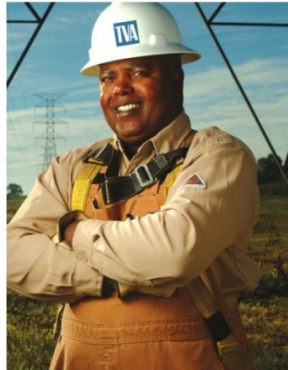


# FY 2027 Budget Details & Management Agenda and FY 2025 Annual Performance Report



For the Fiscal Year Ending  
September 30, 2027

Submitted to Congress  
March 2026





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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, reliable, and resilient 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 by working closely with local power companies (“LPCs”). TVA delivers power at affordable rates. As of June 2025, TVA’s residential electric rates were lower than approximately 80% of the top 100 U.S. utilities and TVA’s industrial power rates were 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 more opportunities 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. TVA’s economic development efforts are estimated to have contributed to the announcement of 9,316 new jobs and retention of 43,254 existing jobs in the Valley during FY 2025.

### 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. Each year TVA is estimated to prevent on average more than \$300 million in flood loss and provide navigation support for 50 million 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.

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 including almost all of the state of Tennessee and parts of six surrounding states.

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

### 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 throughout the Valley.

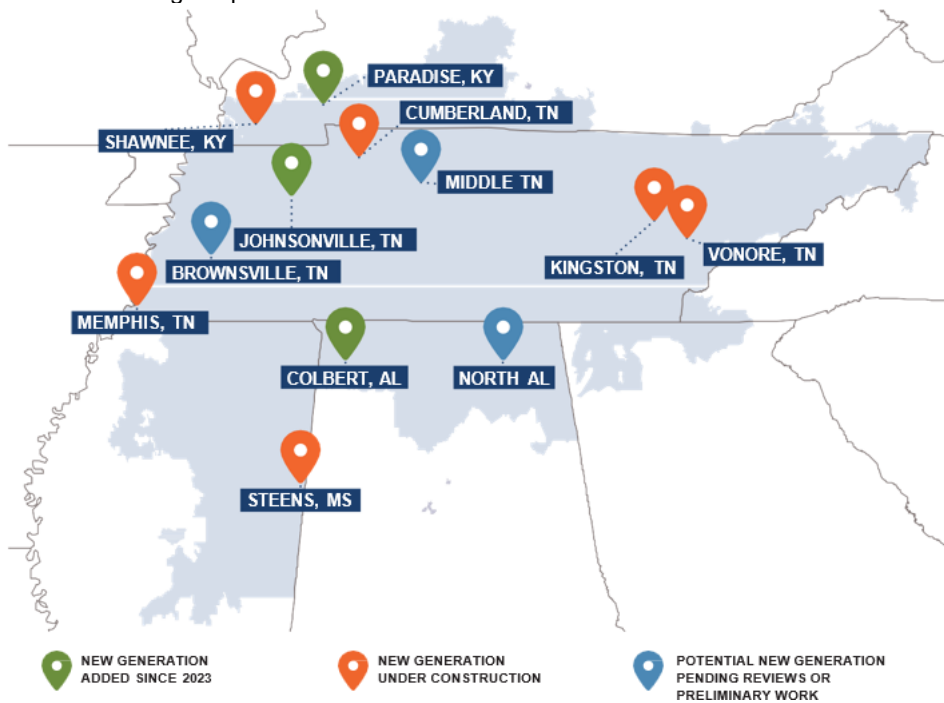
## TVA FY 2027 Budget Details & Management Agenda and FY 2025 Annual Performance Report

For example, as of September 30, 2025, 148 of the 153 LPCs TVA serves had signed long-term partnership agreements with TVA, further strengthening the relationship between TVA and its LPCs. 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, 2025, 109 LPCs had signed a Power Supply Flexibility Agreement.

### Preparing the Tennessee Valley for the Future

Over the past five years, the region's gross domestic product has been growing and outpacing the national average. In addition, the region's population has grown faster than the national average. To address the need for more electricity, TVA is undertaking one of the largest capital investments in TVA history.

TVA is committed to maintaining our existing energy system of more than 32,000 megawatts ("MW"), while also making significant investments to prepare for the future, which includes adding around 6,200 MW of new power generation – enough to power an additional 3.8 million homes.



To support the Valley's energy needs, TVA is investing in generation to maintain reliability and support growing demand for electricity. For example, in July 2023, TVA successfully brought online new generating units at its Colbert site in North Alabama. The new combustion turbine ("CT") units at this site added approximately 750 MW to the grid, enough dispatchable electricity to power 400,000 homes. In late 2023, TVA also added new simple cycle CT units at its Paradise facility, in Kentucky, adding over 680 MWs to the grid. In 2025, commercial operations of a new aeroderivative CT plant at TVA's Johnsonville facility began adding over 500 MWs to the grid to support the Valley's growing energy needs.

Additionally, TVA has ongoing construction of natural gas projects at its Cumberland site and its Kingston site, an aeroderivative CT project at its Allen site in Memphis, TN, and a new Caledonia simple cycle CT project in Steens, MS. TVA is also evaluating natural gas projects for a new CT at TVA's Lagoon Creek site and for the possibility of replacement generation on the system.

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In November 2022, the TVA Board approved the opportunity for TVA to explore the development of a utility-scale solar project, contingent on successfully completing environmental reviews under the National Environmental Policy Act ("NEPA") and other applicable laws and obtaining the necessary state permits. The project would utilize TVA land, deploying a solar cap system at the TVA Shawnee Fossil Plant ("Shawnee") in Paducah, Kentucky.

In May 2025, TVA submitted a construction permit application to the U.S. Nuclear Regulatory Commission ("NRC") for a small modular reactor ("SMR"). That application is currently under review by the NRC, with an expected decision by early 2027. TVA also has the nation's first early site permit from the NRC for an SMR at its Clinch River Nuclear Site. TVA has joined with GE Hitachi Nuclear Energy ("GEH"), Ontario Power Generation, and Orlen Synthos Green Energy 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 December 2025, TVA and a consortium of co-applicants were selected by the U.S. Department of Energy ("DOE") to enter into negotiations for a \$400 million grant to accelerate the deployment of a small modular reactor at the site. The decision to potentially construct SMRs continues to be evaluated and would require approval by the TVA's Board and the NRC.

In addition, TVA is collaborating with other nuclear technology companies to explore a full range of technologies. In 2025, TVA signed a Power Purchase Agreement to purchase up to 50 MW of electricity from the Kairos Power Hermes 2 Plant in Oak Ridge, Tennessee. The capacity is anticipated to come online as early as 2030. Also, in 2025, TVA and ENTRA1 Energy signed an agreement to explore the development of up to 6 gigawatts of new nuclear generation in TVA's seven-state region utilizing NuScale's SMR technology.

TVA is also supporting the development of Type One Energy's stellarator fusion reactor at TVA's former Bull Run Fossil Plant ("Bull Run"). In 2025, Type One Energy entered into a service contract with TVA under which TVA's Power Service Shops will develop custom welding and fabrication techniques and create parts for Type One's project. TVA has also signed an agreement with Oklo Inc. to explore the feasibility of recycling TVA's used fuel at the company's planned facility in Oak Ridge, Tennessee, and pathways for TVA to purchase energy from Oklo Inc.'s proposed SMRs.

A new system operations center was approved by the TVA Board. The new secured facility will accommodate a new energy management system and adapt to new regulatory requirements. The facility will also help improve reliability, has improved physical security from the previous center, and is flexible to help accommodate operational growth requirements, including future renewables. Construction of the facility was completed in FY 2025, and the facility is expected to be fully operational in CY 2026. As of September 30, 2025, TVA had spent \$326 million on the project and expects to spend an additional \$4 million.

### **Integrated Resource Plan**

The Integrated Resource Plan ("IRP") is a risk-informed, comprehensive study of TVA's energy resources and how TVA plans to meet future electricity demand across the service territory. The IRP considers a range of potential future scenarios as well as resource deployment strategies that TVA could employ within those futures. The IRP meets TVA's requirements for a least cost planning program under Section 113 of the Energy Policy Act of 1992. In May 2023, TVA issued a Notice of Intent to initiate development of a new IRP and associated Programmatic Environmental Impact Statement ("EIS"). TVA published a draft IRP and EIS in September 2024 and received public comments on these draft documents. The final IRP was expected to be published in 2025; however, publication of the final IRP and EIS has been delayed due to lack of a Board quorum.

## 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 an affordable, 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 168 billion kilowatt-hours ("kWh") of electricity to TVA customers in FY 2025.
- 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. TVA's New Nuclear Program is an example of this initiative.

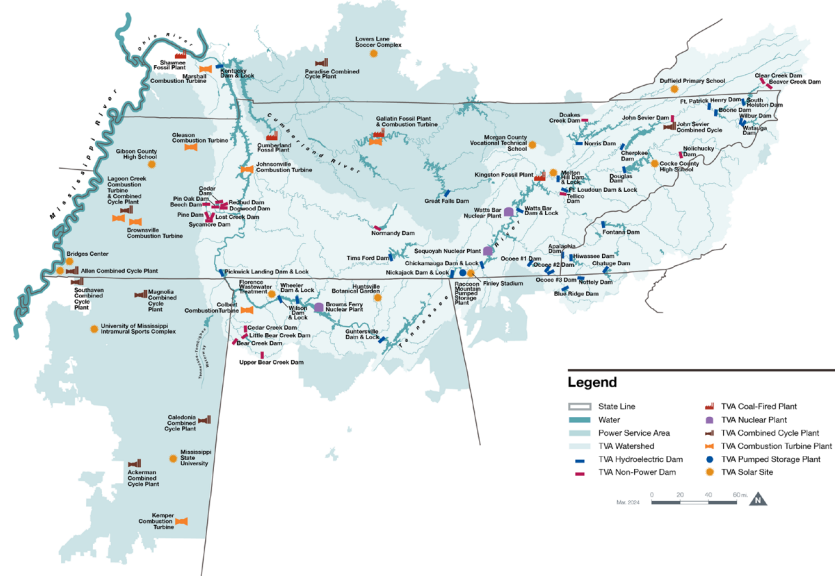
### **Power System**

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 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 with which it had exchange arrangements as of July 1957.

Power generating facilities operated by TVA as of September 30, 2025, 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, 2025, TVA's nuclear units had a combined summer net capability of 8,302 MW. These nuclear units generated 41 percent of the power from TVA-operated facilities, which excludes purchased power, during FY 2025. TVA's system also includes 93 CT power blocks powered by natural gas and/or oil with a total summer net capability of 12,643 MW. These generators provided 31 percent of the power from TVA-operated facilities in FY 2025, with the simple-cycle CTs, consisting of 68 power blocks, providing 5,089 MW of quick-start capability vital for meeting peak electricity demands. TVA's four coal-fired sites accounted for 5,815 MW of summer net capability on September 30, 2025, and generated about 18 percent of the power from TVA-operated facilities in FY 2025. TVA-owned hydroelectric units had a combined summer net capability of 5,498 MW as of September 30, 2025, and generated about 10 percent of the power from TVA-operated facilities in FY 2025.

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## **Transmission System**

With more than 16,000 miles of transmission lines, 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, having delivered approximately 168 billion kWh of electricity to TVA customers in FY 2025.

TVA’s transmission system has 69 interconnections with 13 neighboring electric systems and consisted primarily of the following assets as of September 30, 2025:

- Approximately 2,500 circuit miles of 500 kilovolt, 12,100 circuit miles of 161 kilovolt, and 1,900 circuit miles of other voltage transmission lines, and 5,445 miles of fiber optic lines;
- 590 transmission substations, power switchyards, and switching stations; and
- 1,361 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, TVA constructed a new System Operations Center. 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.

## **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 has 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 and set another all-time power demand record, approximately 35,430 MW, on January 22, 2025. Focusing on operational excellence will help 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. 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.
- **Distributed and Large Scale Solutions** – These programs work together to optimize system benefits and support customer goals through distributed resiliency assets, electric vehicle strategies, and a comprehensive portfolio of utility-scale renewable energy programs aligned with TVA system priorities.

TVA is planning to invest more than \$1.5 billion in energy efficiency upgrades and demand response programs from 2024 - 2028. 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 saving nearly \$51.6 million on their electric bills over the life of their energy improvements.

### **Igniting Innovation**

TVA is continuously seeking innovative solutions that may help with respect to improving system reliability and lowering costs. Potential opportunities to achieve these objectives include new technologies emerging in the industry.

As part of this initiative, TVA formed a New Nuclear Program that provides a systematic roadmap for TVA's exploration of advanced nuclear technology. 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 ("PEIS") 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. In the second quarter of 2025, TVA requested public comment on a draft Supplemental EIS that addresses the potential environmental effects associated with site preparation, construction, operation, and decommissioning of one SMR at the Clinch River site. In May 2025, TVA submitted a construction permit application to the NRC for an SMR at the Clinch River Site, and the NRC accepted the application for review in July 2025. In addition, while evaluating alternatives for potential advanced nuclear at the Clinch River Nuclear Site, TVA is exploring the feasibility of applying a similar approach that could deploy additional SMRs at Clinch River and other TVA-owned properties.

## 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 is estimated to have helped attract approximately \$44 billion in projected capital investment, which is estimated to have helped create over 81,000 jobs and retain more than 230,000 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, reliable, and resilient 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 150 companies into the TVA service area during FY 2025. These companies announced anticipated capital investments of \$6.6 billion during the fiscal year. Additionally, TVA's economic development efforts contributed to the announcement of 9,316 new jobs and retention of 43,254 existing jobs in the Valley during FY 2025. Please see page 36 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.

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- **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.
- **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, clean technology, food and beverage, industrial technologies, 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. An example is energy bill credits, which are based on capital investments and jobs created and help 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.

In FY 2025, for the twentieth 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 affordable, reliable, and resilient 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. TVA-managed reservoirs and recreation serve as a driver for nearly \$12 billion in total economic activity and more than 130,500 jobs.

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**

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

TVA understands that clean water is vitally important. 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 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 and is funded primarily by power sales and proceeds from power system financings. These amounts fund the TVA power system as well as economic development programs and integrated river management. TVA is eligible for and is receiving grants and tax credits as approved for certain projects.
- 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's system and meet the growing demand of our region. These strategic investments contributed to TVA's \$61 billion in total assets as of September 30, 2025.
- Over the last ten years, TVA has returned more than \$5.4 billion of power revenues to the states and counties served through tax equivalent payments.
- In FY 2024, TVA began a strategic effort with its Enterprise Transformation Program ("ETP") 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 typically presented for review and full Board approval each year, along with a review of TVA's 3-year Business Plan. Since the TVA Board lacked a quorum in the 4<sup>th</sup> quarter of FY 2025, the TVA Board did not approve a budget but authorized the CEO to make expenditures that are necessary to assure continuity of operations during FY 2026. The information included in this document is based on these FY 2026 expenditures, which were approved by the TVA Board in July 2025.

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 to the U.S. Treasury on the remaining \$258 million of power system appropriation investment outstanding. 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").

### **Borrowing Limit**

TVA follows financial guiding principles approved by its Board in 2010 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 who benefit from them.

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 \$23.8 billion as of September 30, 2025. Of this amount, TVA had \$22.1 billion of bonds subject to the \$30 billion statutory limit as of September 30, 2025. (See Appendix B for a calculation of TFOs utilizing financial statement line items reported in accordance with GAAP.)

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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**

As of June 2025, TVA's residential electric rates were lower than approximately 80% of the top 100 U.S. utilities, and industrial power rates were 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**

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.

TVA provided approximately \$600 million in tax equivalent payments in FY 2025 to state and local governments where it sells electricity or has power properties. In total, payments over the past 10 years have exceeded \$5.4 billion.

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 Program**

TVA must continue to drive efficiencies and cost savings across the enterprise to provide affordable, reliable, and resilient power while funding the capital investment needed to meet growing demand. TVA has undertaken a cost optimization initiative designed to reduce planned cost increases by approximately \$950 million during the three-year period from FY 2024 to FY 2026. TVA met its reduction targets for FY 2024 and FY 2025 and has plans to meet the targets set for FY 2026.

## **TVA FY 2027 Budget Details & Management Agenda and FY 2025 Annual Performance Report**

This effort has evolved into an ETP designed to enable TVA to deliver at least \$500 million of sustainable reductions to planned cost increases in FY 2026 and beyond to support future fleet investments needed to meet growing demand. TVA's ETP is focused on improving financial health, enhancing asset performance, automating processes, optimizing third-party spend through supply chain, and making the workforce more efficient.

### **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, 2025, the pension plan had assets of \$8.6 billion compared with liabilities of \$10.3 billion and currently pays out over \$800 million per year in retirement benefits to approximately 22,000 retirees and beneficiaries. As of September 30, 2025, the 401(k) plan had assets of \$5.4 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 first hired 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.

TVA is continuing to work 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, TVARS has updated and refined its asset allocation policy and investment 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. With the changes to the plans, TVA's long-term annual contributions to fund benefits, and TVARS' dynamic asset allocation policy and investment and 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 and future TVA retirees 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 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>2025</b>	<b>2026</b>	<b>2027</b>
	<b>Actuals</b>	<b>Estimate<sup>1</sup></b>	<b>Estimate</b>
Revenue	\$ 13,672	\$ 13,749	\$ 13,885
Operating Expenses			
Fuel & Purchased Power	(4,482)	(4,722)	(4,882)
Operating, Maintenance, & Other	(3,717)	(3,844)	(3,762)
Depreciation & Amortization	(2,271)	(2,409)	(2,441)
Tax Equivalents	<u>(633)</u>	<u>(669)</u>	<u>(678)</u>
Total Operating Expenses	(11,103)	(11,644)	(11,763)
Operating Income	2,569	2,105	2,122
Other Income / (Expense)	92	53	45
Other Net Periodic Benefit Cost	(105)	(90)	(91)
Interest Expense, net	<u>(1,196)</u>	<u>(1,336)</u>	<u>(1,477)</u>
Net Income	\$ 1,360	\$ 732	\$ 599

<sup>1</sup> Since the TVA Board lacked a quorum in the 4<sup>th</sup> quarter of FY 2025, the TVA Board has not yet approved a budget for FY 2026 but has authorized the CEO to make expenditures that are necessary to assure continuity of operations during FY 2026.

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

	<b>2025</b>	<b>2026</b>	<b>2027</b>
	<b>Actuals</b>	<b>Estimate<sup>1</sup></b>	<b>Estimate</b>
Cash flows from operating activities			
Net income	\$ 1,360	\$ 732	\$ 599
Items affecting operating activities	<u>1,964</u>	<u>1,798</u>	<u>1,981</u>
<b>Net cash provided by operating activities</b>	<b>3,324</b>	<b>2,530</b>	<b>2,580</b>
Cash Used in Capital Budget			
Capital Projects			
Nuclear	(259)	(256)	(248)
Power Operations	(328)	(258)	(256)
River Operations	(93)	(134)	(69)
Transmission	(171)	(184)	(193)
Other Base Capital	<u>(412)</u>	<u>(212)</u>	<u>(249)</u>
Total Base Capital	(1,263)	(1,044)	(1,015)
Clean Air, Ash Remediation, & Other	(54)	(135)	(182)
Wastewater Treatment	<u>(12)</u>	<u>(63)</u>	<u>(65)</u>
Total Environmental Costs	(66)	(198)	(247)
Gas Plant Expansion Builds	(2,308)	(1,891)	(1,383)
Transmission and Other	(448)	(531)	(558)
Hydro, Solar, and Battery	(245)	(299)	(302)
Nuclear License Renewal	<u>(400)</u>	<u>(436)</u>	<u>(556)</u>
Total Capacity Expansion	(3,401)	(3,157)	(2,799)
Nuclear Fuel Capital	(224)	(277)	(282)
Other Investing Activities	<u>293</u>	<u>(4)</u>	<u>(114)</u>
<b>Net cash used in investing activities</b>	<b>(4,661)</b>	<b>(4,680)</b>	<b>(4,457)</b>
Borrowings (net of redemptions)	2,578	(369)	1,767
Other financing activities	<u>(167)</u>	<u>1,815</u>	<u>110</u>
<b>Net cash provided by financing activities</b>	<b>2,411</b>	<b>1,446</b>	<b>1,877</b>
Cash and cash equivalents at end of year <sup>2</sup>	1,576	500	500
Cash Payments to U.S. Treasury <sup>3</sup>	(9)	(12)	(12)
Increase/(Reduction) in Total Debt and Debt-Like Obligations	\$ 2,567	\$ 1,558	1,993

<sup>1</sup> Since the TVA Board lacked a quorum in the 4<sup>th</sup> quarter of FY 2025, the TVA Board has not yet approved a budget for FY 2026 but has authorized the CEO to make expenditures that are necessary to assure continuity of operations during FY 2026.

<sup>2</sup> Beginning and ending cash equivalents exclude restricted cash

<sup>3</sup> For federal reporting purposes Payments to U.S. Treasury are not considered disbursements

## Governance and Oversight

*In 2005, Congress passed legislation to make TVA's governance structure more like that of other large corporations, working to ensure efficiency and flexibility as well as the relevant oversight mechanisms needed of an entity performing functions such as TVA.*

- In 2005, 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"). Moreover, similar to other utilities, TVA has a board of directors, complies with applicable Sarbanes-Oxley and SEC requirements, and is reviewed by credit rating agencies. In addition, TVA has 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](#) (PDF)
- [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](#) (PDF)

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, reliable, and resilient 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 complies with applicable Sarbanes-Oxley requirements and 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 96 employees as of September 30, 2025, 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.

## TVA FY 2027 Budget Details & Management Agenda and FY 2025 Annual Performance Report

As required by the Inspector General Reform Act of 2008 (Pub. L. No. 110-409), the TVA OIG made an aggregate budget request of \$30 million for FY 2027, which includes amounts for OIG training and support of the Council of the Inspectors General on Integrity and Efficiency. TVA's FY 2027 budget assumes OIG activities at the level requested.

\$ million	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 OIG Proposed	FY 2027 OIG Proposed
OIG Expenditures	\$25	\$25	\$26	\$28	\$28	\$29	\$31	\$30

### **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**

Because TVA is 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"), and 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.

- 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.

## **TVA FY 2027 Budget Details & Management Agenda and FY 2025 Annual Performance Report**

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 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**

Enterprise Risk Management ("ERM") 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.

#### **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.

#### **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 on the following page lists open recommendations that had been outstanding for at least one year as of September 30, 2025.

**TVA FY 2027 Budget Details & Management Agenda and FY 2025 Annual Performance Report**

<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
OIG	2023-17434	Corporate Wi-Fi Security	4/29/2024	Accepted / Implementing	10/01/2028
OIG	2023-17426	Fixed Wing Aircraft	6/07/2024	Accepted / Implementing	3/31/2026
OIG	2024-17479	Charge Recovery	9/24/2024	Accepted / Implementing	3/31/2026

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

TVA's strategic priorities, objectives, and performance goals set the standards for organizational performance.

- TVA satisfied the highest all-time demand for electricity in Tennessee Valley history on January 22, 2025.
- In FY 2025, TVA helped attract \$6.6 billion in projected capital investment to the region that is expected to help create 9,316 jobs while retaining 43,254 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.

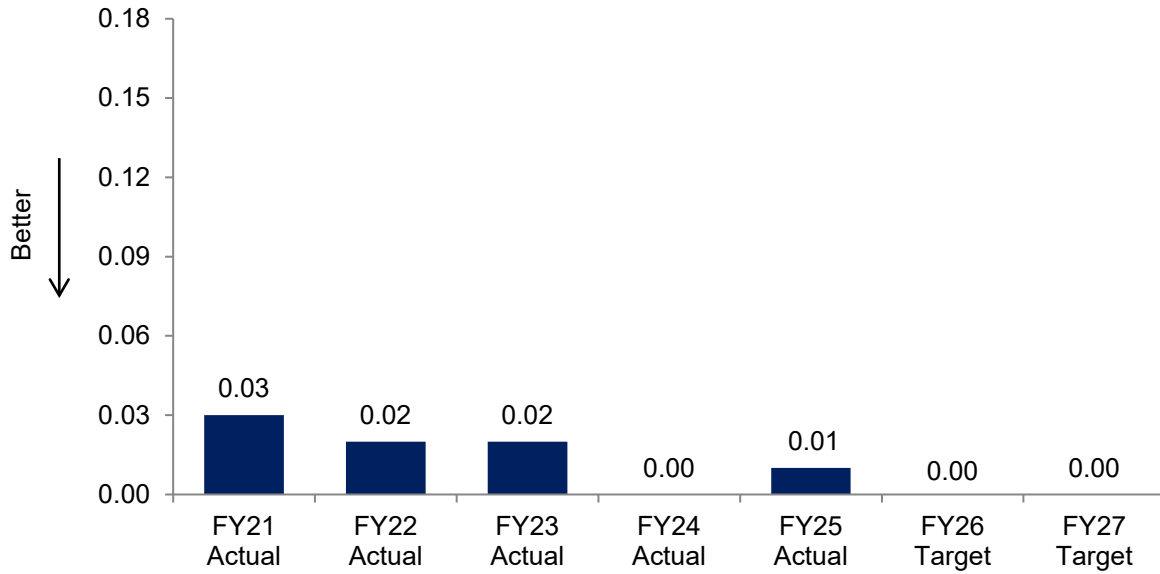
The performance goals include the following (all projected metrics on the following pages are subject to Board review and approval):

- People Advantage
  - Serious Injury Incident Rate
- Operational Excellence
  - Load Not Served
  - Coal Equivalent Forced Outage Rate ("EFOR")
  - Combined Cycle EFOR
  - Nuclear Online Reliability Loss Factor
  - CO<sub>2</sub> Emissions Rate
  - Environmental Violations of Significance
- Financial Strength
  - Retail Rates
  - Non-Fuel Delivered Cost of Power (to be replaced with Total Spend in FY 2026)
  - Total Spend
  - Operating Cash Flow
  - Net Income
  - Total Financing Obligations
- Powerful Partnerships
  - New and Retained Jobs
  - Capital Investment
- Igniting Innovation
  - Project and Initiative Milestones

In FY 2026, TVA will not be using Nuclear Performance Index as a measurement for evaluating Operational Excellence but will continue using Nuclear Online Reliability Loss Factor.

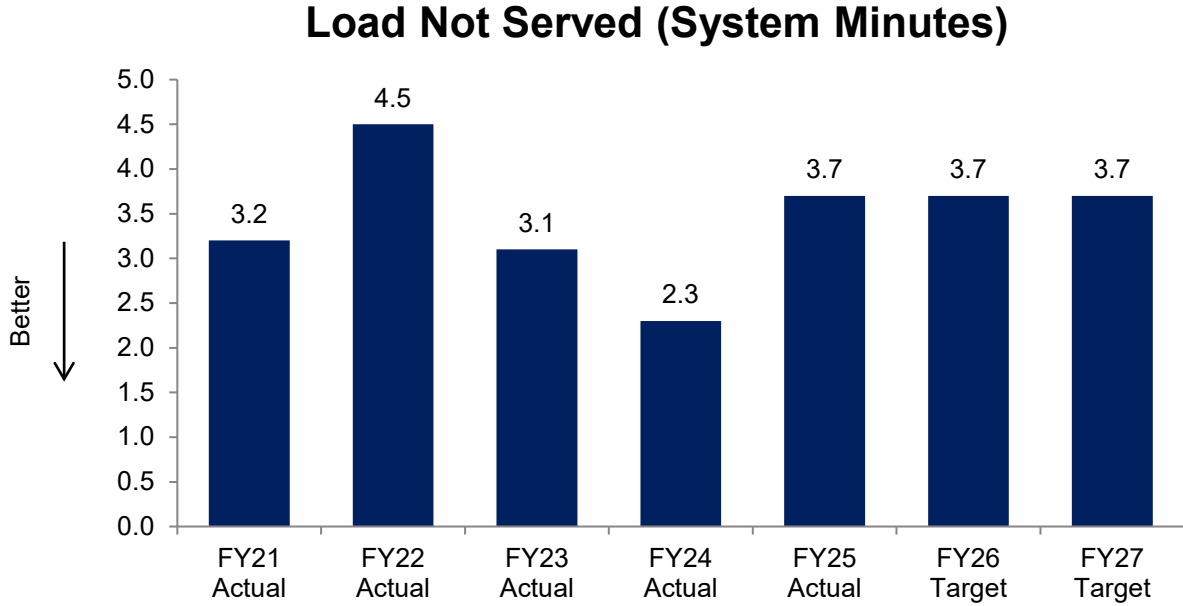
**People Advantage**

**Serious Injury Incident Rate (SIIR)**



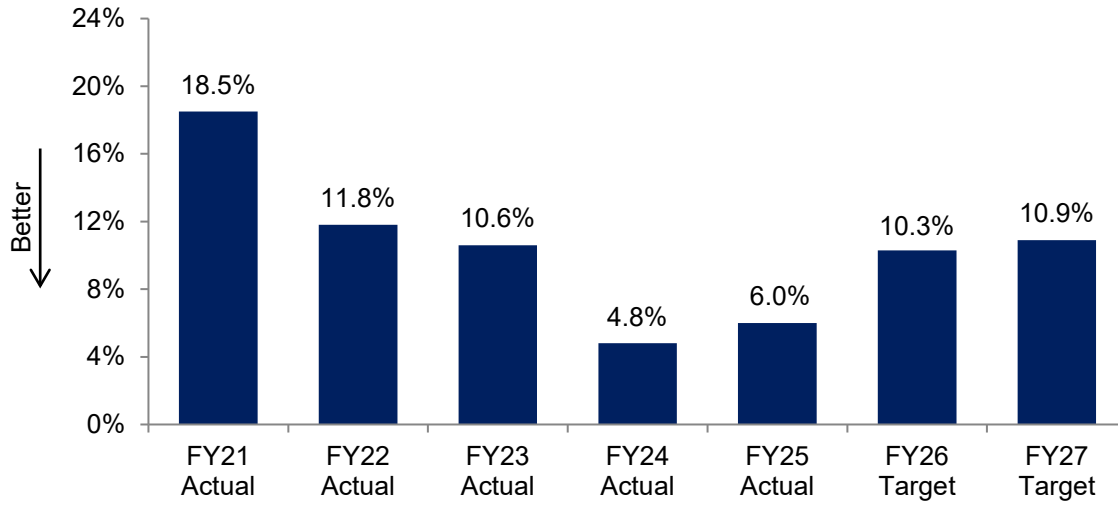
<b>Definition</b>	The SIIR is a mathematical calculation used by Edison Electric Institute that quantifies the extent of injury for serious injuries and fatalities from events within the control of the employee and/or the employer.
<b>Calculation</b>	$(\text{Number of cases} \times 200,000) / (\text{number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

**Operational Excellence**



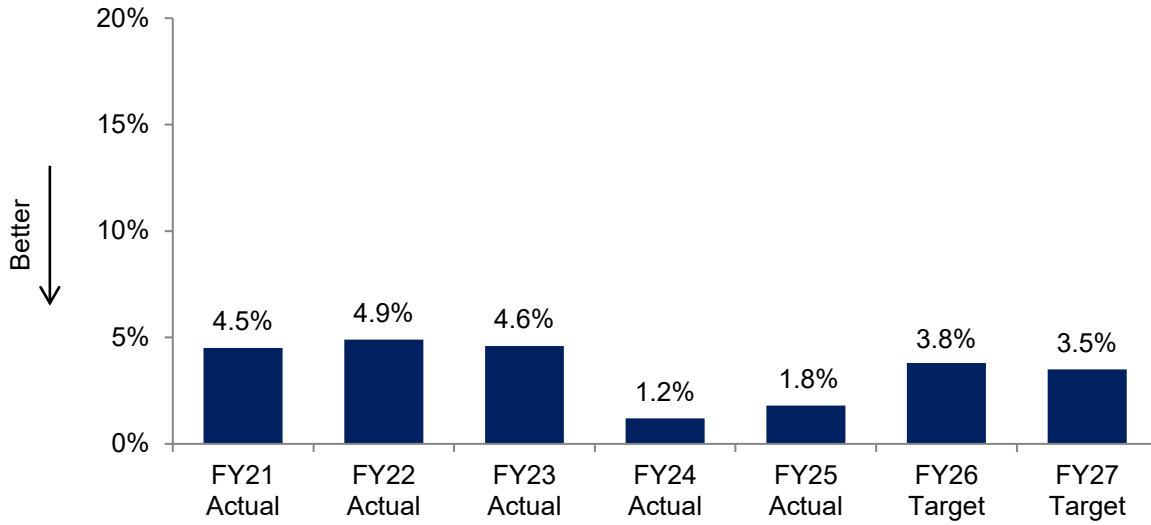
<b>Definition</b>	<p>Load Not Served measures the magnitude and duration of transmission system outages that affect TVA customers.</p> <p>This measure is expressed in system minutes and excludes events during declared major weather storms (defined as a weather-related event that causes an excess of the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

## Coal EFOR



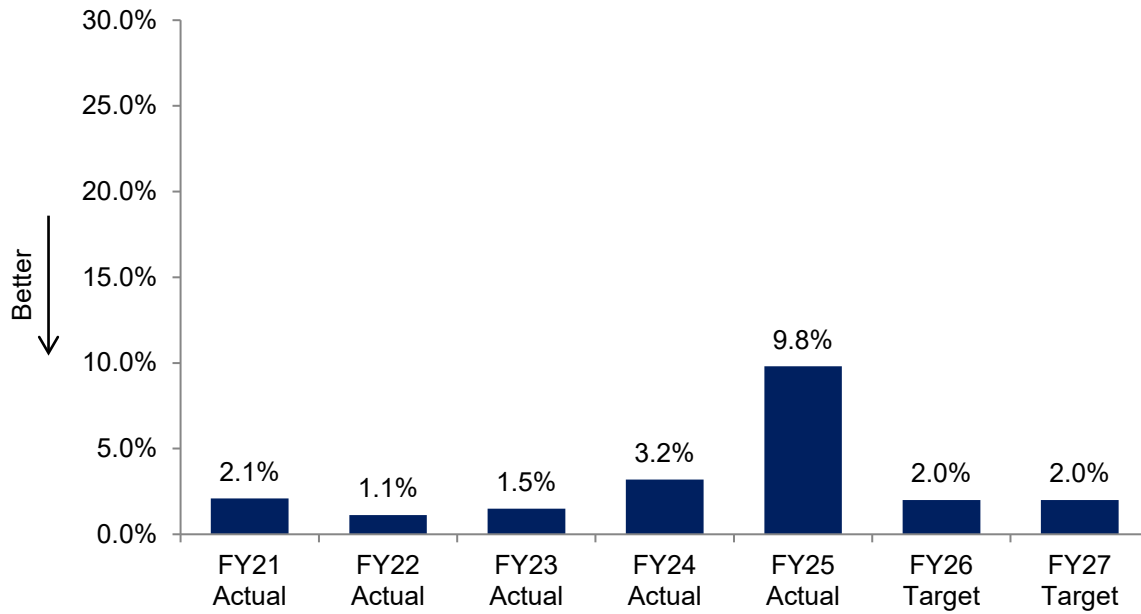
<b>Definition</b>	Coal EFOR measures the generation lost due to forced events as a percentage of time the unit would have been scheduled to run. This measure includes the Cumberland, Gallatin, Kingston, and Shawnee coal plants. This measure excludes events that are classified as “Outside Management Control.”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

## Combined Cycle EFOR



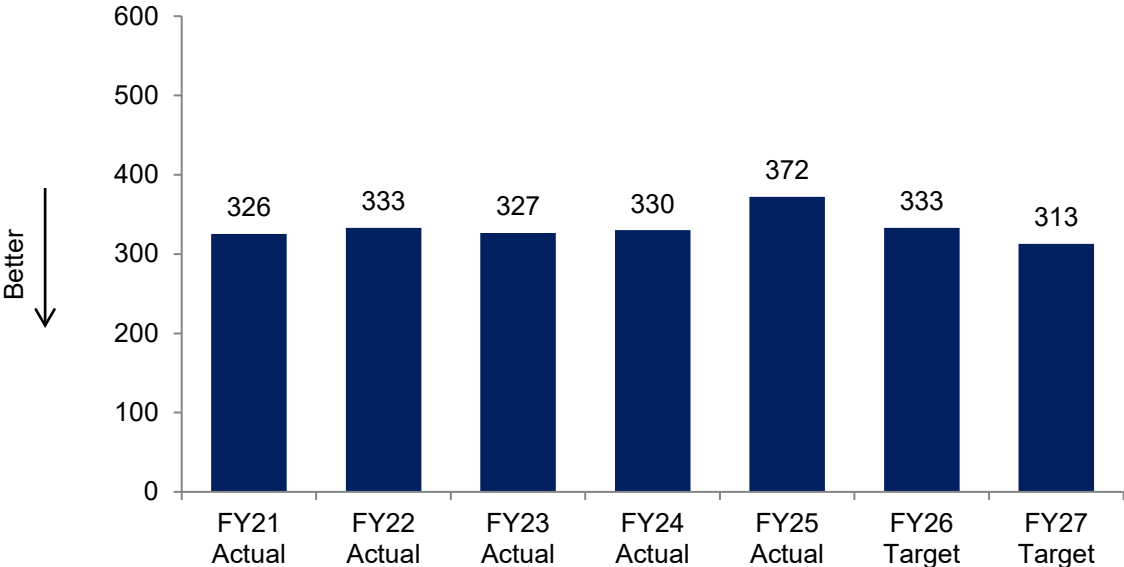
<b>Definition</b>	Combined Cycle EFOR measures the generation lost due to forced events as a percentage of time the unit would have been scheduled to run. This measure includes Caledonia, John Sevier, Lagoon Creek, Magnolia, and Southaven combined cycle plants. This measure excludes events that are classified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

## Nuclear Online Reliability Loss Factor



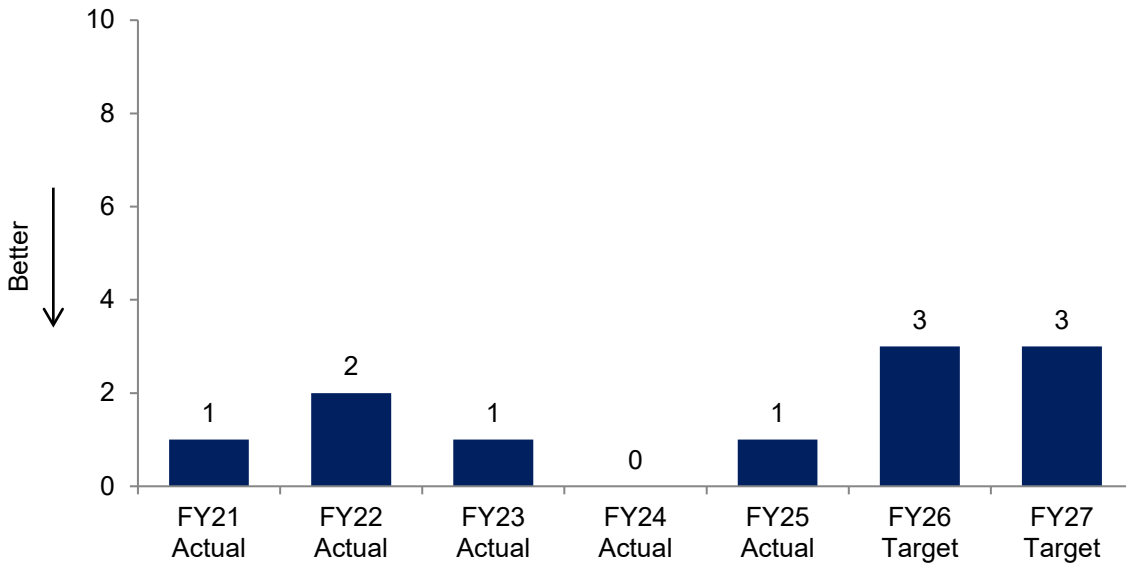
<b>Definition</b>	Nuclear Online Reliability Loss Factor is the 12 month ratio of all generation losses, minus refueling outages and exempt losses, to reference energy generation minus refueling outages and exempt losses in a normal fuel cycle period.
<b>Calculation</b>	$\{[(PEL + UPEL + UPELOE) - (RFOT + SPEL)] / (REG - (RFOT + SPEL))\} * 100$ <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>

### CO<sub>2</sub> Emissions Rate (tons/GWh)



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

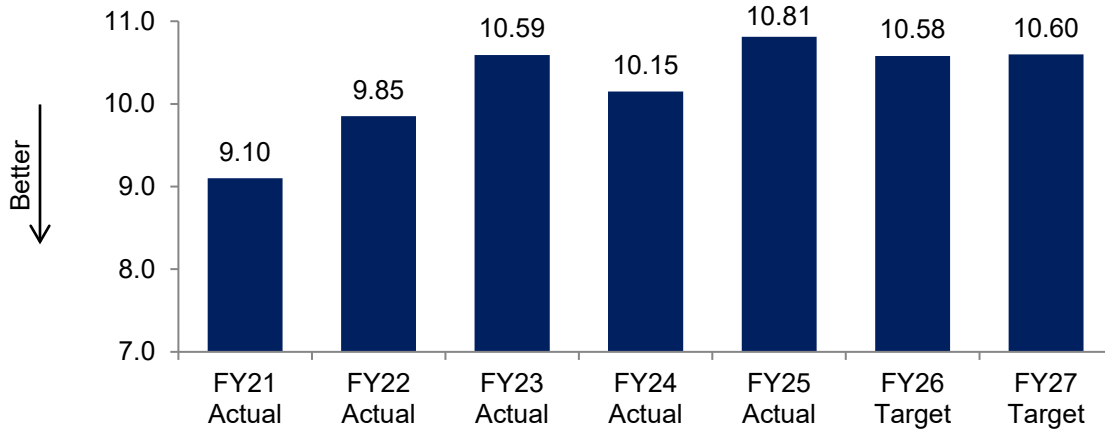
## Environmental Violations of Significance



<b>Definition</b>	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.
<b>Calculation</b>	<p>Number of EVOS (an occurrence will be recorded for each event)</p> <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>

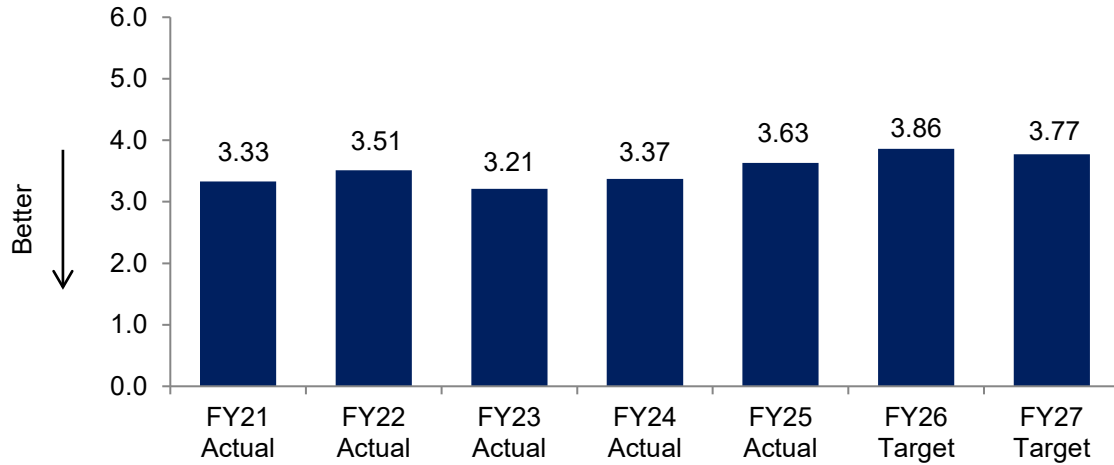
**Financial Strength**

**Retail Rates (cents/kWh) - 12 Month Rolling Avg**



<b>Definition</b>	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.
<b>Calculation</b>	$(\text{LPC reported retail power revenue} + \text{Directly served power revenue}) / (\text{LPC reported retail power sales} + \text{Directly served power sales})$

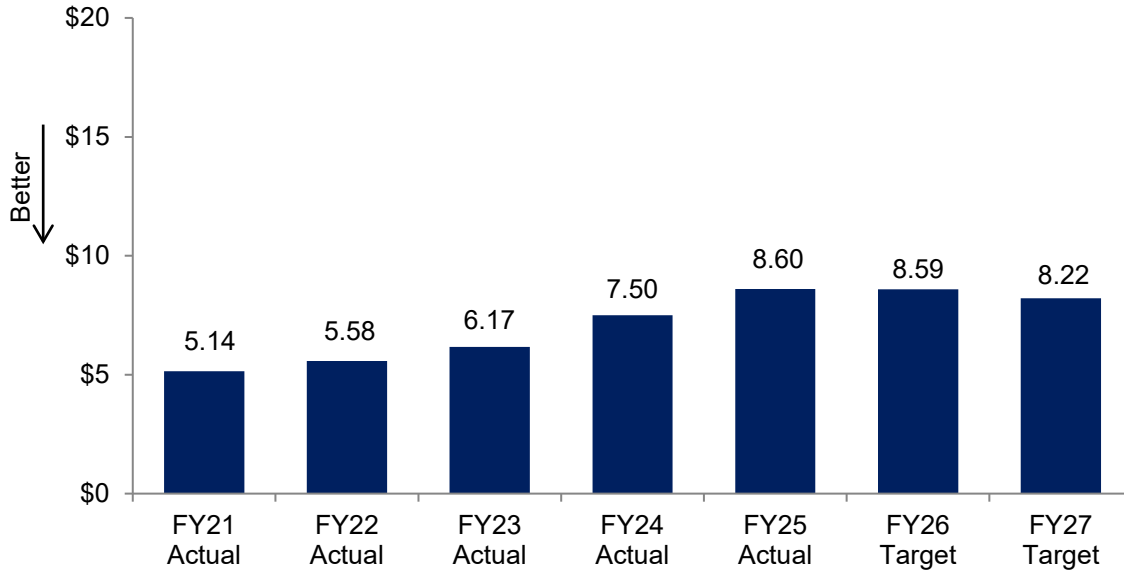
### Non-Fuel Delivered Cost of Power (cents/kWh)



\*\* Metric will be replaced by "Total Spend" beginning in FY 2026 to more directly reflect TVA's spending levels and ability to control organizational costs.

<b>Definition</b>	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.
<b>Calculation</b>	$\frac{\text{Non-Fuel O\&M} + \text{Base Capital} + \text{Interest} + \text{Other Cash Needs}}{\text{Budgeted Electric Power Sales}}$ Additional incremental contributions to liabilities approved by the Board of Directors are excluded from the measure.

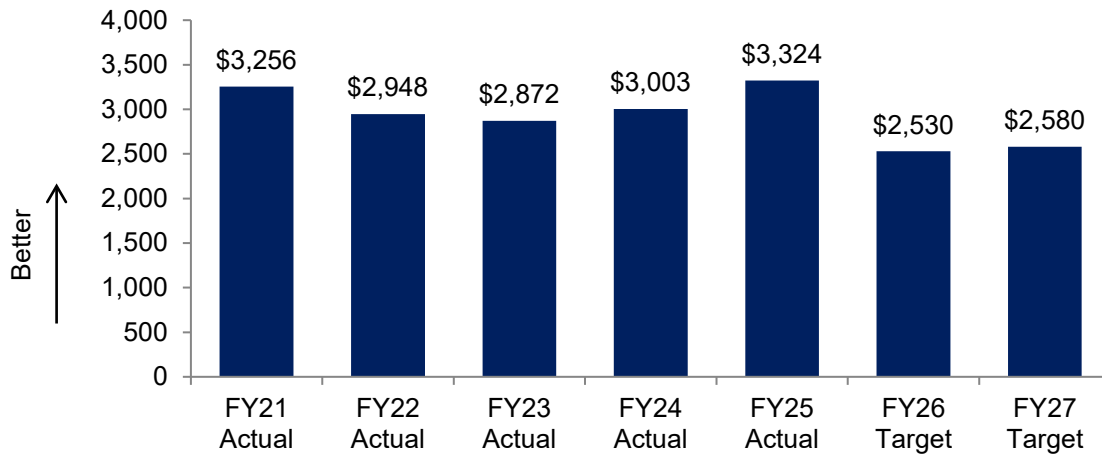
### Total Spend (\$ Billion)



\*\* Metric will replace “Non-Fuel Delivered Cost of Power” beginning in FY 2026

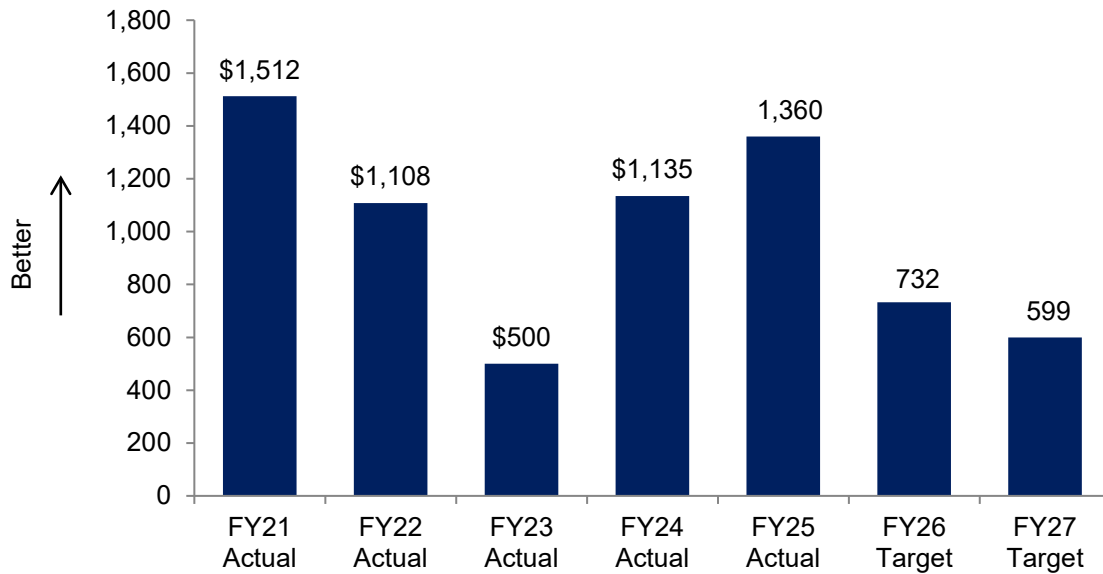
<b>Definition</b>	Total Spend equals the total Non-Fuel O&M, Capital, Non-Fuel Inventory and Cloud Implementation expenses for corporate and operational Strategic Business Unit organizations (excludes Board of Directors). This measure will support the overall TVA goal of maintaining costs and managing rates based on spending levels approved by TVA management and the Board.
<b>Calculation</b>	Total Non-Fuel O&M + Total Capital (Base Capital + Coal Combustion Residuals + ARO Asset Expenditures + Clean Air + Capacity Expansion + Waste Water Treatment + Strategic Capital Other + Regulatory Asset + Deferred Asset) + Total Non-Fuel Inventory expenses + Total Cloud Implementation spend for corporate and operational Strategic Business Unit organizations (excludes Board of Directors)

### Operating Cash Flow (\$ Million)



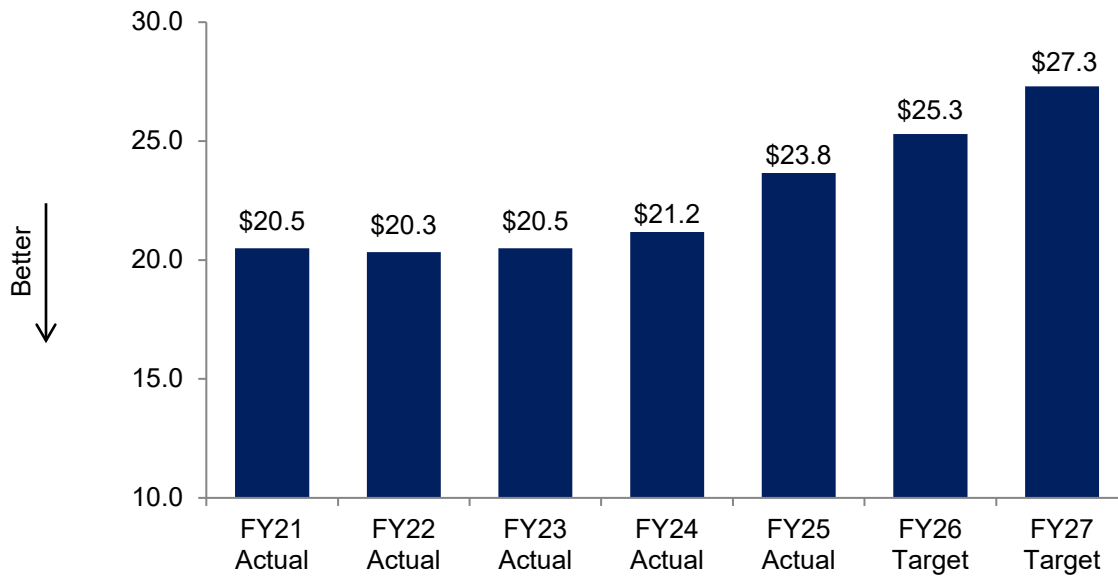
<b>Definition</b>	Operating Cash Flow refers to the amount of cash generated from power production and other mission-related activities and is generally defined as Operating Revenues received less cash payments made for Operating Expenses. This amount can be found on the Consolidated Statement of Cash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

### Net Income (\$ Million)



<b>Definition</b>	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.
<b>Calculation</b>	Operating Revenues – Operating Expenses + Other Income/(Expense) – Net Interest Expense

### Total Financing Obligations (\$ Billion)

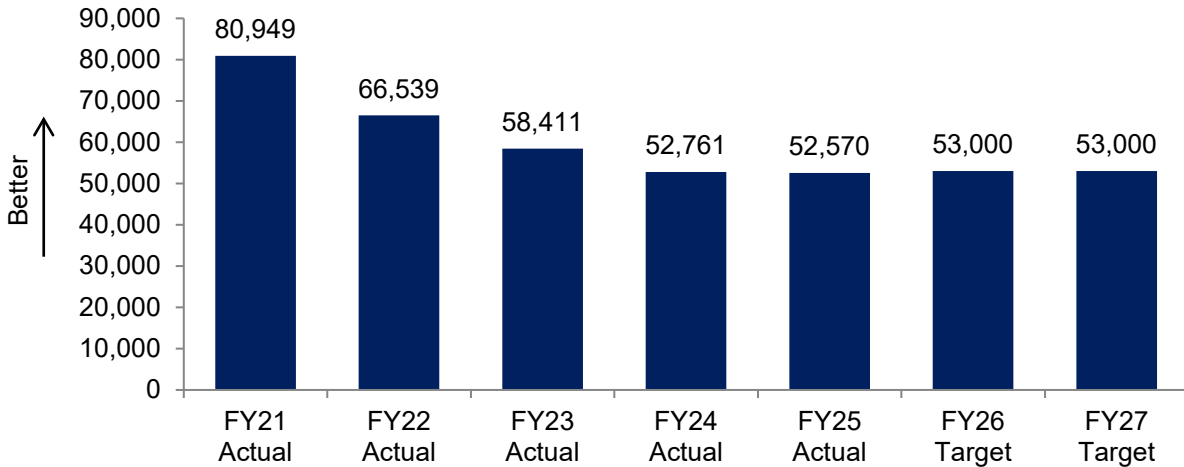


<b>Definition</b>	TFOs include all statutory debt and other financing obligations, as shown on TVA's balance sheet.
<b>Calculation</b>	Long-term Power Bonds + Short-Term Debt + Leaseback Obligations + Energy Prepayment Obligations + Debt of Variable Interest Entities ("VIE") + Membership Interests of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

**Powerful Partnerships**

**New and Retained Jobs**



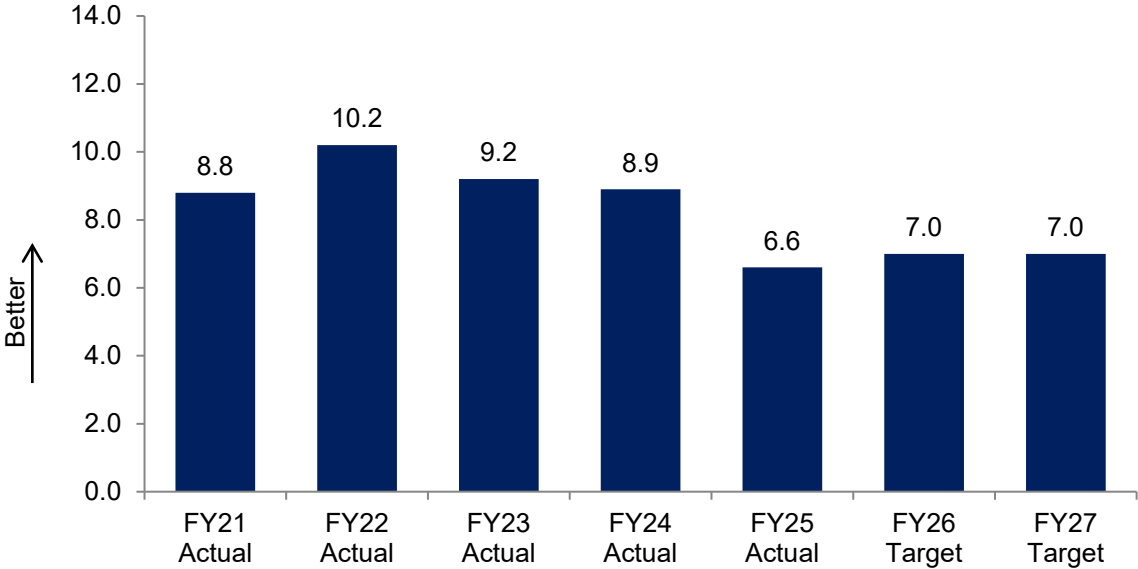
\* FY26 & FY27 Target numbers based on an average of the approved FY26 range

Actual Fiscal Year	New Jobs <sup>1</sup>	Retained Jobs <sup>2</sup>
2021	22,599	58,350
2022	26,512	40,027
2023	12,276	46,135
2024	10,368	42,393
2025	9,316	43,254

<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.

### Capital Investment (\$B)



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

## 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
- **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
- **Advanced Nuclear Solutions** – Develop a reliable, affordable, and flexible generation option with cost and risk shared

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 PEIS 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. In the second quarter of 2025, TVA requested public comment on a draft Supplemental EIS that addresses the potential environmental effects associated with site preparation, construction, operation, and decommissioning of one SMR at the Clinch River site. In May 2025, TVA submitted a construction permit application to the NRC for an SMR at the Clinch River Site, and the NRC accepted the application for review in July 2025. In addition, while evaluating alternatives for potential advanced nuclear at the Clinch River Nuclear Site, TVA is exploring the feasibility of applying a similar approach that could deploy additional SMRs at Clinch River and other TVA-owned properties.

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 \$251 million as of September 30, 2025. In addition, TVA and a consortium of co-applicants applied for a U.S. DOE grant to support the future development of an SMR at TVA's Clinch River site in January 2025 and submitted a revised application in April 2025. In December 2025, TVA and the consortium were selected by DOE to enter into negotiations for a \$400 million grant to accelerate the deployment of a small modular reactor at the site.

The New Nuclear Program provides a systematic roadmap for TVA's exploration of advanced nuclear technology, and collaboration with other interested parties will be an important aspect of this program. In December 2022, TVA entered into a multi-party collaborative arrangement to advance the global deployment of the GE Vernova Hitachi Nuclear Energy ("GVH") BWRX-300 SMR. GVH is responsible for standard design development.

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 investments 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, 2025 ("Annual Report"). TVA filed the Annual Report with the SEC, and TVA's CEO and Chief Financial 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 Officer, and the Controller, evaluated the design and effectiveness of TVA's internal control over financial reporting as of September 30, 2025, 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, 2025. 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, 2025.

### Lower-Priority Program Activities

TVA has determined that it does not have any lower-priority program activities for purposes 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>
Annual/Quarterly Reports	<a href="#">TVA - Financial Information - SEC Filings (q4ir.com)</a>
Annual Performance Report	<a href="https://www.tva.com/about-tva/guidelines-and-reports">https://www.tva.com/about-tva/guidelines-and-reports</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>
Economic Development	<a href="https://www.tva.com/economic-development">https://www.tva.com/economic-development</a>

**TVA FY 2027 Budget Details & Management Agenda and FY 2025 Annual Performance Report**

**Appendix A**

<u>Report Number</u>	<u>GAO Recommendation</u>	<u>TVA Response</u>
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 provide greater stability in TVARS' asset value and reduce TVARS' funded status volatility while working toward the goal of fully-funded liabilities.</li> </ul>

**TVA FY 2027 Budget Details & Management Agenda and FY 2025 Annual Performance Report**

<u>Report Number</u>	<u>OIG Recommendation</u>	<u>TVA Response</u>
2023-17434	OIG recommends TVA take action to remediate both instances of insecure protocols in use where technically and operationally possible.	TVA agrees and is on track to complete the recommendation by the due date.
2023-17434	OIG recommends TVA implement the planned project to upgrade software and hardware to supported versions.	TVA agrees and is on track to complete the recommendation by the due date.
2023-17426	OIG recommends that TVA work with OGC and the TVA Board to update TVA Board Practice "Use of TVA Aircraft" to explicitly state the Board's intent regarding whether all travel by Tier 1 passengers should be considered required use. If the TVA Board's intent was not that all travel by Tier 1 passengers be considered required use travel, OIG recommended that TVA require all requests for use of the fixed wing aircraft to identify the travel as either official travel, required use travel, or space available travel, and document the reason for the determination in compliance with standard process documentation.	TVA agrees and is on track to complete the recommendation by the due date.
2024-17479	TVA agreed to recover overbilled fuel charges.	TVA agrees and is on track to complete the recommendation by the due date.

TVA FY 2027 Budget Details & Management Agenda and FY 2025 Annual Performance Report

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)

	2021	2022	2023	2024	2025	2026 Projected	2027 Projected
<b>Total Financing Obligations</b>	<b>\$ 20,543</b>	<b>\$ 20,336</b>	<b>\$ 20,525</b>	<b>\$ 21,203</b>	<b>\$ 23,770</b>	<b>\$ 25,328</b>	<b>\$ 27,321</b>
Energy prepayment obligations	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-
Leaseback obligations	(25)	-	-	-	-	(1,978)	(2,256)
Membership interests of VIE subject to mandatory redemption	(24)	(20)	(18)	(17)	(16)	(14)	(13)
Debt of VIE	(1,056)	(1,013)	(974)	(939)	(1,698)	(1,649)	(1,598)
<b>Bonds and Notes, gross</b>	<b>19,438</b>	<b>19,303</b>	<b>19,533</b>	<b>20,247</b>	<b>22,056</b>	<b>21,687</b>	<b>23,454</b>
Exchange loss (gain)	(58)	(150)	(109)	(62)	(59)	-	-
Unamortized discounts, premiums, issue costs and other	(122)	(132)	(132)	(134)	(183)	(267)	(271)
Notes payable	-	-	-	-	-	-	-
Debt of variable interest entities	1,056	1,013	974	939	1,698	1,649	1,598
Total outstanding debt	<u>\$ 20,314</u>	<u>\$ 20,034</u>	<u>\$ 20,266</u>	<u>\$ 20,990</u>	<u>\$ 23,512</u>	<u>\$ 23,069</u>	<u>\$ 24,781</u>



