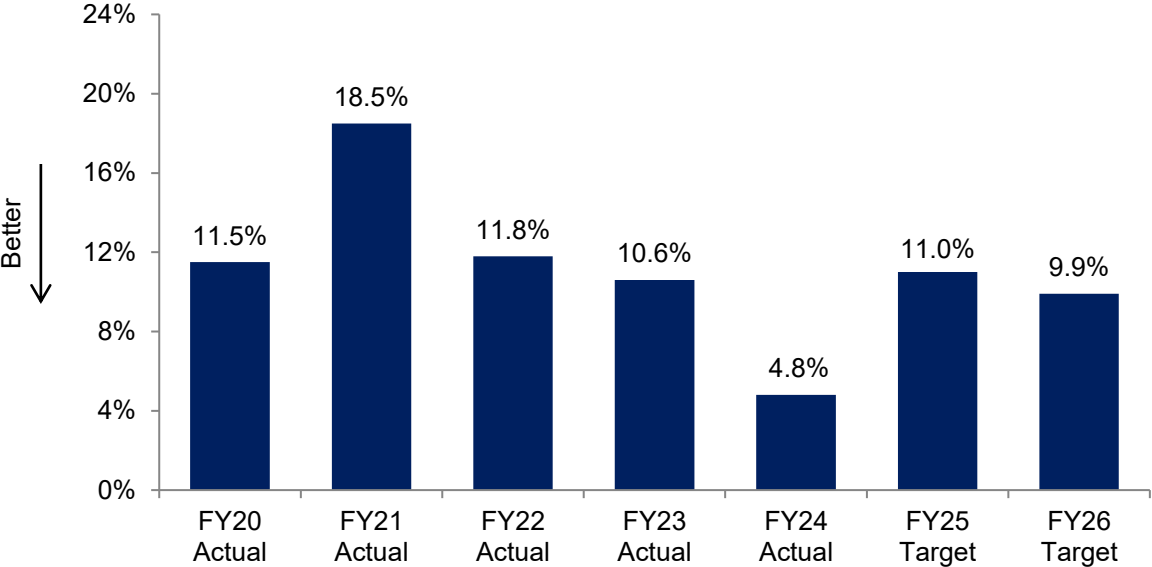


Definition	Environmental Violations of Significance (“EVOS”) is defined as a notice of violation or enforcement order issued by a regulatory agency for any non-compliance, or any non-compliance resulting in a fine or penalty.
Calculation	Number of EVOS (an occurrence will be recorded for each event) <ul style="list-style-type: none"><li>- Multiple parameters or multiple regulatory violations that result from the same root cause/event are counted once.</li><li>- Repeat occurrences will always count as separate events where cause evaluations are complete but actions to address have not been completed.</li></ul>

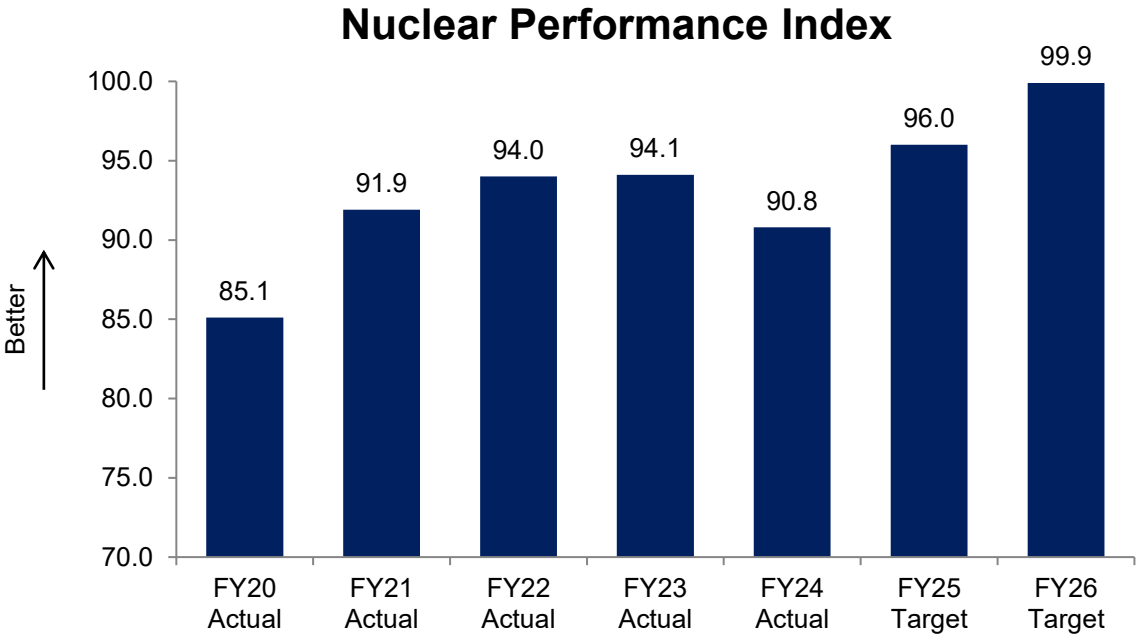


Definition	<p>Load Not Served measures the magnitude and duration of transmission system outages that affect TVA customers.</p> <p>This measure is expressed in system minutes and excludes events during declared major weather storms (defined as a weather-related event that causes an excess of the ten year six-sigma threshold of connection point interruptions, or an excess of 140 MWhs of Load Not Served, during a 24-hour period). The Vice President of Transmission Planning and Projects must approve an event as being a major weather event.</p>
Calculation	Percent of total load not served x Number of minutes in period

Coal EFOR

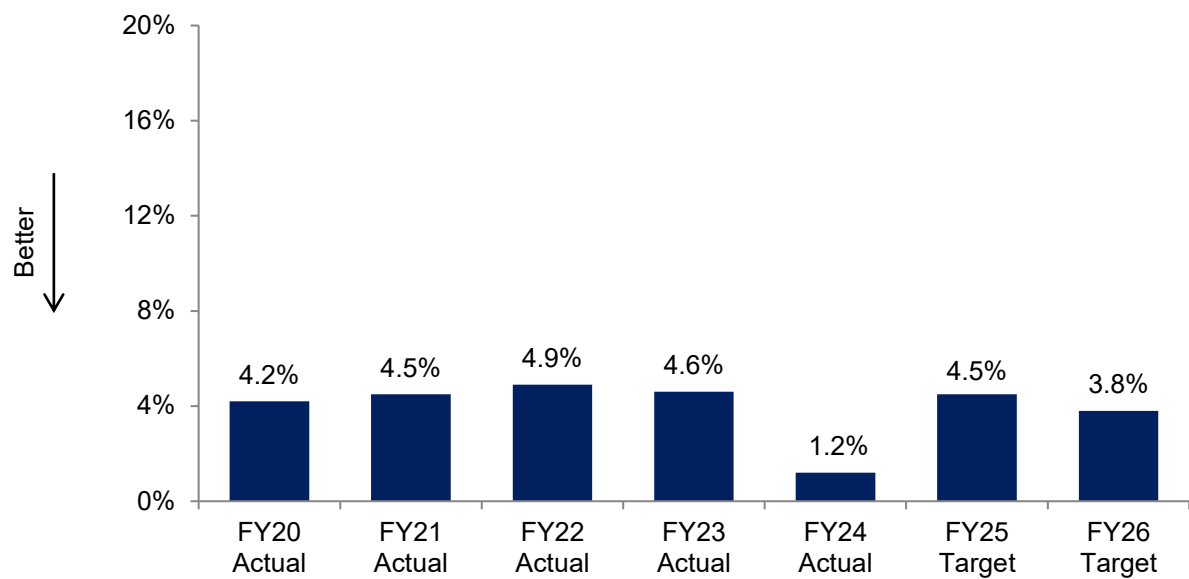


Definition	Coal EFOR measures the generation lost due to forced events as a percentage of time the unit would have been scheduled to run. This measure includes the Cumberland, Gallatin, Kingston, and Shawnee coal plants. This measure excludes events that are classified as “Outside Management Control.”
Calculation	<div>((FOH X WNDC) + Forced MWhL) / ((FOH + SH) X WNDC) X 100</div> <div>FOH = Forced Outage Hours</div> <div>SH = Service Hours</div> <div>WNDC = Winter Net Dependable Capacity</div> <div>Forced MWhL = MWh Losses Due to Forced Derating</div>



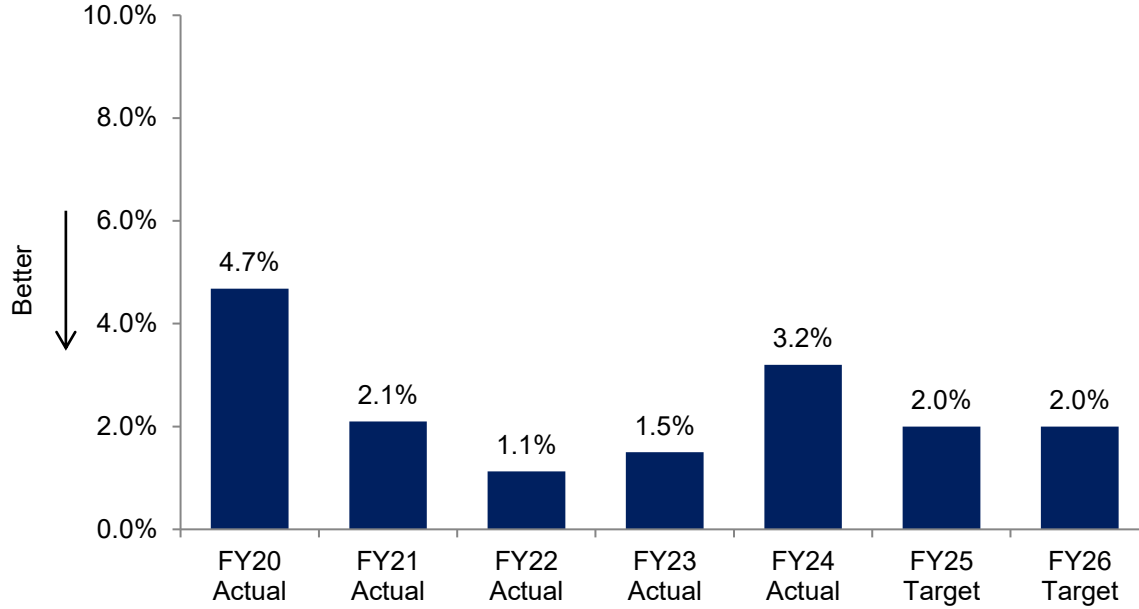
Definition	The Nuclear Performance Index is a weighted combination of the key performance indicators based on standard nuclear industry definitions for station performance. Metrics for FY 2021 and prior are based on the 2020 Index while metrics after FY 2021 are based on the 2025 Index.
Calculation	The Nuclear Performance Index for each unit is calculated using a weighted combination of key performance indicators based on standard nuclear industry definitions, with the maximum obtainable being 100 points. TVA's fleet-level Nuclear Performance Index is a simple average of the performance of each unit.

Combined Cycle EFOR



Definition	Combined Cycle EFOR measures the generation lost due to forced events as a percentage of time the unit would have been scheduled to run. This measure includes Caledonia, John Sevier, Lagoon Creek, Magnolia, and Southaven combined cycle plants. This measure excludes events that are classified as “Outside Management Control.”
Calculation	<div>((FOH X NDC) + Forced MWhL) / ((FOH + SH) X NDC) X 100</div> <div>FOH = Forced Outage Hours</div> <div>SH = Service Hours</div> <div>NDC = Net Dependable Capacity</div> <div>Forced MWhL = MWh Losses Due to Forced Derating</div>

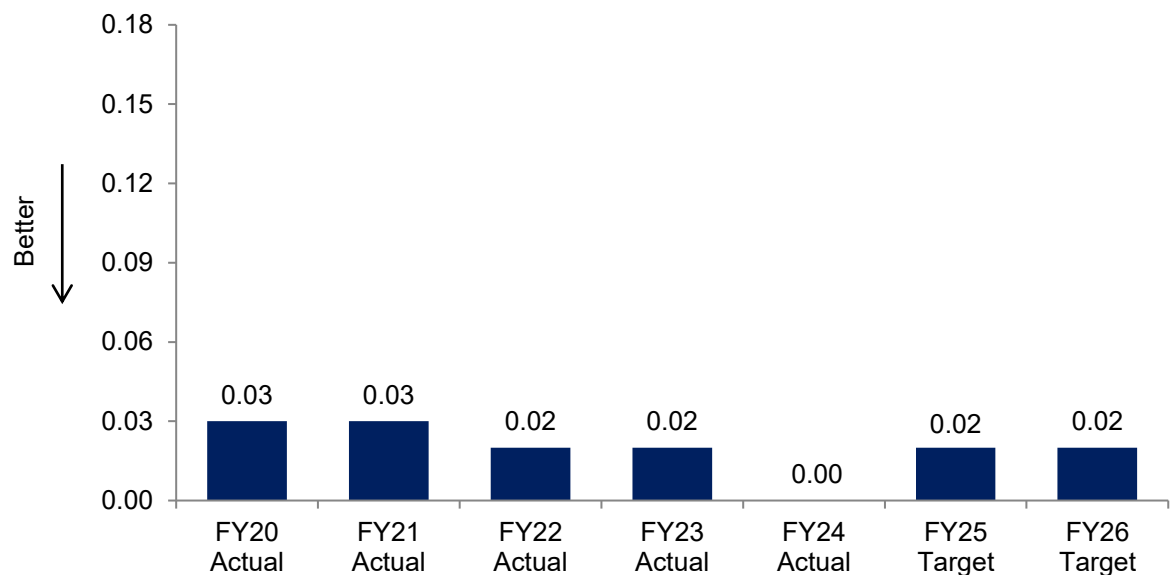
## Nuclear Online Reliability Loss Factor



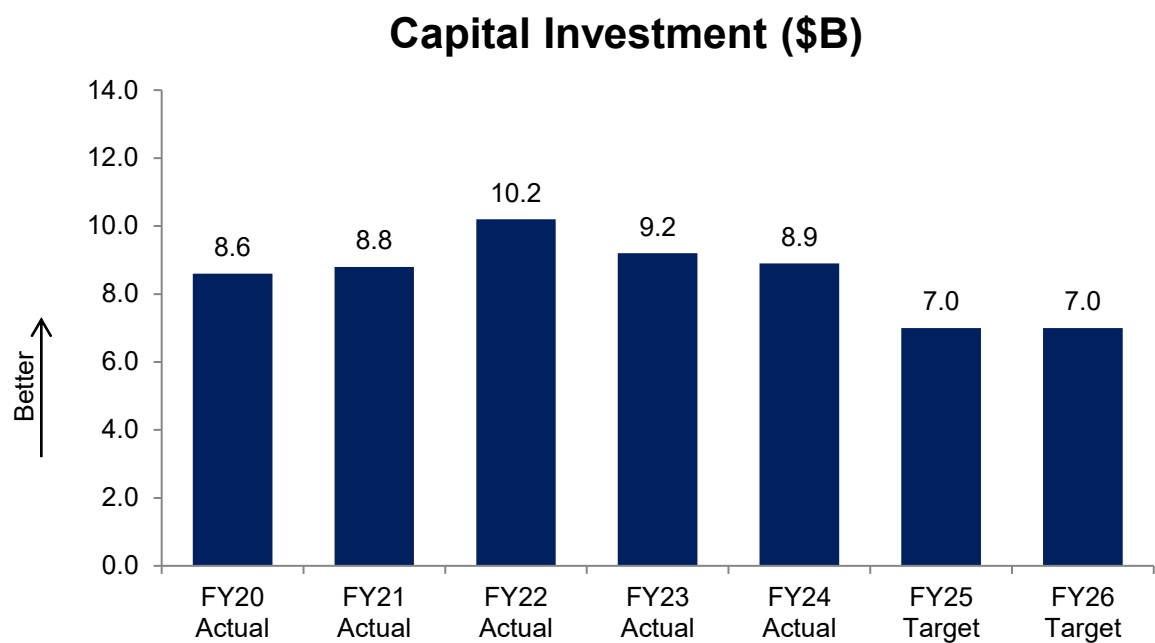
<b>Definition</b>	Nuclear Online Reliability Loss Factor is the 12 month ratio of all generation losses, minus refueling outages and exempt losses, to reference energy generation minus refueling outages and exempt losses in a normal fuel cycle period.
<b>Calculation</b>	$\{[(\text{PEL} + \text{UPEL} + \text{UPELOE}) - (\text{RFOT} + \text{SPEL})] / (\text{REG} - (\text{RFOT} + \text{SPEL}))\} * 100$ <p>                     PEL = Planned energy losses, MW-hr.                      UPEL = Unplanned Energy Loss (Forced)                      UPELOE = Unplanned Energy Loss (all Outage Extension)                      RFOT = Refueling outage duration in hrs. * RUP, MW-hr. (Breaker open to breaker closed, includes any refueling outage extension losses)                      SPEL = Exempt Reliability Energy Loss; energy losses associated with exempt activities                      REG = Reference Energy Generation                      REG (month) = RUP * 24 hours/day * no. days/month                      RUP = maximum power capability of the unit under reference ambient conditions                 </p>

**People Advantage / Powerful Partnerships**

**Serious Injury Incident Rate (SIIR)**



Definition	The SIIR is a mathematical calculation used by Edison Electric Institute that quantifies the extent of injury for serious injuries and fatalities from events within the control of the employee and/or the employer.
Calculation	(Number of cases x 200,000) / (number of hours worked during the time period) Metric applies to TVA employees and staff augmentation contractors.

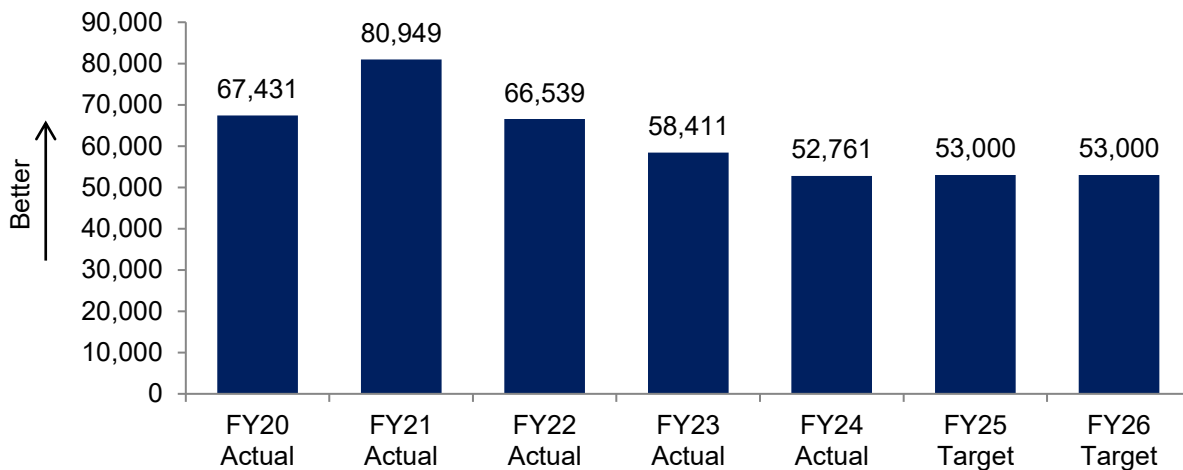


Definition	Capital Investment measures the amount of economic and capital investment in the Tennessee Valley that TVA has played a role in attracting.
Calculation	Amount of capital investment as reported through TVA channels

## New and Retained Jobs

Fiscal Year	New Jobs <sup>1</sup>	Retained Jobs <sup>2</sup>
2024	10,368	42,393
2023	12,276	46,135
2022	26,512	40,027
2021	22,599	58,350
2020	19,400	48,031

## New and Retained Jobs



\* FY25 & FY26 Target numbers based on an average of the approved FY25 range

<sup>1</sup> "New jobs" in the TVA fiscal year are newly created, paid positions at a facility of a TVA customer. "Positions" are calculated by adding (1) the number of full-time, on-site employees and/or independent contractors at the facility, (2) the total number of full-time work-from-home employees and independent contractors who reside in the TVA service territory and who spend 100% of their work time on facility-related matters, and (3) the total hours worked on facility-related matters by full-time and part-time on-site employees at the facility and full-time and part-time work-from-home employees (a) who reside in the TVA service territory and (b) who spend less than 100% of their work time on facility-related matters, divided by the number of work hours of such employees based on a 40 hour work week. A "TVA customer" means an entity that purchases power from TVA or a distributor of TVA power. New jobs reported by TVA may include positions created during the current TVA fiscal year and certified projections of anticipated positions to be created within a five-year time frame. New job numbers reported by TVA are certified and provided to TVA by TVA customers.

<sup>2</sup> "Retained jobs" are paid positions at a facility of a TVA customer that were created prior to the current TVA fiscal year and that continue to be filled in the current TVA fiscal year. "Positions" are calculated by adding (1) the number of full-time, on-site employees and/or independent contractors at the facility, (2) the total number of full-time work-from-home employees and independent contractors who reside in the TVA service territory and who spend 100% of their work time on facility-related matters, and (3) the total hours worked on facility-related matters by full-time and part-time on-site employees at the facility and full-time and part-time work-from-home employees (a) who reside in the TVA service territory and (b) who spend less than 100% of their work time on facility-related matters, divided by the number of work hours of such employees based on a 40 hour work week. A "TVA customer" means an entity that purchases power from TVA or a distributor of TVA power. Retained job numbers reported by TVA are certified and provided to TVA by TVA customers.

## **Igniting Innovation**

TVA's Igniting Innovation priority is designed to measure progress toward milestones and initiatives that provide innovative and advanced solutions to better serve the people of the Tennessee Valley. TVA is currently making progress toward several transformation initiatives, which include the following:

- **Energy Storage Integration** – Implement a long-term strategy to integrate energy storage for system flexibility and maximizing renewables
- **Regional Grid Transformation** – Enable an interconnected, intelligent grid to reliably deliver power as customer values evolve, investing in a state-of-the-art System Operations Center and Energy Management System that enhance security, resiliency, and reliability, and enable innovation
- **Connected Communities** – Expand smart technologies including broadband with communities to manage energy and services
- **Advanced Nuclear Solutions** – Develop a reliable, affordable, and flexible generation option with cost and risk shared
- **Future Grid Performance** – Help ensure a stable and reliable grid as TVA's generation mix evolves

Beginning in 2020, TVA placed a high priority on innovation and research which aligns to and supports its transformative initiatives. At the forefront of this is TVA's advanced nuclear strategy. TVA is committed to investing in the future of nuclear and continues to evaluate the licensing and design of emerging nuclear technologies, such as advanced light water SMRs and advanced non-light water reactors. In December 2019, TVA became the first utility in the nation to successfully obtain approval for an early site permit from the NRC to potentially construct and operate SMRs at TVA's Clinch River Nuclear Site. The permit is valid through 2039 and therefore provides TVA a great deal of flexibility to make new nuclear decisions based on energy needs and economic factors. In 2021, TVA initiated a Programmatic EIS that evaluated a variety of alternatives for a proposed advanced nuclear technology park at the Clinch River Nuclear Site and will provide additional flexibility for future decision making. The Record of Decision was signed in 2022.

The TVA Board has approved up to \$350 million to explore advanced reactor technology options under the New Nuclear Program. Of this amount, TVA had spent \$196 million as of September 30, 2024. The New Nuclear Program provides a systematic roadmap for TVA's exploration of advanced nuclear technology. Collaboration with other interested parties will be an important aspect of this program, and TVA has entered into several agreements with technology progressive organizations that allow for mutual collaboration to explore advanced reactor designs as a next-generation nuclear technology. In December 2022, TVA entered into a multi-party collaborative arrangement to advance the global deployment of the GE Hitachi Nuclear Energy BWRX-300 SMR. GEH is responsible for standard design development.

In April 2025, TVA submitted a Notification of Intent to the NRC regarding an SMR construction permit application at the Clinch River site.

Tennessee Governor Bill Lee signed an executive order in CY 2023 to advance Tennessee's position as a national leader in nuclear energy. This executive order created the Tennessee Nuclear Energy Advisory Council to build upon the state's legacy in nuclear innovation and drive continued investment to create a nuclear energy ecosystem for the future of Tennessee. TVA's President and Chief Executive Officer, Don Moul, serves as a member of the council.

## Other Information

### Data Validation and Verification

Much of the data contained in this document was derived from TVA's Annual Report on SEC Form 10-K for the year ended September 30, 2024 ("Annual Report"). TVA filed the Annual Report with the SEC, and TVA's CEO and Chief Financial and Strategy Officer certified the Annual Report in accordance with the requirements of the Sarbanes-Oxley Act. Also, TVA's independent auditor, Ernst & Young LLP, audited the financial statements contained in the Annual Report.

TVA's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934 and required by Section 404 of the Sarbanes-Oxley Act. TVA's internal control over financial reporting is designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. Because of the inherent limitations in all control systems, internal controls over financial reporting and systems may not prevent or detect misstatements.

TVA's management, including the CEO, the Chief Financial and Strategy Officer, and the Controller, evaluated the design and effectiveness of TVA's internal control over financial reporting as of September 30, 2024, based on the framework in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, TVA's management concluded that TVA's internal control over financial reporting was effective as of September 30, 2024. Although management's report on the effectiveness of internal control over financial reporting was not required to be subject to attestation by TVA's registered public accounting firm, TVA has chosen to obtain such a report. Ernst & Young LLP issued an attestation report on TVA's internal control over financial reporting as of September 30, 2024.

### Lower-Priority Program Activities

TVA has determined that it does not have any lower-priority program activities for purpose of 31 U.S.C. § 1115(b)(10).

### Hyperlinks

Hyperlinks to documents discussed in this Performance Report, as well as other significant documents, are below:

Documents and Reports	Hyperlink
Integrated Resource Plan	<a href="https://www.tva.com/environment/integrated-resource-plan">https://www.tva.com/environment/integrated-resource-plan</a>
Natural Resource Plan	<a href="https://www.tva.gov/Environment/Environmental-Stewardship/Environmental-Reviews/Natural-Resource-Plan">https://www.tva.gov/Environment/Environmental-Stewardship/Environmental-Reviews/Natural-Resource-Plan</a>
Annual/Quarterly Reports	<a href="https://www.tva.com/finance/sec-filings">TVA - Financial Information - SEC Filings (q4ir.com)</a>
Annual Performance Report	<a href="https://www.tva.gov/About-TVA/Guidelines-and-Reports">https://www.tva.gov/About-TVA/Guidelines-and-Reports</a>
Sustainability Report	<a href="https://www.tva.com/environment/environmental-stewardship/sustainability/sustainability-report">https://www.tva.com/environment/environmental-stewardship/sustainability/sustainability-report</a>
Strategic Intent & Guiding Principles	<a href="https://www.tva.com/about-tva/reports">https://www.tva.com/about-tva/reports</a>
CCR Rule Compliance Data and Information	<a href="https://www.tva.com/environment/environmental-stewardship/coal-combustion-residuals">https://www.tva.com/environment/environmental-stewardship/coal-combustion-residuals</a>
Federal Funding Opportunities	<a href="https://www.tva.com/energy/technology-innovation/connected-communities/federal-funding-opportunities">https://www.tva.com/energy/technology-innovation/connected-communities/federal-funding-opportunities</a>
EnergyRight® Programs	<a href="https://energyright.com">https://energyright.com</a>
Environmental Policy	<a href="https://www.tva.com/environment/environmental-stewardship/environmental-policy">https://www.tva.com/environment/environmental-stewardship/environmental-policy</a>
Economic Development	<a href="https://www.tva.com/economic-development">https://www.tva.com/economic-development</a>

**TVA FY 2026 Budget Details & Management Agenda and FY 2024 Annual Performance Report**

**Appendix A**

<b><u>Report Number</u></b>	<b><u>GAO Recommendation</u></b>	<b><u>TVA Response</u></b>
GAO-17-343	The TVA Board should ensure that TVA propose, and work with the TVARS Board to adopt, funding rules designed to ensure the plan's full funding.	<p>TVA remains committed to working with the TVARS Board, a separate legal entity from TVA, to ensure a fully-funded retirement system. In addition to the 2016 plan amendments that were approved by the TVARS Board and accepted by TVA that put in place a plan to close the gap between TVARS' assets and obligations over a 20-year period, other recent developments include:</p> <ul style="list-style-type: none"> <li>- In FY 2017, TVA made an additional one-time pension contribution of \$500 million to TVARS. This brought the total FY 2017 contribution to \$800 million versus the required contribution of \$300 million. This additional contribution has improved the confidence of being fully-funded over the original 20-year period.</li> <li>- In June 2018, the TVARS Board approved, and TVA accepted, rule changes that allowed employees with a Cash Balance pension account to stop receiving Cash Balance pension benefits and instead shift their retirement benefits to the 401(k) Plan effective October 1, 2018. This choice provided employees with greater flexibility in future financial planning and the option to choose the retirement benefits that are best for them.</li> <li>- In FY 2021 and FY 2023, TVARS updated its asset allocation policy and de-risking strategy to provided greater stability in TVARS' asset value and reduce TVARS' funded status volatility while working toward the goal of fully-funded liabilities.</li> </ul>
GAO-23-104489	The Chief Executive Officer of the Tennessee Valley Authority should direct the Tennessee Valley Authority Police to revise the agency's policies, as necessary, to ensure that they address all of the 18 issues GAO identified as important to the health and welfare of working dogs.	TVA has implemented the recommended policy changes to its canine program and is actively working with the interagency canine working group at GAO to close the recommendation.

## Appendix B

TFOs are a financial measure that is not calculated and presented in accordance with GAAP. TFOs are measured by summing bonds and notes, gross, debt related to variable interest entities ("VIEs"), leaseback obligations, energy prepayment obligations, the membership interests of VIEs subject to mandatory redemption, and notes payable. A calculation of TFOs utilizing financial statement line items reported in accordance with GAAP follows:

TENNESSEE VALLEY AUTHORITY							
Unaudited Reconciliation of Total Financing Obligations							
at September 30 (dollars in millions)							
	2020	2021	2022	2023	2024	2025 Projected	2026 Projected
<b>Total Financing Obligations</b>	<b>\$ 21,421</b>	<b>\$ 20,543</b>	<b>\$ 20,336</b>	<b>\$ 20,525</b>	<b>\$ 21,203</b>	<b>\$ 24,559</b>	<b>\$ 27,592</b>
Energy prepayment obligations	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-
Leaseback obligations	(223)	(25)	(0)	-	-	(578)	(558)
Membership interests of VIE subject to mandatory redemption	(25)	(24)	(20)	(18)	(17)	(16)	(14)
Debt of VIE	(1,098)	(1,056)	(1,013)	(974)	(939)	(902)	(864)
<b>Bonds and Notes, gross</b>	<b>20,075</b>	<b>19,438</b>	<b>19,303</b>	<b>19,533</b>	<b>20,247</b>	<b>23,063</b>	<b>26,156</b>
Exchange loss (gain)	(153)	(58)	(150)	(109)	(62)	-	-
Unamortized discounts, premiums, issue costs and other	(131)	(122)	(132)	(132)	(134)	(225)	(228)
Notes payable	-	-	-	-	-	-	-
Debt of variable interest entities	1,098	1,056	1,013	974	939	902	864
Total outstanding debt	<u>\$ 20,889</u>	<u>\$ 20,314</u>	<u>\$ 20,034</u>	<u>\$ 20,266</u>	<u>\$ 20,990</u>	<u>\$ 23,740</u>	<u>\$ 26,792</u>



