

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

(MARK ONE)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13, 15(d), OR 37 OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2025

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-52313



**TENNESSEE VALLEY AUTHORITY**  
(Exact name of registrant as specified in its charter)

A corporate agency of the United States created by an act of Congress  
(State or other jurisdiction of incorporation or organization)

62-0474417  
(I.R.S. Employer Identification No.)

400 W. Summit Hill Drive  
Knoxville, Tennessee  
(Address of principal executive offices)

37902  
(Zip Code)

(865) 632-2101  
(Registrant's telephone number, including area code)

None  
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13, 15(d), or 37 of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐  
Non-accelerated filer ☒ Smaller reporting company ☐  
Emerging growth company ☐

Accelerated filer ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes ☐ No ☒

Number of shares of common stock outstanding at February 2, 2026: N/A

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# GLOSSARY OF COMMON ACRONYMS

Following are definitions of some of the terms or acronyms that may be used in this Quarterly Report on Form 10-Q for the quarter ended December 31, 2025 (the "Quarterly Report"):

Term or Acronym	Definition
2015 CCR Rule	2015 Coal Combustion Residuals Rule
AOCI	Accumulated other comprehensive income (loss)
ARO	Asset retirement obligation
ART	Asset Retirement Trust
Bonds	Bonds, notes, or other evidences of indebtedness
CARA	Corrective Action/Risk Assessment
CCR	Coal combustion residuals
CEO	Chief Executive Officer
CT	Combustion turbine
CVA	Credit valuation adjustment
CY	Calendar year
DCP	Deferred Compensation Plan
ELG	Effluent limitation guidelines
EPA	Environmental Protection Agency
ETP	Enterprise Transformation Program
Exchange Act	Securities Exchange Act of 1934
FERC	Federal Energy Regulatory Commission
FHP	Financial Hedging Program
GAAP	Accounting principles generally accepted in the United States of America
GAC	Grid access charge
GVH	GE Vernova Hitachi Nuclear Energy
Holdco	John Sevier Holdco LLC
IRA	Inflation Reduction Act of 2022
JACTG	Johnsonville Aeroderivative Combustion Turbine Generation LLC
JHLLC	Johnsonville Holdco LLC
Johnsonville Facility	Johnsonville Aeroderivative Combustion Turbine Facility
JSCCG	John Sevier Combined Cycle Generation LLC
kWh	Kilowatt hours
Legacy CCR Rule	Legacy Coal Combustion Residuals Rule
LPCs	Local power company customers
MLGW	Memphis Light, Gas and Water Division
mmBtu	Million British thermal unit(s)
Moody's	Moody's Investors Service, Inc.
MtM	Mark-to-market
NAV	Net asset value
NDT	Nuclear Decommissioning Trust
NEIL	Nuclear Electric Insurance Limited
NES	Nashville Electric Service
NO <sub>x</sub>	Nitrogen oxides
NRC	Nuclear Regulatory Commission
PPA(s)	Power Purchase Agreement(s)
RP	Restoration Plan
SCCG	Southaven Combined Cycle Generation LLC
SEC	Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
SHLLC	Southaven Holdco LLC
SLR	Subsequent license renewal
SO <sub>2</sub>	Sulfur dioxide
TDEC	Tennessee Department of Environment and Conservation

TVA	Tennessee Valley Authority
TVA Act	Tennessee Valley Authority Act of 1933, as amended
TVA Board	TVA Board of Directors
U.S.	United States
U.S. Treasury	United States Department of the Treasury
VIE	Variable interest entity
XBRL	eXtensible Business Reporting Language

## FORWARD-LOOKING INFORMATION

This Quarterly Report contains forward-looking statements relating to future events and future performance. All statements other than those that are purely historical may be forward-looking statements. In certain cases, forward-looking statements can be identified by the use of words such as "may," "will," "should," "expect," "anticipate," "believe," "intend," "project," "plan," "predict," "assume," "forecast," "estimate," "objective," "possible," "probably," "likely," "potential," "speculate," "aim," "aspiration," "goal," "seek," "strategy," "target," the negative of such words, or other similar expressions.

Although the Tennessee Valley Authority ("TVA") believes that the assumptions underlying any forward-looking statements are reasonable, TVA does not guarantee the accuracy of these statements. Numerous factors could cause actual results to differ materially from those in any forward-looking statements. These factors include, among other things:

- Significant additional costs, regulatory uncertainty, and operational risks associated with TVA's management of coal combustion residuals ("CCR") and compliance with evolving and unpredictable environmental and energy regulations, including closure or remediation of facilities; new or changed requirements related to air, water, or transmission; substantive and procedural costs associated with TVA's governmental status; and earlier-than-expected retirement of assets;
- The impact of existing, anticipated, or new federal or state legislation, regulatory actions, executive orders, or litigation, including legislative actions targeting TVA's business model, potential limits or reductions to TVA's statutory authorities such as exclusive rate-setting, disbursement authority, or control over assets, changes to TVA's debt ceiling, or federal action or inaction in areas such as the national debt ceiling or federal funding;
- Legal, administrative, and regulatory proceedings, including those involving CCR facilities, gas plants, permitting challenges, and other litigation, which could lead to unanticipated costs, operational changes, or modifications to TVA's business or compliance obligations;
- Risks from the loss of TVA's protected service territory if federal action limits existing territorial protections or increases competition, potentially resulting in the loss of customers;
- Significant costs or operational complications from compliance with new or amended reliability standards imposed by industry or federal regulators, including the North American Electric Reliability Corporation ("NERC");
- Risks to TVA's ability to implement its business strategy or achieve cost reduction, efficiency, or innovation goals, including due to technological change, customer or industry transition, macroeconomic uncertainty, or inability of LPCs or directly served customers to pay their power bills;
- Delays, cost overruns, or inability to complete or gain approval for major projects, including new generation, transmission, or infrastructure, due to regulatory, legal, supply chain, stakeholder, or environmental challenges, including opposition from regulators or litigation related to environmental or other permitting requirements;
- Operational risks from TVA's aging, technologically complex, or interdependent infrastructure, and failures of generation, transmission, flood control, navigation, or related assets, including those resulting from extreme weather, deferred maintenance, or technical malfunctions;
- Specific risks associated with nuclear generation, including but not limited to nuclear incidents, changes in regulatory or insurance regimes, increased decommissioning or operational costs, delays or restrictions in licensing, long-term waste management uncertainties, and dependency on specialized supply chain and technological partners;
- Physical attacks, threats, terrorism, wars, and geopolitical events targeting critical infrastructure or suppliers, which may disrupt operations or require increased security expenditures, and which could arise from TVA's governmental status or broader geopolitical instability;
- Events at TVA facilities, which, among other things, could result in loss of life, damage to the environment, damage to or loss of the facility, or damage to the property of others;
- Events that negatively impact TVA's reliability, including problems at other utilities or at TVA facilities or the increase in intermittent sources of power;
- Disruption, delay, or increased cost of fuel, purchased power, critical services, or supplies due to supply chain difficulties, labor shortages, transportation constraints, economic conditions, inflation, tariffs or other trade restrictions, force majeure events, pandemics or health emergencies, third-party cyber incidents, intentional defaults, or contractual performance failures;
- Global conflicts, terrorist activities, or military actions by the United States ("U.S.") government, its allies, or others;
- Cyber-attacks on TVA's assets or those of third parties, including critical vendors and cloud service providers, which may become more frequent and sophisticated as a result of advances in artificial intelligence ("AI");

- AI and machine learning risks including erroneous or biased AI decision-making, regulatory complexity, compromised data integrity, intellectual property issues, and adoption-pace disadvantages relative to other utilities;
- Volatility in customer demand for electricity, including both unexpected increases (driven by factors such as AI data centers, cryptocurrency mining, electric vehicles, population growth, and new large customer loads) and unexpectedly low demand (driven by economic downturn, efficiency gains, distributed energy resources ("DER") adoption, or the loss of customers), both of which could result in stranded costs, rate actions, curtailments, or a need for unplanned capital or operational adjustments;
- Financial, capital, and liquidity constraints, including limitations imposed by TVA's debt ceiling, increasing costs or reduced availability of capital, the unavailability of funding sources, volatility or downgrades in credit ratings (including as a result of U.S. downgrades), and market liquidity or trading risks affecting TVA's bonds, notes, or other evidences of indebtedness;
- Pension, health care, and other employee benefit liabilities and funding risks that may arise due to market conditions, actuarial or demographic changes, regulatory amendments, or shifts in plan assumptions;
- Risks due to changes in technology and TVA's ability (or inability) to keep pace with private utilities or customer needs, including potential disadvantages from TVA's governmental status, delays or limits on technology adoption, and necessity for continuous innovation;
- Adverse changes in market prices for electricity, commodities (such as fuel, emissions allowances, and construction materials), liability insurance, and investments, as well as inflationary pressures and changes in interest rates and currency exchange rates, which may, among other things, impact the affordability of electricity and impede TVA's ability to recover costs;
- A limitation on the market for TVA securities, which may be influenced by the fact that the payment of principal and interest on TVA securities is not guaranteed by the U.S. government;
- Risks from failure to attract or retain key personnel, changes in TVA's compensation policies or practices, changes in senior management or TVA Board membership, or the absence of a Board quorum, which could limit TVA's ability to conduct business or adapt strategy and could increase legal and regulatory risk;
- Climate, weather, and catastrophic events (including wildfires, flooding, drought, storms, heat waves, pandemics, and other natural or health crises) that could impair operations, damage facilities, or otherwise require material changes to TVA's generation or business strategies, the frequency and severity of which may increase as a result of climate change and require significant adaptation and investment;
- Risks associated with the supply or quality of water from the Tennessee or Cumberland River systems, or elsewhere, including droughts, increased usage, or contamination, which may interfere with power generation;
- Potential failure of internal financial controls, disclosure controls, or information technology systems to prevent or detect fraud, errors, cyberattacks, or data losses, and inability to use regulatory accounting for certain costs;
- Inability of TVA to achieve or maintain its cost reduction goals, including pursuant to its Enterprise Transformation Program ("ETP"), which may require TVA to increase rates and/or issue more debt than planned;
- Negative impacts to TVA's reputation, which may result from operational failures, litigation, cybersecurity incidents, inability to meet strategic goals, customer relations or contractor actions, or high-profile negative publicity; or
- Other unforeseeable events or conditions which could materially impact TVA's business, operations, financial condition, or results of operations.

See also Part I, Item 1A, Risk Factors, and Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in TVA's Annual Report on Form 10-K for the year ended September 30, 2025 (the "Annual Report"), and Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations and Part II, Item 1A, Risk Factors in this Quarterly Report for a discussion of factors that could cause actual results to differ materially from those in any forward-looking statement. New factors emerge from time to time, and it is not possible for TVA to predict all such factors or to assess the extent to which any factor or combination of factors may impact TVA's business or cause results to differ materially from those contained in any forward-looking statement. TVA undertakes no obligation to update any forward-looking statement to reflect developments that occur after the statement is made, except as required by law.

## GENERAL INFORMATION

### *Fiscal Year*

References to years (2026, 2025, etc.) in this Quarterly Report are to TVA's fiscal years ending September 30. Years that are preceded by "CY" are references to calendar years.

### *Notes*

References to "Notes" are to the Notes to Consolidated Financial Statements contained in Part I, Item 1, Financial Statements in this Quarterly Report.

### *Available Information*

TVA files annual, quarterly, and current reports with the Securities and Exchange Commission ("SEC") under Section 37 of the Securities Exchange Act of 1934 (the "Exchange Act"). TVA's SEC filings are available to the public at [www.tva.com](http://www.tva.com), free of charge, as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. Information contained on or accessible through TVA's website shall not be deemed to be incorporated into, or to be a part of, this Quarterly Report or any other report or document that TVA files with the SEC. All TVA SEC reports are available to the public without charge from the website maintained by the SEC at [www.sec.gov](http://www.sec.gov).

## PART I - FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

#### TENNESSEE VALLEY AUTHORITY CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited) Three Months Ended December 31 (in millions)

	2025	2024
<b>Operating revenues</b>		
Revenue from sales of electricity	\$ 3,001	\$ 2,876
Other revenue	48	44
Total operating revenues	3,049	2,920
<b>Operating expenses</b>		
Fuel	514	505
Purchased power	410	394
Operating and maintenance	849	905
Depreciation and amortization	571	557
Tax equivalents	153	146
Total operating expenses	2,497	2,507
<b>Operating income</b>	552	413
Other income, net	44	17
Other net periodic benefit cost	21	25
Interest expense	309	280
<b>Net income</b>	<u>\$ 266</u>	<u>\$ 125</u>

The accompanying notes are an integral part of these consolidated financial statements.

#### TENNESSEE VALLEY AUTHORITY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited) Three Months Ended December 31 (in millions)

	2025	2024
Net income	\$ 266	\$ 125
Other comprehensive income (loss)		
Net unrealized gain (loss) on cash flow hedges	13	(19)
Net unrealized (gain) loss reclassified to earnings from cash flow hedges	1	37
Total other comprehensive income (loss)	14	18
<b>Total comprehensive income</b>	<u>\$ 280</u>	<u>\$ 143</u>

The accompanying notes are an integral part of these consolidated financial statements.

**TENNESSEE VALLEY AUTHORITY**  
**CONSOLIDATED BALANCE SHEETS (Unaudited)**  
(in millions)

<b>ASSETS</b>		
	<b>December 31, 2025</b>	<b>September 30, 2025</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 501	\$ 1,576
Accounts receivable, net	1,927	2,119
Inventories, net	1,230	1,193
Regulatory assets	173	127
Other current assets	184	162
<b>Total current assets</b>	<b>4,015</b>	<b>5,177</b>
<b>Property, plant, and equipment</b>		
Completed plant	71,183	71,574
Less accumulated depreciation	(39,015)	(38,716)
Net completed plant	32,168	32,858
Construction in progress	7,157	6,760
Nuclear fuel	1,255	1,185
Finance leases	640	663
<b>Total property, plant, and equipment, net</b>	<b>41,220</b>	<b>41,466</b>
<b>Investment funds</b>	<b>5,687</b>	<b>5,573</b>
<b>Regulatory and other long-term assets</b>		
Regulatory assets	7,985	8,047
Operating lease assets, net of amortization	100	113
Other long-term assets	508	506
<b>Total regulatory and other long-term assets</b>	<b>8,593</b>	<b>8,666</b>
<b>Total assets</b>	<b>\$ 59,515</b>	<b>\$ 60,882</b>

The accompanying notes are an integral part of these consolidated financial statements.



**TENNESSEE VALLEY AUTHORITY**  
**CONSOLIDATED BALANCE SHEETS (Unaudited)**  
(in millions)

**LIABILITIES AND PROPRIETARY CAPITAL**

	December 31, 2025	September 30, 2025
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,772	\$ 3,299
Accrued interest	333	348
Asset retirement obligations	323	313
Regulatory liabilities	210	228
Short-term debt, net	1,173	—
Current maturities of power bonds	20	1,370
Current maturities of long-term debt of variable interest entities	49	49
<b>Total current liabilities</b>	<b>4,880</b>	<b>5,607</b>
<b>Other liabilities</b>		
Post-retirement and post-employment benefit obligations	2,104	2,183
Asset retirement obligations	9,402	10,101
Finance lease liabilities	626	640
Other long-term liabilities	1,490	1,606
Regulatory liabilities	132	141
<b>Total other liabilities</b>	<b>13,754</b>	<b>14,671</b>
<b>Long-term debt, net</b>		
Long-term power bonds, net	20,465	20,461
Long-term debt of variable interest entities, net	1,627	1,632
<b>Total long-term debt, net</b>	<b>22,092</b>	<b>22,093</b>
<b>Total liabilities</b>	<b>40,726</b>	<b>42,371</b>
<b>Contingencies and legal proceedings (Note 21)</b>		
<b>Proprietary capital</b>		
Power program appropriation investment	258	258
Power program retained earnings	18,063	17,797
<b>Total power program proprietary capital</b>	<b>18,321</b>	<b>18,055</b>
Nonpower programs appropriation investment, net	508	510
Accumulated other comprehensive loss	(40)	(54)
<b>Total proprietary capital</b>	<b>18,789</b>	<b>18,511</b>
<b>Total liabilities and proprietary capital</b>	<b>\$ 59,515</b>	<b>\$ 60,882</b>

The accompanying notes are an integral part of these consolidated financial statements.

**TENNESSEE VALLEY AUTHORITY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**  
**For the Three Months Ended December 31**  
(in millions)

	2025	2024
<b>Cash flows from operating activities</b>		
Net income	\$ 266	\$ 125
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization <sup>(1)</sup>	577	563
Amortization of nuclear fuel cost	90	75
Non-cash retirement benefit expense	31	36
Other regulatory amortization and deferrals	(59)	22
Changes in current assets and liabilities		
Accounts receivable, net	211	116
Inventories and other current assets, net	(69)	(68)
Accounts payable and accrued liabilities	(424)	(234)
Accrued interest	(13)	12
Pension contributions	(75)	(75)
Settlements of asset retirement obligation	(84)	(73)
Other, net	(121)	(49)
Net cash provided by operating activities	330	450
<b>Cash flows from investing activities</b>		
Construction expenditures	(1,144)	(1,209)
Nuclear fuel expenditures	(141)	(159)
Purchases of investments	(4)	(4)
Loans and other receivables		
Repayments	1	1
Other, net	80	(7)
Net cash used in investing activities	(1,208)	(1,378)
<b>Cash flows from financing activities</b>		
Long-term debt		
Proceeds from variable interest entities	—	800
Redemptions and repurchases of power bonds	(1,350)	(1)
Redemptions of debt of variable interest entities	(5)	—
Short-term debt issuance (redemptions), net	1,171	189
Payments on leases and leasebacks	(13)	(12)
Financing costs, net	—	(12)
Other, net	—	(6)
Net cash provided by (used in) financing activities	(197)	958
Net change in cash, cash equivalents, and restricted cash	(1,075)	30
Cash, cash equivalents, and restricted cash at beginning of period	1,597	523
<b>Cash, cash equivalents, and restricted cash at end of period</b>	<b>\$ 522</b>	<b>\$ 553</b>

Note

(1) Includes amortization of debt issuance costs and premiums/discounts.

The accompanying notes are an integral part of these consolidated financial statements.

**TENNESSEE VALLEY AUTHORITY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN PROPRIETARY CAPITAL (Unaudited)**  
**For the Three Months Ended December 31, 2025 and 2024**  
(in millions)

	Power Program Appropriation Investment	Power Program Retained Earnings	Nonpower Programs Appropriation Investment, Net	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance at September 30, 2024</b>	\$ 258	\$ 16,437	\$ 518	\$ (52)	\$ 17,161
Net income (loss)	—	127	(2)	—	125
Total other comprehensive income	—	—	—	18	18
Return on power program appropriation investment	—	(2)	—	—	(2)
<b>Balance at December 31, 2024</b>	<u>\$ 258</u>	<u>\$ 16,562</u>	<u>\$ 516</u>	<u>\$ (34)</u>	<u>\$ 17,302</u>
<b>Balance at September 30, 2025</b>	\$ 258	\$ 17,797	\$ 510	\$ (54)	\$ 18,511
Net income (loss)	—	268	(2)	—	266
Total other comprehensive income	—	—	—	14	14
Return on power program appropriation investment	—	(2)	—	—	(2)
<b>Balance at December 31, 2025</b>	<u>\$ 258</u>	<u>\$ 18,063</u>	<u>\$ 508</u>	<u>\$ (40)</u>	<u>\$ 18,789</u>

The accompanying notes are an integral part of these consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Dollars in millions except where noted)

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### 1. Summary of Significant Accounting Policies

#### *General*

The Tennessee Valley Authority ("TVA") prepares its consolidated interim financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") for consolidated interim financial information. Accordingly, TVA's consolidated interim financial statements do not include all of the information and notes required by GAAP for annual financial statements. As such, they should be read in conjunction with the audited financial statements for the year ended September 30, 2025, and the notes thereto, which are contained in TVA's Annual Report on Form 10-K for the year ended September 30, 2025 (the "Annual Report"). In the opinion of management, all adjustments (consisting of items of a normal recurring nature) considered necessary for fair presentation are included on the consolidated interim financial statements.

#### *Fiscal Year*

TVA's fiscal year ends September 30. Years (2026, 2025, etc.) refer to TVA's fiscal years unless they are preceded by "CY," in which case the references are to calendar years.

#### *Basis of Presentation*

The accompanying consolidated interim financial statements, which have been prepared in accordance with GAAP, include the accounts of TVA and variable interest entities ("VIEs") of which TVA is the primary beneficiary. See Note 10 — *Variable Interest Entities*. Intercompany balances and transactions have been eliminated in consolidation.

#### *Use of Estimates*

The preparation of financial statements requires TVA to estimate the effects of various matters that are inherently uncertain as of the date of the consolidated financial statements. Although the consolidated financial statements are prepared in conformity with GAAP, TVA is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the amounts of revenues and expenses, reported during the reporting period. Each of these estimates varies in regard to the level of judgment involved and its potential impact on TVA's financial results. Estimates are considered critical either when a different estimate could have reasonably been used, or where

changes in the estimate are reasonably likely to occur from period to period, and such use or change would materially impact TVA's financial condition, results of operations, or cash flows.

#### *Cash, Cash Equivalents, and Restricted Cash*

Cash includes cash on hand, non-interest bearing cash, and deposit accounts. All highly liquid investments with original maturities of three months or less are considered cash equivalents. Cash and cash equivalents that are restricted, as to withdrawal or use under the terms of certain contractual agreements, are recorded in Other long-term assets on the Consolidated Balance Sheets. Restricted cash and cash equivalents include cash held in trusts that are currently restricted for TVA economic development loans and for certain TVA environmental programs in accordance with agreements related to compliance with certain environmental regulations.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported on the Consolidated Balance Sheets and Consolidated Statements of Cash Flows:

<b>Cash, Cash Equivalents, and Restricted Cash</b> (in millions)		
	<b>At December 31, 2025</b>	<b>At September 30, 2025</b>
Cash and cash equivalents	\$ 501	\$ 1,576
Restricted cash and cash equivalents included in Other long-term assets	21	21
<b>Total cash, cash equivalents, and restricted cash</b>	<b>\$ 522</b>	<b>\$ 1,597</b>

#### *Allowance for Uncollectible Accounts*

TVA recognizes an allowance that reflects the current estimate for credit losses expected to be incurred over the life of the financial assets based on historical experience, current conditions, and/or reasonable and supportable forecasts that affect the collectability of the reported amounts. The appropriateness of the allowance is evaluated at the end of each reporting period.

To determine the allowance for trade receivables as part of estimating expected credit losses, TVA considers historical experience and other currently available information, including events such as customer bankruptcy and/or a customer failing to fulfill payment arrangements by the due date. TVA's corporate credit department also performs an assessment of the financial condition of customers and the credit quality of the receivables. In addition, TVA assumes that the current conditions as of the balance sheet date will remain unchanged for the remaining life of the trade receivables.

To determine the allowance for loans receivables, TVA aggregates loans into the appropriate pools based on the existence of similar risk characteristics such as collateral types and internal assessed credit risks. In situations where a loan exhibits unique risk characteristics and is no longer expected to experience similar risks to the rest of its pool, the loan will be evaluated separately. TVA derives an annual loss rate based on historical loss and then adjusts the rate to reflect TVA's consideration of available information on current conditions and reasonable and supportable future forecasts. This information may include economic and business conditions, default trends, and other internal and external factors. For periods beyond the reasonable and supportable forecast period, TVA uses the current calculated long-term average historical loss rate for the remaining life of the loan portfolio.

The allowance for uncollectible accounts was \$17 million and \$14 million at December 31, 2025, and September 30, 2025, respectively, for trade accounts receivable. At December 31, 2025, the allowance for uncollectible accounts included \$17 million related to one local power company customer ("LPC"). Additionally, loans receivable of \$89 million and \$86 million at December 31, 2025, and September 30, 2025, respectively, are included in Accounts receivable, net and Other long-term assets for the current and long-term portions, respectively. Loans receivables are reported net of allowances for uncollectible accounts of \$2 million at both December 31, 2025, and September 30, 2025.

#### *Pre-Commercial Plant Operations*

As part of the process of completing the construction of a generating unit, the electricity produced is used to serve the demands of the electric system. TVA estimates revenues earned during pre-commercial operations at the fair value of the energy delivered based on TVA's hourly incremental dispatch cost. Pre-commercial plant operations began on Johnsonville Aero derivative Combustion Turbine ("CT") Facility during 2025. Estimated revenue of less than \$1 million related to this project was capitalized to offset project costs for the three months ended December 31, 2024. TVA also capitalized related fuel costs for this project of less than \$1 million for the three months ended December 31, 2024.

#### *Property, Plant, and Equipment, and Depreciation*

**Depreciation.** TVA accounts for depreciation of its properties using the composite depreciation convention of accounting. Under the composite method, assets with similar economic characteristics are grouped and depreciated as one

asset. Depreciation is generally computed on a straight-line basis over the estimated service lives of the various classes of assets. The estimation of asset useful lives requires management judgment, supported by external depreciation studies of historical asset retirement experience. Depreciation rates are determined based on external depreciation studies that are updated approximately every five years, with the latest study implemented during the first quarter of 2022.

Depreciation expense was \$483 million and \$471 million for the three months ended December 31, 2025 and 2024, respectively. See Note 7 — *Plant Closures* for a discussion of the impact of plant closures.

TVA's policy is to adjust depreciation rates to reflect the most current assumptions, ensuring units will be fully depreciated by the applicable retirement dates. In December 2025, the Nuclear Regulatory Commission ("NRC") approved a subsequent license renewal ("SLR") application for the three units at Browns Ferry Nuclear Plant ("Browns Ferry"), which extended the useful life of the three units for an additional 20 years. The SLR is estimated to result in approximately a \$45 million reduction in depreciation expense quarterly, which does not include any potential impact from additions or retirements to net completed plant. For the three months ended December 31, 2025, there was an estimated reduction in depreciation expense of \$15 million due to the December 2025 Browns Ferry SLR.

#### Government Grants

TVA accounts for government grants based on what the credit is intended to reimburse. Government grants related to an asset are recognized as an adjustment to the cost basis in determining the carrying amount of the asset, and government grants related to income are recognized as a deduction from the related expense. TVA records the credit when (1) there is reasonable assurance that the credit will be received, and (2) TVA complies with all conditions attached to the eligibility of the credit.

## 2. Impact of New Accounting Standards and Interpretations

The following accounting standards or rules have been issued but as of December 31, 2025, were not effective and have not been adopted by TVA:

Enhancement and Standardization of Climate-Related Disclosures for Investors	
<b>Description</b>	In March 2024, the Securities and Exchange Commission ("SEC") adopted its climate-related final rule (SEC Release No. 34-99678, The Enhancement and Standardization of Climate-Related Disclosures for Investors). In April 2024, the SEC voluntarily stayed the new rule as a result of pending legal challenges; in March 2025, the SEC withdrew its legal defense of the rule; and in April 2025, the United States Court of Appeals for the Eighth Circuit suspended the litigation over the validity of the rule. The new rule, if implemented as adopted, will require registrants to provide certain climate-related information in their annual reports and registration statements and will also require the dollar impact of severe weather events and other natural conditions, as well as amounts related to carbon offsets and renewable energy credits or certificates, to be disclosed in the audited financial statements in certain circumstances. If the new rule is implemented as adopted, the disclosure requirements will begin phasing in for fiscal years beginning on or after January 1, 2027, for non-accelerated filers.
<b>Effective Date for TVA</b>	Fiscal year beginning October 1, 2027.
<b>Effect on the Financial Statements or Other Significant Matters</b>	TVA is currently evaluating the impact of the rule on its disclosures.

Disaggregation of Income Statement Expenses	
<b>Description</b>	This guidance improves the disclosures about a public entity's expenses in the notes to the financial statements and requires disclosure of specified information about certain costs and expenses. The amendments require a public entity to disclose, on an annual and interim basis, purchases of inventory, employee compensation, depreciation, intangible asset amortization, and depletion for each income statement line item that contains those expenses. Specified expenses, gains, or losses that are already disclosed under existing U.S. GAAP are required to be included in the disaggregated income statement expense line item disclosures, and any relevant remaining amounts need to be described qualitatively. Separate disclosures of total selling expenses and an entity's definition of those expenses are also required. The amendments are effective for public entities for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Upon adoption, a public entity can apply the amendments prospectively or apply them retrospectively to all prior periods presented in the financial statements.
<b>Effective Date for TVA</b>	Fiscal year beginning October 1, 2027, and interim periods beginning October 1, 2028.
<b>Effect on the Financial Statements or Other Significant Matters</b>	The adoption of this standard will result in TVA including the additional required disclosures, and TVA does not expect an impact on its financial condition, results of operations, or cash flows.

<b>Accounting and Disclosure of Costs Related to Internally Developed Software</b>	
<b>Description</b>	This guidance amends the accounting for and disclosure of costs related to internally developed software, eliminating project stages, clarifying significant development uncertainty by requiring costs to be recognized only when uncertainty is resolved, and aligning capitalization rules with those for externally sold software. Key changes include the elimination of distinct project stages for development, a redefined meaning of probable as likely, and requirements to assess significant development uncertainty for all software projects to determine when to capitalize costs. In addition, the guidance specifies that the property, plant, and equipment disclosure requirements shall be applied to all capitalized software costs. The amendments are effective for all public entities for fiscal years beginning after December 15, 2027, and interim periods within those fiscal years. Upon adoption, a public entity may apply the guidance using a prospective, retrospective, or modified transition approach.
<b>Effective Date for TVA</b>	The new standard is effective for TVA's interim and annual reporting periods beginning October 1, 2028.
<b>Effect on the Financial Statements or Other Significant Matters</b>	The adoption of this standard is not expected to have a material impact on TVA's financial condition, results of operations, cash flows, or disclosures.

<b>Accounting for Government Grants</b>	
<b>Description</b>	This guidance establishes accounting recognition, measurement, and presentation of government grants received by business entities, including guidance for (1) a grant related to an asset and (2) a grant related to income. The amendments in this update require that a government grant received by a business entity not be recognized until it is probable that (a) a business entity will comply with the conditions attached to the grant and (b) the grant will be received. The amendments require that a grant related to an asset be recognized utilizing either a deferred income approach or an adjustment to the cost basis and that a grant related to income be either recognized as other income or deducted from the related expense. In addition, the amendments require, consistent with current disclosure requirements, that a business entity provide disclosures, including the nature of the government grant received, the accounting policies used to account for the grant, and significant terms and conditions of the grant. The amendments are effective for public entities for fiscal years beginning after December 15, 2028, and interim periods within those fiscal years. Upon adoption, a public entity can apply the amendments under a modified prospective approach, a modified retrospective approach, or a full retrospective approach.
<b>Effective Date for TVA</b>	The new standard is effective for TVA's interim and annual reporting periods beginning October 1, 2029.
<b>Effect on the Financial Statements or Other Significant Matters</b>	The adoption of this standard is not expected to have a material impact on TVA's financial condition, results of operations, cash flows, or disclosures.

### 3. Restructuring

TVA's demand continues to grow, driving the need for significant future capital investment. TVA must continue to drive efficiencies and cost savings across the enterprise to provide affordable, reliable electricity, while funding the capital investment needed to meet growing demand. This effort has evolved into an Enterprise Transformation Program ("ETP") focused on improving financial health, enhancing asset performance, automating processes, optimizing third-party spend through supply chain, and making the workforce more efficient. As part of these efforts, certain employees are eligible for severance payments. These amounts are recognized in Operating and maintenance expense on TVA's Consolidated Statements of Operations in the period incurred. Severance costs that have been incurred but not paid are included in Accounts payable and accrued liabilities on TVA's Consolidated Balance Sheets. The organizational design efforts associated with the ETP were complete as of September 30, 2025; however, the ETP is ongoing as TVA executes the focus areas described above. The table below summarizes the activity related to severance costs:

<b>Severance Cost Liability Activity<sup>(1)</sup></b> (in millions)		
Severance cost liability at September 30, 2025	\$	11
Liabilities incurred during the period		—
Actual costs paid during the period		(10)
Severance cost liability at December 31, 2025	\$	1

**Note**

(1) There was no severance cost liability activity for the three months ended December 31, 2024.

#### 4. Accounts Receivable, Net

Accounts receivable primarily consist of amounts due from customers for power sales. The table below summarizes the types and amounts of TVA's accounts receivable:

Accounts Receivable, Net (in millions)		
	At December 31, 2025	At September 30, 2025
Power receivables	\$ 1,739	\$ 1,908
Other receivables	205	225
Allowance for uncollectible accounts <sup>(1)</sup>	(17)	(14)
Accounts receivable, net	<u>\$ 1,927</u>	<u>\$ 2,119</u>

##### Note

(1) To determine the allowance for trade receivables, TVA considers historical experience and other currently available information, including events such as customer bankruptcy and/or a customer failing to fulfill payment arrangements by the due date, among other considerations. See Note 1 — *Summary of Significant Accounting Policies — Allowance for Uncollectible Accounts*. At December 31, 2025, the allowance for uncollectible accounts included \$17 million related to one LPC customer.

The Inflation Reduction Act of 2022 ("IRA") makes credits available to certain tax-exempt entities, including TVA, and, in 2025, TVA began applying for these credits. At December 31, 2025, and September 30, 2025, the carrying amount of the Accounts receivable, net, which is related to IRA tax credits and classified as Other receivables above, was \$112 million and \$72 million, respectively. TVA received \$26 million during the three months ended December 31, 2025, related to these credits.

#### 5. Inventories, Net

The table below summarizes the types and amounts of TVA's inventories:

Inventories, Net (in millions)		
	At December 31, 2025	At September 30, 2025
Materials and supplies inventory	\$ 995	\$ 986
Fuel inventory	310	278
Renewable energy certificates/emissions allowance inventory, net	12	12
Allowance for inventory obsolescence	(87)	(83)
Inventories, net	<u>\$ 1,230</u>	<u>\$ 1,193</u>

#### 6. Other Current Assets

Other current assets consisted of the following:

Other Current Assets (in millions)		
	At December 31, 2025	At September 30, 2025
Inventory work-in-progress	\$ 78	\$ 69
Prepaid software maintenance	34	25
Current portion of prepaid long-term service agreements	25	16
Prepaid insurance	16	16
Commodity contract derivative assets	14	14
Prepaid fees and dues	5	7
Cloud assets	2	3
Other	10	12
Other current assets	<u>\$ 184</u>	<u>\$ 162</u>

*Commodity Contract Derivative Assets.* See Note 14 — *Risk Management Activities and Derivative Transactions — Derivatives Not Receiving Hedge Accounting Treatment — Commodity Contract Derivatives* and — *Commodity Derivatives under the FHP* for a discussion of TVA's commodity contract derivatives.



## 7. Plant Closures

### Background

TVA must continuously evaluate all generating assets to ensure an optimal energy portfolio that provides safe and reliable power while maintaining flexibility and fiscal responsibility to the people of the Tennessee Valley. In January 2023, TVA issued its Record of Decision to retire two coal-fired units at Cumberland Fossil Plant ("Cumberland") by the end of CY 2026 and CY 2028. In April 2024, TVA issued its Record of Decision to retire the nine coal-fired units at Kingston Fossil Plant ("Kingston") by the end of CY 2027. TVA is evaluating the impact of retiring the balance of the coal-fired fleet by 2035, and that evaluation includes environmental reviews and TVA Board of Directors ("TVA Board") approval. TVA is also reviewing how recent executive orders, the evolving regulatory environment, and overall system performance are impacting the operation of its coal-fired fleet. An evaluation of the continued operation of coal-fired units is being conducted and will consider material condition, plant performance, system flexibility needs, environmental requirements, grid support, and other factors.

### Financial Impact

TVA's policy is to adjust depreciation rates to reflect the most current assumptions, ensuring units will be fully depreciated by the applicable retirement dates. TVA's decision to retire the two units at Cumberland is estimated to result in approximately \$16 million of additional depreciation quarterly, which does not include any potential impact from additions or retirements to net completed plant. The cumulative impact approximates \$192 million of additional depreciation since January 2023, related to this decision. In addition, TVA's decision to retire the nine units at Kingston is estimated to result in approximately \$9 million of additional depreciation quarterly, which does not include any potential impact from additions or retirements to net completed plant. The cumulative impact approximates \$63 million of additional depreciation since April 2024, related to this decision.

## 8. Other Long-Term Assets

The table below summarizes the types and amounts of TVA's other long-term assets:

Other Long-Term Assets (in millions)		
	At December 31, 2025	At September 30, 2025
Cloud assets	\$ 132	\$ 114
Loans and other long-term receivables, net	84	83
Prepaid capital assets	81	81
Prepaid long-term service agreements	72	89
EnergyRight® receivables, net	46	45
Commodity contract derivative assets	7	10
Other	86	84
Total other long-term assets	<u>\$ 508</u>	<u>\$ 506</u>

**Cloud Assets.** At December 31, 2025, and September 30, 2025, the carrying amount of the cloud assets reported in Other current assets was \$2 million and \$3 million, respectively. For the three months ended December 31, 2025 and 2024, TVA amortized \$1 million and \$5 million, respectively, as Operating and maintenance expense.

**Loans and Other Long-Term Receivables.** At December 31, 2025, and September 30, 2025, the carrying amount of the loans receivable, net of discount, reported in Accounts receivable, net was \$5 million and \$3 million, respectively. Loans receivables are reported net of allowances for uncollectible accounts. See Note 1 — *Summary of Significant Accounting Policies — Allowance for Uncollectible Accounts*.

The allowance components, which consist of a collective allowance and specific loans allowance, are based on the risk characteristics of TVA's loans. Loans that share similar risk characteristics are evaluated on a collective basis in measuring credit losses, while loans that do not share similar risk characteristics with other loans are evaluated on an individual basis.

Allowance Components (in millions)		
	At December 31, 2025	At September 30, 2025
EnergyRight® loan reserve	\$ 1	\$ 1
Economic development loan specific loan reserve	1	1
Total allowance for loan losses	<u>\$ 2</u>	<u>\$ 2</u>

*Prepaid Capital Assets.* TVA makes prepayments to acquire capital assets. TVA classifies these prepayments as prepaid capital if the funds are refundable and/or TVA can receive a credit.

*Prepaid Long-Term Service Agreements.* At December 31, 2025, and September 30, 2025, prepayments of \$25 million and \$16 million, respectively, were recorded in Other current assets.

*EnergyRight® Receivables.* In association with the EnergyRight® program, TVA's LPCs offer financing to end-use customers for the purchase of energy-efficient equipment. Depending on the nature of the energy-efficiency project, loans may have a maximum term of five years or 10 years. TVA purchases the resulting loans receivable from its LPCs. The loans receivable are then transferred to a third-party bank with which TVA has agreed to repay in full any loans receivable that have been in default for 180 days or more or that TVA has determined are uncollectible. Given this continuing involvement, TVA accounts for the transfer of the loans receivable as secured borrowings. The current and long-term portions of the loans receivable are reported in Accounts receivable, net and Other long-term assets, respectively, on TVA's Consolidated Balance Sheets. At both December 31, 2025, and September 30, 2025, the carrying amount of the loans receivable, net of discount, reported in Accounts receivable, net was \$12 million. See Note 11 — *Other Long-Term Liabilities* for information regarding the associated financing obligation.

*Commodity Contract Derivative Assets.* See Note 14 — *Risk Management Activities and Derivative Transactions — Derivatives Not Receiving Hedge Accounting Treatment — Commodity Contract Derivatives* and — *Commodity Derivatives under the FHP* for a discussion of TVA's commodity contract derivatives.

## 9. Regulatory Assets and Liabilities

TVA records certain assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for non-regulated entities. As such, certain items that would generally be reported in earnings or that would impact the Consolidated Statements of Operations are recorded as regulatory assets or regulatory liabilities. Regulatory assets generally represent incurred costs that have been deferred because such costs are probable of future recovery in customer rates. Regulatory liabilities generally represent obligations to make refunds to customers for previous collections for costs that are not likely to be incurred or deferral of gains that will be credited to customers in future periods. Components of regulatory assets and regulatory liabilities are summarized in the table below.

Regulatory Assets and Liabilities (in millions)			
	At December 31, 2025		At September 30, 2025
Current regulatory assets			
Unrealized losses on commodity contract derivatives	\$	69	\$ 59
Unrealized losses on interest rate derivatives		57	57
Fuel cost adjustment receivable		36	—
Other current regulatory assets		11	11
Total current regulatory assets		173	127
Non-current regulatory assets			
Non-nuclear decommissioning costs		5,554	5,563
Retirement benefit plans deferred costs		1,519	1,531
Environmental compliance and remediation costs		334	308
Unrealized losses on interest rate derivatives		278	316
Nuclear decommissioning costs		116	149
Unrealized losses on commodity contract derivatives		14	12
Other non-current regulatory assets		170	168
Total non-current regulatory assets		7,985	8,047
Total regulatory assets	\$	8,158	\$ 8,174
Current regulatory liabilities			
Fuel cost adjustment tax equivalents	\$	192	\$ 203
Unrealized gains on commodity contract derivatives		18	14
Fuel cost adjustment payable		—	11
Total current regulatory liabilities		210	228
Non-current regulatory liabilities			
Retirement benefit plans deferred credits		125	131
Unrealized gains on commodity contract derivatives		7	10
Total non-current regulatory liabilities		132	141
Total regulatory liabilities	\$	342	\$ 369

## 10. Variable Interest Entities

A variable interest entity ("VIE") is an entity that either (i) has insufficient equity to permit the entity to finance its activities without additional subordinated financial support or (ii) has equity investors who lack the characteristics of owning a controlling financial interest. When TVA determines that it has a variable interest in a VIE, a qualitative evaluation is performed to assess which interest holders have the power to direct the activities that most significantly impact the economic performance of the entity and have the obligation to absorb losses or receive benefits that could be significant to the entity. The evaluation considers the purpose and design of the business, the risks that the business was designed to create and pass along to other entities, the activities of the business that can be directed and which party can direct them, and the expected relative impact of those activities on the economic performance of the business through its life. TVA has the power to direct the activities of an

entity when it has the ability to make key operating and financing decisions, including, but not limited to, capital investment and the issuance of debt. Based on the evaluation of these criteria, TVA has determined it is the primary beneficiary of certain entities and as such is required to account for the VIEs on a consolidated basis.

#### *John Sevier VIEs*

In 2012, TVA entered into a \$1.0 billion construction management agreement and lease financing arrangement with John Sevier Combined Cycle Generation LLC ("JSCCG") for the completion and lease by TVA of the John Sevier Combined Cycle Facility ("John Sevier CCF"). JSCCG is a special single-purpose limited liability company formed in January 2012 to finance the John Sevier CCF through a \$900 million secured note issuance (the "JSCCG notes") and the issuance of \$100 million of membership interests subject to mandatory redemption. The membership interests were purchased by John Sevier Holdco LLC ("Holdco"). Holdco is a special single-purpose entity, also formed in January 2012, established to acquire and hold the membership interests in JSCCG. A non-controlling interest in Holdco is held by a third-party through nominal membership interests, to which none of the income, expenses, and cash flows are allocated.

The membership interests held by Holdco in JSCCG were purchased with proceeds from the issuance of \$100 million of secured notes (the "Holdco notes") and are subject to mandatory redemption pursuant to a schedule of amortizing, semi-annual payments due each January 15 and July 15, with a final payment due in January 2042. The payment dates for the mandatorily redeemable membership interests are the same as those of the Holdco notes. The sale of the JSCCG notes, the membership interests in JSCCG, and the Holdco notes closed in January 2012. The JSCCG notes are secured by TVA's lease payments, and the Holdco notes are secured by Holdco's investment in, and amounts receivable from, JSCCG. TVA's lease payments to JSCCG are equal to and payable on the same dates as JSCCG's and Holdco's semi-annual debt service payments. In addition to the lease payments, TVA pays administrative and miscellaneous expenses incurred by JSCCG and Holdco. Certain agreements related to this transaction contain default and acceleration provisions.

Due to its participation in the design, business activity, and credit and financial support of JSCCG and Holdco, TVA has determined that it has a variable interest in each of these entities. Based on its analysis, TVA has concluded that it is the primary beneficiary of JSCCG and Holdco and, as such, is required to account for the VIEs on a consolidated basis. Holdco's membership interests in JSCCG are eliminated in consolidation.

#### *Southaven VIE*

In 2013, TVA entered into a \$400 million lease financing arrangement with Southaven Combined Cycle Generation LLC ("SCCG") for the lease by TVA of the Southaven Combined Cycle Facility ("Southaven CCF"). SCCG is a special single-purpose limited liability company formed in June 2013 to finance the Southaven CCF through a \$360 million secured notes issuance (the "SCCG notes") and the issuance of \$40 million of membership interests subject to mandatory redemption. The membership interests were purchased by Southaven Holdco LLC ("SHLLC"). SHLLC is a special single-purpose entity, also formed in June 2013, established to acquire and hold the membership interests in SCCG. A non-controlling interest in SHLLC is held by a third-party through nominal membership interests, to which none of the income, expenses, and cash flows of SHLLC are allocated.

The membership interests held by SHLLC were purchased with proceeds from the issuance of \$40 million of secured notes (the "SHLLC notes") and are subject to mandatory redemption pursuant to a schedule of amortizing, semi-annual payments due each February 15 and August 15, with a final payment due on August 15, 2033. The payment dates for the mandatorily redeemable membership interests are the same as those of the SHLLC notes, and the payment amounts are sufficient to provide returns on, as well as returns of, capital until the investment has been repaid to SHLLC in full. The rate of return on investment to SHLLC is seven percent, which is reflected as interest expense in the Consolidated Statements of Operations. SHLLC is required to pay a pre-determined portion of the return on investment to Seven States Southaven, LLC on each lease payment date as agreed in SHLLC's formation documents (the "Seven States Return"). The current and long-term portions of the Membership interests of VIE subject to mandatory redemption are included in Accounts payable and accrued liabilities and Other long-term liabilities, respectively.

The payment dates for the mandatorily redeemable membership interests are the same as those of the SHLLC notes. The SCCG notes are secured by TVA's lease payments, and the SHLLC notes are secured by SHLLC's investment in, and amounts receivable from, SCCG. TVA's lease payments to SCCG are payable on the same dates as SCCG's and SHLLC's semi-annual debt service payments and are equal to the sum of (i) the amount of SCCG's semi-annual debt service payments, (ii) the amount of SHLLC's semi-annual debt service payments, and (iii) the amount of the Seven States Return. In addition to the lease payments, TVA pays administrative and miscellaneous expenses incurred by SCCG and SHLLC. Certain agreements related to this transaction contain default and acceleration provisions.

In the event that TVA were to choose to exercise an early buy out feature of the Southaven facility lease, in part or in whole, TVA must pay to SCCG amounts sufficient for SCCG to repay or partially repay on a pro rata basis the membership interests held by SHLLC, including any outstanding investment amount plus accrued but unpaid return. TVA also has the right, at any time and without any early redemption of the other portions of the Southaven facility lease payments due to SCCG, to fully repay SHLLC's investment, upon which repayment SHLLC will transfer the membership interests to a designee of TVA.

TVA participated in the design, business activity, and financial support of SCCG and has determined that it has a direct variable interest in SCCG resulting from risk associated with the value of the Southaven CCF at the end of the lease term. Based on its analysis, TVA has determined that it is the primary beneficiary of SCCG and, as such, is required to account for the VIE on a consolidated basis.

#### *Johnsonville VIE*

In October 2024, TVA entered into an \$800 million construction management agreement and lease financing arrangement with Johnsonville Aeroderivative Combustion Turbine Generation LLC ("JACTG") for the completion and lease by TVA of the Johnsonville Aeroderivative Combustion Turbine Facility ("Johnsonville Facility"). JACTG is a special single-purpose limited liability company formed in September 2024 to finance the Johnsonville Facility through a \$720 million secured note issuance (the "JACTG notes") and the issuance of \$80 million of membership interests subject to mandatory redemption. The membership interests were purchased by Johnsonville Holdco LLC ("JHLLC"). JHLLC is a special single-purpose entity, also formed in September 2024, established to acquire and hold the membership interests in JACTG. A non-controlling interest in JHLLC is held by a third-party through nominal membership interests, to which none of the income, expenses, and cash flows are allocated.

The membership interests held by JHLLC in JACTG were purchased with proceeds from the issuance of \$80 million of secured notes (the "JHLLC notes") and are subject to mandatory redemption pursuant to a schedule of amortizing, semi-annual payments due each April 1 and October 1, with a final payment due in October 2054. The payment dates for the mandatorily redeemable membership interests are the same as those of the JHLLC notes. The sale of the JACTG notes, the membership interests in JACTG, and the JHLLC notes closed in October 2024. The JACTG notes are secured by TVA's lease payments, and the JHLLC notes are secured by JHLLC's investment in, and amounts receivable from, JACTG. TVA's lease payments to JACTG are equal to and payable on the same dates as JACTG's and JHLLC's semi-annual debt service payments. In addition to the lease payments, TVA pays administrative and miscellaneous expenses incurred by JACTG and JHLLC. Certain agreements related to this transaction contain default and acceleration provisions.

Due to its participation in the design, business activity, and credit and financial support of JACTG and JHLLC, TVA has determined that it has a variable interest in both of these entities. Based on its analysis, TVA has concluded that it is the primary beneficiary of JACTG and JHLLC and, as such, is required to account for the VIEs on a consolidated basis. JHLLC's membership interests in JACTG are eliminated in consolidation.

#### *Impact on Consolidated Financial Statements*

The financial statement items attributable to carrying amounts and classifications of JSCCG, Holdco, SCCG, JACTG, and JHLLC at December 31, 2025, and September 30, 2025, as reflected on the Consolidated Balance Sheets, are as follows:

**Summary of Impact of VIEs on Consolidated Balance Sheets**  
(in millions)

	<b>At December 31, 2025</b>	<b>At September 30, 2025</b>
<b>Current liabilities</b>		
Accrued interest	\$ 30	\$ 29
Accounts payable and accrued liabilities	1	1
Current maturities of long-term debt of variable interest entities	49	49
<b>Total current liabilities</b>	<b>80</b>	<b>79</b>
<b>Other liabilities</b>		
Other long-term liabilities	15	14
<b>Long-term debt, net</b>		
Long-term debt of variable interest entities, net	1,627	1,632
<b>Total liabilities</b>	<b>\$ 1,722</b>	<b>\$ 1,725</b>

Interest expense of \$21 million and \$22 million for the three months ended December 31, 2025 and 2024, respectively, is included in the Consolidated Statements of Operations related to debt of VIEs and membership interests of VIEs subject to mandatory redemption.

Creditors of the VIEs do not have any recourse to the general credit of TVA. TVA does not have any obligations to provide financial support to the VIEs other than as prescribed in the terms of the agreements related to these transactions.

## 11. Other Long-Term Liabilities

Other long-term liabilities consist primarily of liabilities related to certain derivative agreements as well as liabilities related to environmental compliance and remediation and long-term project cost accruals. The table below summarizes the types and amounts of Other long-term liabilities:

Other Long-Term Liabilities (in millions)		
	At December 31, 2025	At September 30, 2025
Interest rate swap liabilities	\$ 570	\$ 643
Environmental compliance and remediation costs	311	274
Long-term project cost accruals	166	204
Currency swap liabilities	95	108
Operating lease liabilities	58	63
Advances for construction	58	61
EnergyRight® financing obligation	53	53
Long-term deferred revenue	39	39
Long-term deferred compensation	38	54
Commodity contract derivative liabilities	14	12
Accrued long-term service agreements	12	25
Other	76	70
Total other long-term liabilities	<u>\$ 1,490</u>	<u>\$ 1,606</u>

**Interest Rate Swap Liabilities.** See Note 14 — *Risk Management Activities and Derivative Transactions — Overview of Accounting Treatment — Derivatives Not Receiving Hedge Accounting Treatment* and — *Interest Rate Derivatives* for information regarding the interest rate swap liabilities.

**Environmental Compliance and Remediation Costs.** At December 31, 2025, and September 30, 2025, the current amount of the environmental compliance and remediation costs reported in Accounts payable and accrued liabilities was \$44 million and \$52 million, respectively.

**Long-Term Project Cost Accruals.** At December 31, 2025, and September 30, 2025, the current amount of the long-term project cost accruals reported in Accounts payable and accrued liabilities was \$273 million and \$256 million, respectively.

**Currency Swap Liabilities.** See Note 14 — *Risk Management Activities and Derivative Transactions — Overview of Accounting Treatment* and — *Cash Flow Hedging Strategy for Currency Swaps* for more information regarding the currency swap liabilities.

**Operating Lease Liabilities.** At December 31, 2025, and September 30, 2025, the current portion of TVA's operating leases reported in Accounts payable and accrued liabilities was \$44 million and \$46 million, respectively.

**Advances for Construction.** At December 31, 2025, and September 30, 2025, the current amount of advances for construction recorded in Accounts payable and accrued liabilities was \$153 million and \$155 million, respectively.

**EnergyRight® Financing Obligation.** At both December 31, 2025, and September 30, 2025, the carrying amount of the financing obligation reported in Accounts payable and accrued liabilities was \$13 million. See Note 8 — *Other Long-Term Assets* for information regarding the associated loans receivable.

**Long-Term Deferred Revenue.** At December 31, 2025, and September 30, 2025, the current amount of deferred revenue recorded in Accounts payable and accrued liabilities was \$44 million and \$25 million, respectively.

**Long-Term Deferred Compensation.** At December 31, 2025, and September 30, 2025, the current amount of deferred compensation recorded in Accounts payable and accrued liabilities was \$51 million and \$70 million, respectively.

**Commodity Contract Derivative Liabilities.** See Note 14 — *Risk Management Activities and Derivative Transactions — Derivatives Not Receiving Hedge Accounting Treatment — Commodity Contract Derivatives* and — *Commodity Derivatives under the FHP* for a discussion of TVA's commodity contract derivatives.

**Accrued Long-Term Service Agreements.** At December 31, 2025, and September 30, 2025, the current amount of accrued long-term service agreements recorded in Accounts payable and accrued liabilities was \$28 million and \$17 million, respectively.

## 12. Asset Retirement Obligations

During the three months ended December 31, 2025, TVA's total asset retirement obligations ("ARO") liability decreased \$689 million as a result of revisions in estimates to nuclear AROs and settlements related to retirement projects that were conducted during the period, partially offset by increases due to periodic accretion. The nuclear and non-nuclear accretion amounts were deferred as regulatory assets. During the three months ended December 31, 2025, \$55 million of the related regulatory assets were amortized into expense as these amounts were collected in rates. See Note 9 — *Regulatory Assets and Liabilities*. TVA maintains investment trusts to help fund its decommissioning obligations. See Note 15 — *Fair Value Measurements — Investment Funds* and Note 21 — *Contingencies and Legal Proceedings — Contingencies — Decommissioning Costs* for a discussion of the trusts' objectives and the current balances of the trusts.

Asset Retirement Obligation Activity (in millions)			
	Nuclear	Non-nuclear	Total
Balance at September 30, 2025	\$ 3,976	\$ 6,438	\$ 10,414 <sup>(1)</sup>
Settlements	(4)	(52)	(56)
Revisions in estimate (non-cash)	(740)	—	(740)
Accretion (recorded as regulatory asset)	45	62	107
Balance at December 31, 2025	\$ 3,277	\$ 6,448	\$ 9,725 <sup>(1)</sup>

**Note**

(1) Includes \$323 million and \$313 million at December 31, 2025, and September 30, 2025, respectively, in Current liabilities.

Revisions in nuclear estimates decreased the liability balance by \$740 million for the three months ended December 31, 2025. The decrease resulted from the approval of a SLR for Browns Ferry by the NRC in December 2025. The SLR authorizes each of Browns Ferry's three units to operate for an additional 20 years, resulting in a total operating life of 80 years.

## 13. Debt and Other Obligations

### Debt Outstanding

Total debt outstanding at December 31, 2025, and September 30, 2025, consisted of the following:

Debt Outstanding (in millions)		
	At December 31, 2025	At September 30, 2025
<b>Short-term debt</b>		
Short-term debt, net of discounts	\$ 1,173	\$ —
Current maturities of power bonds issued at par	20	1,370
Current maturities of long-term debt of VIEs issued at par	49	49
Total current debt outstanding, net	1,242	1,419
<b>Long-term debt</b>		
Long-term power bonds <sup>(1)</sup>	20,628	20,628
Long-term debt of VIEs, net	1,627	1,632
Unamortized discounts, premiums, issue costs, and other	(163)	(167)
Total long-term debt, net	22,092	22,093
Total debt outstanding	\$ 23,334	\$ 23,512

**Note**

(1) Includes total net exchange gain from currency transactions of \$58 million and \$59 million at December 31, 2025, and September 30, 2025, respectively.

## Debt Securities Activity

The table below summarizes the long-term debt securities activity for the period from October 1, 2025, to December 31, 2025:

Debt Securities Activity		
	Date	Amount (in millions)
<b>Redemptions/Maturities<sup>(1) (2)</sup></b>		
1995 E Global	November 2025	\$ 1,350
Total redemptions/maturities of power bonds		1,350
Debt of variable interest entities		5
Total redemptions/maturities of debt		\$ 1,355

### Notes

(1) All redemptions were at 100 percent of par.

(2) 2009 Series B redemption amount was less than \$1 million in December 2025.

## Credit Facility Agreements

TVA has funding available under four revolving credit facilities totaling \$2.7 billion. See the table below for additional information on the four revolving credit facilities. The interest rate on any borrowing under these facilities varies based on market factors and the rating of TVA's senior unsecured, long-term, non-credit-enhanced debt. TVA is required to pay an unused facility fee on the portion of the total \$2.7 billion that TVA has not borrowed or committed under letters of credit. This fee, along with letter of credit fees, may fluctuate depending on the rating of TVA's senior unsecured, long-term, non-credit-enhanced debt. At December 31, 2025, and September 30, 2025, there were \$488 million and \$498 million, respectively, of letters of credit outstanding under these facilities, and there were no borrowings outstanding. TVA's letters of credit are primarily posted as collateral under TVA's interest rate swaps. See Note 14 — *Risk Management Activities and Derivative Transactions — Other Derivative Instruments — Collateral*. TVA may also post collateral for TVA's currency swaps, for commodity derivatives under the Financial Hedging Program ("FHP"), or for certain transactions with third parties that require TVA to post letters of credit.

The following table provides additional information regarding TVA's funding available under the four revolving credit facilities:

Summary of Credit Facilities At December 31, 2025 (in millions)				
Maturity Date	Facility Limit	Letters of Credit Outstanding	Cash Borrowings	Availability
March 2026	\$ 150	\$ —	\$ —	\$ 150
March 2027	1,000	135	—	865
February 2028	500	214	—	286
September 2030	1,000	139	—	861
Total	\$ 2,650	\$ 488	\$ —	\$ 2,162

TVA and the United States ("U.S.") Department of the Treasury ("U.S. Treasury"), pursuant to the Tennessee Valley Authority Act of 1933, as amended ("TVA Act"), have entered into a memorandum of understanding under which the U.S. Treasury provides TVA with a \$150 million credit facility. This credit facility was renewed for 2026 with a maturity date of September 30, 2026. Access to this credit facility or other similar financing arrangements with the U.S. Treasury has been available to TVA since the 1960s. TVA can borrow under the U.S. Treasury credit facility only if it cannot issue bonds, notes, or other evidences of indebtedness (collectively, "Bonds") in the market on reasonable terms, and TVA considers the U.S. Treasury credit facility a secondary source of liquidity. The interest rate on any borrowing under this facility is based on the average rate on outstanding marketable obligations of the U.S. with maturities from date of issue of 12 months or less. There were no outstanding borrowings under the facility at December 31, 2025. The availability of this credit facility may be impacted by how the U.S. government addresses the possibility of approaching its debt limit.

## 14. Risk Management Activities and Derivative Transactions

TVA is exposed to various risks related to commodity prices, investment prices, interest rates, currency exchange rates, and inflation as well as counterparty credit and performance risks. To help manage certain of these risks, TVA has historically entered into various derivative transactions, principally commodity option contracts, forward contracts, swaps, swaptions, futures, and options on futures.



## Overview of Accounting Treatment

TVA recognizes certain of its derivative instruments as either assets or liabilities on its Consolidated Balance Sheets at fair value. The accounting for changes in the fair value of these instruments depends on (1) whether TVA uses regulatory accounting to defer the derivative gains and losses, (2) whether the derivative instrument has been designated and qualifies for hedge accounting treatment, and (3) if so, the type of hedge relationship (for example, cash flow hedge).

The following tables summarize the accounting treatment that certain of TVA's financial derivative transactions receive:

**Summary of Derivative Instruments That Receive Hedge Accounting Treatment (part 1)**  
**Amount of Mark-to-Market Gain (Loss) Recognized in Accumulated Other Comprehensive Income (Loss)**  
(in millions)

Derivatives in Cash Flow Hedging Relationship	Objective of Hedge Transaction	Accounting for Derivative Hedging Instrument	Three Months Ended December 31	
			2025	2024
Currency swaps	To protect against changes in cash flows caused by changes in foreign currency exchange rates (exchange rate risk)	Unrealized gains and losses are recorded in Accumulated other comprehensive income (loss) ("AOCI") and reclassified to Interest expense to the extent they are offset by gains and losses on the hedged transaction	\$ 13	\$ (19)

**Summary of Derivative Instruments That Receive Hedge Accounting Treatment (part 2)<sup>(1)</sup>**  
**Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) to Interest Expense**  
(in millions)

Derivatives in Cash Flow Hedging Relationship	Three Months Ended December 31	
	2025	2024
Currency swaps	\$ (1)	\$ (37)

### Note

(1) There were no amounts excluded from effectiveness testing for any of the periods presented. Based on forecasted foreign currency exchange rates, TVA expects to reclassify approximately \$5 million of gains from AOCI to Interest expense within the next 12 months to offset amounts anticipated to be recorded in Interest expense related to the forecasted exchange loss on the debt.

**Summary of Derivative Instruments That Do Not Receive Hedge Accounting Treatment**  
**Amount of Gain (Loss) Recognized in Income on Derivatives<sup>(1)</sup>**  
(in millions)

Derivative Type	Objective of Derivative	Accounting for Derivative Instrument	Three Months Ended December 31	
			2025	2024
Interest rate swaps	To fix short-term debt variable rate to a fixed rate (interest rate risk)	Mark-to-market gains and losses are recorded as regulatory liabilities and assets, respectively  Realized gains and losses are recognized in Interest expense when incurred during the settlement period and are presented in operating cash flow	\$ (13)	\$ (10)
Commodity derivatives under the FHP	To protect against fluctuations in market prices of purchased commodities (price risk)	Mark-to-market gains and losses are recorded as regulatory liabilities and assets, respectively  Realized gains and losses are recognized in Fuel expense or Purchased power expense as the contracts settle to match the delivery period of the underlying commodity <sup>(2)</sup>	(13)	(37)

### Notes

(1) All of TVA's derivative instruments that do not receive hedge accounting treatment have unrealized gains (losses) that would otherwise be recognized in income but instead are deferred as regulatory assets and liabilities. As such, there were no related gains (losses) recognized in income for these unrealized gains (losses) for the three months ended December 31, 2025 and for the three months ended December 31, 2024.

(2) Of the amount recognized for the three months ended December 31, 2025, \$10 million and \$3 million were reported in Fuel expense and Purchased power expense, respectively, and of the amount recognized for the three months ended December 31, 2024, \$30 million and \$7 million were reported in Fuel expense and Purchased power expense, respectively.

Fair Values of TVA Derivatives (in millions)				
At December 31, 2025			At September 30, 2025	
Derivatives That Receive Hedge Accounting Treatment:				
	Balance	Balance Sheet Presentation	Balance	Balance Sheet Presentation
Currency swaps				
£250 million Sterling	\$ (43)	Accounts payable and accrued liabilities \$(4); Other long-term liabilities \$(39)	\$ (47)	Accounts payable and accrued liabilities \$(4); Other long-term liabilities \$(43)
£150 million Sterling	(59)	Accounts payable and accrued liabilities \$(3); Other long-term liabilities \$(56)	(68)	Accounts payable and accrued liabilities \$(3); Other long-term liabilities \$(65)
Derivatives That Do Not Receive Hedge Accounting Treatment:				
	Balance	Balance Sheet Presentation	Balance	Balance Sheet Presentation
Interest rate swaps				
\$1.0 billion notional	\$ (476)	Accounts payable and accrued liabilities \$(34); Accrued interest \$(8); Other long-term liabilities \$(434)	\$ (526)	Accounts payable and accrued liabilities \$(13); Accrued interest \$(28); Other long-term liabilities \$(485)
\$476 million notional	(151)	Accounts payable and accrued liabilities \$(14); Accrued interest \$(1); Other long-term liabilities \$(136)	(172)	Accounts payable and accrued liabilities \$(5); Accrued interest \$(9); Other long-term liabilities \$(158)
Commodity contract derivatives	13	Other current assets \$14; Other long-term assets \$5; Accounts payable and accrued liabilities \$(2); Other long-term liabilities \$(4)	10	Other current assets \$14; Other long-term assets \$2; Accounts payable and accrued liabilities \$(2); Other long-term liabilities \$(4)
Commodity derivatives under the FHP	(71)	Accounts receivable \$4; Other long-term assets \$2; Accounts payable and accrued liabilities \$(67); Other long-term liabilities \$(10)	(57)	Other long-term assets \$8; Accounts payable and accrued liabilities \$(57); Other long-term liabilities \$(8)

#### Cash Flow Hedging Strategy for Currency Swaps

To protect against exchange rate risk related to British pound sterling denominated Bond transactions, TVA entered into foreign currency hedges at the time the Bond transactions occurred. TVA had two currency swaps outstanding at December 31, 2025, with total currency exposure of £400 million and expiration dates in 2032 and 2043.

When the dollar strengthens against the British pound sterling, the exchange gain on the Bond liability and related accrued interest is offset by an equal amount of loss on the swap contract that is reclassified out of AOCI. Conversely, the exchange loss on the Bond liability and related accrued interest is offset by an equal amount of gain on the swap contract that is reclassified out of AOCI. All such exchange gains or losses on the Bond liability and related accrued interest are included in Long-term debt, net and Accrued interest, respectively. The offsetting exchange losses or gains on the swap contracts are recognized in AOCI. If any gain (loss) were to be incurred as a result of the early termination of the foreign currency swap contract, the resulting income (expense) would be amortized over the remaining life of the associated Bond as a component of Interest expense. The values of the currency swap liabilities are included in Accounts payable and accrued liabilities and Other long-term liabilities on the Consolidated Balance Sheets.

#### Derivatives Not Receiving Hedge Accounting Treatment

**Interest Rate Derivatives.** Generally TVA uses interest rate swaps to fix variable short-term debt to a fixed rate, and TVA uses regulatory accounting treatment to defer the mark-to-market ("MtM") gains and losses on its interest rate swaps. The net deferred unrealized gains and losses are classified as regulatory liabilities or assets on TVA's Consolidated Balance Sheets and are included in the ratemaking formula when gains or losses are realized. The values of these derivatives are included in Accounts payable and accrued liabilities, Accrued interest, and Other long-term liabilities on the Consolidated Balance Sheets, and realized gains and losses, if any, are included on TVA's Consolidated Statements of Operations. For the three months ended December 31, 2025 and 2024, the changes in fair market value of the interest rate swaps resulted in the reduction in unrealized losses of \$42 million and \$177 million, respectively. TVA may hold short-term debt balances lower than the notional amount of the interest rate swaps from time to time due to changes in business conditions and other factors. While actual

balances vary, TVA generally plans to maintain average balances of short-term debt equal to or in excess of the combined notional amount of the interest rate swaps.

**Commodity Contract Derivatives.** TVA enters into certain commodity contract derivatives for natural gas that require physical delivery of the contracted quantity. TVA may also enter into power purchase agreements ("PPAs") that provide an option to financially settle contracted power deliveries. This option creates an embedded derivative in the hosting PPA. TVA marks to market these contracts and defers the unrealized gains (losses) as regulatory liabilities (assets). At December 31, 2025, TVA's natural gas commodity contract derivatives had terms of up to 10 years.

Commodity Contract Derivatives						
	At December 31, 2025			At September 30, 2025		
	Number of Contracts	Notional Amount	Fair Value (MtM) (in millions)	Number of Contracts	Notional Amount	Fair Value (MtM) (in millions)
Natural gas contract derivatives	38	531 million mmBtu	\$ 13	53	562 million mmBtu	\$ 10

**Commodity Derivatives under the FHP.** Currently, TVA is hedging exposure to the price of natural gas under the FHP. There is no Value at Risk aggregate transaction limit under the current FHP structure, but the TVA Board reviews and authorizes the use of tolerances and measures annually. TVA's FHP policy prohibits trading financial instruments under the FHP for speculative purposes. At December 31, 2025, TVA's natural gas swap contracts under the FHP had remaining terms of up to four years.

Commodity Derivatives under Financial Hedging Program <sup>(1)</sup>						
	At December 31, 2025			At September 30, 2025		
	Number of Contracts	Notional Amount	Fair Value (MtM) (in millions)	Number of Contracts	Notional Amount	Fair Value (MtM) (in millions)
Natural gas swap contracts	200	281 million mmBtu	\$ (71)	295	300 million mmBtu	\$ (57)

**Note**

(1) Fair value amounts presented are based on the net commodity position with the counterparty. Notional amounts disclosed represent the net value of contractual amounts.

TVA defers all FHP unrealized gains (losses) as regulatory liabilities (assets) and records the realized gains or losses in Fuel expense and Purchased power expense to match the delivery period of the underlying commodity.

**Offsetting of Derivative Assets and Liabilities**

The amounts of TVA's derivative instruments as reported on the Consolidated Balance Sheets are shown in the table below:

Derivative Assets and Liabilities <sup>(1)</sup> (in millions)			At December 31, 2025	At September 30, 2025
<b>Assets</b>				
Commodity contract derivatives			\$ 19	\$ 16
Commodity derivatives under the FHP <sup>(2)</sup>			6	8
Total derivatives subject to master netting or similar arrangement			<u>\$ 25</u>	<u>\$ 24</u>
<b>Liabilities</b>				
Currency swaps			\$ 102	\$ 115
Interest rate swaps <sup>(3)</sup>			627	698
Commodity contract derivatives			6	6
Commodity derivatives under the FHP <sup>(2)</sup>			77	65
Total derivatives subject to master netting or similar arrangement			<u>\$ 812</u>	<u>\$ 884</u>

**Notes**

(1) Offsetting amounts include counterparty netting of derivative contracts. Except as discussed below, there were no other material offsetting amounts on TVA's Consolidated Balance Sheets at either December 31, 2025, or September 30, 2025.

(2) At December 31, 2025, the gross derivative asset and gross derivative liability were \$24 million and \$95 million, respectively, with offsetting amounts for each totaling \$18 million. At September 30, 2025, the gross derivative asset and gross derivative liability were \$28 million and \$85 million, respectively, with offsetting amounts for each totaling \$20 million.

(3) Letters of credit of \$432 million and \$442 million were posted as collateral at December 31, 2025, and September 30, 2025, respectively, to partially secure the liability positions of one of the interest rate swaps in accordance with the collateral requirements for this derivative.

#### *Other Derivative Instruments*

**Investment Fund Derivatives.** Investment funds consist primarily of funds held in the Nuclear Decommissioning Trust ("NDT"), the Asset Retirement Trust ("ART"), the Supplemental Executive Retirement Plan ("SERP"), the Deferred Compensation Plan ("DCP"), and the Restoration Plan ("RP"). See Note 15 — *Fair Value Measurements — Investment Funds* for a discussion of the trusts, plans, and types of investments. The NDT and ART may invest in derivative instruments which may include swaps, futures, options, forwards, and other instruments. At December 31, 2025, and September 30, 2025, the NDT held investments in forward contracts to purchase debt securities. The fair values of these derivatives were in net asset positions totaling \$16 million at both December 31, 2025, and September 30, 2025.

**Collateral.** TVA's interest rate swaps, currency swaps, and commodity derivatives under the FHP contain contract provisions that require a party to post collateral (in a form such as cash or a letter of credit) when the party's liability balance under the agreement exceeds a certain threshold. At December 31, 2025, the aggregate fair value of all derivative instruments with credit-risk related contingent features that were in a liability position was \$812 million. TVA's collateral obligations at December 31, 2025, under these arrangements were \$407 million, for which TVA had posted \$432 million in letters of credit. These letters of credit reduce the available balance under the related credit facilities. TVA's assessment of the risk of its nonperformance includes a reduction in its exposure under the interest rate swap contracts as a result of this posted collateral.

For all of its derivative instruments with credit-risk related contingent features:

- If TVA remains a majority-owned U.S. government entity but S&P Global Ratings ("S&P") or Moody's Investors Service, Inc. ("Moody's") downgrades TVA's credit rating to AA or Aa2, respectively, TVA's collateral obligations would likely increase by \$22 million, and
- If TVA ceases to be majority-owned by the U.S. government, TVA's credit rating would likely be downgraded and TVA would be required to post additional collateral.

#### *Counterparty Risk*

TVA may be exposed to certain risks when a counterparty has the potential to fail to meet its obligations in accordance with agreed terms. These risks may be related to credit, operational, or nonperformance matters. To mitigate certain counterparty risk, TVA analyzes the counterparty's financial condition prior to entering into an agreement, establishes credit limits, monitors the appropriateness of those limits, as well as any changes in the creditworthiness of the counterparty, on an ongoing basis, and when required, employs credit mitigation measures, such as collateral or prepayment arrangements and master purchase and sale agreements.

**Customers.** TVA is exposed to counterparty credit risk associated with trade accounts receivable from delivered power sales to LPCs, and from industries and federal agencies directly served, all located in the Tennessee Valley region. Of the \$1.7 billion and \$1.9 billion of receivables from power sales outstanding at December 31, 2025, and September 30, 2025, respectively, nearly all of the counterparties were rated investment grade. The majority of the obligations of these customers that are not investment grade are secured by collateral. TVA is also exposed to risk from exchange power arrangements with a small number of investor-owned regional utilities related to either delivered power or the replacement of open positions of longer-term purchased power or fuel agreements. TVA believes its policies and procedures for counterparty performance risk reviews have generally protected TVA against significant exposure related to market and economic conditions. See Note 1 — *Summary of Significant Accounting Policies — Allowance for Uncollectible Accounts*, Note 4 — *Accounts Receivable, Net*, and Note 8 — *Other Long-Term Assets*.

TVA had revenue from two LPCs that collectively accounted for 16 percent of total operating revenues for both the three months ended December 31, 2025 and the three months ended December 31, 2024.

**Suppliers.** TVA assesses potential supplier performance risks, including procurement of fuel, purchased power, parts, and services. If suppliers are unable or unwilling to perform under TVA's existing contracts and TVA is unable to obtain similar services or supplies from other vendors in a timely manner, or if there are significant changes to tariffs impacting suppliers, TVA could experience delays, disruptions, additional costs, or other operational outcomes that may impact generation, maintenance, and capital programs. If certain fuel or purchased power suppliers fail to perform under the terms of their contract with TVA, TVA might lose the money that it paid to the supplier under the contract and have to purchase replacement fuel or power on the spot market, perhaps at a significantly higher price than TVA was entitled to pay under the contract. In addition, TVA might not be able to acquire replacement fuel or power in a timely manner and thus might be unable to satisfy its own obligations to deliver power. TVA continues evaluating potential supplier performance risks and supplier impact but cannot determine or predict the duration of such risks/impacts or the extent to which such risks/impacts could affect TVA's business, operations, and financial results or cause potential business disruptions.

TVA continues to experience supply chain pressures resulting from inflation, tariffs and other trade restrictions, material constraints, and labor availability. These factors have contributed to project delays, limited availability of critical materials, and increased costs for both materials and labor. Although these challenges have been managed with limited disruption to business operations thus far, continued or escalating pressures could result in more substantial operational impacts and increased pressure on power rates.

**Natural Gas and Fuel Oil.** TVA purchases a significant amount of its natural gas requirements through contracts with a variety of suppliers and purchases substantially all of its fuel oil requirements on the spot market. TVA delivers to its gas fleet under firm and non-firm transportation contracts on multiple interstate natural gas pipelines. TVA contracts for storage capacity that allows for operational flexibility and increased supply during peak gas demand scenarios or supply disruptions. TVA uses contracts of various lengths and terms to meet the projected natural gas needs of its natural gas fleet. TVA also maintains on-site, fuel oil backup to operate at the majority of the CT sites in the event of major supply disruptions. In the event a supplier experiences an incident that limits its ability to fulfill its firm contractual obligations to supply TVA with natural gas, TVA intends to leverage its storage and balancing services and/or replace the volume with a third party to ensure reliability of generation.

**Coal.** To help support a reliable coal supply, TVA maintained contracts with multiple suppliers as of December 31, 2025. These contracts source coal from several diverse geographic regions across the U.S., with deliveries made via both barge and rail. Coal suppliers have faced mounting financial pressures driven by emerging technologies, evolving regulatory frameworks, and shifting market dynamics. These challenges have strained the balance between coal demand and available supply. TVA is actively evaluating recent regulatory developments that may impact its coal procurement strategy and long-term generation planning.

**Nuclear Fuel.** Nuclear fuel is obtained predominantly through long-term uranium concentrate supply contracts, contracted conversion services, contracted enrichment services, or a combination thereof, and contracted fuel fabrication services. The supply markets for uranium concentrates and certain nuclear fuel services are subject to price fluctuations and availability restrictions. Supply market conditions may make procurement contracts subject to credit risk related to the potential nonperformance of counterparties. In the event of nonperformance by these or other suppliers, TVA believes that replacement uranium concentrate and nuclear fuel services can be obtained, although at prices that may be unfavorable when compared to the prices under the current supply agreements.

**Purchased Power.** TVA acquires power from a variety of power producers through long-term and shorter-term PPAs as well as through spot market purchases. Because of the reliability risk of purchased power, TVA generally requires that the PPAs contain certain counterparty performance assurance requirements to help insure counterparty performance during the term of the agreements.

**Other Suppliers.** Solar supply chain constraints, commodity price increases, legislative changes, trade policy issues, and investigations into and affecting solar panel imports have created challenges for the U.S. solar industry including TVA's solar portfolio.

**Derivative Counterparties.** TVA has entered into physical and financial contracts that are classified as derivatives for hedging purposes, and TVA's NDT, ART, and qualified defined benefit plan ("pension plan") have entered into derivative contracts for investment purposes. If a counterparty to one of the physical or financial derivative transactions defaults, TVA might incur costs in connection with entering into a replacement transaction. If a counterparty to the derivative contracts into which the NDT, the ART, or the pension plan have entered for investment purposes defaults, the value of the investment could decline significantly or perhaps become worthless. TVA has concentrations of credit risk from the banking, coal, and gas industries because multiple companies in these industries serve as counterparties to TVA in various derivative transactions. At December 31, 2025, all of TVA's commodity derivatives under the FHP, currency swaps, and interest rate swaps were with counterparties whose Moody's credit ratings were A2 or higher. TVA classifies forward natural gas contracts as derivatives. At December 31, 2025, the forward natural gas contracts were with counterparties whose ratings ranged from B1 to A1.

## 15. Fair Value Measurements

Fair value is determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the asset or liability's principal market, or in the absence of a principal market, the most advantageous market for the asset or liability in an orderly transaction between market participants. TVA uses market or observable inputs as the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs.

### *Valuation Techniques*

The measurement of fair value results in classification into a hierarchy by the inputs used to determine the fair value as follows:

- |         |   |  |
|---------|---|--|
| Level 1 | — | Unadjusted quoted prices in active markets accessible by the reporting entity for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing.  |
| Level 2 | — | Pricing inputs other than quoted market prices included in Level 1 that are based on observable market data and that are directly or indirectly observable for substantially the full term of the asset or liability. These include quoted market prices for similar assets or liabilities, quoted market prices for identical or similar assets in markets that are not active, adjusted quoted market prices, inputs from observable data such as interest rate and yield curves, volatilities and default rates observable at commonly quoted intervals, and inputs derived from observable market data by correlation or other means.                              |
| Level 3 | — | Pricing inputs that are unobservable, or less observable, from objective sources. Unobservable inputs are only to be used to the extent observable inputs are not available. These inputs maintain the concept of an exit price from the perspective of a market participant and should reflect assumptions of other market participants. An entity should consider all market participant assumptions that are available without unreasonable cost and effort. These are given the lowest priority and are generally used in internally developed methodologies to generate management's best estimate of the fair value when no observable market data is available. |

A financial instrument's level within the fair value hierarchy (where Level 1 is the highest and Level 3 is the lowest) is based on the lowest level of input significant to the fair value measurement.

The following sections describe the valuation methodologies TVA uses to measure different financial instruments at fair value. Except for gains and losses on SERP, DCP, and RP assets, all changes in fair value of these assets and liabilities have been recorded as changes in regulatory assets, regulatory liabilities, or AOCI on TVA's Consolidated Balance Sheets and Consolidated Statements of Comprehensive Income (Loss). Except for gains and losses on SERP and DCP assets, there has been no impact to the Consolidated Statements of Operations or the Consolidated Statements of Cash Flows related to these fair value measurements.

### *Investment Funds*

At December 31, 2025, Investment funds were comprised of \$5.7 billion of equity securities and debt securities classified as trading measured at fair value. Equity and trading debt securities are held in the NDT, ART, SERP, DCP, and RP. The NDT holds funds for the ultimate decommissioning of TVA's nuclear power plants. The ART holds funds primarily for the costs related to the future closure and retirement of TVA's other long-lived assets. The balances in the NDT and ART were \$3.8 billion and \$1.8 billion, respectively, at December 31, 2025.

TVA established a SERP to provide benefits to selected employees of TVA which are comparable to those provided by competing organizations. The DCP is designed to provide participants with the ability to defer compensation to future periods. The RP is a non-qualified excess 401(k) plan designed to allow certain eligible employees whose contributions to the 401(k) plan are limited by Internal Revenue Service ("IRS") rules to save additional amounts for retirement and receive non-elective and matching employer contributions. The NDT, ART, SERP, DCP, and RP funds are invested in portfolios of securities generally designed to achieve a return in line with overall equity and debt market performance.

The NDT, ART, SERP, DCP, and RP are composed of multiple types of investments and are managed by external institutional investment managers. Most U.S. and international equities, U.S. Treasury inflation-protected securities, and real estate investment trust securities and certain derivative instruments are measured based on quoted exchange prices in active markets and are classified as Level 1 valuations. Fixed-income investments, high-yield fixed-income investments, currencies, and most derivative instruments are non-exchange traded and are classified as Level 2 valuations. These measurements are based on market and income approaches with observable market inputs. Cash equivalents and other short-term investments are highly liquid securities with maturities of less than three months and 12 months, respectively. These consist primarily of discount securities such as repurchase agreements and U.S. Treasury bills. These securities may be priced at cost, which

approximates fair value due to the short-term nature of the instruments. These securities are classified as Level 2. Active market pricing may be utilized for U.S. Treasury bills, which are classified as Level 1.

Private equity limited partnerships, private real asset investments, and private credit investments may include holdings of investments in private real estate, venture capital, buyout, mezzanine or subordinated debt, restructuring or distressed debt, and special situations through funds managed by third-party investment managers. These investments generally involve a three-to-four-year period where the investor contributes capital, followed by a period of distribution, typically over several years. The investment period is generally, at a minimum, 10 years or longer. The NDT had unfunded commitments related to private equity limited partnerships of \$422 million, private real assets of \$142 million, and private credit of \$130 million at December 31, 2025. The ART had unfunded commitments related to limited partnerships in private equity of \$173 million, private real assets of \$91 million, and private credit of \$65 million at December 31, 2025. These investments have no redemption or limited redemption options and may also impose restrictions on the NDT's and ART's ability to liquidate their investments. There are no readily available quoted exchange prices for these investments. The fair value of these investments is based on information provided by the investment managers. These investments are valued on a quarterly basis. TVA's private equity limited partnerships, private real asset investments, and private credit investments are valued at net asset values ("NAV") as a practical expedient for fair value. TVA classifies its interest in these types of investments as investments measured at NAV in the fair value hierarchy.

Commingled funds represent investment funds comprising multiple individual financial instruments. The commingled funds held by the NDT, ART, SERP, DCP, and RP consist of either a single class of securities, such as equity, debt, or foreign currency securities, or multiple classes of securities. All underlying positions in these commingled funds are either exchange traded or measured using observable inputs for similar instruments. The fair value of commingled funds is based on NAV per fund share (the unit of account), derived from the prices of the underlying securities in the funds. These commingled funds can be redeemed at the measurement date NAV and are classified as Commingled funds measured at NAV in the fair value hierarchy.

Realized and unrealized gains and losses on equity and trading debt securities are recognized in current earnings and are based on average cost. The gains and losses of the NDT and ART are subsequently reclassified to a regulatory asset or liability account in accordance with TVA's regulatory accounting policy. See Note 1 — *Summary of Significant Accounting Policies* of the Notes to Consolidated Financial Statements in the Annual Report and Note 9 — *Regulatory Assets and Liabilities*. TVA recorded unrealized gains and losses related to its equity and trading debt securities held during each period as follows:

Unrealized Investment Gains (Losses) <sup>(1)</sup> (in millions)		Three Months Ended December 31	
Fund	Financial Statement Presentation	2025	2024
NDT	Regulatory assets <sup>(2)</sup>	\$ 54	\$ (75)
ART	Regulatory assets <sup>(3)</sup>	26	(20)
SERP	Other income (expense), net	(1)	(6)
DCP	Other income (expense), net	(1)	(1)

#### Notes

(1) The unrealized losses for the RP were less than \$1 million for both the three months ended December 31, 2025 and the three months ended December 31, 2024, and therefore were not represented in the table above.

(2) Includes \$5 million of unrealized gains and \$43 million of unrealized losses related to NDT equity securities (excluding commingled funds) for the three months ended December 31, 2025 and December 31, 2024, respectively.

(3) Includes \$2 million of unrealized gains and \$11 million of unrealized losses related to ART equity securities (excluding commingled funds) for the three months ended December 31, 2025 and December 31, 2024, respectively.

#### Currency and Interest Rate Swap Derivatives

See Note 14 — *Risk Management Activities and Derivative Transactions — Cash Flow Hedging Strategy for Currency Swaps* and — *Derivatives Not Receiving Hedge Accounting Treatment* for a discussion of the nature, purpose, and contingent features of TVA's currency swaps and interest rate swaps. These swaps are classified as Level 2 valuations and are valued based on income approaches using observable market inputs for similar instruments.

#### Commodity Contract Derivatives and Commodity Derivatives under the FHP

**Commodity Contract Derivatives.** Most of these derivative contracts are valued based on market approaches, which utilize short-term and mid-term market-quoted prices from an external industry brokerage service. These contracts are classified as Level 2 valuations.

**Commodity Derivatives under the FHP.** Swap contracts are valued using a pricing model based on New York Mercantile Exchange inputs and are subject to nonperformance risk outside of the exit price. These contracts are classified as Level 2 valuations.



See Note 14 — *Risk Management Activities and Derivative Transactions — Derivatives Not Receiving Hedge Accounting Treatment — Commodity Contract Derivatives* and — *Commodity Derivatives under the FHP*.

*Nonperformance Risk*

The assessment of nonperformance risk, which includes credit risk, considers changes in current market conditions, readily available information on nonperformance risk, letters of credit, collateral, other arrangements available, and the nature of master netting arrangements. TVA is a counterparty to currency swaps, interest rate swaps, commodity contracts, and other derivatives which subject TVA to nonperformance risk. Nonperformance risk on the majority of investments and certain exchange-traded instruments held by TVA is incorporated into the exit price that is derived from quoted market data that is used to mark the investment to market.

Nonperformance risk for most of TVA's derivative instruments is an adjustment to the initial asset/liability fair value. TVA adjusts for nonperformance risk, both of TVA (for liabilities) and the counterparty (for assets), by applying credit valuation adjustments ("CVAs"). TVA determines an appropriate CVA for each applicable financial instrument based on the term of the instrument and TVA's or the counterparty's credit rating as obtained from Moody's. For companies that do not have an observable credit rating, TVA uses internal analysis to assign a comparable rating to the counterparty. TVA discounts each financial instrument using the historical default rate (as reported by Moody's for CY 1983 to CY 2024) for companies with a similar credit rating over a time period consistent with the remaining term of the contract. The application of CVAs resulted in a less than \$1 million decrease in the fair value of assets and a \$3 million decrease in the fair value of liabilities at December 31, 2025.



## Fair Value Measurements

The following tables set forth by level, within the fair value hierarchy, TVA's financial assets and liabilities that were measured at fair value on a recurring basis at December 31, 2025, and September 30, 2025. Financial assets and liabilities have been classified in their entirety based on the lowest level of input that is significant to the fair value measurement. TVA's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the determination of the fair value of the assets and liabilities and their classification in the fair value hierarchy levels.

Fair Value Measurements At December 31, 2025 (in millions)				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets</b>				
Investments				
Equity securities	\$ 889	\$ —	\$ —	\$ 889
Government debt securities <sup>(1)(2)</sup>	420	51	—	471
Corporate debt securities <sup>(3)</sup>	—	406	—	406
Mortgage and asset-backed securities	—	42	—	42
Institutional mutual funds	376	—	—	376
Forward debt securities contracts	—	16	—	16
Cash equivalents and other short-term investments <sup>(2)</sup>	83	171	—	254
Private equity funds measured at net asset value <sup>(5)</sup>	—	—	—	892
Private real asset funds measured at net asset value <sup>(5)</sup>	—	—	—	467
Private credit funds measured at net asset value <sup>(5)</sup>	—	—	—	289
Commingled funds measured at net asset value <sup>(5)</sup>	—	—	—	1,585
Total investments	1,768	686	—	5,687
Commodity contract derivatives	—	19	—	19
Commodity derivatives under the FHP	—	6	—	6
Total	\$ 1,768	\$ 711	\$ —	\$ 5,712
<b>Liabilities</b>				
Currency swaps <sup>(6)</sup>	\$ —	\$ 102	\$ —	\$ 102
Interest rate swaps	—	627	—	627
Commodity contract derivatives	—	6	—	6
Commodity derivatives under the FHP	—	77	—	77
Total	\$ —	\$ 812	\$ —	\$ 812

### Notes

- (1) Includes obligations of government-sponsored entities.
- (2) There are \$420 million of U.S. Treasury securities in Level 1 Government debt securities and \$83 million of U.S. Treasury securities in Level 1 Cash equivalents and other short-term investments for a total of \$503 million of U.S. Treasury securities within Level 1 of the fair value hierarchy.
- (3) Includes both U.S. and foreign debt.
- (4) Includes \$5 million of net payables (interest receivable, dividends receivable, receivables for investments sold, and payables for investments purchased), and \$77 million of repurchase agreements in Level 2 Cash equivalents and other short-term investments.
- (5) Certain investments that are measured at fair value using the NAV or its equivalent (alternative investments) have not been categorized in the fair value hierarchy. The inputs to these fair value measurements include underlying NAVs, discounted cash flow valuations, comparable market valuations, estimated benchmark yields, and adjustments for currency, credit, liquidity, and other risks. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented on the Consolidated Balance Sheets.
- (6) TVA records currency swaps net of cash collateral received from or paid to the counterparty, to the extent such amount is not recorded in Accounts payable and accrued liabilities. See Note 14 — *Risk Management Activities and Derivative Transactions — Offsetting of Derivative Assets and Liabilities*.

Fair Value Measurements At September 30, 2025 (in millions)				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets</b>				
Investments				
Equity securities	\$ 844	\$ —	\$ —	\$ 844
Government debt securities <sup>(1)(2)</sup>	423	50	—	473
Corporate debt securities <sup>(3)</sup>	—	411	—	411
Mortgage and asset-backed securities	—	40	—	40
Institutional mutual funds	367	—	—	367
Forward debt securities contracts	—	16	—	16
Cash equivalents and other short-term investments <sup>(2)</sup>	111	163	—	274
Private equity funds measured at net asset value <sup>(5)</sup>	—	—	—	875
Private real asset funds measured at net asset value <sup>(5)</sup>	—	—	—	467
Private credit funds measured at net asset value <sup>(5)</sup>	—	—	—	278
Commingled funds measured at net asset value <sup>(5)</sup>	—	—	—	1,528
Total investments	1,745	680	—	5,573
Commodity contract derivatives	—	16	—	16
Commodity derivatives under the FHP	—	8	—	8
Total	\$ 1,745	\$ 704	\$ —	\$ 5,597
<b>Liabilities</b>				
Currency swaps <sup>(6)</sup>	\$ —	\$ 115	\$ —	\$ 115
Interest rate swaps	—	698	—	698
Commodity contract derivatives	—	6	—	6
Commodity derivatives under the FHP	—	65	—	65
Total	\$ —	\$ 884	\$ —	\$ 884

**Notes**

(1) Includes obligations of government-sponsored entities.

(2) There are \$423 million of U.S. Treasury securities in Level 1 Government debt securities and \$111 million of U.S. Treasury securities in Level 1 Cash equivalents and other short-term investments for a total of \$534 million of U.S. Treasury securities within Level 1 of the fair value hierarchy.

(3) Includes both U.S. and foreign debt.

(4) Includes \$60 million of net payables (interest receivable, dividends receivable, receivables for investments sold, and payables for investments purchased), and \$124 million of repurchase agreements in Level 2 Cash equivalents and other short-term investments.

(5) Certain investments that are measured at fair value using the NAV or its equivalent (alternative investments) have not been categorized in the fair value hierarchy. The inputs to these fair value measurements include underlying NAVs, discounted cash flow valuations, comparable market valuations, estimated benchmark yields, and adjustments for currency, credit, liquidity, and other risks. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented on the Consolidated Balance Sheets.

(6) TVA records currency swaps net of cash collateral received from or paid to the counterparty, to the extent such amount is not recorded in Accounts payable and accrued liabilities. See Note 14 — *Risk Management Activities and Derivative Transactions — Offsetting of Derivative Assets and Liabilities*.

### Other Financial Instruments Not Recorded at Fair Value

TVA uses the methods and assumptions described below to estimate the fair value of each significant class of financial instruments. The fair value of the financial instruments held at December 31, 2025, and September 30, 2025, may not be representative of the actual gains or losses that will be recorded when these instruments mature or are called or presented for early redemption. The estimated values of TVA's financial instruments not recorded at fair value at December 31, 2025, and September 30, 2025, were as follows:

Estimated Values of Financial Instruments Not Recorded at Fair Value (in millions)					
	Valuation Classification	At December 31, 2025		At September 30, 2025	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
EnergyRight® receivables, net (including current portion)	Level 2	\$ 58	\$ 58	\$ 57	\$ 57
Loans and other long-term receivables, net (including current portion)	Level 2	89	84	86	80
EnergyRight® financing obligations (including current portion)	Level 2	66	74	66	74
Membership interests of VIEs subject to mandatory redemption (including current portion)	Level 2	16	18	16	18
Long-term outstanding power bonds, net (including current maturities)	Level 2	20,485	20,611	21,831	21,967
Long-term debt of VIEs, net (including current maturities)	Level 2	1,676	1,688	1,681	1,696

The carrying values of Cash and cash equivalents, Restricted cash and cash equivalents, Accounts receivable, net, and Short-term debt, net approximate their fair values.

The fair value for loans and other long-term receivables is estimated by determining the present value of future cash flows using a discount rate equal to lending rates for similar loans made to borrowers with similar credit ratings and for similar remaining maturities, where applicable. The fair value of long-term debt and membership interests of VIEs subject to mandatory redemption is estimated by determining the present value of future cash flows using current market rates for similar obligations, giving effect to credit ratings and remaining maturities.

## 16. Revenue

### *Revenue from Sales of Electricity*

TVA's revenue from contracts with customers is primarily derived from the generation and sale of electricity to its customers and is included in Revenue from sales of electricity on the Consolidated Statements of Operations. Electricity is sold primarily to LPCs for distribution to their end-use customers. In addition, TVA sells electricity to directly served industrial companies, federal agencies, and others.

<b>LPC sales</b>	<p>Approximately 91 percent of TVA's Revenue from sales of electricity for both the three months ended December 31, 2025, and the three months ended December 31, 2024, respectively, was from LPCs, which then distribute the power to their customers using their own distribution systems. Power is delivered to each LPC at delivery points within the LPC's service territory. TVA recognizes revenue when the customer takes possession of the power at the delivery point. For power sales, the performance obligation to deliver power is satisfied in a series over time because the sales of electricity over the term of the customer contract are a series of distinct goods that are substantially the same and have the same pattern of transfer to the customer. TVA has no continuing performance obligations subsequent to delivery. Using the output method for revenue recognition provides a faithful depiction of the transfer of electricity as customers obtain control of the power and benefit from its use at delivery. Additionally, TVA has an enforceable right to consideration for energy delivered at any discrete point in time and will recognize revenue at an amount that reflects the consideration to which TVA is entitled for the energy delivered.</p> <p>The amount of revenue is based on contractual prices approved by the TVA Board. Customers are invoiced monthly for power delivered as measured by meters located at the delivery points. The net transaction price is offset by certain credits available to customers that are known at the time of billing. Credits are designed to achieve objectives of the TVA Act and include items such as hydro preference credits for residential customers of LPCs, economic development credits to promote growth in the Tennessee Valley, wholesale bill credits to maintain long-term partnerships with LPCs, and demand response credits allowing TVA to reduce industrial customer usage in periods of peak demand to balance system demand. Payments are typically due within approximately one month of invoice issuance.</p>
<b>Directly served customers</b>	<p>Directly served customers, including industrial customers, federal agencies, and other customers, take power for their own consumption. Similar to LPCs, power is delivered to a delivery point, at which time the customer takes possession and TVA recognizes revenue. For all power sales, the performance obligation to deliver power is satisfied in a series over time since the sales of electricity over the term of the customer contract are a series of distinct goods that are substantially the same and have the same pattern of transfer to the customer. TVA has no continuing performance obligations subsequent to delivery. Using the output method for revenue recognition provides a faithful depiction of the transfer of electricity as customers obtain control of the power and benefit from its use at delivery. Additionally, TVA has an enforceable right to consideration for energy delivered at any discrete point in time and will recognize revenue at an amount that reflects the consideration to which TVA is entitled for the energy delivered.</p> <p>The amount of revenue is based on contractual prices approved by the TVA Board. Customers are invoiced monthly for power delivered as measured by meters located at the delivery points. The net transaction price is offset by certain credits available to customers that are known at the time of billing. Examples of credits include items such as economic development credits to promote growth in the Tennessee Valley and demand response credits allowing TVA to reduce industrial customer usage in periods of peak demand to balance system demand. Payments are typically due within approximately one month of invoice issuance.</p>

### *Other Revenue*

Other revenue consists primarily of wheeling and network transmission charges, sales of excess steam that is a by-product of power production, delivery point charges for interconnection points between TVA and the customer, Renewable Energy Certificate sales, and certain other ancillary goods or services.

### Disaggregated Revenues

During the three months ended December 31, 2025 and 2024, revenues generated from TVA's electricity sales were \$3.0 billion and \$2.9 billion, respectively, and accounted for virtually all of TVA's revenues. TVA's operating revenues by state for the three months ended December 31, 2025 and 2024, are detailed in the table below:

Operating Revenues By State (in millions)		Three Months Ended December 31	
		2025	2024
Alabama	\$	449	\$ 431
Georgia		75	74
Kentucky		193	182
Mississippi		266	269
North Carolina		23	21
Tennessee		1,981	1,886
Virginia		12	12
Subtotal		2,999	2,875
Off-system sales		2	1
Revenue from sales of electricity		3,001	2,876
Other revenue		48	44
Total operating revenues	\$	3,049	\$ 2,920

TVA's operating revenues by customer type for the three months ended December 31, 2025 and 2024, are detailed in the table below:

Operating Revenues by Customer Type (in millions)		Three Months Ended December 31	
		2025	2024
Revenue from sales of electricity			
Local power companies	\$	2,736	\$ 2,616
Industries directly served		236	230
Federal agencies and other		29	30
Revenue from sales of electricity		3,001	2,876
Other revenue		48	44
Total operating revenues	\$	3,049	\$ 2,920

TVA and LPCs continue to work together to meet the changing needs of consumers around the Tennessee Valley. In 2019, the TVA Board approved a partnership agreement option that better aligns the length of LPC power contracts with TVA's long-term commitments. Under the partnership arrangement, the LPC power contracts automatically renew each year and have a 20-year termination notice. The partnership arrangements can be terminated under certain circumstances, including TVA's failure to limit rate increases to no more than 10 percent during any consecutive five-fiscal-year period, as more specifically described in the agreements. Participating LPCs receive benefits including a 3.1 percent wholesale bill credit in exchange for their long-term commitment, which enables TVA to recover its long-term financial commitments over a commensurate period. The total wholesale bill credits to LPCs participating in the Partnership Agreement were \$54 million and \$50 million for the three months ended December 31, 2025 and 2024, respectively. In 2020, TVA provided participating LPCs a flexibility option, named Generation Flexibility, that allows them to locally generate or purchase up to approximately five percent of their average total hourly energy sales over a certain time period in order to meet their individual customers' needs. Revised flexibility agreements were made available to LPCs in August 2023 which permit projects to be located anywhere in TVA's service area, either connected to the LPC distribution system or TVA's transmission system, and make it easier for LPCs to partner in projects. As of December 31, 2025, 148 LPCs had signed the Partnership Agreement with TVA, and 109 LPCs had signed a Power Supply Flexibility Agreement.

The number of LPCs by contract arrangement, the revenues derived from such arrangements for the three months ended December 31, 2025, and the percentage those revenues comprised of TVA's total operating revenues for the same period, are summarized in the table below:

**TVA Local Power Company Contracts**  
**At or for the Three Months Ended December 31, 2025**

<b>Contract Arrangements<sup>(1)</sup></b>	<b>Number of LPCs</b>	<b>Revenue from Sales of Electricity to LPCs (in millions)</b>	<b>Percentage of Total Operating Revenues</b>
20-year termination notice	148	\$ 2,370	77.7 %
5-year termination notice	5	366	12.0 %
<b>Total</b>	<b>153</b>	<b>\$ 2,736</b>	<b>89.7 %</b>

**Note**

(1) Ordinarily, the LPCs and TVA have the same termination notice period; however, in a contract with one of the LPCs with a five-year termination notice, TVA has a 10-year termination notice (which becomes a five-year termination notice if TVA loses its discretionary wholesale rate-setting authority). Certain LPCs have five-year termination notices or a shorter period if any act of Congress, court decision, or regulatory change requires or permits that election.

TVA's two largest LPCs — Memphis Light, Gas and Water Division ("MLGW") and Nashville Electric Service ("NES") — have contracts with a five-year and a 20-year termination notice period, respectively. Sales to MLGW and NES each accounted for eight percent of TVA's total operating revenues for both the three months ended December 31, 2025 and the three months ended December 31, 2024.

**Contract Balances**

Contract assets represent an entity's right to consideration in exchange for goods and services that the entity has transferred to customers. TVA did not have any material contract assets at December 31, 2025.

Contract liabilities represent an entity's obligations to transfer goods or services to customers for which the entity has received consideration (or an amount of consideration is due) from the customers. These contract liabilities are primarily related to upfront consideration received prior to the satisfaction of the performance obligation. See *Economic Development Incentives* below and Note 11 — *Other Long-Term Liabilities — Long-Term Deferred Revenue*.

**Economic Development Incentives.** Under certain economic development programs, TVA offers incentives to existing and potential power customers in targeted business sectors that make multi-year commitments to invest in the Tennessee Valley. TVA records those incentives as reductions of revenue. Incentives recorded as a reduction to revenue were \$71 million and \$85 million for the three months ended December 31, 2025 and 2024, respectively. Incentives that have been approved but have not been paid are recorded in Accounts payable and accrued liabilities and Other long-term liabilities on the Consolidated Balance Sheets. At December 31, 2025, and September 30, 2025, the outstanding unpaid incentives were \$188 million and \$193 million, respectively. Incentives that have been paid out may be subject to claw back if the customer fails to meet certain program requirements.

**17. Other Income, Net**

Income and expenses not related to TVA's operating activities are summarized in the following table:

	<b>Other Income, Net</b> (in millions)	
	<b>Three Months Ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Interest income	\$ 14	\$ 10
External services	5	9
Gains (losses) on investments	3	(2)
Miscellaneous	22	—
<b>Total other income, net</b>	<b>\$ 44</b>	<b>\$ 17</b>

Other income, net increased \$27 million as compared to the same period of the prior year, driven by a \$25 million gain related to insurance proceeds received for the Sequoyah Nuclear Plant Unit 2 main generator failure, which was partially offset by other expenses.

## 18. Supplemental Cash Flow Information

Construction in progress and nuclear fuel expenditures included in Accounts payable and accrued liabilities at December 31, 2025 and 2024, were \$997 million and \$1.0 billion, respectively, and are excluded from the Consolidated Statements of Cash Flows for the three months ended December 31, 2025 and 2024, as non-cash investing activities. ARO project accruals included in Accounts payable and accrued liabilities at December 31, 2025 and 2024, were \$30 million and \$40 million, respectively, and are excluded from the Consolidated Statements of Cash Flows for the three months ended December 31, 2025 and 2024, as non-cash operating activities.

Cash flows from swap contracts that are accounted for as hedges are classified in the same category as the item being hedged or on a basis consistent with the nature of the instrument.

## 19. Benefit Plans

TVA sponsors a pension plan that covers most of its full-time employees hired before July 1, 2014, a qualified defined contribution plan ("401(k) plan") that covers most of its full-time employees, two unfunded post-retirement health care plans that provide for non-vested contributions toward the cost of eligible retirees' medical coverage, other post-employment benefits, such as workers' compensation, the SERP, and the RP. The pension plan and the 401(k) plan are administered by a separate legal entity, the TVA Retirement System ("TVARS"), which is governed by its own board of directors.

The components of net periodic benefit cost for the three months ended December 31, 2025 and 2024, were as follows:

	Components of Net Periodic Benefit Cost <sup>(1)</sup> (in millions)			
	For the Three Months Ended December 31			
	Pension Benefits		Other Post-Retirement Benefits	
	2025	2024	2025	2024
Service cost	\$ 7	\$ 8	\$ 3	\$ 3
Interest cost	135	131	4	4
Expected return on plan assets	(124)	(126)	—	—
Amortization of prior service credit	(22)	(22)	(4)	(4)
Recognized net actuarial loss (gain)	34	42	(2)	—
Total net periodic benefit cost	<u>\$ 30</u>	<u>\$ 33</u>	<u>\$ 1</u>	<u>\$ 3</u>

### Note

(1) The components of Total net periodic benefit cost other than Service cost are included in Other net periodic benefit cost on the Consolidated Statements of Operations.

TVA's minimum required pension plan contribution for 2026 is \$300 million. TVA contributes \$25 million per month to TVARS and as of December 31, 2025, had contributed \$75 million. The remaining \$225 million will be contributed by September 30, 2026. For the three months ended December 31, 2025, TVA also contributed \$7 million (net of \$2 million in rebates) to the other post-retirement plans. TVA expects to contribute \$9 million to the SERP in 2026. In addition, TVA recognized 401(k) contribution costs of \$35 million for the three months ended December 31, 2025.

## 20. Collaborative Arrangement

In 2023, TVA, Ontario Power Generation, BWRX TCA sp. z.o.o., and GE Vernova Hitachi Nuclear Energy ("GVH") entered into a multi-party collaborative arrangement to advance the global deployment of the GVH BWRX-300 small modular reactor. GVH is responsible for standard design development. Under the agreement, TVA will contribute up to \$93 million for design costs incurred by GVH through 2026. At the time feasibility is determined, TVA will have the right to use the design and may receive additional economic benefits.

Payments pursuant to the agreement are recorded as research and development expense, which is reflected as Operating and maintenance expense on TVA's Consolidated Statements of Operations in the period incurred. TVA recorded \$1 million and \$7 million of expenses related to this agreement for the three months ended December 31, 2025 and 2024, respectively. TVA also had a \$6 million letter of credit posted under this arrangement at December 31, 2025.

## 21. Contingencies and Legal Proceedings

### Contingencies

**Nuclear Insurance.** Section 170 of the Atomic Energy Act, commonly known as the Price-Anderson Act, provides a layered framework of financial protection to compensate for liability claims of members of the public for personal injury and

property damages arising from a nuclear incident in the U.S. This financial protection consists of two layers of coverage. The primary level is private insurance underwritten by American Nuclear Insurers and provides public liability insurance coverage of \$500 million for each nuclear power plant licensed to operate. If this amount is not sufficient to cover claims arising from a nuclear incident, the second level, Secondary Financial Protection, applies. Within the Secondary Financial Protection level, the licensee of each nuclear reactor has a contingent obligation to pay a retrospective premium, equal to its proportionate share of the loss in excess of the primary level, regardless of proximity to the incident of fault, up to a maximum of approximately \$166 million per reactor per incident. With TVA's seven reactors, the maximum total contingent obligation per incident is \$1.2 billion. This retrospective premium is payable at a maximum rate currently set at approximately \$25 million per year per nuclear incident per reactor. Currently, 95 reactors are participating in the Secondary Financial Protection program.

In the event that a nuclear incident results in public liability claims, the primary level provided by American Nuclear Insurers combined with the Secondary Financial Protection should provide up to \$16.3 billion in coverage.

Federal law requires that each NRC power reactor licensee obtain property insurance from private sources to cover the cost of stabilizing and decontaminating a reactor and its station site after an accident. TVA carries property, decommissioning liability, and decontamination liability insurance from Nuclear Electric Insurance Limited ("NEIL") and European Mutual Association for Nuclear Insurance. The limits available for a loss are up to \$2.1 billion for two of TVA's nuclear sites and up to \$2.8 billion for the remaining site. Some of this insurance may require the payment of retrospective premiums up to a maximum of approximately \$122 million.

TVA purchases accidental outage (business interruption) insurance for TVA's nuclear sites from NEIL. In the event that an accident covered by this policy takes a nuclear unit offline or keeps a nuclear unit offline, NEIL will pay TVA, after a waiting period, an indemnity (a set dollar amount per week) with a maximum indemnity of \$490 million per unit. This insurance policy may require the payment of retrospective premiums up to a maximum of approximately \$50 million, but only to the extent the retrospective premium is deemed necessary by the NEIL Board of Directors to pay losses unable to be covered by NEIL's surplus.

**Decommissioning Costs.** TVA recognizes legal obligations associated with the future retirement of certain tangible long-lived assets related primarily to nuclear generating plants, coal-fired generating plants, hydroelectric generating plants/dams, transmission structures, and other property-related assets. See Note 12 — *Asset Retirement Obligations*.

**Nuclear Decommissioning.** Provision for decommissioning costs of nuclear generating units is based on options authorized by the NRC procedures to dismantle and decontaminate the facilities to meet the NRC criteria for license termination. At December 31, 2025, \$3.3 billion, representing the discounted value of future estimated nuclear decommissioning costs, was included in nuclear AROs. The actual decommissioning costs may vary from the derived estimates because of, among other things, changes in current assumptions, such as the assumed dates of decommissioning, changes in regulatory requirements, changes in technology, and changes in the cost of labor, materials, and equipment. Utilities that own and operate nuclear plants are required to use different procedures in calculating nuclear decommissioning costs under GAAP than those that are used in calculating nuclear decommissioning costs when reporting to the NRC. The two sets of procedures produce different estimates for the costs of decommissioning primarily because of differences in the underlying assumptions. TVA bases its nuclear decommissioning estimates on site-specific cost studies. The most recent study was approved and implemented in September 2022. Site-specific cost studies are updated for each of TVA's nuclear units at least every five years.

TVA maintains an NDT to provide funding for the ultimate decommissioning of its nuclear power plants. See Note 15 — *Fair Value Measurements — Investment Funds*. TVA monitors the value of its NDT and believes that, over the long term and before cessation of nuclear plant operations and commencement of decommissioning activities, adequate funds from investments and additional contributions, if necessary, will be available to support decommissioning. TVA's operating nuclear power units are licensed through various dates between 2035 - 2056, depending on the unit. In December 2025, TVA extended the operating life of three units at the Browns Ferry. It may also be possible to extend the operating life of other nuclear units with approval from the NRC. See Note 9 — *Regulatory Assets and Liabilities* and Note 12 — *Asset Retirement Obligations*.

**Non-nuclear Decommissioning.** At December 31, 2025, \$6.4 billion, representing the discounted value of future estimated non-nuclear decommissioning costs, was included in non-nuclear AROs. This decommissioning cost estimate involves estimating the amount and timing of future expenditures and making judgments concerning whether or not such costs are considered a legal obligation. Estimating the amount and timing of future expenditures includes, among other things, making projections of the timing and duration of the asset retirement process and how costs will escalate with inflation. The actual decommissioning costs may vary from the derived estimates because of changes in current assumptions, such as the assumed dates of decommissioning, changes in regulatory requirements, changes in technology, and changes in the cost of labor, materials, and equipment. TVA updates its underlying assumptions for non-nuclear decommissioning AROs at least every five years. However, material changes in underlying assumptions that impact the amount and timing of undiscounted cash flows are continuously monitored and incorporated into ARO balances in the period identified.

TVA maintains an ART to help fund the ultimate decommissioning of its non-nuclear power assets. See Note 15 — *Fair Value Measurements — Investment Funds*. Estimates involved in determining if additional funding will be made to the ART



include inflation rate, rate of return projections on the fund investments, and the planned use of other sources to fund decommissioning costs. See Note 9 — *Regulatory Assets and Liabilities* and Note 12 — *Asset Retirement Obligations*.

**Environmental Matters.** TVA's generation activities, like those across the utility industry and in other industrial sectors, are subject to federal, state, and local environmental laws and regulations. Major areas of regulation affecting TVA's activities include air quality control, greenhouse gas ("GHG") emissions, water quality control, and management and disposal of solid and hazardous wastes. Regulations in these major areas continue to evolve.

TVA has incurred, and expects to continue to incur, substantial capital and operating and maintenance costs to comply with evolving environmental requirements primarily associated with, but not limited to, the operation of TVA's coal-fired and natural gas-fired generating units in general and emissions of pollutants from those units. Failure to comply with environmental and safety requirements can result in enforcement actions and litigation, which can lead to the imposition of significant civil liability, including fines and penalties, criminal sanctions, and/or temporary or permanent closure of non-compliant facilities. Historical non-compliance can also lead to difficulty in renewing existing permits, as well as difficulty in obtaining permits to bring new generation facilities online. Other obstacles to renewal or permitting of new facilities include a proliferation of non-government organizations seeking to use litigation tools to drive up costs associated with, and delay or prevent permitting of, new fossil fuel facilities and related infrastructure in favor of renewable energy projects.

Compliance with the Environmental Protection Agency's ("EPA") 2015 CCR Rule, as revised ("2015 CCR Rule") required implementation of a groundwater monitoring program, additional engineering, evaluation of authorized closure methods, coordination with certain state authorities, and ongoing analysis at each TVA CCR unit. As further analyses are performed, including evaluation of monitoring results, there is the potential for additional costs for investigation and/or remediation. In addition, on May 8, 2024, EPA published its Legacy Coal Combustion Residuals Rule ("Legacy CCR Rule"), which expands the scope of the existing regulatory requirements of the 2015 CCR Rule to include two additional classes of CCR units: Legacy Surface Impoundments and Coal Combustion Residuals Management Units. As a result of the enactment of the final rule, during 2024, TVA recorded additional estimated AROs and recorded a corresponding regulatory asset due to AROs being associated with closed sites and asset retirement costs having been fully depreciated. However, the amounts recorded are subject to various uncertainties, and actual amounts may differ materially based upon a number of factors, including, but not limited to, the outcome of legal challenges to the Legacy CCR Rule, ongoing evaluations of the number and scope of newly regulated units, determinations on final closure requirements and performance standards, and possible changes to the Legacy CCR Rule by EPA. See Note 12 — *Asset Retirement Obligations*.

In May 2024, EPA also published (1) a final rule that establishes more stringent technology-based effluent limitations for four wastewater streams from coal-fired plants, (2) a rule that strengthens and updates the Mercury and Air Toxics Standards for electric generating units to reflect recent developments in control technologies, and (3) a rule that establishes GHG emission guidelines for existing coal-fired plants and GHG performance standards for new natural gas-fired power plants. These rules are all currently being reconsidered by EPA and are also all subject to legal challenges. If these rules move forward as written and the challenges are not successful, TVA would incur substantial costs to comply with the rules.

On March 12, 2025, the EPA Administrator announced that EPA will reconsider 31 rules, including (1) regulations on power plants, (2) Mercury and Air Toxics Standards, (3) steam electric effluent limitation guidelines ("ELG"), (4) National Ambient Air Quality Standards for particulate matter, (5) regulations regarding regional haze, (6) the Good Neighbor Plan, and (7) CCR regulations. TVA cannot predict the outcome of proposed reevaluations or their impact on TVA's financial results or operations.

On December 31, 2025, EPA published a final ELG rule that extends certain compliance deadlines in the 2024 ELG rule and provides authority to state permitting authorities to extend other compliance deadlines in the 2020 and 2024 ELG rules. This rule provides TVA with greater flexibility with its coal-fired plants to meet future generation and reliability requirements.

Liability for releases, natural resource damages, and required cleanup of hazardous substances is primarily regulated by the federal Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), the Resource Conservation and Recovery Act ("RCRA"), and other federal and parallel state statutes. In a manner similar to many other governmental entities, industries, and power systems, TVA has generated or used hazardous substances over the years. TVA operations at some facilities have resulted in releases of contaminants that TVA has addressed or is addressing consistent with state and federal requirements. At both December 31, 2025, and September 30, 2025, TVA's estimated liability for required cleanup and similar environmental work for those sites for which sufficient information is available to develop a cost estimate was \$8 million on a non-discounted basis and was included in Accounts payable and accrued liabilities and Other long-term liabilities on the Consolidated Balance Sheets. Additionally, the potential inclusion of new hazardous substances under CERCLA and RCRA jurisdiction could significantly affect TVA's future liability for remediating historical releases.

In August 2015, the Tennessee Department of Environment and Conservation ("TDEC") issued an order that includes an iterative process through which TVA and TDEC will identify and evaluate any CCR contamination risks and, if necessary, respond to such risks. TVA is also following a similar process pursuant to a consent order. At December 31, 2025, and September 30, 2025, TVA's estimated liability for costs associated with environmental remediation activities for the sites covered by these orders for which sufficient information is available to develop a cost estimate was approximately \$348 million and \$319 million, respectively, on a non-discounted basis and was included in Accounts payable and accrued liabilities and Other long-

term liabilities on the Consolidated Balance Sheets. The current estimated time frame for work related to these remediation activities for which TVA has a cost estimate is through 2046.

### Legal Proceedings

From time to time, TVA is party to or otherwise involved in lawsuits, claims, proceedings, investigations, and other legal matters ("Legal Proceedings") that have arisen in the ordinary course of conducting TVA's activities. There have been no material changes to the Legal Proceedings described in Note 23 — *Commitments and Contingencies* — *Legal Proceedings* of the Annual Report, except as described below.

**Case Involving Kingston Gas-Fired Plant.** On October 10, 2024, Appalachian Voices, the Center for Biological Diversity, and the Sierra Club filed a lawsuit in the United States District Court for the Eastern District of Tennessee alleging that TVA violated the National Environmental Policy Act and TVA's least-cost planning obligations in deciding to build a gas plant at its Kingston site. On November 13, 2025, the court ordered TVA to supplement the administrative record, and TVA has provided the supplemental information to the plaintiffs in accordance with the court's order. On January 23, 2026, the plaintiffs filed a motion for summary judgment. TVA cannot predict the outcome of this litigation.

**Challenge to Kingston Construction Permit.** On December 16, 2024, the Southern Environmental Law Center filed an appeal on behalf of Appalachian Voices challenging the construction permit that the Technical Secretary acting on behalf of the Tennessee Air Pollution Control Board issued to TVA on November 15, 2024, for the construction of natural gas generation at Kingston. On August 20, 2025, the administrative law judge issued an order upholding the construction permit and denying Appalachian Voices' petition challenging the permit. Appalachian Voices did not appeal the initial order to the Tennessee Air Pollution Control Board by the deadline of September 19, 2025, so the order became final. On November 18, 2025, Appalachian Voices filed a petition for judicial review of the final order in the Chancery Court of Davidson County, Tennessee, naming the Tennessee Air Pollution Control Board, TDEC, and TVA as the respondents. TVA removed the matter to the U.S. District Court for the Middle District of Tennessee on December 18, 2025. The plaintiffs subsequently filed a motion asking the district court to remand the case to state court. TVA plans to file a response in opposition on or before February 3, 2026. TVA cannot predict the outcome of this litigation.

## 22. Segment Reporting

TVA operates as a single reportable segment that includes the generation, transmission, and sale of electricity throughout the Tennessee Valley. Revenue is primarily derived from wholesale electricity sales to LPCs and directly served customers. TVA's Chief Executive Officer ("CEO") serves as the CODM. The CODM uses net income in the annual planning process and to monitor budget versus actual results on a monthly basis in assessing financial performance and in determining how to allocate resources.

The following table includes operating revenues, expenses, and net income as regularly provided to the CODM, which align directly to the amounts presented in TVA's Consolidated Statements of Operations. As the segment measure used by the CODM is net income, no reconciliation is necessary.

	Three Months Ended December 31	
	2025	2024 <sup>(2)</sup>
Base revenue	\$ 2,197	\$ 2,045
Fuel revenue	802	830
Other revenue	48	44
Off-system sales	2	1
<b>Total operating revenue</b>	<b>3,049</b>	<b>2,920</b>
Fuel	514	505
Purchased power	410	394
Operating and maintenance	849	905
Depreciation and amortization	571	557
Interest expense	309	280
Tax equivalents	153	146
Other segment items <sup>(1)</sup>	(23)	8
<b>Total expenses, net</b>	<b>2,783</b>	<b>2,795</b>
<b>Net income</b>	<b>\$ 266</b>	<b>\$ 125</b>

### Notes

(1) Other segment items include non-utility related miscellaneous income and expenses, pension and post-retirement benefit costs, and interest income.

(2) Prior period amounts have been reclassified to conform to the current period presentation resulting from the retrospective adoption of ASU 2023-07, *Segment Reporting*. Expanded segment disclosures were not required in the comparative periods presented because the company operated, and continues to operate, as a single reportable segment for which detailed segment expense disclosures were not previously required.

Segment asset information is not presented, as it is not regularly reviewed by the CODM. The CODM evaluates capital planning and resource allocation on a consolidated basis which is presented in TVA's Consolidated Balance Sheet.

Capital expenditures were \$1.1 billion and \$1.5 billion for the three months ended December 31, 2025 and 2024, respectively.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") explains the results of operations and general financial condition of the Tennessee Valley Authority ("TVA"). The MD&A should be read in conjunction with the accompanying unaudited consolidated financial statements and TVA's Annual Report on Form 10-K for the year ended September 30, 2025 (the "Annual Report").

### Executive Overview

TVA's operating revenues were \$3.0 billion and \$2.9 billion for the three months ended December 31, 2025 and 2024, respectively. Operating revenues increased for the three months ended December 31, 2025, as compared to the same period of the prior year, primarily as a result of higher sales volume, partially offset by lower fuel cost recovery rates. The increased sales volume was primarily driven by closer to normal weather impacts as compared to the same period of the prior year and higher sales within the data processing, hosting, and related services sector. Lower fuel cost recovery rates were due primarily to more availability of nuclear generation as compared to the same period of the prior year.

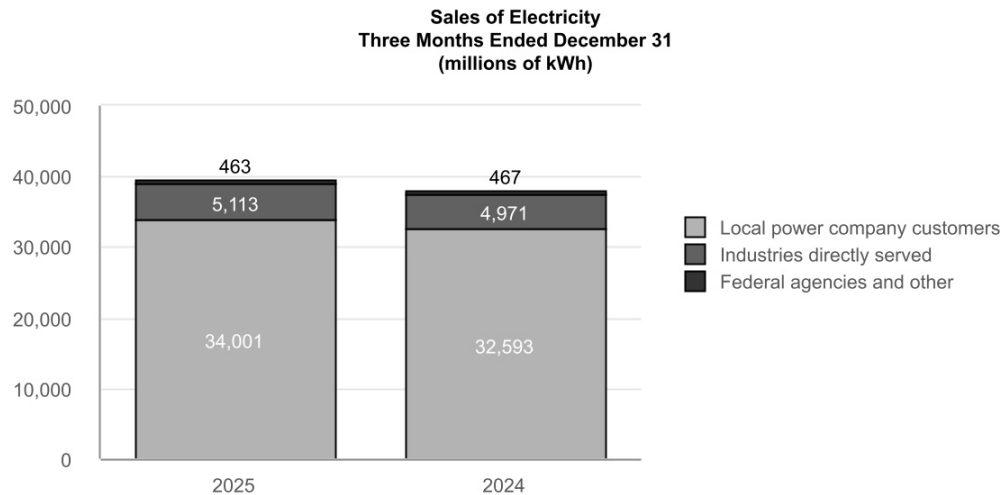
Total operating expenses decreased \$10 million for the three months ended December 31, 2025, as compared to the three months ended December 31, 2024. Operating and maintenance expense decreased \$56 million for the three months ended December 31, 2025, as compared to the same period of the prior year primarily due to IRA tax credits recorded in the three months ended December 31, 2025. Partially offsetting this decrease was a \$25 million increase in fuel and purchased power expense. This increase was primarily due to higher purchased power market prices and higher demand for energy as compared to the same period of the prior year, partially offset by decreases related to the deferral of unplanned energy demand and purchased power expenses as well as higher availability of nuclear generation. In addition, Depreciation and amortization expense increased by \$14 million primarily due to increases in depreciation expense as a result of additions to net completed plant, partially offset by a decrease in depreciation expense due to the Browns Ferry Nuclear Plant ("Browns Ferry") subsequent license renewal ("SLR"). In December 2025, the Nuclear Regulatory Commission ("NRC") approved a SLR application for the three units at Browns Ferry which extended the useful life of the three nuclear units for an additional 20 years.

Results of Operations

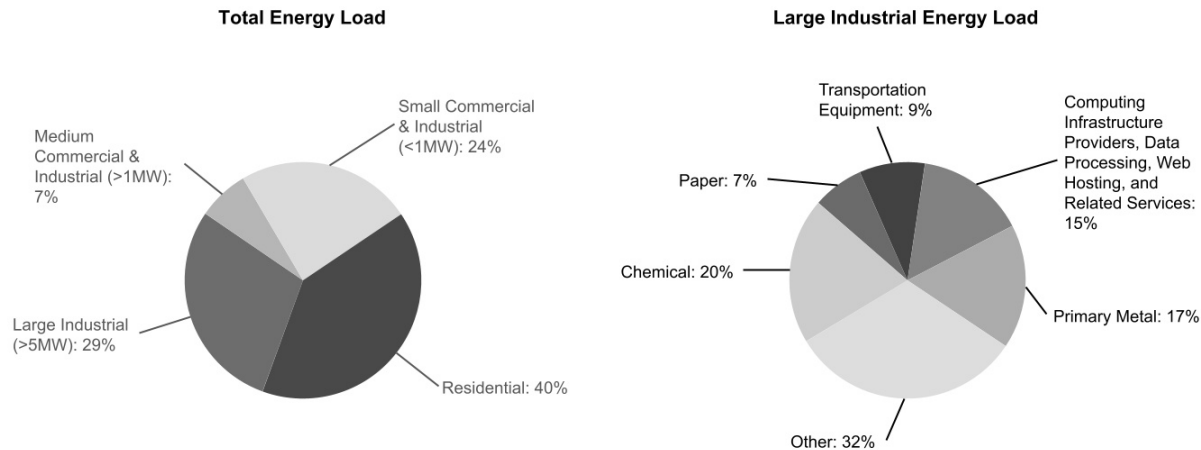
Sales of Electricity

Sales of electricity were 39,577 million and 38,031 million kilowatt hours ("kWh") for the three months ended December 31, 2025 and 2024, respectively. The total sales of electricity during the three months ended December 31, 2024 included 8 thousand kWh of pre-commercial generation at Johnsonville Aeroderivative Combustion Turbine ("CT") Facility. TVA sells power at wholesale rates to local power company customers ("LPCs") that then resell the power to their customers at retail rates. TVA also sells power to directly served customers, consisting primarily of federal agencies and customers with large or nonstandard loads. In addition, power exceeding TVA's system needs is sold under exchange power arrangements with certain other power systems.

The following chart compares TVA's sales of electricity by customer type for the periods indicated:



The following charts show a breakdown of TVA's energy load:



**Note**  
Information included in the charts above was derived from energy usage of directly served customers and customers served by LPCs during calendar year ("CY") 2024, and these graphs will continue to be updated on a CY basis.

Weather affects both the demand for TVA power and the price for that power. TVA uses degree days to measure the impact of weather on its power operations. Degree days measure the extent to which the TVA system 23-station average temperatures vary from 65 degrees Fahrenheit.

	Degree Days							
	Variation from Normal						Change from Prior Period	
	2025	Normal	Percent Variation	2024	Normal	Percent Variation	Change	Percent Change
Heating Degree Days								
Three Months Ended December 31	1,150	1,243	(7.5)%	983	1,243	(20.9)%	167	17.0 %
Cooling Degree Days								
Three Months Ended December 31	70	61	14.8 %	89	61	45.9 %	(19)	(21.3)%

Sales of electricity increased four percent for the three months ended December 31, 2025, as compared to the same period of the prior year. For the three months ended December 31, 2025, weather impacts were closer to normal as compared to the same period of the prior year, which resulted in a 17 percent increase in heating degree days. In addition, sales volume increased due to higher sales within the data processing, hosting, and related services sector.

### Financial Results

The following table compares operating results for the three months ended December 31, 2025 and 2024:

	Summary Consolidated Statements of Operations (in millions)			
	Three Months Ended December 31			
	2025	2024	Change	Percent Change
Operating revenues	\$ 3,049	\$ 2,920	\$ 129	4.4 %
Operating expenses	2,497	2,507	(10)	(0.4)%
Operating income	552	413	139	33.7 %
Other income, net	44	17	27	158.8 %
Other net periodic benefit cost	21	25	(4)	(16.0)%
Interest expense	309	280	29	10.4 %
Net income	\$ 266	\$ 125	\$ 141	112.8 %

**Operating Revenues.** Operating revenues for the three months ended December 31, 2025 and 2024, were \$3.0 billion and \$2.9 billion, respectively. The following table compares TVA's operating revenues for the periods indicated:

	Operating Revenues by Customer Type (in millions)			
	Three Months Ended December 31			
	2025	2024	Change	Percent Change
<b>Operating revenues</b>				
Local power company customers	\$ 2,736	\$ 2,616	\$ 120	4.6 %
Industries directly served	236	230	6	2.6 %
Federal agencies and other	29	30	(1)	(3.3)%
Other revenue	48	44	4	9.1 %
Total operating revenues	\$ 3,049	\$ 2,920	\$ 129	4.4 %

TVA's two largest LPCs — Memphis Light, Gas and Water Division ("MLGW") and Nashville Electric Service ("NES") — have contracts with a five-year and a 20-year termination notice period, respectively. Sales to both MLGW and NES accounted for eight percent of TVA's total operating revenues for both the three months ended December 31, 2025 and the three months ended December 31, 2024.

TVA's rate structure uses pricing signals to indicate seasons and hours of higher cost to serve its customers and to capture a portion of TVA's fixed costs in fixed charges. The structure includes three base revenue components: time of use demand charges, time of use energy charges, and a grid access charge ("GAC"). The demand charges are based upon the customer's peak monthly usage. The energy charges are based on time differentiated kWh used by the customer. Both of these components can be significantly impacted by weather. The GAC captures a portion of fixed costs and is offset by a corresponding reduction to the energy rates. The GAC also reduces the impact of weather variability to the overall rate structure.

TVA has a Partnership Agreement option that better aligns the length of LPC power contracts with TVA's long-term commitments. Under the partnership arrangement, the LPC power contracts automatically renew each year and have a 20-year termination notice. The partnership arrangements can be terminated under certain circumstances, including TVA's failure to limit rate increases to no more than 10 percent during any consecutive five-fiscal-year period, as more specifically described in the agreements. Participating LPCs receive benefits including a 3.1 percent wholesale bill credit in exchange for their long-term commitment, which enables TVA to recover its long-term financial commitments over a commensurate period. As of December 31, 2025, 148 LPCs had signed the 20-year Partnership Agreement with TVA.

In addition to base revenues, the rate structure includes a separate fuel rate that includes the costs of natural gas, fuel oil, purchased power, coal, emission allowances, nuclear fuel, and other fuel-related commodities; realized gains and losses on derivatives purchased to hedge the costs of such commodities; and payments to states and counties in lieu of taxes ("tax equivalents") associated with the fuel cost adjustments.

The changes in revenue components are summarized below:

Changes in Revenue Components (in millions)				
Three Months Ended December 31				
	2025	2024	Change	
<b>Base revenue</b>				
Energy revenue	\$ 1,237	\$ 1,188	\$	49
Demand revenue	1,011	905		106
Grid access charge	162	162		—
Long-term partnership credits for LPCs	(54)	(50)		(4)
Other charges and credits <sup>(1)</sup>	(159)	(160)		1
<b>Total base revenue</b>	<b>2,197</b>	<b>2,045</b>		<b>152</b>
Fuel cost recovery	802	830		(28)
Off-system sales	2	1		1
<b>Revenue from sales of electricity</b>	<b>3,001</b>	<b>2,876</b>		<b>125</b>
Other revenue	48	44		4
<b>Total operating revenues</b>	<b>\$ 3,049</b>	<b>\$ 2,920</b>	<b>\$</b>	<b>129</b>

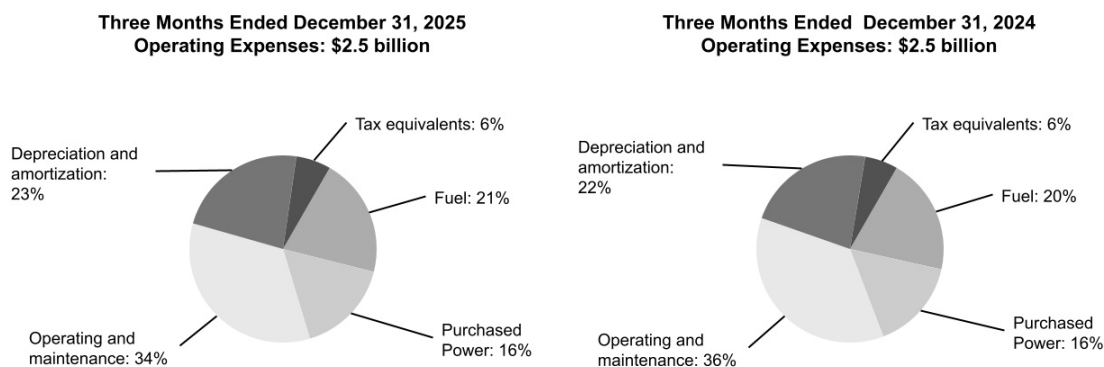
**Notes**

(1) Includes economic development credits to promote growth in the Tennessee Valley, hydro preference credits for residential customers of LPCs, and demand response credits allowing TVA to reduce industrial customer usage in periods of peak demand to balance system demand. See Note 16 — *Revenue*.

Operating revenues increased \$129 million for the three months ended December 31, 2025, as compared to the same period of the prior year, primarily due to a \$152 million increase in base revenue driven by a \$124 million increase attributable to higher sales volume and a \$28 million increase attributable to higher effective base rates. Higher sales volume was driven by closer to normal weather impacts as compared to the same period of the prior year, which resulted in a 17 percent increase in heating degree days, and higher sales within the data processing, hosting, and related services sector. In addition, there was a \$28 million decrease in fuel cost recovery revenue. The \$28 million decrease in fuel cost recovery revenue was driven by a \$61 million decrease attributable to lower fuel cost recovery rates, partially offset by a \$33 million increase attributable to higher sales volume. The lower fuel cost recovery rates were due primarily to more availability of nuclear generation as compared to the same period of the prior year.

See *Sales of Electricity* above for further discussion of the change in the volume of sales of electricity and *Operating Expenses* below for further discussion of the change in fuel expense.

**Operating Expenses.** Operating expense components as a percentage of total operating expenses for the three months ended December 31, 2025 and 2024, consisted of the following:



	Operating Expenses (in millions)			
	Three Months Ended December 31			
	2025	2024	Change	Percent Change
<b>Operating expenses</b>				
Fuel	\$ 514	\$ 505	\$ 9	1.8 %
Purchased power	410	394	16	4.1 %
Operating and maintenance	849	905	(56)	(6.2)%
Depreciation and amortization	571	557	14	2.5 %
Tax equivalents	153	146	7	4.8 %
<b>Total operating expenses</b>	<b>\$ 2,497</b>	<b>\$ 2,507</b>	<b>\$ (10)</b>	<b>(0.4)%</b>

Fuel expense increased \$9 million for the three months ended December 31, 2025, as compared to the same period of the prior year. This increase was primarily due to an increase of \$30 million in fuel expense due to higher demand for energy. Additionally, there was an increase of \$18 million due to higher effective fuel rates primarily as a result of higher natural gas prices. Partially offsetting these increases was a decrease of \$39 million related to the deferral of unplanned energy demand.

Purchased power expense increased \$16 million for the three months ended December 31, 2025, as compared to the same period of the prior year. This increase was primarily due to higher purchased power market prices compared to the same period of the prior year resulting in an increase of \$74 million. Partially offsetting this increase was a decrease of \$34 million related to the deferral of unplanned purchased power expenses. Additionally, there was a decrease of \$24 million related to higher availability of TVA nuclear generation assets.

Operating and maintenance expense decreased \$56 million for the three months ended December 31, 2025, as compared to the same period of the prior year. This decrease was primarily due to IRA tax credits recorded in the three months ended December 31, 2025, which contributed \$62 million to the overall decrease. These credits were recognized as a reduction in Operating and maintenance expense based on what the credits were intended to reimburse. See Note 1 — *Summary of Significant Accounting Policies — Government Grants*.

Depreciation and amortization expense increased \$14 million for the three months ended December 31, 2025, as compared to the same period of the prior year. This increase was primarily driven by an increase in depreciation expense due to additions of net completed plant. Partially offsetting this increase was a \$15 million decrease in depreciation expense due to the December 2025 Browns Ferry SLR, which extended the useful life of the three nuclear units for an additional 20 years.

Tax equivalents expense increased \$7 million for the three months ended December 31, 2025, as compared to the same period of the prior year. This change is primarily driven by an increase in TVA's revenue from sales of electricity in 2025, which is used as the basis for calculating tax equivalent expense.

**Generating Sources.** The following tables show TVA's generation and purchased power by generating source as a percentage of all electrical power generated and purchased (based on kWh) for the periods indicated.

**Total Power Supply by Generating Source**  
For the three months ended December 31  
(millions of kWh)

	2025		2024	
Nuclear	16,648	41 %	13,990	36 %
Natural gas and/or oil-fired <sup>(1)</sup>	8,720	22 %	8,862	23 %
Coal-fired	5,440	14 %	5,336	14 %
Hydroelectric	2,661	7 %	3,359	8 %
Total TVA-operated generation facilities <sup>(2)(3)</sup>	33,469	84 %	31,547	81 %
Purchased power (natural gas and/or oil-fired) <sup>(4)</sup>	3,153	8 %	4,041	11 %
Purchased power (other renewables) <sup>(5)</sup>	753	2 %	581	1 %
Purchased power (coal-fired)	1,399	3 %	934	2 %
Purchased power (wind) <sup>(6)</sup>	907	2 %	1,024	3 %
Purchased power (hydroelectric)	573	1 %	657	2 %
Total purchased power <sup>(3)</sup>	6,785	16 %	7,237	19 %
Total power supply	40,254	100 %	38,784	100 %

**Notes**

- (1) The generation for the three months ended December 31, 2024 included 8 thousand kWh of pre-commercial generation at Johnsonville Aeroderivative CT.
- (2) Generation from TVA-owned renewable resources (non-hydroelectric) is less than one percent for all periods shown and therefore is not represented in the table above.
- (3) Raccoon Mountain Pumped-Storage Plant net generation is allocated against each TVA-operated generation facility and purchased power type for both the three months ended December 31, 2025, and the three months ended December 31, 2024. See Part I, Item 1, Business — *Power Supply and Load Management Resources* — *Hydroelectric Pumped-Storage* in the Annual Report for a discussion of Raccoon Mountain Pumped-Storage Plant.
- (4) Purchased power (natural gas and/or oil-fired) includes generation from Caledonia Combined Cycle Plant ("Caledonia CC"), which is currently a leased facility operated by TVA. Generation from Caledonia CC was 1,020 million kWh and 1,238 million kWh for the three months ended December 31, 2025, and 2024, respectively.
- (5) Purchased power (other renewables) includes purchased power from the following renewable sources: solar, biomass, and renewable cogeneration. TVA acquires Renewable Energy Certificates ("RECs") in connection with certain purchased power transactions and sells some of these RECs to customers.
- (6) At December 31, 2024, 1,024 megawatts ("MWs") previously classified as Purchased power (other renewables) has been reclassified to Purchased power (wind) to conform to current year presentation.

In addition to power supply sources included here, TVA offers energy efficiency programs that effectively reduce energy needs. In 2026, TVA expects to invest \$133 million on its energy efficiency programs and anticipates approximately 400 gigawatt hours of net incremental energy efficiency savings. During the three months ended December 31, 2025, TVA invested \$27 million on energy efficiency programs.

**Interest Expense.** Interest expense and interest rates for the three months ended December 31, 2025, and the three months ended December 31, 2024, were as follows:

**Interest Expense and Rates**  
(in millions)

	Three Months Ended December 31		
	2025	2024	Percent Change
Interest expense <sup>(1)</sup>	\$ 309	\$ 280	10.4 %
Average blended debt balance <sup>(2)</sup>	\$ 23,406	\$ 21,509	8.8 %
Average blended interest rate <sup>(3)</sup>	5.09 %	4.99 %	2.0 %

**Notes**

- (1) Includes amortization of debt discounts, issuance, and reacquisition costs, net.
- (2) Includes average balances of long-term power bonds, debt of variable interest entities ("VIEs"), and discount notes.
- (3) Includes interest on long-term power bonds, debt of VIEs, and discount notes.

Total interest expense increased \$29 million for the three months ended December 31, 2025, as compared to the same period of the prior year. This increase was primarily driven by a \$33 million increase from higher average balances and rates on long-term debt. This increase was partially offset by a \$3 million decrease in interest on short-term debt primarily due to lower average balances and rates as well as a \$1 million decrease from lower other interest expense.



## Liquidity and Capital Resources

### *Sources of Liquidity*

TVA depends on various sources of liquidity to meet cash needs and contingencies. TVA's primary sources of liquidity are cash from operations and proceeds from the issuance of short-term debt in the form of discount notes, along with periodic issuances of long-term debt. TVA's balance of short-term debt typically changes frequently as TVA issues discount notes to meet short-term cash needs and pay scheduled maturities of discount notes and long-term debt. TVA's next significant power bond maturity is \$1.0 billion in February 2027. The periodic amounts of short-term debt issued are determined by near-term expectations for cash receipts, cash expenditures, and funding needs, while seeking to maintain a target range of cash and cash equivalents on hand. TVA may hold higher cash balances from time to time in response to potential market volatility or other business conditions. In addition, cash balances may include collateral received from counterparties.

In addition to cash from operations and proceeds from the issuance of short-term and long-term debt, TVA's other sources of potential liquidity include four revolving credit facilities totaling \$2.7 billion, a \$150 million credit facility with the United States Department of the Treasury ("U.S. Treasury"), and proceeds from other financings. See Note 13 — *Debt and Other Obligations* — *Credit Facility Agreements*. The TVA Board of Directors ("TVA Board") authorized TVA to issue power bonds and enter into other financing arrangements in an aggregate amount not to exceed \$3.0 billion during 2026. Other financing arrangements may include, but are not limited to, lease financings, transactions supported by certain PPAs, energy prepayments from customers, and other similar agreements. TVA may also engage from time to time in other alternative forms of financing such as sales of receivables or loans.

The Tennessee Valley Authority Act of 1933, as amended ("TVA Act"), authorizes TVA to issue bonds, notes, or other evidences of indebtedness (collectively, "Bonds") in an amount not to exceed \$30.0 billion outstanding at any time. Bonds outstanding, excluding unamortized discounts and premiums and net exchange gains from foreign currency transactions, at December 31, 2025, were \$21.9 billion (including current maturities). The balance of Bonds outstanding directly affects TVA's capacity to meet operational liquidity needs and to strategically use Bonds to fund certain capital investments as management and the TVA Board may deem desirable. Other options for financing not subject to the limit on Bonds could provide supplementary funding if needed. Currently, TVA expects to utilize a combination of Bonds, other financings, or potentially additional power revenues through power rate increases to meet its ongoing operational liquidity needs while making planned capital investments. TVA may also receive funding by filing for credits available under the Inflation Reduction Act of 2022 ("IRA"), by applying for grants or other funding available under the Bipartisan Infrastructure Law ("BIL"), from other federal funding opportunities, or from other third-party financing arrangements. See *Lease Financings* below, *Key Initiatives and Challenges* — *Funding Opportunities*, Note 10 — *Variable Interest Entities*, and Note 13 — *Debt and Other Obligations* for additional information.

TVA may from time to time seek to retire or purchase its outstanding debt through cash purchases and/or exchanges for securities, in open market purchases, in privately negotiated transactions, or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, TVA's liquidity requirements, contractual restrictions, and other factors. The amounts involved may be material.

**Debt Securities.** TVA's Bonds are not obligations of the U.S., and the U.S. does not guarantee the payments of principal or interest on Bonds. TVA's Bonds consist of power bonds and discount notes. Power bonds have maturities of between one and 50 years. At December 31, 2025, the average maturity of long-term power bonds was 14.47 years, and the weighted average interest rate was 4.74 percent. Discount notes have maturities of less than one year. Power bonds and discount notes have a first priority and equal claim of payment out of net power proceeds. Net power proceeds are defined as the remainder of TVA's gross power revenues after deducting the costs of operating, maintaining, and administering its power properties and tax equivalents, but before deducting depreciation accruals or other charges representing the amortization of capital expenditures, plus the net proceeds from the sale or other disposition of any power facility or interest therein. In addition to power bonds and discount notes, TVA had long-term debt associated with certain VIEs outstanding at December 31, 2025. See *Lease Financings* below, Note 10 — *Variable Interest Entities*, and Note 13 — *Debt and Other Obligations* for additional information.

The following table provides additional information regarding TVA's short-term borrowings:

Short-Term Borrowings (in millions)				
	At December 31, 2025	Three Months Ended December 31, 2025	At December 31, 2024	Three Months Ended December 31, 2024
<b>Gross Amount Outstanding (at End of Period) or Average Gross Amount Outstanding (During Period)</b>				
Discount notes	\$1,175	\$558	\$1,359	\$683
<b>Maximum Month-End Gross Amount Outstanding (During Period)</b>				
Discount notes	N/A	\$1,175	N/A	\$1,359
<b>Weighted Average Interest Rate</b>				
Discount notes	3.63%	3.94%	4.33%	4.68%

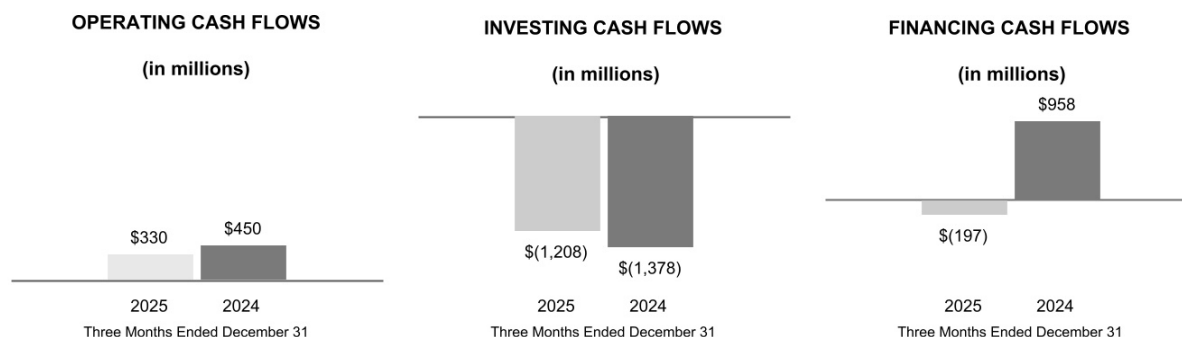
TVA's rated senior unsecured Bonds are currently rated Aa1, AA+, and AA+ by Moody's Investors Service, Inc. ("Moody's"), Fitch Ratings, Inc. ("Fitch"), and S&P Global Ratings ("S&P"), respectively. TVA's short-term discount notes are not rated. TVA and the owners of TVA securities could be impacted by any downgrades of TVA's credit ratings. TVA Bonds are not obligations of the U.S.; however, because TVA is a wholly-owned corporate agency and instrumentality of the U.S. government, TVA's ratings may be impacted if the sovereign credit ratings of the U.S. are downgraded. See Part I, Item 1A, Risk Factors — *Financial, Economic, and Market Risks — TVA, together with owners of TVA securities, may be impacted by downgrades of TVA's credit ratings* in the Annual Report.

**Lease Financings.** TVA has entered into certain leasing transactions with special purpose entities ("SPEs") to obtain third-party financing for its facilities. These SPEs are sometimes identified as VIEs of which TVA is determined to be the primary beneficiary. TVA is required to account for these VIEs on a consolidated basis. See Note 10 — *Variable Interest Entities*.

#### Summary Cash Flows

A major source of TVA's liquidity is operating cash flows resulting from the generation and sale of electricity. Cash, cash equivalents, and restricted cash totaled \$522 million and \$553 million at December 31, 2025 and 2024, respectively. A summary of cash flow components for the three months ended December 31, 2025 and 2024, follows:

Cash provided by (used in):



**Operating Activities.** TVA's cash flows from operations are primarily driven by sales of electricity, fuel expense, and operating and maintenance expense. The timing and level of cash flows from operations can be affected by the weather, changes in working capital, commodity price fluctuations, outages, and other project expenses.

Net cash flows provided by operating activities decreased \$120 million for the three months ended December 31, 2025, as compared to the same period of the prior year. The decrease was primarily due to the timing of vendor payments and higher fuel and purchased power payments as compared to the same period of the prior year. This decrease was partially offset by an increase in revenue collection driven by higher sales volume.

**Investing Activities.** The majority of TVA's investing cash flows are due to investments to acquire, upgrade, or maintain generating and transmission assets, including environmental projects and the purchase of nuclear fuel.

Net cash flows used in investing activities decreased \$170 million for the three months ended December 31, 2025, as compared to the same period of the prior year. The decrease was driven by less spend related to capacity expansion projects, primarily related to the Cumberland natural gas project nearing completion and higher spend on the Kingston natural gas project in the prior year. In addition, during the three months ended December 31, 2025, TVA received cash related to insurance proceeds for property recovery and IRA tax credits related to capital assets.

**Financing Activities.** TVA's cash flows provided by or used in financing activities are primarily driven by the timing and level of cash flows provided by operating activities, cash flows used in investing activities, and net issuance and redemption of debt instruments to maintain a strategic balance of cash on hand.

Net cash provided by financing activities decreased \$1.2 billion for the three months ended December 31, 2025, as compared to the same period of the prior year. The decrease is primarily due to the timing of debt maturities related to power bond redemptions, combined with lower proceeds from debt of variable interest entities, along with the use of cash on hand to pay bond maturities. TVA anticipates a need to increase debt in the coming years as it continues to invest in power system assets, which may result in positive net cash flows provided by financing activities in future periods.

#### *Contractual Obligations*

TVA has certain obligations and commitments to make future payments under contracts. TVA's contractual obligations are discussed in the Annual Report in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — *Liquidity and Capital Resources* and Note 9 — *Leases*, Note 12 — *Variable Interest Entities*, Note 15 — *Debt and Other Obligations*, Note 21 — *Benefit Plans*, and Note 23 — *Commitments and Contingencies* of the Notes to the Consolidated Financial Statements in the Annual Report.

In December 2025, TVA signed an agreement for a battery energy storage system which is expected to commence by June 2029. The term of the agreement is 20 years and capacity payments over the term of the agreement are expected to total over \$500 million. This agreement includes a lease component.

#### **Key Initiatives and Challenges**

There have been no material changes to the key initiatives and challenges described in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — *Key Initiatives and Challenges* of the Annual Report, except as described below.

##### *Capacity*

**Natural Gas Fired Units.** TVA is constructing a 200 MW aeroderivative CT project at TVA's Allen site. An approved construction air permit was received in December 2025. As of December 31, 2025, TVA had spent \$240 million on the project at Allen and could spend up to an additional \$123 million.

TVA is constructing a 350 MW project at TVA's Lagoon Creek site for four additional CTs. TVA completed an EIS for 16 units at the site prior to construction of the currently operational 12 units, and in December 2025, TVA deemed that the existing EIS fulfilled National Environmental Policy Act ("NEPA") requirements for the additional CTs. As of December 31, 2025, TVA had spent \$2 million on the project at Lagoon Creek and could spend up to an additional \$668 million.

As of September 30, 2025, TVA had 10 idled units at Johnsonville Combustion Turbine Facility (Units 1-10). In the first quarter of 2026, TVA made the decision to continue operating these units, with a total summer net capability of 500 MWs. The continued operation of these units is subject to real-time bulk electrical system operating constraints including transmission line loading limitations, fuel availability such as coal and gas, seasonal river reservoir levels, fuel blend, severe weather events, environmental and/or other regulatory constraints, transmission system outages, generator outages, or generator derates.

**Nuclear.** Amid growth in energy-intensive sectors, including artificial intelligence and data centers, TVA is exploring a diverse range of nuclear technologies to help shape the most effective, scalable, and secure solutions for the region's growing economy.

**Nuclear Fleet License Extensions.** Subject to the completion of all appropriate environmental reviews, TVA is seeking to renew all nuclear generation units' licenses for an additional 20 years. A license renewal application was submitted to the NRC in January 2024 for the three units at Browns Ferry, and the renewal was approved by the NRC in December 2025.

**Hydroelectric Pumped-Storage.** New hydroelectric pumped-storage is one of several technologies that TVA is exploring to help meet peak demands and allow more baseload generation while ensuring the reliability and resiliency of the grid. In 2023, TVA announced sites for a potential future pumped-storage facility. In May 2025, a draft Environmental Impact Statement ("EIS") was made available for public comment and the final EIS was published in November 2025.

**Battery Energy Storage.** In December 2025, TVA signed an agreement for a battery energy storage system which is expected to commence by June 2029. Capacity payments are expected to total over \$500 million.

#### *Funding Opportunities*

TVA continues to evaluate and pursue funding opportunities under the IRA and the BIL to help offset the cost of qualifying projects. The IRA makes certain tax-exempt entities, including TVA, eligible for a direct-pay option for certain tax credits for zero-emission energy projects or generation. As of December 31, 2025, TVA had recorded \$112 million in Accounts receivable, net related to these tax credits. In addition, TVA received \$26 million during the three months ended December 31, 2025, related to these credits.

In January 2025, TVA and a consortium of co-applicants ("consortium") applied for a U.S. DOE grant to support the potential future deployment of a small modular reactor ("SMR") at TVA's Clinch River site. In December 2025, TVA and the consortium were selected by the DOE to enter negotiations for an approximate \$400 million grant to accelerate the deployment of SMRs. The upcoming phase will focus on fund allocation in addition to establishing terms and conditions.

#### *Corporate Governance*

**Board.** In January 2026, Jeff Hagood, Arthur Graham, Mitch Graves, and Randall Jones took their oath of office and began their service as members of the TVA Board. With these new Board members, the TVA Board now has a quorum.

### **Environmental Matters**

There have been no material changes to the environmental matters described in Part I, Item 1, Business — *Environmental Matters* of the Annual Report, except as described below.

#### *Water Quality Control Developments*

**Steam-Electric Effluent Guidelines.** On December 31, 2025, EPA published a final effluent limitation guidelines ("ELG") rule that extends certain compliance deadlines in the 2024 ELG rule and provides authority to state permitting authorities to extend other compliance deadlines in the 2020 and 2024 ELG rules. TVA plans to request modifications to the National Pollutant Discharge Elimination System permits for applicable facilities to incorporate the requirements of the rule. This rule provides TVA with greater flexibility with its coal-fired plants to meet future generation and reliability requirements. See Part I, Item 1, Business – *Environmental Matters – Water Quality Control Developments – Steam-Electric Effluent Guidelines* in the Annual Report.

#### *Cleanup of Solid and Hazardous Wastes*

**Coal Combustion Residuals.** In August 2015, TDEC issued an order that includes an iterative process through which TVA and TDEC will investigate, assess, and remediate any unacceptable risks resulting from Coal Combustion Residuals ("CCR") management and disposal at TVA's current and former coal-fired generating units in the State of Tennessee. As part of this process, TVA submitted environmental assessment reports ("EARs") to TDEC, and after the EARs were approved, TVA submitted Corrective Action/Risk Assessment ("CARA") Plans that identified the unacceptable risks and all associated TVA actions to remediate those risks. TDEC will review the CARA Plans and provide comments, and TVA will make revisions to address TDEC's comments until TDEC approves a final CARA Plan for each site. The public also will have an opportunity to review and comment on each CARA Plan prior to TDEC's approval of the final plan. On November 14, 2025, TDEC approved the final CARA Plan for Allen Fossil Plant.

#### *NEPA Procedures*

On January 21, 2026, TVA published revised NEPA procedures in response to recent amendments to NEPA, the Council on Environmental Quality's rescission of its NEPA implementing regulations, the Supreme Court's recent decision in *Seven County Infrastructure Coalition v. Eagle County, Colorado*, and Executive Order 14154, *Unleashing American Energy*. The revised NEPA procedures will streamline TVA's environmental review of its proposed actions.

### **Legal Proceedings**

From time to time, TVA is party to or otherwise involved in lawsuits, claims, proceedings, investigations, and other legal matters ("Legal Proceedings") that have arisen in the ordinary course of conducting its activities. As of December 31, 2025, TVA had accrued \$9 million with respect to Legal Proceedings. No assurance can be given that TVA will not be subject to significant additional claims and liabilities. If actual liabilities significantly exceed the estimates made, TVA's results of operations, liquidity, and financial condition could be materially adversely affected.

For a discussion of certain current material Legal Proceedings, see Note 21 — *Contingencies and Legal Proceedings – Legal Proceedings*, which discussions are incorporated into this Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

## Critical Accounting Estimates

The preparation of financial statements requires TVA to estimate the effects of various matters that are inherently uncertain as of the date of the financial statements. Although the financial statements are prepared in conformity with accounting principles generally accepted in the U.S., TVA is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the amounts of revenues and expenses reported during the reporting period. Each of these estimates varies in regard to the level of judgment involved and its potential impact on TVA's financial results. Estimates are deemed critical either when a different estimate could have reasonably been used, or where changes in the estimate are reasonably likely to occur from period to period, and such use or change would materially impact TVA's financial condition, results of operations, or cash flows. TVA's critical accounting estimates and policies are discussed in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — *Critical Accounting Estimates* and Note 1 — *Summary of Significant Accounting Policies* of the Notes to Consolidated Financial Statements in the Annual Report.

## New Accounting Standards and Interpretations

For a discussion of new accounting standards and interpretations, see Note 2 — *Impact of New Accounting Standards and Interpretations*, which discussion is incorporated into this Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

## Legislative and Regulatory Matters

For additional discussion on legislative and regulatory matters, including a discussion of environmental legislation and regulation, see *Environmental Matters* and *Key Initiatives and Challenges* above. See Part I, Item 1, Business — *Environmental Matters* and Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — *Key Initiatives and Challenges* of the Annual Report.

TVA does not engage, and does not control any entity that is engaged, in any activity listed under Section 13(r) of the Securities Exchange Act of 1934 (the "Exchange Act"), which requires certain issuers to disclose certain activities relating to Iran involving the issuer and its affiliates. Based on information supplied by each such person, none of TVA's directors and executive officers are involved in any such activities. While TVA is an agency and instrumentality of the U.S., TVA does not believe its disclosure obligations, if any, under Section 13(r) extend to the activities of any other departments, divisions, or agencies of the U.S.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There are no material changes related to market risks disclosed under Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — *Risk Management Activities* in the Annual Report. See Note 14 — *Risk Management Activities and Derivative Transactions* for additional information regarding TVA's derivative transactions and risk management activities.

## ITEM 4. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

TVA maintains disclosure controls and procedures designed to ensure that information required to be disclosed by TVA in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, and is accumulated and communicated to TVA's management, as appropriate, to allow timely decisions regarding required disclosure. TVA's management, including the President and CEO, the Executive Vice President and Chief Financial Officer, and members of the Disclosure Control Committee, including the Vice President and Controller (Principal Accounting Officer) (collectively "management"), evaluated the effectiveness of TVA's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of December 31, 2025. Based on this evaluation, management concluded that TVA's disclosure controls and procedures were effective as of December 31, 2025.

### Changes in Internal Control over Financial Reporting

During the quarter ended December 31, 2025, there were no changes in TVA's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, TVA's internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

From time to time, the Tennessee Valley Authority ("TVA") is party to or otherwise involved in lawsuits, claims, proceedings, investigations, and other legal matters ("Legal Proceedings") that have arisen in the ordinary course of conducting its activities. While the outcome of the Legal Proceedings to which TVA is a party cannot be predicted with certainty, any adverse outcome to a Legal Proceeding involving TVA may have a material adverse effect on TVA's financial condition, results of operations, and cash flows.

For a discussion of certain current material Legal Proceedings, see Note 21 — *Contingencies and Legal Proceedings* — *Legal Proceedings*, which discussions are incorporated by reference into this Part II, Item 1, Legal Proceedings.

### ITEM 1A. RISK FACTORS

There are no material changes related to risk factors from the risk factors disclosed in Part I, Item 1A, Risk Factors in the Annual Report, except as described below.

#### **A loss of a quorum of the TVA Board of Directors could limit TVA's ability to adapt to changing business conditions.**

Under the TVA Act, a quorum of the TVA Board is five members. In January 2026, the TVA Board regained a quorum, and it currently has seven members. Becoming a member of the TVA Board requires confirmation by the U.S. Senate following appointment by the President, and this process may be lengthy. In addition, the President may remove TVA Board members, and TVA Board members may resign or otherwise leave office before a successor is commissioned. Without a quorum, the TVA Board may not have authority to direct TVA into new areas of activity, to embark on new programs, or to change TVA's existing direction. As such, the loss of a quorum for an extended period of time may have a negative impact on TVA's ability to change the rates TVA charges for power, change long-term objectives, plans, and policies, and respond to significant changes in technology, the regulatory environment, or the industry overall and, in turn, negatively affect TVA's cash flows, results of operations, financial condition, and reputation.

### ITEM 5. OTHER INFORMATION

#### **Insider Trading Arrangements and Policies**

During the three months ended December 31, 2025, no director or officer of TVA notified TVA of the adoption or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

**ITEM 6. EXHIBITS**

<b>Exhibit No.</b>	<b>Description</b>
3.1	<a href="#">Tennessee Valley Authority Act of 1933, as amended, 16 U.S.C. §§ 831-831ee (Incorporated by reference to Exhibit 3.1 to TVA's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 000-52313)</a>
3.2	<a href="#">Bylaws of the Tennessee Valley Authority Approved by the TVA Board on May 18, 2006, as amended on April 3, 2008, May 19, 2008, June 10, 2010, February 13, 2014, August 21, 2014, and November 6, 2014 (Incorporated by reference to Exhibit 3.2 to TVA's Annual Report on Form 10-K for the year ended September 30, 2014, File No. 000-52313)</a>
10.1	<a href="#">Amended and Restated Supplemental Executive Retirement Plan Approved on October 1, 2025 (Incorporated by reference to Exhibit 10.29 to TVA's Annual Report on Form 10-K for the year ended September 30, 2025, File No. 000-52313)</a>
10.2	<a href="#">Amended and Restated Restoration Plan Approved on October 1, 2025 (Incorporated by reference to Exhibit 10.34 to TVA's Annual Report on Form 10-K for the year ended September 30, 2025, File No. 000-52313)</a>
10.3	<a href="#">Amended and Restated Restoration Plan Approved on November 6, 2025 (Incorporated by reference to Exhibit 10.35 to TVA's Annual Report on Form 10-K for the year ended September 30, 2025, File No. 000-52313)</a>
10.4	<a href="#">Amended and Restated Long-Term Incentive Plan Approved on November 6, 2025 (Incorporated by reference to Exhibit 10.32 to TVA's Annual Report on Form 10-K for the year ended September 30, 2025, File No. 000-52313)</a>
31.1	<a href="#">Rule 13a-14(a)/15d-14(a) Certification Executed by the Chief Executive Officer</a>
31.2	<a href="#">Rule 13a-14(a)/15d-14(a) Certification Executed by the Chief Financial Officer</a>
32.1	<a href="#">Section 1350 Certification Executed by the Chief Executive Officer</a>
32.2	<a href="#">Section 1350 Certification Executed by the Chief Financial Officer</a>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File - formatted in Inline XBRL and contained in Exhibit 101

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 2, 2026

TENNESSEE VALLEY AUTHORITY  
(Registrant)

By: /s/ Donald A. Moul  
Donald A. Moul  
President and Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Thomas C. Rice  
Thomas C. Rice  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)



**RULE 13a-14(a)/15d-14(a) CERTIFICATION**

I, Donald A. Moul, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the Tennessee Valley Authority;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 2, 2026

/s/ Donald A. Moul

Donald A. Moul  
President and Chief Executive Officer

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**RULE 13a-14(a)/15d-14(a) CERTIFICATION**

I, Thomas C. Rice, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the Tennessee Valley Authority;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 2, 2026

/s/ Thomas C. Rice

Thomas C. Rice

Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

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**CERTIFICATION FURNISHED PURSUANT TO  
SECURITIES EXCHANGE ACT RULE 13a-14(b)  
OR RULE 15d-14(b) AND 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of the Tennessee Valley Authority (the "Company") for the quarter ended December 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald A. Moul, President and Chief Executive Officer of the Company, certify, for the purposes of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Donald A. Moul

Donald A. Moul

President and Chief Executive Officer

February 2, 2026

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**CERTIFICATION FURNISHED PURSUANT TO  
SECURITIES EXCHANGE ACT RULE 13a-14(b)  
OR RULE 15d-14(b) AND 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of the Tennessee Valley Authority (the "Company") for the quarter ended December 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas C. Rice, Executive Vice President and Chief Financial Officer of the Company, certify, for the purposes of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas C. Rice

Thomas C. Rice

Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

February 2, 2026

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