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 June 30, 2026

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 ☐ Accelerated filer ☐
Non-accelerated filer ☒ Smaller reporting company ☐
Emerging growth company ☐
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 August 3, 2026: N/A

Table of Contents

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 June 30, 2026 (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
CAA	Clean Air Act
CARA	Corrective Action/Risk Assessment
CCR	Coal combustion residuals
CEO	Chief Executive Officer
CODM	Chief Operating Decision Maker
CT	Combustion turbine
CCCGL	Cumberland Combined Cycle Generation LLC
CGHLLC	Cumberland Generation Holdco LLC
CUF	Cumberland Coal-Fired Plant
CUG	Cumberland Combined Cycle Gas Plant
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
FHP	Financial Hedging Program
GAAP	Generally Accepted Accounting Principles
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
KIF	Kingston Coal-Fired Plant
KIG	Kingston Gas Plant
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
NRC	Nuclear Regulatory Commission
PPA(s)	Power Purchase Agreement(s)
PSD	Prevention of Significant Deterioration
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
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, which could require 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 changes in the retirement dates 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, authority to establish compensation, 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;
- Risks from failure to attract or retain key personnel, changes in TVA's compensation policies or practices that may result from, among other things, presidential memoranda regarding compensation practices at TVA, changes in senior management or TVA Board of Directors ("TVA Board") membership, or the absence of a TVA Board quorum, which could limit TVA's ability to conduct business or adapt strategy and could increase legal and regulatory risk;
- Legal, administrative, and regulatory proceedings, including those involving CCR facilities, gas plants, and 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 local power company customers ("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, environmental, or other 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 (collectively, "Bonds");
- 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;
- 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 the Tennessee Valley Authority's ("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, 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.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

ASSETS

	June 30, 2026	September 30, 2025
Current assets		
Cash and cash equivalents	$ 1,416	$ 1,576
Restricted cash of variable interest entity	68	—
Accounts receivable, net	2,172	2,119
Inventories, net	1,264	1,193
Regulatory assets	233	127
Other current assets	279	162
Total current assets	5,432	5,177
Property, plant, and equipment		
Completed plant	71,403	71,574
Less accumulated depreciation	(39,343)	(38,716)
Net completed plant	32,060	32,858
Construction in progress	8,073	6,760
Nuclear fuel	1,226	1,185
Finance leases	608	663
Total property, plant, and equipment, net	41,967	41,466
Investment funds	6,245	5,573
Regulatory and other long-term assets		
Regulatory assets	7,496	8,047
Operating lease assets, net of amortization	75	113
Other long-term assets	429	506
Total regulatory and other long-term assets	8,000	8,666
Total assets	$ 61,644	$ 60,882

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

	June 30, 2026	September 30, 2025
Current liabilities		
Accounts payable and accrued liabilities	$ 3,148	$ 3,299
Accrued interest	330	348
Asset retirement obligations	313	313
Regulatory liabilities	215	228
Short-term debt, net	500	—
Current maturities of power bonds	1,020	1,370
Current maturities of long-term debt of variable interest entities	75	49
Total current liabilities	5,601	5,607
Other liabilities		
Post-retirement and post-employment benefit obligations	1,987	2,183
Asset retirement obligations	9,222	10,101
Finance lease liabilities	600	640
Other long-term liabilities	1,436	1,606
Regulatory liabilities	321	141
Total other liabilities	13,566	14,671
Long-term debt, net		
Long-term power bonds, net	19,443	20,461
Long-term debt of variable interest entities, net	3,551	1,632
Total long-term debt, net	22,994	22,093
Total liabilities	42,161	42,371
Commitments and contingencies (Note 21)		
Proprietary capital		
Power program appropriation investment	258	258
Power program retained earnings	18,762	17,797
Total power program proprietary capital	19,020	18,055
Nonpower programs appropriation investment, net	504	510
Accumulated other comprehensive loss	(41)	(54)
Total proprietary capital	19,483	18,511
Total liabilities and proprietary capital	$ 61,644	$ 60,882

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

TENNESSEE VALLEY AUTHORITY
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(in millions)

	Three Months Ended June 30		Nine Months Ended June 30	
	2026	2025	2026	2025
Operating revenues				
Revenue from sales of electricity	$ 3,389	$ 3,261	$ 9,877	$ 9,613
Other revenue	53	45	160	145
Total operating revenues	3,442	3,306	10,037	9,758
Operating expenses				
Fuel	685	589	1,882	1,674
Purchased power	563	550	1,561	1,516
Operating and maintenance	964	922	2,695	2,771
Depreciation and amortization	448	572	1,530	1,691
Tax equivalents	171	156	492	460
Total operating expenses	2,831	2,789	8,160	8,112
Operating income	611	517	1,877	1,646
Other income, net	34	29	89	58
Other net periodic benefit cost	22	27	68	79
Interest expense	316	307	933	880
Net income	$ 307	$ 212	$ 965	$ 745

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

TENNESSEE VALLEY AUTHORITY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)
(in millions)

	Three Months Ended June 30		Nine Months Ended June 30	
	2026	2025	2026	2025
Net income	$ 307	$ 212	$ 965	$ 745
Other comprehensive income (loss)				
Net unrealized gain on cash flow hedges	17	47	8	24
Net unrealized (gain) loss reclassified to earnings from cash flow hedges	(7)	(38)	5	(15)
Total other comprehensive income	10	9	13	9
Total comprehensive income	$ 317	$ 221	$ 978	$ 754

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

TENNESSEE VALLEY AUTHORITY
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
For the Nine Months Ended June 30
(in millions)

	2026	2025
Cash flows from operating activities		
Net income	$ 965	$ 745
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization[1]	1,549	1,707
Amortization of nuclear fuel cost	266	208
Non-cash retirement benefit expense	92	112
Other regulatory amortization and deferrals	(86)	(38)
Changes in current assets and liabilities		
Accounts receivable, net	(20)	(76)
Inventories and other current assets, net	(137)	(67)
Accounts payable and accrued liabilities	(159)	3
Accrued interest	(20)	31
Pension contributions	(236)	(235)
Settlements of asset retirement obligations	(202)	(190)
Other, net	(129)	(124)
Net cash provided by operating activities	1,883	2,076
Cash flows from investing activities		
Construction expenditures	(2,874)	(3,461)
Nuclear fuel expenditures	(274)	(198)
Contributions in aid of construction	86	95
Purchases of investments	(4)	(4)
Loans and other receivables		
Advances	(10)	—
Repayments	4	10
Other, net	73	(70)
Net cash used in investing activities	(2,999)	(3,628)
Cash flows from financing activities		
Long-term debt		
Issues of power bonds	—	2,722
Proceeds from variable interest entities	2,000	800
Redemptions and repurchases of power bonds	(1,370)	(1,022)
Redemptions of debt of variable interest entities	(29)	(23)
Short-term debt issuance (redemptions), net	499	(847)
Payments on leases and leasebacks	(54)	(50)
Financing costs, net	(25)	(25)
Other, net	3	(4)
Net cash provided by financing activities	1,024	1,551
Net change in cash, cash equivalents, and restricted cash	(92)	(1)
Cash, cash equivalents, and restricted cash at beginning of period	1,597	523
Cash, cash equivalents, and restricted cash at end of period	$ 1,505	$ 522

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 June 30, 2026 and 2025
(in millions)

	Power Program Appropriation Investment	Power Program Retained Earnings	Nonpower Programs Appropriation Investment, Net	Accumulated Other Comprehensive Income (Loss)	Total
Balance at March 31, 2025	$ 258	$ 16,970	$ 514	$ (52)	$ 17,690
Net income (loss)	—	214	(2)	—	212
Total other comprehensive income	—	—	—	9	9
Return on power program appropriation investment	—	(2)	—	—	(2)
Balance at June 30, 2025	$ 258	$ 17,182	$ 512	$ (43)	$ 17,909
Balance at March 31, 2026	$ 258	$ 18,455	$ 506	$ (51)	$ 19,168
Net income (loss)	—	309	(2)	—	307
Total other comprehensive income	—	—	—	10	10
Return on power program appropriation investment	—	(2)	—	—	(2)
Balance at June 30, 2026	$ 258	$ 18,762	$ 504	$ (41)	$ 19,483

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 Nine Months Ended June 30, 2026 and 2025
(in millions)

	Power Program Appropriation Investment	Power Program Retained Earnings	Nonpower Programs Appropriation Investment, Net	Accumulated Other Comprehensive Income (Loss)	Total
Balance at September 30, 2024	$ 258	$ 16,437	$ 518	$ (52)	$ 17,161
Net income (loss)	—	751	(6)	—	745
Total other comprehensive income	—	—	—	9	9
Return on power program appropriation investment	—	(6)	—	—	(6)
Balance at June 30, 2025	$ 258	$ 17,182	$ 512	$ (43)	$ 17,909
Balance at September 30, 2025	$ 258	$ 17,797	$ 510	$ (54)	$ 18,511
Net income (loss)	—	971	(6)	—	965
Total other comprehensive income	—	—	—	13	13
Return on power program appropriation investment	—	(6)	—	—	(6)
Balance at June 30, 2026	$ 258	$ 18,762	$ 504	$ (41)	$ 19,483

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Dollars in millions except where noted)

1. Summary of Significant Accounting Policies

General

The Tennessee Valley Authority ("TVA") prepares its consolidated interim financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") in the United States of America 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.

Reclassifications

Certain historical amounts in the accompanying consolidated financial statements have been reclassified to the current presentation. In the June 30, 2025, Consolidated Statements of Cash Flows, $76 million previously reported as Other, net in Cash flows from investing activities, was reclassified. Cash outflows for Construction expenditures increased $19 million and cash inflows for Contributions in aid of construction increased $95 million.

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. In addition, at June 30, 2026, TVA had restricted cash related to VIEs. See Note 10 — *Variable Interest Entities.*

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:

Cash, Cash Equivalents, and Restricted Cash
(in millions)

	At June 30, 2026	At September 30, 2025
Cash and cash equivalents	$ 1,416	$ 1,576
Restricted cash of variable interest entity	68	—
Restricted cash and cash equivalents included in Other long-term assets	21	21
Total cash, cash equivalents, and restricted cash	$ 1,505	$ 1,597

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 $21 million and $14 million at June 30, 2026, and September 30, 2025, respectively, for trade accounts receivable. At June 30, 2026, the allowance for uncollectible accounts included $20 million related to one local power company customer ("LPC"). Additionally, loans receivable of $114 million and $86 million at June 30, 2026, 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 June 30, 2026, 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 the Johnsonville Aeroderivative Combustion Turbine ("CT") Facility ("Johnsonville Facility") during 2025. Estimated revenue of $1 million and $3 million related to this project was capitalized to offset project costs for the three and nine months ended June 30, 2025, respectively. TVA also capitalized related fuel costs for this project of $2 million and $6 million for the three and nine months ended June 30, 2025, respectively. Pre-commercial plant operations began on the Cumberland Combined Cycle Gas Plant ("CUG") Units 1 and 2 during the three months ended June 30, 2026. Estimated revenue of $2 million related to this project was capitalized to offset project costs for both the three and nine months ended June 30, 2026. TVA also capitalized related fuel costs for this project of $7 million for both the three and nine months ended June 30, 2026.

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. These studies are updated approximately every five years, with a study currently being performed and implementation expected in October 2026. Depreciation expense was $362 million and $484 million for the three months ended June 30, 2026 and 2025, respectively. Depreciation expense was $1.3 billion and $1.4 billion for the nine months ended June 30, 2026 and 2025, 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 and nine months ended June 30, 2026, there was an estimated reduction in depreciation expense of $45 million and $105 million, respectively, due to the December 2025 Browns Ferry SLR.

Government Grants

TVA accounts for government grants based on what the grant 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 (the cost accumulation approach), and government grants related to income are recognized as a deduction from the related expense. TVA records the grant when it is probable that both of the following criteria are met: (1) the grant will be received, and (2) TVA complies with all conditions attached to the eligibility of the grant.

The Inflation Reduction Act of 2022 ("IRA") makes credits available to certain tax-exempt entities, including TVA. In 2025, TVA began applying for these credits including Section 48 Investment Tax Credits for qualifying hydroelectric improvements and Section 45U Production Tax Credits for electricity generated by TVA's existing nuclear units. At June 30, 2026, and September 30, 2025, the carrying amount of the Accounts receivable, net, which is related to IRA tax credits was $112 million and $72 million, respectively. TVA received $26 million during the nine months ended June 30, 2026, related to these credits.

There were no asset-related government grants recorded during the nine months ended June 30, 2026. During the nine months ended June 30, 2026 and 2025, TVA recognized $66 million and $4 million of income-related government grants, respectively, which were recorded as reductions of Operating and maintenance expense. There were no income-related government grants recorded during the three months ended June 30, 2026 and 2025.

2. Impact of New Accounting Standards and Interpretations

The following is an accounting standard update issued by the Financial Accounting Standards Board that TVA adopted during 2026:

Accounting for Government Grants	
Description	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 recognized either as other income or as a deduction 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.
Effective Date for TVA	The new standard is effective for TVA's interim and annual reporting periods beginning October 1, 2029. Early adoption is permitted, and TVA early adopted the standard as of October 1, 2025, applying the guidance on a modified prospective basis to grants that were not complete as of the adoption date.
Effect on the Financial Statements or Other Significant Matters	The adoption of this standard did not have a material impact on TVA's financial condition, results of operations, cash flows, or disclosures, and no cumulative-effect adjustment to retained earnings was recorded upon adoption.

The following accounting standards or rules have been issued but as of June 30, 2026, were not effective and have not been adopted by TVA:

Enhancement and Standardization of Climate-Related Disclosures for Investors	
Description	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; in April 2025, the United States Court of Appeals for the Eighth Circuit suspended the litigation over the validity of the rule; and in May 2026, the SEC proposed rescinding 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.
Effective Date for TVA	Fiscal year beginning October 1, 2027.
Effect on the Financial Statements or Other Significant Matters	TVA is currently evaluating the impact of the rule on its disclosures.

Disaggregation of Income Statement Expenses	
Description	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.
Effective Date for TVA	Fiscal year beginning October 1, 2027, and interim periods beginning October 1, 2028.
Effect on the Financial Statements or Other Significant Matters	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. TVA expects to adopt this standard prospectively.

Accounting and Disclosure of Costs Related to Internally Developed Software	
Description	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.
Effective Date for TVA	Fiscal year and interim periods beginning October 1, 2028.
Effect on the Financial Statements or Other Significant Matters	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.

Accounting for Environmental Credits and Environmental Credit Obligations	
Description	This guidance provides specific authoritative guidance that establishes recognition, measurement, presentation, and disclosure requirements for environmental credits and environmental credit obligations. The amendments are effective for public entities for fiscal years beginning after December 15, 2027, and interim reporting periods within those annual reporting periods. Upon adoption, a public entity should apply the amendments on a retrospective basis through a cumulative-effect adjustment to the opening balances of retained earnings as of the beginning of the annual reporting period of adoption.
Effective Date for TVA	Fiscal year and interim periods beginning October 1, 2028.
Effect on the Financial Statements or Other Significant Matters	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 associated with the ETP:

Severance Cost Liability Activity
(in millions)

Severance cost liability at September 30, 2024	$	—
Liabilities incurred during the period		40
Actual costs paid during the period		(26)
Severance cost liability at June 30, 2025	$	14
Severance cost liability at September 30, 2025	$	11
Liabilities incurred during the period		—
Actual costs paid during the period		(11)
Severance cost liability at June 30, 2026	$	—

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 June 30, 2026	At September 30, 2025[2]
Customer receivables	$ 2,035	$ 1,992
Other receivables	158	141
Allowance for uncollectible accounts[1]	(21)	(14)
Accounts receivable, net	$ 2,172	$ 2,119

Notes
(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 June 30, 2026 and September 30, 2025, the allowance for uncollectible accounts included $20 million and $14 million, respectively, related to one LPC customer.
(2) At September 30, 2025, $84 million previously classified as Other receivables has been reclassified to Customer receivables to conform with current year presentation.

5. Inventories, Net

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

Inventories, Net
(in millions)

	At June 30, 2026	At September 30, 2025
Materials and supplies inventory	$ 1,018	$ 986
Fuel inventory	320	278
Renewable energy certificates/emissions allowance inventory, net	10	12
Allowance for inventory obsolescence	(84)	(83)
Inventories, net	$ 1,264	$ 1,193

6. Other Current Assets

Other current assets consisted of the following:

Other Current Assets
(in millions)

	At June 30, 2026	At September 30, 2025
Inventory work-in-progress	$ 107	$ 69
Cloud assets	51	3
Current portion of prepaid long-term service agreements	36	16
Prepaid software maintenance	36	25
Prepaid insurance	20	16
Commodity contract derivative assets	11	14
Prepaid fees and dues	9	7
Other	9	12
Other current assets	$ 279	$ 162

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

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 the Cumberland Coal-Fired Plant ("CUF") 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 the Kingston Coal-Fired Plant (“KIF”) by the end of CY 2027.

In February 2026, TVA published final supplemental environmental impact statements with the preferred alternatives of continued operations of KIF and CUF in conjunction with the other capacity projects being constructed at the Kingston and Cumberland sites. The TVA Board of Directors ("TVA Board") subsequently and separately authorized TVA, at the direction and discretion of the Chief Executive Officer ("CEO"), to operate KIF and CUF in accordance with all applicable laws and regulatory requirements, including all requirements imposed by any applicable permits, and directed TVA staff to apply for any permits that may be applicable for TVA to continue to operate the coal units, along with the new gas units.

Depreciation rates are adjusted to reflect the most current planning assumptions, ensuring units will be fully depreciated by the applicable retirement dates. TVA's previous decision to retire CUF and KIF resulted in approximately $197 million and $66 million, respectively, of additional depreciation recorded through January 2026. Current depreciable life assumptions for KIF and CUF are estimated to result in approximately a $99 million reduction in quarterly depreciation expense, which does not include any potential impact from additions or retirements to net completed plant. For the three and nine months ended June 30, 2026, there was an estimated reduction in depreciation expense of $99 million and $132 million, respectively.

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 June 30, 2026	At September 30, 2025
Loans and other long-term receivables, net	$ 111	$ 83
Prepaid long-term service agreements	77	89
Prepaid capital assets	65	81
Cloud assets	60	114
EnergyRight® receivables, net	45	45
Commodity contract derivative assets	2	10
Other	69	84
Total other long-term assets	$ 429	$ 506

Loans and Other Long-Term Receivables. At both June 30, 2026, and September 30, 2025, the carrying amount of the loans receivable, net of discount, reported in Accounts receivable, net was $3 million. 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 June 30, 2026	At September 30, 2025
EnergyRight® loan reserve	$ 1	$ 1
Economic development loan specific loan reserve	1	1
Total allowance for loan losses	$ 2	$ 2

Prepaid Long-Term Service Agreements. At June 30, 2026, and September 30, 2025, prepayments of $36 million and $16 million, respectively, were recorded in Other current assets.

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.

Cloud Assets. At June 30, 2026, and September 30, 2025, the carrying amount of the cloud assets reported in Other current assets was $51 million and $3 million, respectively. For the three months ended June 30, 2026 and 2025, TVA amortized $13 million and $3 million, respectively, as Operating and maintenance expense. For the nine months ended June 30, 2026 and 2025, TVA amortized $27 million and $12 million, respectively, as Operating and maintenance expense.

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 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 June 30, 2026, 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, and other deferred decommissioning-related amounts probable of providing future economic benefit through TVA's ratemaking framework. Components of regulatory assets and regulatory liabilities are summarized in the table below.

Regulatory Assets and Liabilities
(in millions)

	At June 30, 2026	At September 30, 2025
Current regulatory assets		
Unrealized losses on commodity contract derivatives	$ 99	$ 59
Fuel cost adjustment receivable	72	—
Unrealized losses on interest rate derivatives	51	57
Other current regulatory assets	11	11
Total current regulatory assets	233	127
Non-current regulatory assets		
Non-nuclear decommissioning costs	5,222	5,563
Retirement benefit plans deferred costs	1,494	1,531
Environmental compliance and remediation costs	328	308
Unrealized losses on interest rate derivatives	256	316
Unrealized losses on commodity contract derivatives	27	12
Nuclear decommissioning costs	—	149
Other non-current regulatory assets	169	168
Total non-current regulatory assets	7,496	8,047
Total regulatory assets	$ 7,729	$ 8,174
Current regulatory liabilities		
Fuel cost adjustment tax equivalents	$ 204	$ 203
Unrealized gains on commodity contract derivatives	11	14
Fuel cost adjustment payable	—	11
Total current regulatory liabilities	215	228
Non-current regulatory liabilities		
Nuclear decommissioning credits	204	—
Retirement benefit plans deferred credits	115	131
Unrealized gains on commodity contract derivatives	2	10
Total non-current regulatory liabilities	321	141
Total regulatory liabilities	$ 536	$ 369

Nuclear Decommissioning Costs (Credits). Nuclear decommissioning costs include (1) certain deferred charges related to the future closure and decommissioning of TVA's nuclear generating units under the NRC requirements, (2) recognition of changes in the liability, (3) recognition of changes in the value of TVA's Nuclear Decommissioning Trust ("NDT"), and (4) certain other deferred charges under the accounting rules for asset retirement obligations ("AROs"). These future costs can be funded through a combination of investment funds set aside in the NDT and the Asset Retirement Trust ("ART") and future earnings on those investment funds. Deferred charges are probable of future recovery in rates based on the analysis of expected expenditures, contributions, and investment earnings required to recover the decommissioning costs. Recovery of future decommissioning costs is dependent upon the future earnings of the NDT and ART, timing of decommissioning activities, and changes in decommissioning estimates. Nuclear decommissioning credits include changes in nuclear decommissioning related estimates, investment performance of the NDT, and other decommissioning-related amounts that reduce the expected future funding required to satisfy nuclear decommissioning obligations. TVA evaluates the net nuclear decommissioning regulatory balance each reporting period to determine whether the balance represents a regulatory asset probable of future recovery or a regulatory liability probable of providing future economic benefit to customers through TVA's ratemaking framework. This assessment considers the relationship between projected nuclear decommissioning costs, available NDT assets, expected NDT earnings, and other relevant factors affecting future funding requirements. The regulatory asset or regulatory liability is classified as long-term because the underlying decommissioning activities and related funding mechanisms are expected to extend beyond twelve months. See Note 12 — *Asset Retirement Obligations* and Note 15 — *Fair Value Measurements*. Assets held within the NDT are maintained to satisfy future nuclear decommissioning obligations and remain subject to applicable NRC requirements and restrictions. Accordingly, NDT assets in excess of current decommissioning estimates do not necessarily represent amounts that are unrestricted, currently distributable, or immediately refundable to customers.

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 VIE*s*

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 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.

Cumberland VIE

In May 2026, TVA entered into a $2.0 billion construction management agreement and lease financing arrangement with Cumberland Combined Cycle Generation LLC ("CCCGL") for the completion and lease by TVA of CUG. CCCGL is a special single-purpose limited liability company formed in February 2026 to finance CUG through a $1.8 billion secured note issuance (the "CCCGL notes") and the issuance of $200 million of membership interests subject to mandatory redemption. The membership interests were purchased by Cumberland Generation Holdco LLC ("CGHLLC"). CGHLLC is a special single-purpose entity, also formed in February 2026, established to acquire and hold the membership interests in CCCGL. A non-controlling interest in CGHLLC 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 CGHLLC in CCCGL were purchased with proceeds from the issuance of $200 million of secured notes (the "CGHLLC notes") and are subject to mandatory redemption pursuant to a schedule of amortizing, semi-annual payments due each May 15 and November 15, with a final payment due in May 2056. The payment dates for the mandatorily redeemable membership interests are the same as those of the CGHLLC notes. The sale of the CCCGL notes, the membership interests in CCCGL, and the CGHLLC notes closed in May 2026. The CCCGL notes are secured by TVA's lease payments, and the CGHLLC notes are secured by CGHLLC's investment in, and amounts receivable from, CCCGL. TVA's lease payments to CCCGL are equal to and payable on the same dates as CCCGL's and CGHLLC's semi-annual debt service payments. In addition to the lease payments, TVA pays administrative and miscellaneous expenses incurred by CCCGL and CGHLLC. 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 CCCGL and CGHLLC, 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 CCCGL and CGHLLC and, as such, is required to account for the VIEs on a consolidated basis. CGHLLC's membership interests in CCCGL are eliminated in consolidation.

Approximately $1.9 billion of the proceeds from the secured notes issuances was paid to TVA in accordance with the terms of the head lease and the construction management agreement. Approximately $68 million was deposited with a lease indenture trustee to fund the payments due on November 15, 2026, in connection with the CCCGL notes and CGHLLC's membership interests in CCCGL. The deposit is reflected as Restricted cash of variable interest entity on the Consolidated Balance Sheets. TVA intends to use the proceeds from the transaction to meet its requirements under the Tennessee Valley Authority Act of 1933, as amended ("TVA Act").

Impact on Consolidated Financial Statements

The financial statement items attributable to carrying amounts and classifications of JSCCG, Holdco, SCCG, JACTG, JHLLC, CCCGL, and CGHLLC at June 30, 2026, 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)

	At June 30, 2026	At September 30, 2025
Current assets		
Restricted cash of variable interest entity	$ 68	$ —
Total assets	$ 68	$ —
Current liabilities		
Accrued interest	$ 41	$ 29
Accounts payable and accrued liabilities	1	1
Current maturities of long-term debt of variable interest entities	75	49
Total current liabilities	117	79
Other liabilities		
Other long-term liabilities	14	14
Long-term debt, net		
Long-term debt of variable interest entities, net	3,551	1,632
Total liabilities	$ 3,682	$ 1,725

Interest expense of $32 million and $21 million for the three months ended June 30, 2026 and 2025, respectively, and $74 million and $64 million for the nine months ended June 30, 2026 and 2025, 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 June 30, 2026	At September 30, 2025
Interest rate swap liabilities	$ 540	$ 643
Environmental compliance and remediation costs	312	274
Long-term project cost accruals	130	204
Currency swap liabilities	101	108
Advances for construction	67	61
EnergyRight® financing obligation	53	53
Operating lease liabilities	42	63
Long-term deferred compensation	41	54
Long-term deferred revenue	40	39
Commodity contract derivative liabilities	27	12
Accrued long-term service agreements	14	25
Other	69	70
Total other long-term liabilities	$ 1,436	$ 1,606

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 June 30, 2026, and September 30, 2025, the current amount of the environmental compliance and remediation costs reported in Accounts payable and accrued liabilities was $37 million and $52 million, respectively.

Long-Term Project Cost Accruals. At June 30, 2026, and September 30, 2025, the current amount of the long-term project cost accruals reported in Accounts payable and accrued liabilities was $248 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.

Advances for Construction. At June 30, 2026, and September 30, 2025, the current amount of advances for construction recorded in Accounts payable and accrued liabilities was $123 million and $155 million, respectively.

EnergyRight® Financing Obligation. At both June 30, 2026, 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.

Operating Lease Liabilities. At June 30, 2026, and September 30, 2025, the current portion of TVA's operating leases reported in Accounts payable and accrued liabilities was $36 million and $46 million, respectively.

Long-Term Deferred Compensation. At June 30, 2026, and September 30, 2025, the current amount of deferred compensation recorded in Accounts payable and accrued liabilities was $80 million and $70 million, respectively.

Long-Term Deferred Revenue. At June 30, 2026, and September 30, 2025, the current amount of deferred revenue recorded in Accounts payable and accrued liabilities was $41 million and $25 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 June 30, 2026, and September 30, 2025, the current amount of accrued long-term service agreements recorded in Accounts payable and accrued liabilities was $33 million and $17 million, respectively.

12. Asset Retirement Obligations

During the nine months ended June 30, 2026, TVA's total ARO liability decreased $879 million as a result of revisions in estimates to nuclear and non-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 nine months ended June 30, 2026, $165 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 — *Commitments and Contingencies — 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 (1)
Settlements	(8)	(188)	(196)
Revisions in estimate (non-cash)	(738)	(252)	(990)
Accretion (recorded as regulatory asset)	121	186	307
Balance at June 30, 2026	$ 3,351	$ 6,184	$ 9,535 (1)

Note
(1) Includes $313 million at both June 30, 2026, and September 30, 2025, in Current liabilities.

Revisions in nuclear estimates decreased the liability balance by $738 million for the nine months ended June 30, 2026. The decrease resulted primarily from the approval of an 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.

Revisions in non-nuclear estimates reduced the liability balance by $252 million for the nine months ended June 30, 2026. The decrease was attributable to revisions related to the Legacy Coal Combustion Residuals Rule ("Legacy CCR Rule") that impacted closure liabilities across TVA's fossil fleet and changes in projections for the timing of certain asset retirement activities at KIF, CUF, and the Gallatin Coal-Fired Plant.

On February 10, 2026, the Environmental Protection Agency ("EPA") published a final rule that extended key compliance deadlines within federal regulations for the disposal of coal combustion residuals ("CCR"). The final rule, entitled *Hazardous and Solid Waste Management System: Disposal of Coal Combustion Residuals from Electric Utilities; CCR Management Unit Deadline Extension Rule*, provides additional time to meet facility evaluation requirements and associated groundwater monitoring provisions and compliance deadlines for existing and potential CCR units. TVA recorded a decrease of $146 million to the ARO liability as a result of the enactment of the final rule.

During the second quarter of 2026, TVA performed an assessment of the assumptions used in the timing of cash flows related to AROs at the Kingston and Cumberland sites and recorded a decrease of $65 million based on the assessment. Additionally, TVA recorded a decrease of $44 million related to updates in the projected timing of closure activities at the Gallatin Coal-Fired Plant.

13. Debt and Other Obligations

Debt Outstanding

Total debt outstanding at June 30, 2026, and September 30, 2025, consisted of the following:

Debt Outstanding
(in millions)

	At June 30, 2026	At September 30, 2025
Short-term debt		
Short-term debt, net of discounts	$ 500	$ —
Current maturities of power bonds issued at par	1,020	1,370
Current maturities of long-term debt of VIEs issued at par	75	49
Total current debt outstanding, net	1,595	1,419
Long-term debt		
Long-term power bonds[1]	19,599	20,628
Long-term debt of VIEs, net	3,551	1,632
Unamortized discounts, premiums, issue costs, and other	(156)	(167)
Total long-term debt, net	22,994	22,093
Total debt outstanding	$ 24,589	$ 23,512

Note

(1) Includes total net exchange gain from currency transactions of $66 million and $59 million at June 30, 2026, 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 June 30, 2026:

Debt Securities Activity

	Date	Amount (in millions)
Issues		
Debt of variable interest entities	May 2026	$ 2,000
Total long-term debt issues		$ 2,000
Redemptions/Maturities(1) (2)		
1995 E Global	November 2025	$ 1,350
2009 Series B	June 2026	20
Total redemptions/maturities of power bonds		1,370
Debt of variable interest entities		29
Total redemptions/maturities of debt		$ 1,399

Notes
(1) All redemptions were at 100 percent of par.
(2) The 2009 Series B redemption amount was less than $1 million in December 2025 and therefore was not represented in the table above.

Credit Facility Agreements

TVA has funding available under three revolving credit facilities totaling $2.5 billion. See the table below for additional information on the three 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 $2.5 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 June 30, 2026, and September 30, 2025, there were $435 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 three revolving credit facilities:

Summary of Credit Facilities
At June 30, 2026
(in millions)

Maturity Date	Facility Limit	Letters of Credit Outstanding	Cash Borrowings	Availability
March 2027(1)	$ 1,000	$ 136	$ —	$ 864
February 2028	500	214	—	286
September 2030	1,000	85	—	915
Total	$ 2,500	$ 435	$ —	$ 2,065

Note
(1) In July 2026, TVA extended the maturity date from March 25, 2027 to July 10, 2031.

TVA and the United States ("U.S.") Department of the Treasury ("U.S. Treasury"), pursuant to the 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 June 30, 2026. 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 June 30		Nine Months Ended June 30	
			2026	2025	2026	2025
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	$ 17	$ 47	$ 8	$ 24

Summary of Derivative Instruments That Receive Hedge Accounting Treatment (part 2)[(1)]
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 June 30		Nine Months Ended June 30	
	2026	2025	2026	2025
Currency swaps	$ 7	$ 38	$ (5)	$ 15

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 $14 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[1]
(in millions)

Derivative Type	Objective of Derivative	Accounting for Derivative Instrument	Three Months Ended June 30 2026	Three Months Ended June 30 2025	Nine Months Ended June 30 2026	Nine Months Ended June 30 2025
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	$ (14)	$ (11)	$ (41)	$ (33)
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[2]	(45)	(13)	(39)	(64)

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 and nine months ended June 30, 2026 and for the three and nine months ended June 30, 2025.
(2) Of the amount recognized for the three months ended June 30, 2026, $(38) million and $(7) million were reported in Fuel expense and Purchased power expense, respectively, and of the amount recognized for the three months ended June 30, 2025, $(3) million and $(10) million were reported in Fuel expense and Purchased power expense, respectively. Of the amount recognized for the nine months ended June 30, 2026, $(31) million and $(8) million were reported in Fuel expense and Purchased power expense, respectively, and of the amount recognized for the nine months ended June 30, 2025, $(12) million and $(52) million were reported in Fuel expense and Purchased power expense, respectively.

Fair Values of TVA Derivatives
(in millions)

	At June 30, 2026		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	(65)	Accounts payable and accrued liabilities $(3); Other long-term liabilities $(62)	(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	$ (450)	Accounts payable and accrued liabilities $(30); Accrued interest $(9); Other long-term liabilities $(411)	$ (526)	Accounts payable and accrued liabilities $(13); Accrued interest $(28); Other long-term liabilities $(485)
$476 million notional	(142)	Accounts payable and accrued liabilities $(12); Accrued interest $(1); Other long-term liabilities $(129)	(172)	Accounts payable and accrued liabilities $(5); Accrued interest $(9); Other long-term liabilities $(158)
Commodity contract derivatives	6	Other current assets $11; Other long-term assets $2; Accounts payable and accrued liabilities $(3); 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	(119)	Accounts payable and accrued liabilities $(96); Other long-term liabilities $(23)	(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 June 30, 2026, 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 June 30, 2026 and 2025, the changes in fair market value of the interest rate swaps resulted in the reduction in unrealized losses of $26 million and $6 million, respectively. For the nine months ended June 30, 2026 and 2025, the changes in fair market value of the interest rate swaps resulted in the reduction in unrealized losses of $78 million and $141 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 marks to market these contracts and defers the unrealized gains (losses) as regulatory liabilities (assets). At June 30, 2026, TVA's natural gas commodity contract derivatives had terms of up to nine years.

Commodity Contract Derivatives

	At June 30, 2026			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	39	592 Million MMBTu	$ 6	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 June 30, 2026, TVA's natural gas swap contracts under the FHP had remaining terms of up to five years.

Commodity Derivatives under Financial Hedging Program(1)

	At June 30, 2026			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	285	390 Million MMBTu	$ (119)	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[(1)]
(in millions)

	At June 30, 2026	At September 30, 2025
Assets		
Commodity contract derivatives	$ 13	$ 16
Commodity derivatives under the FHP[(2)]	—	8
Total derivatives subject to master netting or similar arrangement	$ 13	$ 24
Liabilities		
Currency swaps	$ 108	$ 115
Interest rate swaps[(3)]	592	698
Commodity contract derivatives	7	6
Commodity derivatives under the FHP[(2)]	119	65
Total derivatives subject to master netting or similar arrangement	$ 826	$ 884

Notes
(1) Offsetting amounts include counterparty netting of derivative contracts. Except as discussed below, there were no material offsetting amounts on TVA's Consolidated Balance Sheets at either June 30, 2026, or September 30, 2025.
(2) At June 30, 2026, the gross derivative asset and gross derivative liability were $35 million and $154 million, respectively, with offsetting amounts for each totaling $35 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 $368 million and $442 million were posted as collateral at June 30, 2026, 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 NDT, the 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 June 30, 2026, 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 $11 million and $16 million at June 30, 2026, and September 30, 2025, respectively.

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 June 30, 2026, the aggregate fair value of all derivative instruments with credit-risk related contingent features that were in a liability position was $826 million. TVA's collateral obligations at June 30, 2026, under these arrangements were $381 million, for which TVA had posted $368 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 $2.0 billion of customer receivables outstanding at both June 30, 2026, and September 30, 2025, 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 nine months ended June 30, 2026 and the nine months ended June 30, 2025.

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 and/or transportation costs 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 June 30, 2026. 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 continues to evaluate 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 power purchase agreements ("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 June 30, 2026, 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 June 30, 2026, 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 June 30, 2026, Investment funds were comprised of $6.2 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 $4.2 billion and $1.9 billion, respectively, at June 30, 2026.

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 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 $446 million, private real assets of $143 million, and private credit of $154 million at June 30, 2026. The ART had unfunded commitments related to limited partnerships in private equity of $189 million, private real assets of $87 million, and private credit of $77 million at June 30, 2026. 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)[1]
(in millions)

		Three Months Ended June 30		Nine Months Ended June 30	
Fund	**Financial Statement Presentation**	**2026**	**2025**	**2026**	**2025**
NDT	Regulatory assets or liabilities[2]	$ 231	$ 200	$ 239	$ 133
ART	Regulatory assets[3]	124	97	127	69
SERP	Other income (expense), net	7	5	4	(1)
DCP	Other income (expense), net	2	2	1	—

Notes
(1) The unrealized gains for the RP were less than $1 million for both the three and nine months ended June 30, 2026 and the three and nine months ended June 30, 2025, and therefore were not represented in the table above.
(2) Includes $61 million and $41 million of unrealized gains related to NDT equity securities (excluding commingled funds) for the three months ended June 30, 2026 and 2025, respectively. Includes $57 million of unrealized gains and $12 million of unrealized losses related to NDT equity securities (excluding commingled funds) for the nine months ended June 30, 2026 and 2025, respectively. The financial statement presentation was a regulatory liability at June 30, 2026, and a regulatory asset at September 30, 2025. See Note 9 - *Regulatory Assets and Liabilities* for additional information.
(3) Includes $19 million and $10 million of unrealized gains related to ART equity securities (excluding commingled funds) for the three months ended June 30, 2026 and 2025, respectively. Includes $21 million of unrealized gains and $5 million of unrealized losses related to ART equity securities (excluding commingled funds) for the nine months ended June 30, 2026 and 2025, 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 2025) 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 $2 million decrease in the fair value of liabilities at June 30, 2026.

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 June 30, 2026, 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 June 30, 2026
(in millions)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Investments				
Equity securities	$ 994	$ —	$ —	$ 994
Government debt securities[1][2]	547	65	—	612
Corporate debt securities[3]	—	449	—	449
Mortgage and asset-backed securities	—	46	—	46
Institutional mutual funds	403	—	—	403
Forward debt securities contracts	—	11	—	11
Cash equivalents and other short-term investments[2][4]	85	255	—	340
Private equity funds measured at net asset value[5]	—	—	—	1,037
Private real asset funds measured at net asset value[5]	—	—	—	500
Private credit funds measured at net asset value[5]	—	—	—	301
Commingled funds measured at net asset value[5]	—	—	—	1,552
Total investments	2,029	826	—	6,245
Commodity contract derivatives	—	13	—	13
Total	$ 2,029	$ 839	$ —	$ 6,258

	Quoted Prices in Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Liabilities				
Currency swaps[6]	$ —	$ 108	$ —	$ 108
Interest rate swaps	—	592	—	592
Commodity contract derivatives	—	7	—	7
Commodity derivatives under the FHP	—	119	—	119
Total	$ —	$ 826	$ —	$ 826

Notes
(1) Includes obligations of government-sponsored entities.
(2) There are $547 million of U.S. Treasury securities in Level 1 Government debt securities and $85 million of U.S. Treasury securities in Level 1 Cash equivalents and other short-term investments for a total of $632 million of U.S. Treasury securities within Level 1 of the fair value hierarchy.
(3) Includes both U.S. and foreign debt.
(4) Includes $76 million of net receivables (interest receivable, dividends receivable, receivables for investments sold, and payables for investments purchased), and $55 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
Assets				
Investments				
Equity securities	$ 844	$ —	$ —	$ 844
Government debt securities(1)(2)	423	50	—	473
Corporate debt securities(3)	—	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(2)(4)	111	163	—	274
Private equity funds measured at net asset value(5)	—	—	—	875
Private real asset funds measured at net asset value(5)	—	—	—	467
Private credit funds measured at net asset value(5)	—	—	—	278
Commingled funds measured at net asset value(5)	—	—	—	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

	Quoted Prices in Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Liabilities				
Currency swaps(6)	$ —	$ 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 June 30, 2026, 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 June 30, 2026, and September 30, 2025, were as follows:

Estimated Values of Financial Instruments Not Recorded at Fair Value
(in millions)

		At June 30, 2026		At September 30, 2025	
	Valuation Classification	Carrying Amount	Fair Value	Carrying Amount	Fair Value
EnergyRight® receivables, net (including current portion)	Level 2	$ 57	$ 58	$ 57	$ 57
Loans and other long-term receivables, net (including current portion)	Level 2	114	108	86	80
EnergyRight® financing obligations (including current portion)	Level 2	66	72	66	74
Membership interests of VIEs subject to mandatory redemption (including current portion)	Level 2	15	16	16	18
Long-term outstanding power bonds, net (including current maturities)	Level 2	20,463	20,292	21,831	21,967
Long-term debt of VIEs, net (including current maturities)	Level 2	3,626	3,704	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.

LPC sales	Approximately 91 percent of TVA's Revenue from sales of electricity for each of the three and nine months ended June 30, 2026, and the three and nine months ended June 30, 2025, 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. 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.
Directly served customers	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. 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.

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 June 30, 2026 and 2025, revenues from sales of electricity were $3.4 billion and $3.3 billion, respectively, and accounted for virtually all of TVA's revenues. During the nine months ended June 30, 2026 and 2025, revenue from sales of electricity were $9.9 billion and $9.6 billion, respectively, and accounted for virtually all of TVA's revenues. TVA's operating revenues by state for the three and nine months ended June 30, 2026 and 2025, are detailed in the table below:

Operating Revenues By State
(in millions)

	Three Months Ended June 30		Nine Months Ended June 30	
	2026	**2025**	**2026**	**2025**
Alabama	$ 498	$ 477	$ 1,474	$ 1,428
Georgia	76	74	245	242
Kentucky	214	209	627	605
Mississippi	310	310	866	886
North Carolina	20	18	72	67
Tennessee	2,260	2,161	6,548	6,345
Virginia	12	11	40	39
Subtotal	3,390	3,260	9,872	9,612
Off-system sales	1	2	7	4
Revenue capitalized during pre-commercial plant operations[(1)]	(2)	(1)	(2)	(3)
Revenue from sales of electricity	3,389	3,261	9,877	9,613
Other revenue	53	45	160	145
Total operating revenues	$ 3,442	$ 3,306	$ 10,037	$ 9,758

Note
(1) Represents revenue capitalized during pre-commercial operations at CUG for the three and nine months ended June 30, 2026, and the Johnsonville Facility for the three and nine months ended June 30, 2025.

TVA's operating revenues by customer type for the three and nine months ended June 30, 2026 and 2025, are detailed in the table below:

Operating Revenues by Customer Type
(in millions)

	Three Months Ended June 30		Nine Months Ended June 30	
	2026	**2025**	**2026**	**2025**
Revenue from sales of electricity				
Local power companies	$ 3,084	$ 2,967	$ 9,001	$ 8,782
Industries directly served	273	259	776	734
Federal agencies and other	34	36	102	100
Revenue capitalized during pre-commercial plant operations[(1)]	(2)	(1)	(2)	(3)
Revenue from sales of electricity	3,389	3,261	9,877	9,613
Other revenue	53	45	160	145
Total operating revenues	$ 3,442	$ 3,306	$ 10,037	$ 9,758

Note
(1) Represents revenue capitalized during pre-commercial operations at CUG for the three and nine months ended June 30, 2026, and the Johnsonville Facility for the three and nine months ended June 30, 2025.

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 $53 million for the three months ended June 30, 2026 and 2025, respectively. The total wholesale bill credits to LPCs participating in the Partnership

Agreement were $167 million and $164 million for the nine months ended June 30, 2026 and 2025, respectively. TVA provides participating LPCs a flexibility option that allows them to 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. As of June 30, 2026, 148 LPCs had signed the Partnership Agreement with TVA, and 112 LPCs had signed a Power Supply Flexibility Agreement.

The number of LPCs by contract arrangement, the revenues derived from such arrangements for the three and nine months ended June 30, 2026, and the percentage those revenues comprised of TVA's total operating revenues for the same period, are summarized in the tables below:

TVA Local Power Company Contracts
At or for the Three Months Ended June 30, 2026

Contract Arrangements[1]	**Number of LPCs**	**Revenue from Sales of Electricity to LPCs** (in millions)	**Percentage of Total Operating Revenues**
20-year termination notice	148	$ 2,642	76.8 %
5-year termination notice	5	442	12.8 %
Total	153	$ 3,084	89.6 %

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 Local Power Company Contracts
At or for the Nine Months Ended June 30, 2026

Contract Arrangements[1]	**Number of LPCs**	**Revenue from Sales of Electricity to LPCs** (in millions)	**Percentage of Total Operating Revenues**
20-year termination notice	148	$ 7,794	77.7 %
5-year termination notice	5	1,207	12.0 %
Total	153	$ 9,001	89.7 %

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 nine months ended June 30, 2026 and the nine months ended June 30, 2025.

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 June 30, 2026.

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 $78 million and $80 million for the three months ended June 30, 2026 and 2025, respectively. Incentives recorded as a reduction to revenue were $225 million and $248 million for the nine months ended June 30, 2026 and 2025, 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 June 30, 2026, and September 30, 2025, the outstanding unpaid incentives were $190 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.

Table of Contents

17. Other Income, Net

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

Other Income, Net
(in millions)

	Three Months Ended June 30		Nine Months Ended June 30	
	2026	**2025**	**2026**	**2025**
Interest income	$ 10	$ 10	$ 32	$ 31
External services	8	8	18	22
Gains on investments	12	10	14	8
Miscellaneous	4	1	25	(3)
Total other income, net	$ 34	$ 29	$ 89	$ 58

Other income, net increased $31 million for the nine months ended June 30, 2026, as compared to the same period of the prior year driven by a $28 million gain related to insurance proceeds received for the Sequoyah Nuclear Plant Unit 2 main generator failure.

18. Supplemental Cash Flow Information

Accrued construction in progress and nuclear fuel expenditures at June 30, 2026 and 2025, were $1.1 billion and $961 million, respectively, and are excluded from the Consolidated Statements of Cash Flows for the nine months ended June 30, 2026 and 2025, as non-cash investing activities. ARO project accruals at June 30, 2026 and 2025, were $50 million and $41 million, respectively, and are excluded from the Consolidated Statements of Cash Flows for the nine months ended June 30, 2026 and 2025, 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 and nine months ended June 30, 2026 and 2025, were as follows:

Components of Net Periodic Benefit Cost[(1)]
(in millions)

	For the Three Months Ended June 30				For the Nine Months Ended June 30			
	Pension Benefits		**Other Post-Retirement Benefits**		**Pension Benefits**		**Other Post-Retirement Benefits**	
	2026	**2025**	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**
Service cost	$ 5	$ 8	$ 3	$ 3	$ 17	$ 24	$ 7	$ 9
Interest cost	136	131	4	3	408	394	12	12
Expected return on plan assets	(124)	(126)	—	—	(371)	(379)	—	—
Amortization of prior service credit	(22)	(22)	(4)	(4)	(67)	(67)	(13)	(13)
Recognized net actuarial loss (gain)	34	44	(2)	—	103	131	(4)	—
Total net periodic benefit cost as actuarially determined	29	35	1	2	90	103	2	8
Special/contractual termination benefits[(2)]	—	—	—	1	—	—	—	1
Total net periodic benefit cost	$ 29	$ 35	$ 1	$ 3	$ 90	$ 103	$ 2	$ 9

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.
(2) Special/contractual termination benefits for certain eligible employees related to TVA's restructuring activities. See Note 3 — *Restructuring*.

TVA's minimum required pension plan contribution for 2026 is $300 million. TVA contributes $25 million per month to TVARS and as of June 30, 2026, had contributed $225 million. The remaining $75 million will be contributed by September 30, 2026. For the nine months ended June 30, 2026, TVA also contributed $17 million (net of $5 million in rebates) to the other post-retirement plans and $11 million to the SERP. In addition, TVA recognized 401(k) contribution costs of $96 million for the nine months ended June 30, 2026.

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 no expenses related to this agreement for both the three months ended June 30, 2026, and the three months ended June 30, 2025. TVA recorded $2 million and $10 million of expenses related to this agreement for the nine months ended June 30, 2026 and 2025, respectively. TVA also had a $6 million letter of credit posted under this arrangement at June 30, 2026.

21. Commitments and Contingencies

Commitments

Lease Commitments. During the nine months ended June 30, 2026, TVA signed two battery energy storage system agreements which are expected to commence by the summer of 2029. The terms of the agreements are 20 years and capacity payments over the terms of the agreements are expected to total over $1.3 billion. Both agreements include a lease component.

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 each of TVA's three nuclear sites. Some of this insurance may require the payment of retrospective premiums up to a maximum of approximately $116 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 $52 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 June 30, 2026, $3.4 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 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 June 30, 2026, $6.2 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 EPA 2015 CCR Rule, as revised ("2015 CCR Rule") requires implementation of a groundwater monitoring program, additional engineering, evaluation of authorized closure methods, coordination with certain state authorities, and ongoing monitoring and 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, closure, and/or remediation. In addition, on May 8, 2024, EPA published its Legacy CCR Rule, which expanded 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.

On December 31, 2025, EPA published a final ELG deadline extensions 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.

On February 10, 2026, EPA published a final rule that extended key compliance deadlines for the Legacy CCR Rule. TVA recorded a decrease of $146 million to the ARO liability as a result of the enactment of the final rule.

On February 24, 2026, EPA published the repeal of the 2024 MATS Rule, and TVA is currently evaluating how the repeal of this rule will impact its operations.

On April 13, 2026, EPA issued a proposed rule that would revise existing federal CCR regulations. Specifically, EPA proposed, among other things, changes to the regulations that could authorize permitting authorities to approve alternative closure standards, timelines, methods, and points of compliance.

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 June 30, 2026, 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 $2 million and $8 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. 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 June 30, 2026, 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 $347 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 2045.

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 ("NEPA") 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, and on March 9, 2026, TVA filed its cross motion for summary judgment. On April 24, 2026, briefing on the parties' motions for summary judgment was complete, and the motions are with the court for a decision. In addition, on February 23, 2026, TVA filed a motion to stay the case or hold it in abeyance, and the court denied this motion on April 6, 2026. On June 25, 2026, the court ordered supplemental briefing on whether the NEPA statute prevents irreversible and irretrievable commitments of resources to a project before completion of an environmental impact statement, and the parties completed their briefing on July 8, 2026. TVA cannot predict the outcome of this litigation. See Note 7 — *Plant Closures* for a discussion of the status of the coal units at KIF.

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 ("Air 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 Air 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 Air Board, TDEC, and TVA as the respondents. TVA removed the matter to the U.S. District Court for the Middle District of Tennessee (“Middle District of Tennessee”) on December 18, 2025. Initially, Appalachian Voices moved to remand the case back to state court, but on April 15, 2026, Appalachian Voices replaced that motion with a motion (1) to temporarily remand the matter to the Air Board so that additional evidence of the TVA Board's February 2026 CUF and KIF authorization could be presented to the Air Board and (2) to suspend the construction permit pending the presentation of the additional evidence to the Air Board. On April 29, 2026, TVA filed a response in opposition to this motion. At the direction of the court, the parties have begun mediation efforts to resolve the case. TVA cannot predict the outcome of this litigation.

Case Involving Cumberland Combined Cycle Plant. On June 14, 2023, Appalachian Voices, the Center for Biological Diversity, and the Sierra Club filed a lawsuit in the Middle District of Tennessee alleging that TVA violated NEPA in deciding to build a 1,450 MW combined cycle plant at its Cumberland site. On April 17, 2026, the parties agreed to dismiss the case, and on April 20, 2026, the court approved the dismissal and closed the case.

Notice of Intent to Sue for Alleged Violations of Clean Air Act at Cumberland. On June 25, 2026, Appalachian Voices, the Center for Biological Diversity, and the Sierra Club sent a Notice of Intent to Sue TVA alleging TVA constructed and is operating CUG in violation of the Clean Air Act (“CAA”). Specifically, these groups allege the following violations: (1) violation of the CAA and the Tennessee State Implementation Plan (“SIP”) by constructing CUG before obtaining a Prevention of Significant Deterioration (“PSD”) permit; (2) violation of the Tennessee SIP by operating CUG without applying Best Available Control Technology beginning on or about April 21, 2026; (3) violation of the CAA and Tennessee SIP by constructing modifications to CUF that are allegedly part of the same project as construction of CUG without an appropriate permit covering the net emissions increase from the modified units; and (4) violation of TVA’s Title V permit for CUF by constructing life-extending modifications without obtaining a construction permit. If litigation is necessary, the environmental groups have indicated that they plan to seek injunctive relief, litigation costs, and civil penalties. TVA cannot predict the outcome of this potential litigation.

Notice of Intent to Sue for Alleged Violations of Clean Air Act at Kingston. On July 20, 2026, Appalachian Voices and the Sierra Club sent a Notice of Intent to Sue TVA for alleged violations of the CAA and the Tennessee SIP as to the Kingston Gas Plant (“KIG”) and KIF. Specifically, these groups allege the following violations: (1) violation of the CAA and Tennessee SIP by constructing KIG before obtaining a PSD permit; (2) violation of the CAA and Tennessee SIP by constructing or planning to construct modifications to KIF that are allegedly part of the same project as construction of KIG without an appropriate permit covering the net emissions increase from the modified units; and (3) violation of TVA’s Title V permit for KIF by constructing or planning to construct life-extending modifications without first obtaining a construction permit. If litigation is necessary, the environmental groups have indicated that they plan to seek injunctive relief, litigation costs, and civil penalties. TVA cannot predict the outcome of this potential 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 Interim CEO serves as the Chief Operating Decision Maker ("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 June 30		Nine Months Ended June 30	
	2026	2025[(3)]	2026	2025[(3)]
Base revenue	$ 2,249	$ 2,215	$ 6,804	$ 6,688
Fuel revenue	1,141	1,045	3,068	2,924
Other revenue	53	45	160	145
Off-system sales	1	2	7	4
Revenue capitalized during pre-commercial plant operations[(1)]	(2)	(1)	(2)	(3)
Total operating revenue	3,442	3,306	10,037	9,758
Fuel	685	589	1,882	1,674
Purchased power	563	550	1,561	1,516
Operating and maintenance	964	922	2,695	2,771
Depreciation and amortization	448	572	1,530	1,691
Interest expense	316	307	933	880
Tax equivalents	171	156	492	460
Other segment items[(2)]	(12)	(2)	(21)	21
Total expenses, net	3,135	3,094	9,072	9,013
Net income	$ 307	$ 212	$ 965	$ 745

Notes
(1) Represents revenue capitalized during pre-commercial operations at CUG for the three and nine months ended June 30, 2026, and the Johnsonville Facility for the three and nine months ended June 30, 2025.
(2) Other segment items include non-utility related miscellaneous income and expenses, pension and post-retirement benefit costs, and interest income.
(3) 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 $1.0 billion and $1.1 billion for the three months ended June 30, 2026 and 2025, respectively. Capital expenditures were $3.0 billion and $3.7 billion for the nine months ended June 30, 2026 and 2025, 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 $10.0 billion and $9.8 billion for the nine months ended June 30, 2026 and 2025, respectively. Operating revenues increased for the nine months ended June 30, 2026, as compared to the same period of the prior year, primarily as a result of higher fuel cost recovery rates and higher sales volume. Higher fuel cost recovery rates were due primarily to higher natural gas prices as compared to the same period of the prior year. The increased sales volume was primarily driven by higher sales within the data processing, web hosting, and related services sector.

Total operating expenses increased $48 million for the nine months ended June 30, 2026, as compared to the nine months ended June 30, 2025. Fuel and purchased power expense increased $253 million for the nine months ended June 30, 2026, as compared to the same period of the prior year primarily due to higher purchased power market prices and higher effective fuel rates as a result of higher natural gas prices, partially offset by reduced purchased power expense due to higher levels of TVA generation as compared to the same period of the prior year. Partially offsetting this increase was a $161 million decrease in Depreciation and amortization expense for the nine months ended June 30, 2026, as compared to the same period of the prior year primarily due to the depreciable life assumption changes for the Kingston Coal-Fired ("KIF") and Cumberland Coal-Fired ("CUF") Plants and the Browns Ferry Nuclear Plant ("Browns Ferry") subsequent license renewal ("SLR"). These decreases in Depreciation and amortization expense were partially offset by an increase due to depreciation of additions to net completed plant. In addition, Operating and maintenance expense decreased by $76 million for the nine months ended June 30, 2026, as compared to the same period of the prior year primarily due to Inflation Reduction Act of 2022 ("IRA") tax credits recorded in the nine months ended June 30, 2026.

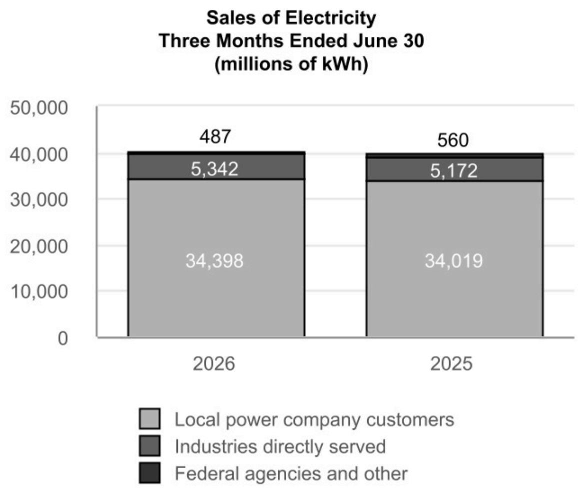
Pre-commercial plant operations began on the Cumberland Combined Cycle Gas Plant ("CUG") Units 1 and 2 during the third quarter of 2026.

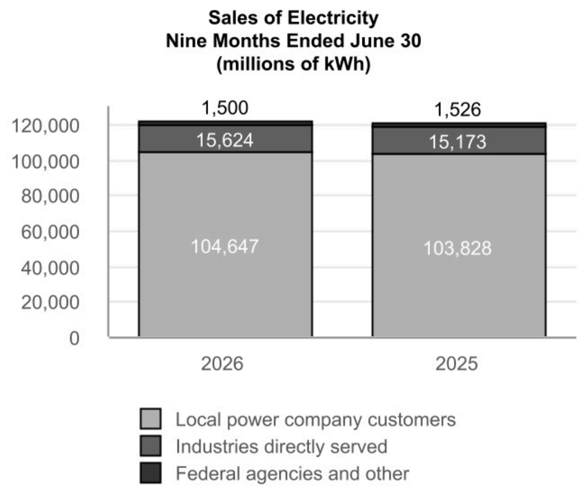
Results of Operations

Sales of Electricity

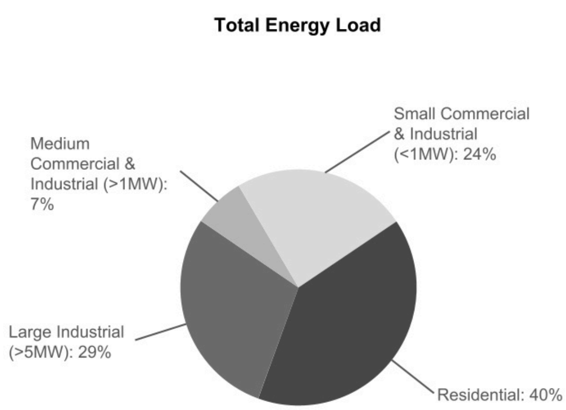
Sales of electricity were 40,227 million and 39,751 million kilowatt hours ("kWh") for the three months ended June 30, 2026 and 2025, respectively. Sales of electricity were 121,771 million and 120,527 million kWh for the nine months ended June 30, 2026 and 2025, respectively. The total sales of electricity during the nine months ended June 30, 2026, included 60 thousand kWh of pre-commercial generation at CUG, of which 60 thousand kWh was recognized in the three months ended June 30, 2026. The total sales of electricity during the nine months ended June 30, 2025, included 94 thousand kWh of pre-commercial generation at the Johnsonville Aeroderivative Combustion Turbine ("CT") Facility ("Johnsonville Facility"), of which 35 thousand kWh was recognized in the three months ended June 30, 2025. 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.

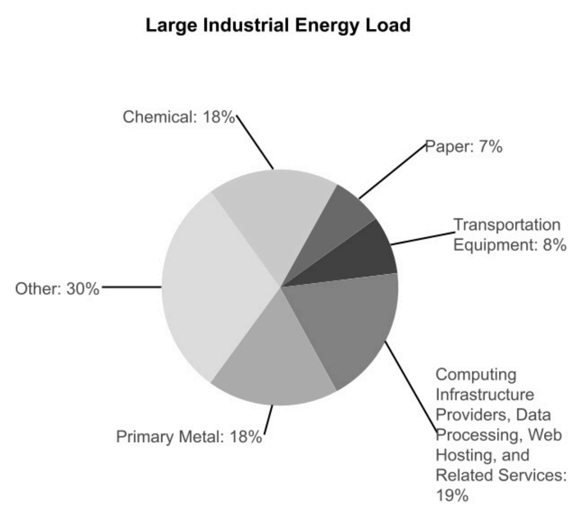
The following charts compare TVA's sales of electricity by customer type for the periods indicated:





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") 2025, 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	
	2026	Normal	Percent Variation	2025	Normal	Percent Variation	Change	Percent Change
Heating Degree Days								
Three Months Ended June 30	96	191	(49.7)%	144	191	(24.6)%	(48)	(33.3)%
Nine Months Ended June 30	2,806	3,123	(10.2)%	2,888	3,123	(7.5)%	(82)	(2.8)%
Cooling Degree Days								
Three Months Ended June 30	623	595	4.7 %	611	595	2.7 %	12	2.0 %
Nine Months Ended June 30	741	666	11.3 %	712	666	6.9 %	29	4.1 %

Sales of electricity increased one percent for the three months ended June 30, 2026, as compared to the same period of the prior year. Sales volume increased primarily due to higher sales within the data processing, web hosting, and related services sector. Partially offsetting this increase was a 33 percent decrease in heating degree days.

Sales of electricity increased one percent for the nine months ended June 30, 2026, as compared to the same period of the prior year. Sales volume increased primarily due to higher sales within the data processing, web hosting, and related services sector.

Financial Results

The following table compares operating results for the three and nine months ended June 30, 2026 and 2025:

Summary Consolidated Statements of Operations
(in millions)

	Three Months Ended June 30				Nine Months Ended June 30			
	2026	2025	Change	Percent Change	2026	2025	Change	Percent Change
Operating revenues	$ 3,442	$ 3,306	$ 136	4.1 %	$ 10,037	$ 9,758	$ 279	2.9 %
Operating expenses	2,831	2,789	42	1.5 %	8,160	8,112	48	0.6 %
Operating income	611	517	94	18.2 %	1,877	1,646	231	14.0 %
Other income, net	34	29	5	17.2 %	89	58	31	53.4 %
Other net periodic benefit cost	22	27	(5)	(18.5)%	68	79	(11)	(13.9)%
Interest expense	316	307	9	2.9 %	933	880	53	6.0 %
Net income	$ 307	$ 212	$ 95	44.8 %	$ 965	$ 745	$ 220	29.5 %

Operating Revenues. Operating revenues for the three months ended June 30, 2026 and 2025, were $3.4 billion and $3.3 billion, respectively. Operating revenues for the nine months ended June 30, 2026 and 2025, were $10.0 billion and $9.8 billion, respectively. The following table compares TVA's operating revenues for the periods indicated:

Operating Revenues by Customer Type
(in millions)

	Three Months Ended June 30				Nine Months Ended June 30			
	2026	**2025**	**Change**	**Percent Change**	**2026**	**2025**	**Change**	**Percent Change**
Operating revenues								
Local power company customers	$ 3,084	$ 2,967	$ 117	3.9 %	$ 9,001	$ 8,782	$ 219	2.5 %
Industries directly served	273	259	14	5.4 %	776	734	42	5.7 %
Federal agencies and other	34	36	(2)	(5.6)%	102	100	2	2.0 %
Revenue capitalized during pre-commercial plant operations(1)	(2)	(1)	(1)	100.0 %	(2)	(3)	1	(33.3)%
Other revenue	53	45	8	17.8 %	160	145	15	10.3 %
Total operating revenues	$ 3,442	$ 3,306	$ 136	4.1 %	$ 10,037	$ 9,758	$ 279	2.9 %

Note
(1) Represents revenue capitalized during pre-commercial operations at CUG for the three and nine months ended June 30, 2026, and the Johnsonville Facility for the three and nine months ended June 30, 2025.

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 nine months ended June 30, 2026, and the nine months ended June 30, 2025.

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 June 30, 2026, 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 June 30			Nine Months Ended June 30		
	2026	**2025**	**Change**	**2026**	**2025**	**Change**
Base revenue						
Energy revenue	$ 1,275	$ 1,264	$ 11	$ 3,877	$ 3,855	$ 22
Demand revenue	1,028	1,009	19	3,131	3,034	97
Grid access charge	162	161	1	486	485	1
Long-term partnership credits for LPCs	(54)	(53)	(1)	(167)	(164)	(3)
Other charges and credits(1)	(162)	(166)	4	(523)	(522)	(1)
Total base revenue	2,249	2,215	34	6,804	6,688	116
Fuel cost recovery	1,141	1,045	96	3,068	2,924	144
Off-system sales	1	2	(1)	7	4	3
Revenue capitalized during pre-commercial plant operations(2)	(2)	(1)	(1)	(2)	(3)	1
Revenue from sales of electricity	3,389	3,261	128	9,877	9,613	264
Other revenue	53	45	8	160	145	15
Total operating revenues	$ 3,442	$ 3,306	$ 136	$ 10,037	$ 9,758	$ 279

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.*
(2) Represents revenue capitalized during pre-commercial operations at CUG for the three and nine months ended June 30, 2026, and the Johnsonville Facility for the three and nine months ended June 30, 2025.

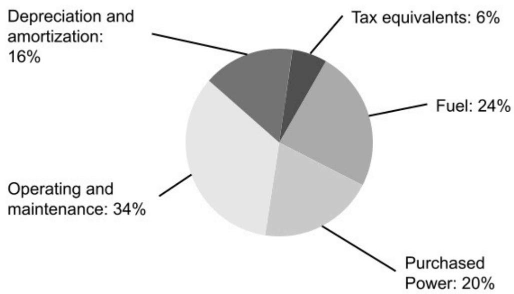
Operating revenues increased $136 million for the three months ended June 30, 2026, as compared to the same period of the prior year, primarily due to a $96 million increase in fuel cost recovery revenue driven by a $82 million increase attributable to higher fuel cost recovery rates, as well as a $14 million increase attributable to higher sales volume. In addition, there was a $34 million increase in base revenue. The $34 million increase in base revenue was driven by a $36 million increase attributable to higher sales volume, partially offset by a $2 million decrease attributable to lower effective base rates. Higher sales volume was driven by higher sales within the data processing, web hosting, and related services sector, which were partially offset by a decrease in heating degree days as compared to the same period of the prior year.

Operating revenues increased $279 million for the nine months ended June 30, 2026, as compared to the same period of the prior year, primarily due to a $144 million increase in fuel cost recovery revenue. The $144 million increase in fuel cost recovery revenue was driven by a $115 million increase attributable to higher fuel cost recovery rates as a result of higher natural gas prices as compared to the same period of the prior year and a $29 million increase attributable to higher sales volume. In addition, there was a $116 million increase in base revenue. The $116 million increase in base revenue was driven by a $103 million increase attributable to higher sales volume and a $13 million increase attributable to higher effective base rates. The higher sales volume was primarily due to higher sales within the data processing, web hosting, and related services sector.

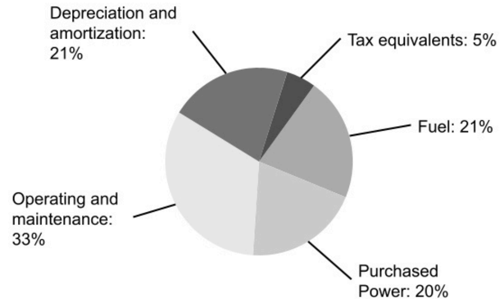
See *Sales of Electricity* above for further discussion of the change in the volume of sales of electricity and *Operating Expenses* below for further discussion of the change in fuel expense.

Operating Expenses. Operating expense components as a percentage of total operating expenses for the three and nine months ended June 30, 2026 and 2025, consisted of the following:

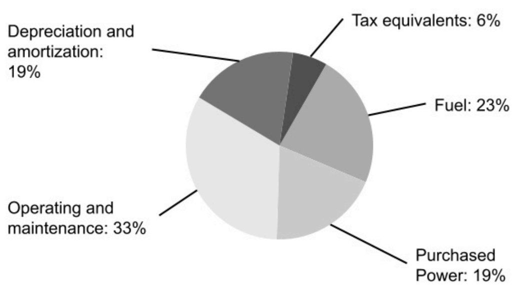
Three Months Ended June 30, 2026
Operating Expenses: $2.8 billion



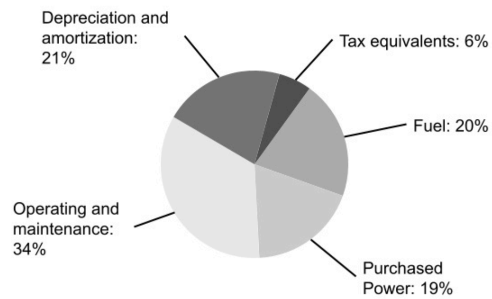
Three Months Ended June 30, 2025
Operating Expenses: $2.8 billion



Nine Months Ended June 30, 2026
Operating Expenses: $8.2 billion



Nine Months Ended June 30, 2025
Operating Expenses: $8.1 billion



Operating Expenses
(in millions)

	Three Months Ended June 30				Nine Months Ended June 30			
	2026	2025	Change	Percent Change	2026	2025	Change	Percent Change
Operating expenses								
Fuel	$ 685	$ 589	$ 96	16.3 %	$ 1,882	$ 1,674	$ 208	12.4 %
Purchased power	563	550	13	2.4 %	1,561	1,516	45	3.0 %
Operating and maintenance	964	922	42	4.6 %	2,695	2,771	(76)	(2.7)%
Depreciation and amortization	448	572	(124)	(21.7)%	1,530	1,691	(161)	(9.5)%
Tax equivalents	171	156	15	9.6 %	492	460	32	7.0 %
Total operating expenses	$ 2,831	$ 2,789	$ 42	1.5 %	$ 8,160	$ 8,112	$ 48	0.6 %

Three Months Ended June 30, 2026, Compared to Three Months Ended June 30, 2025

Fuel expense increased $96 million for the three months ended June 30, 2026, as compared to the same period of the prior year. This increase was primarily driven by an increase in fuel cost recovery of $73 million due to the recovery of unplanned fuel costs during the winter of 2026. Additionally, fuel expense increased $26 million due to higher levels of TVA generation as compared to the same period of the prior year. Partially offsetting these increases was a decrease of $3 million in effective fuel rates due to higher availability of nuclear generation as compared to the same period of the prior year.

Purchased power expense increased $13 million for the three months ended June 30, 2026, as compared to the same period of the prior year. This increase was primarily due to an increase in purchased power expense of $48 million due to the recovery of unplanned purchased power costs during the winter of 2026. Additionally, purchased power expense increased due to higher purchased power market prices compared to the same period of the prior year, resulting in a $29 million increase. Partially offsetting these increases was a decrease of $64 million due to higher levels of TVA generation as compared to the same period of the prior year.

Operating and maintenance expense increased $42 million for the three months ended June 30, 2026, as compared to the same period of the prior year. This increase was driven by a $16 million increase in payroll and benefit costs primarily for labor escalation and severance costs and an $18 million increase in technology costs associated with higher license and subscription costs and additional cloud asset amortization.

Depreciation and amortization expense decreased $124 million for the three months ended June 30, 2026, as compared to the same period of the prior year. This decrease was primarily driven by a $99 million decrease due to depreciable life assumption changes for CUF and KIF, and a $45 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. Partially offsetting these decreases was an increase due to depreciation of additions to net completed plant.

Tax equivalents expense increased $15 million for the three months ended June 30, 2026, 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.

Nine Months Ended June 30, 2026, Compared to Nine Months Ended June 30, 2025

Fuel expense increased $208 million for the nine months ended June 30, 2026, as compared to the same period of the prior year. This increase was primarily due to an increase in effective fuel rates due to higher natural gas prices, resulting in a $129 million increase in fuel expense. Additionally, fuel expense increased $97 million due to higher levels of TVA generation as compared to the same period of the prior year. Partially offsetting these increases was a decrease of $18 million due to the deferral of significant expenses that were the result of higher than expected natural gas prices.

Purchased power expense increased $45 million for the nine months ended June 30, 2026, 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 a $326 million increase. Partially offsetting this increase was a decrease of $261 million due to higher levels of TVA generation as compared to the same period of the prior year. Additionally, purchased power expense decreased $20 million due to the deferral of significant expenses that were the result of higher than expected market prices.

Operating and maintenance expense decreased $76 million for the nine months ended June 30, 2026, 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 decreased $161 million for the nine months ended June 30, 2026, as compared to the same period of the prior year. This decrease was primarily driven by a $132 million decrease due to depreciable life assumption changes for CUF and KIF, and a $105 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. Partially offsetting these decreases was an increase due to depreciation of additions to net completed plant.

Tax equivalents expense increased $32 million for the nine months ended June 30, 2026, 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 June 30
(millions of kWh)

	2026		2025	
Nuclear	16,891	41 %	12,683	31 %
Natural gas and/or oil-fired[(1)]	9,705	24 %	9,301	23 %
Coal-fired	5,285	13 %	6,196	15 %
Hydroelectric	1,457	3 %	3,537	9 %
Total TVA-operated generation facilities[(2)(3)]	33,338	81 %	31,717	78 %
Purchased power (natural gas and/or oil-fired)[(4)]	3,531	9 %	4,067	10 %
Purchased power (other renewables)[(5)]	1,518	4 %	532	2 %
Purchased power (coal-fired)	1,263	3 %	1,617	4 %
Purchased power (wind)[(6)]	1,060	2 %	1,314	3 %
Purchased power (hydroelectric)	223	1 %	1,171	3 %
Total purchased power[(3)]	7,595	19 %	8,701	22 %
Total power supply	40,933	100 %	40,418	100 %

Notes
(1) The generation for the three months ended June 30, 2026, included 60 thousand kWh of pre-commercial generation at CUG. The generation for the three months ended June 30, 2025, included 35 thousand kWh of pre-commercial generation at the Johnsonville Facility.
(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 June 30, 2026, and three months ended June 30, 2025. 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 1,081 million kWh and 1,484 million kWh for the three months ended June 30, 2026, and 2025, 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 June 30, 2025, 1,314 megawatts ("MWs") previously classified as Purchased power (other renewables) has been reclassified to Purchased power (wind) to conform to current year presentation.

Total Power Supply by Generating Source
For the nine months ended June 30
(millions of kWh)

	2026		2025	
Nuclear	50,663	41 %	38,584	31 %
Natural gas and/or oil-fired[(1)]	28,443	23 %	30,525	25 %
Coal-fired	17,163	14 %	17,814	15 %
Hydroelectric	6,987	5 %	10,783	9 %
Total TVA-operated generation facilities[(2)(3)]	103,256	83 %	97,706	80 %
Purchased power (natural gas and/or oil-fired)[(4)]	9,670	8 %	12,897	11 %
Purchased power (coal-fired)	3,476	3 %	3,978	3 %
Purchased power (other renewables)[(5)]	3,221	3 %	2,136	1 %
Purchased power (wind)[(6)]	3,061	2 %	3,077	3 %
Purchased power (hydroelectric)	1,279	1 %	2,884	2 %
Total purchased power[(3)]	20,707	17 %	24,972	20 %
Total power supply	123,963	100 %	122,678	100 %

Notes
(1) The generation for the nine months ended June 30, 2026, included 60 thousand kWh of pre-commercial generation at CUG. The generation for the nine months ended June 30, 2025, included 94 thousand kWh of pre-commercial generation at the Johnsonville Facility.
(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 nine months ended June 30, 2026, and nine months ended June 30, 2025. 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 CC, which is currently a leased facility operated by TVA. Generation from Caledonia CC was 3,242 million kWh and 3,958 million kWh for the nine months ended June 30, 2026, and 2025, respectively.
(5) Purchased power (other renewables) includes purchased power from the following renewable sources: solar, biomass, and renewable cogeneration. TVA acquires RECs in connection with certain purchased power transactions and sells some of these RECs to customers.
(6) At June 30, 2025, 3,077 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 $146 million on its energy efficiency programs and anticipates approximately 406 gigawatt hours of net incremental energy efficiency savings. During the three and nine months ended June 30, 2026, TVA invested $42 million and $90 million on energy efficiency programs, respectively.

Interest Expense. Interest expense and interest rates for the three and nine months ended June 30, 2026, and the three and nine months ended June 30, 2025, were as follows:

Interest Expense and Rates
(in millions)

	Three Months Ended June 30			Nine Months Ended June 30		
	2026	2025	Percent Change	2026	2025	Percent Change
Interest expense[1]	$ 316	$ 307	2.9 %	$ 933	$ 880	6.0 %
Average blended debt balance[2]	$ 24,021	$ 22,775	5.5 %	$ 23,670	$ 22,270	6.3 %
Average blended interest rate[3]	5.09 %	5.11 %	(0.4)%	5.08 %	5.03 %	1.0 %

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 $9 million for the three months ended June 30, 2026, as compared to the same period of the prior year. This increase was primarily driven by a $5 million increase from higher average balances on short-term debt and a $5 million increase in interest on other financing leases, primarily the new lease financing arrangement with Cumberland Combined Cycle Generation LLC ("CCCGL"). This increase was partially offset by a $1 million decrease in interest on short-term debt primarily due to lower average rates.

Total interest expense increased $53 million for the nine months ended June 30, 2026, as compared to the same period of the prior year. This increase was primarily driven by a $50 million increase from higher average balances and rates on long-term debt and a $7 million increase in interest from higher average balances on short-term debt. This increase was partially offset by a $4 million decrease in interest on short-term debt primarily due to lower average rates.

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 three revolving credit facilities totaling $2.5 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 power purchase agreements, 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 June 30, 2026, were $21.2 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 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 United States ("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 June 30, 2026, the average maturity of long-term power bonds was 13.99 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 June 30, 2026. 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 June 30, 2026	Three Months Ended June 30, 2026	Nine Months Ended June 30, 2026	At June 30, 2025	Three Months Ended June 30, 2025	Nine Months Ended June 30, 2025
Gross Amount Outstanding (at End of Period) or Average Gross Amount Outstanding (During Period)						
Discount notes	$500	$858	$864	$319	$394	$638
Maximum Month-End Gross Amount Outstanding (During Period)						
Discount notes	N/A	$1,351	$1,399	N/A	$461	$1,541
Weighted Average Interest Rate						
Discount notes	3.59%	3.69%	3.72%	4.20%	4.37%	4.38%

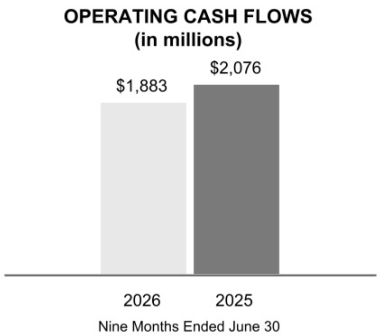
TVA's rated senior unsecured Bonds are currently rated Aa1, AA+, and AA+ by Moody's Investors Service, Inc. ("Moody's"), Fitch Ratings, Inc. ("Fitch"), and S&P Global Ratings ("S&P"), respectively. TVA's short-term discount notes are not rated. TVA and the owners of TVA securities could be impacted by 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.

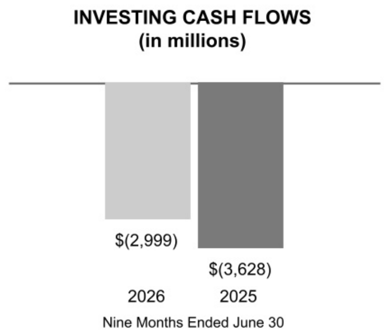
Lease Financings. TVA has entered into certain leasing transactions with special purpose entities ("SPEs") to obtain third-party financing for its facilities. These SPEs are sometimes identified as VIEs of which TVA is determined to be the primary beneficiary. TVA is required to account for these VIEs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

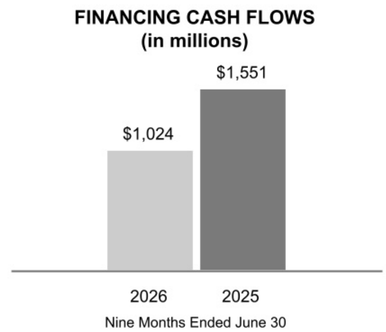
Summary Cash Flows

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 $1.5 billion and $522 million at June 30, 2026 and 2025, respectively. A summary of cash flow components for the nine months ended June 30, 2026 and 2025, 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 $193 million for the nine months ended June 30, 2026, as compared to the same period of the prior year. The decrease was primarily due to higher fuel and purchased power payments, the termination of the distributor prepayment program at the end of 2025, and an increase in refunds of transmission interconnection related deposits as compared to the same period of the prior year. The distributor prepayment program allowed customers to prepay their invoices and receive interest credits. These decreases were partially offset by higher customer collections as a result of increased sales volume.

*Investing Activiti*es. 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 $629 million for the nine months ended June 30, 2026, 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 nine months ended June 30, 2026, 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 $527 million for the nine months ended June 30, 2026, as compared to the same period of the prior year. The decrease is primarily due to a decrease in power bond issuances combined with the use of cash on hand to pay bond maturities. The decrease was partially offset with proceeds from debt of variable interest entities and higher net short-term debt issuance, as compared to the same period of the prior year. 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.

During the nine months ended June 30, 2026, TVA's power purchase obligations increased $1.2 billion primarily due to TVA signing two battery energy storage system agreements which are expected to commence by the summer of 2029. The terms of the agreements are 20 years and capacity payments over the terms of the agreements are expected to total over

$1.3 billion. Both agreements include a lease component. TVA's fuel purchase obligations also increased $574 million primarily due to new and/or extended contracts for nuclear fuel and increased contract costs for natural gas transportation. Nuclear fuel commitments are from 2026 to 2037 and natural gas transportation commitments are from 2026 to 2056. In addition, TVA entered into a new lease financing arrangement during the nine months ended June 30, 2026. See Note 10 — *Variable Interest Entities*.

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 June 30, 2026, TVA had spent $276 million on the project at Allen and could spend up to an additional $155 million.

TVA is planning to construct a 350 MW project at TVA's Lagoon Creek site for four additional CTs. TVA completed an Environmental Impact Statement ("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 NEPA requirements for the additional CTs. As of June 30, 2026, 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 the 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.

Pre-commercial plant operations began on CUG Units 1 and 2 during the third quarter of 2026.

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. TVA will continue to work with the current Administration to unleash American energy and provide energy security for the nation.

Small Modular Reactors. In the second quarter of 2025, TVA requested public comment on a draft Supplemental EIS that addresses the potential environmental effects associated with site preparation, construction, operation, and decommissioning of one SMR at the Clinch River site. In April 2026, the final Supplemental EIS was issued.

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 Nuclear Regulatory Commission ("NRC") in January 2024 for the three units at Browns Ferry, and the renewal was approved by the NRC in December 2025.

Coal-Fired Fleet. In February 2026, TVA published final supplemental EISs with the preferred alternatives of continued operations of KIF and CUF in conjunction with the other capacity projects being constructed at the Kingston and Cumberland sites. See Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — *Key Initiatives and Challenges — Capacity — Natural Gas-Fired Units* and — *Coal-Fired Fleet* in the Annual Report.

In addition, in February 2026, the TVA Board separately authorized TVA, at the direction and discretion of the CEO, to operate KIF and CUF in accordance with all applicable laws and regulatory requirements, including all requirements imposed by any applicable permits, and directed TVA staff to apply for any permits that may be applicable for TVA to continue to operate the coal units along with the new gas units. In March 2026, TVA submitted requests to the Tennessee Department of Environment and Conservation (“TDEC”) for modifications of the National Pollutant Discharge Elimination System permits for KIF and CUF that would allow continued operations past December 31, 2028. In May 2026, TVA submitted an initial Prevention of Significant Deterioration (“PSD”) permit application for the new gas units at the Cumberland site, and TVA is developing a PSD permit application for the new gas units at the Kingston site. TVA will need to obtain these PSD permits in order to operate the coal units along with the new gas units in the absence of regulatory relief. See Note 21 — *Commitments and Contingencies — Legal Proceedings — Notice of Intent to Sue for Alleged Violations of Clean Air Act at Cumberland* for a discussion of potential litigation involving the coal and gas units at the Cumberland site, and see Note 21 — *Commitments and Contingencies — Legal Proceedings — Notice of Intent to Sue for Alleged Violations of Clear Air Act at Kingston* for a discussion of potential litigation involving the coal and gas units at the Kingston site.

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 EIS was made available for public comment, and the final EIS was published in November 2025.

Battery Energy Storage. During the nine months ended June 30, 2026, TVA signed two battery energy storage system agreements which are expected to commence by the summer of 2029. The terms of the agreements are 20 years, and capacity payments over the terms of the agreements are expected to total over $1.3 billion.

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. At June 30, 2026, TVA had recorded $112 million in Accounts receivable, net related to these tax credits. In addition, TVA received $26 million during the nine months ended June 30, 2026, 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.

In June 2026, DOE selected TVA's CUF application to enter into negotiations for up to $46 million under the Restoring Reliability: Coal Recommissioning and Modernization federal grant program. Upon successful completion of negotiations, TVA would become eligible to receive the federal funding. TVA anticipates contributing approximately $70 million toward this effort, resulting in a total potential investment of about $116 million.

Integrated Resource Plan

The Integrated Resource Plan ("IRP") is TVA's long-term planning study that evaluates options to meet the region's growing energy needs over the next 20-plus years. The plan offers strategic direction on how TVA could continue to deliver low cost, reliable, and resilient electricity to the approximately 10 million people and businesses across TVA's seven-state region. In June 2026, TVA made available the Preliminary Final 2026 IRP and its associated EIS for public review and comment with public comments accepted through July 22, 2026. The Preliminary Final 2026 IRP reflects updated assumptions to align with changes in the electric utility industry. TVA anticipates the Final IRP recommendations and EIS will be presented at the August 2026 Board meeting for the TVA Board's consideration.

Systems Operations Center

A new system operations center was built to accommodate a new energy management system and adapt to new regulatory requirements. Construction of the facility was completed in FY 2025, and the facility became fully operational in June 2026.

Coal Combustion Residuals

On February 10, 2026, the Environmental Protection Agency ("EPA") published a final rule that provides additional time to complete facility evaluation reporting requirements for identifying CCR management units ("CCRMU") and to comply with associated groundwater monitoring provisions. In addition, this final rule makes conforming changes to the remaining CCRMU compliance requirements and deadlines. As a result of the enactment of the final rule, TVA recorded a decrease of $146 million to the asset retirement obligations liability during the second quarter of 2026. These amounts are forward-looking and 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 Coal Combustion Residuals Rule, ongoing evaluations of the number and scope of newly regulated units, and determinations on final closure requirements and performance standards. See *Forward-Looking Information* in this Quarterly Report and Part I, Item 1A, Risk Factors in the Annual Report for a discussion of additional factors. See also Note 12 — *Asset Retirement Obligations*.

In addition, on April 13, 2026, EPA issued a proposed rule that would revise existing federal CCR regulations. Specifically, EPA proposed, among other things, changes to the regulations that could authorize permitting authorities to approve alternative closure standards, timelines, methods, and points of compliance. EPA is soliciting feedback during the public comment period that could support significant additional changes when the proposed rule is finalized. TVA is evaluating the potential impact of the proposed rule. See Part I, Item 1, Business — *Environmental Matters — Cleanup of Solid and Hazardous Wastes — Coal Combustion Residuals* in the Annual Report.

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. In addition, in January 2026, the TVA Board approved committee assignments, and the current assignments are as follows: Audit, Risk, and Cybersecurity Committee members are Mitch Graves (Chair), Arthur Graham, and Robert P. Klein; Finance, Rates, and Portfolio Committee members are A. Wade White (Chair), Arthur Graham, and Randall Jones; External Stakeholders and Regulation Committee members are Randall Jones (Chair), A. Wade White, and Jeff Hagood; Operations and Nuclear Oversight Committee members are Robert P. Klein (Chair), Arthur Graham, Mitch Graves, and A. Wade White; and People and Governance Committee members are Jeff Hagood (Chair), Robert P. Klein, and Mitch Graves.

On February 24, 2026, William J. Renick resigned as a member of the TVA Board. On February 27, 2026, the TVA Board approved the selection of Mitch Graves as Chair of the TVA Board. Mr. Graves assumed the role of Chair on February 27, 2026, and his role ends on April 1, 2027. In addition, the TVA Board also approved the selection of Jeff Hagood to serve as Chair Elect and to serve as Chair for a term ending on May 18, 2029. Mr. Hagood's term as Chair will begin on the earlier of April 1, 2027, or the date that Mr. Graves is unable to serve as Chair.

Management. Effective January 15, 2026, Rebecca C. Tolene ceased performing the duties of TVA's Executive Vice President and General Counsel and has departed TVA. In addition, effective March 2, 2026, Jeremy P. Fisher ceased performing the duties of TVA's Executive Vice President and Chief Business Officer and will be departing TVA.

On April 3, 2026, Donald A. Moul notified TVA and the TVA Board of his intention to retire on July 1, 2026. On April 7, 2026, TVA entered into a separation and release agreement with Mr. Moul under which he is entitled to severance and retirement benefits that are materially consistent with the benefits described in TVA's Executive Severance Plan and Long-Term Incentive Plan ("LTIP"). See Part III, Item 11, Executive Compensation in the Annual Report for additional information.

On April 24, 2026, TVA announced that Michael D. Skaggs had been appointed as TVA's new Interim President and Chief Executive Officer, succeeding Mr. Moul. Mr. Skaggs started on April 24, 2026, and his appointment ends on April 24, 2027, with the option to extend the term based on the agreement of the parties.

Compensation Actions. On February 11, 2026, the TVA Board approved the replacement of the Carbon-Free Performance Indicator measure and related goals under the LTIP with a new Project Milestones measure and related goals for the 2024 - 2026, 2025 - 2027, and 2026 - 2028 performance cycles. In addition, on May 21, 2026, the TVA Board approved amended and restated versions of the TVA Compensation Plan, the Executive Annual Incentive Plan, and the LTIP.

Presidential Memorandum Regarding Compensation Practices at TVA. On March 11, 2026, President Trump issued a Presidential Memorandum directing the TVA Board, as appropriate and if consistent with its annual survey of prevailing compensation, to adopt and implement policies establishing a maximum total annual compensation limit of $500,000 for all TVA employees, including the CEO. The memorandum directs the TVA Board to consider whether to adopt such policies within 90 days of the date of the memorandum. On May 22, 2026, the TVA Board responded to the President certifying compliance with the Presidential Memorandum. In the response, the TVA Board noted that it will implement its proposed compliance path through an amended and restated TVA Compensation Plan. As noted above, the TVA Board adopted an amended and restated TVA Compensation Plan, and a copy of the plan is attached as Exhibit 10.3 to this Quarterly Report. See Part III, Item 11, Executive Compensation — *Compensation Discussion and Analysis* in the Annual Report for a discussion of the TVA Board's obligations under the TVA Act with respect to compensation matters.

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.

Clean Air Act Programs and Regulations.

Mercury and Air Toxics Standards for Electric Utility Units. On February 24, 2026, EPA published the repeal of the 2024 MATS Rule. This final rule removes the 2024 filterable particulate matter ("PM") emission standard for coal-fired electric generating units ("EGUs"), the tighter mercury standard for lignite-fired EGUs, and the requirement to use PM Continuous Emission Monitoring Systems. TVA is currently evaluating how these changes will impact its operations. See Part I, Item 1, Business — *Environmental Matters — Clean Air Act Programs and Regulations — Mercury and Air Toxics Standards for Electric Utility Units* in the Annual Report.

Water Quality Control Developments

Steam-Electric Effluent Guidelines. On December 31, 2025, EPA published a final effluent limitation guidelines ("ELG") deadline extensions 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. In March 2026, TVA requested 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 the Allen Coal-Fired Plant. See *Key Initiatives and Challenges — Coal Combustion Residuals* above for a discussion of recent EPA actions related to federal CCR regulations.

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. At June 30, 2026, 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 — *Commitments and Contingencies — 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 Interim 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 June 30, 2026. Based on this evaluation, management concluded that TVA's disclosure controls and procedures were effective as of June 30, 2026.

Changes in Internal Control over Financial Reporting

During the quarter ended June 30, 2026, 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 — *Commitments and Contingencies — Contingencies — 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 Tennessee Valley Authority Act of 1933, as amended ("TVA Act"), a quorum of the TVA Board of Directors ("TVA Board") is five members. In January 2026, the TVA Board regained a quorum, and it currently has six 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.

Failure to attract and retain an appropriately qualified workforce may negatively affect TVA's results of operations.

TVA's business depends on its ability to recruit and retain key executive officers as well as skilled professional and technical employees. Labor is subject to external factors that are beyond TVA's control, including the highly competitive market for skilled workers and leaders, inflation, regional health emergencies, and workforce participation rates. In addition, the ability to attract and retain an appropriately qualified workforce may be negatively impacted by changes to TVA's compensation policies or practices that disincentivize superior performance, limit total compensation, or otherwise make such policies or practices less competitive. Such changes to TVA's compensation policies and practices may result from, among other things, presidential memoranda regarding compensation practices at TVA. The inability to attract and retain an appropriately qualified workforce could adversely affect TVA's ability to, among other things, operate and maintain generation and transmission facilities, complete large construction projects, and successfully implement its continuous improvement initiatives.

ITEM 5. OTHER INFORMATION

Insider Trading Arrangements and Policies

During the three months ended June 30, 2026, 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

Exhibit No.	Description
3.1	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)
3.2	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)
10.1	Offer Letter Between TVA and Michael D. Skaggs Dated as of April 24, 2026 (Incorporated by reference to Exhibit 10.1 to TVA's Current Report on Form 8-K filed on April 24, 2026, File No. 000-52313)
10.2*	Separation and Release Agreement Between TVA and Donald A. Moul Dated as of April 7, 2026
10.3	Amended and Restated TVA Compensation Plan Approved on May 21, 2026 (Incorporated by reference to Exhibit 10.1 to TVA's Current Report on Form 8-K filed on May 28, 2026, File No. 000-52313)
10.4	Amended and Restated Executive Annual Incentive Plan Approved on May 21, 2026 (Incorporated by reference to Exhibit 10.2 to TVA's Current Report on Form 8-K filed on May 28, 2026, File No. 000-52313)
10.5	Amended and Restated Long-Term Incentive Plan Approved on May 21, 2026 (Incorporated by reference to Exhibit 10.3 to TVA's Current Report on Form 8-K filed on May 28, 2026, File No. 000-52313)
10.6	Head Lease Agreement Dated as of May 26, 2026, Among the United States of America, TVA, and Cumberland Combined Cycle Generation LLC
10.7	Facility Lease-Purchase Agreement Dated as of May 26, 2026, Between Cumberland Combined Cycle Generation LLC and TVA
10.8	Construction Management Agreement Dated as of May 26, 2026, Between Cumberland Combined Cycle Generation LLC and TVA
31.1	Rule 13a-14(a)/15d-14(a) Certification Executed by the Interim Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification Executed by the Chief Financial Officer
32.1	Section 1350 Certification Executed by the Interim Chief Executive Officer
32.2	Section 1350 Certification Executed by the Chief Financial Officer
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

* Certain information has been omitted because it is not material and is the type of information that TVA treats as private and/or confidential, and certain attachments have been omitted. TVA hereby undertakes to furnish the omitted information and copies of the omitted attachments upon request by the Securities and Exchange Commission.

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: August 3, 2026

TENNESSEE VALLEY AUTHORITY
(Registrant)

By: /s/ Michael D. Skaggs
Michael D. Skaggs
Interim 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)

Exhibit 10.2

CERTAIN INFORMATION IDENTIFIED WITH "[***]" HAS BEEN OMITTED FROM THIS DOCUMENT BECAUSE (1) IT IS NOT MATERIAL AND (2) IT IS THE TYPE OF INFORMATION THAT TVA TREATS AS PRIVATE AND/OR CONFIDENTIAL.

TVA TENNESSEE VALLEY AUTHORITY

Tennessee Valley Authority, 1101 Market Street, Chattanooga, Tennessee 37402-2801

April 3, 2026

Donald Moul
[***]

Dear Mr. Moul,

This Separation and Release Agreement (this "Agreement") is to confirm the understanding that was reached between Donald Moul ("you" or "your") and the Board of Directors of the Tennessee Valley Authority (the "Board") on April 3, 2026, regarding your employment with TVA. The Board, in its role as Administrator of TVA's Executive Severance Plan, Amended and Restated as of April 3, 2025, has determined that you are eligible for benefits in accordance with the terms of that plan based on the circumstances of your separation from service and your execution of this Agreement. Your separation from service decision is irrevocable as of the Effective Date of this Agreement, and you will actually separate from TVA service no later than July 1, 2026 (the "Termination Date"). TVA appreciates your valuable service during your tenure with TVA.

No Other Amounts / Benefits Owed. You will be entitled to your current salary, as well as any accrued annual leave, through the effective date of your separation from service (collectively, the "Accrued Benefits"). You agree that, prior to the execution of this Agreement and except for the Accrued Benefits and the benefits described in the paragraph titled Prorated Plan Benefits, you were not entitled to receive any further payments or benefits from TVA, and the only payments and benefits that you are entitled to receive from TVA in the future are those specified in this Agreement; provided, however, that your separation will not affect your rights to benefits in accordance with provisions of TVA's Supplemental Executive Retirement Plan ("SERP"), the Rules and Regulations of the Tennessee Valley Authority Retirement System ("TVARS"), or the TVA Savings and Deferral Retirement Plan ("SDRS"), if any. Nothing in this Agreement will affect your rights to benefits under the SERP, TVARS, or SDRS, as determined under the terms and provisions of those plans.

Prorated Plan Benefits. Subject to your execution and continued compliance with this Agreement, TVA will pay or provide to you, as applicable, the payments and benefits to which you are entitled under TVA's Executive Annual Incentive Plan ("EAIP") and Long-Term Incentive Plan ("LTIP"), in accordance with the terms of any grants that were awarded to you under each plan prior to the Effective Date. In calculating the payments due under any EAIP and LTIP performance grants referenced in the preceding sentence, you will be entitled to receive the greater of, with respect to any prorated EAIP for the performance period ending on September 30, 2026, the Target EAIP Payout or the EAIP Award (not to exceed a payout at 138.2% performance), and, with respect to any prorated LTIP performance award payment for the performance cycle ending on September 30, 2026, the greater of the target Long-Term Performance Incentive Award or the actual Long-Term Performance Incentive Award (not to exceed a payout at 155.0% performance). With respect to any prorated LTIP performance award payments for the performance cycles ending on September 30, 2027, and September 30, 2028, you will be entitled to the target Long-Term Performance Incentive Award only, in the amounts set forth in the Executive Compensation Illustration for Donald Moul, which is incorporated in this Agreement by reference (the "Severance Illustration"). The total amount of prorated EAIP and LTIP performance awards for the performance cycles ending on September 30, 2026, will not result in the total amount of payments made to you under this agreement exceeding a total of $10,398,388 (the "Severance Cap") (see row titled "Total of all

Estimated Payments If Leaving Under Executive Severance Plan" in the Severance Illustration), and the Board will only exercise its discretion with respect to prorated EAIP and LTIP payments for the performance cycles ending on September 30, 2026, in the event that the calculation of your total payments under this Agreement would exceed the Severance Cap because the actual payout percentages would result in exceeding the Severance Cap. Otherwise, the Board will not exercise any negative discretion with respect to your prorated payouts under EAIP and LTIP, nor shall any action by the Board after the date of this Agreement to modify, amend, alter, or cancel either the EAIP or LTIP impact the payments due to you under the terms of this Agreement. To the extent that there is any conflict between the terms of this Agreement and the terms of the EAIP or LTIP, the terms of this Agreement will control.

Severance. Subject to your execution and continued compliance with this Agreement, TVA will pay or provide to you, as applicable, the payments and benefits set forth in that certain Executive Severance Plan of TVA, Amended and Restated as of April 3, 2025, a copy of which is attached hereto, at the times and in the manner set forth therein, less applicable taxes and withholdings (the "Severance"). For avoidance of doubt, the Cash Separation Payment to be paid to you is in the amount set forth in the Severance Illustration. The section of this Agreement titled Prorated Plan Benefits specifically modifies your rights with respect to In-Progress Annual Incentive Awards, as that term is defined in the Executive Severance Plan. Otherwise, to the extent there is any conflict between the terms of this Agreement and the Executive Severance Plan of TVA, the terms of the plan controls with respect to your Severance.

Policy for the Recovery of Erroneously Awarded Compensation. You acknowledge that TVA adopted a policy, effective November 9, 2023, known as the Policy for the Recovery of Erroneously Awarded Compensation ("Recovery Policy") and that the Recovery Policy provides for the recovery, in the event of a required accounting restatement, of incentive-based compensation received by current or former executive officers to the extent that the compensation is based on the erroneously reported financial information. You acknowledge that, during your employment with TVA, you have received performance compensation (and that you may receive compensation as outlined in the section of this Agreement titled Prorated Plan Benefits) that may be subject to the Recovery Policy and that TVA may be required to recover from you erroneously paid compensation in the event of a financial restatement as addressed in that policy. You agree that, if TVA is required to recover erroneously awarded compensation in accordance with the Recovery Policy, TVA will take any means necessary, including withholding payments owed to you under the Supplemental Executive Retirement Plan or the Prorated Plan Benefits section of this Agreement and applying TVA's right of setoff or offset, as applicable, to meet TVA's recovery obligations under the Recovery Plan and as otherwise consistent with applicable laws and regulations existing at the time of the recovery. You hereby waive any right you have to future payments from TVA, as outlined in this Agreement, to the extent those payments are used to satisfy TVA's obligations under the Recovery Policy.

Confidentiality and Non-Disparagement. Because of the nature of your position, you have had access to confidential or business sensitive information. You agree, except as required by law, not to disclose or use TVA confidential or business sensitive information in the future. TVA generally, and you specifically, further agree that you and TVA will use reasonable and good faith efforts to ensure that neither party engages in any disparagement of the other, and shall refrain from making any false, negative, or critical statements, implied or expressed, concerning the other. You and TVA further agree to do nothing to damage the other's business reputation or good will. For purpose of this provision, TVA includes TVA and all current or former TVA Board members, executives, employees and contractors.

Post-Employment Restrictions. You agree that you have received and read a copy of the Summary of Post-Employment Restrictions document which outlines the post-employment guidelines all former TVA employees must follow, and you will comply with all applicable Post-Employment Restrictions as outlined in the Summary and as otherwise required by law.

Voluntary Entry. You agree that you understand the provisions of this Agreement and that you voluntarily enter into it and accept it as full and final resolution of all matters related to your TVA employment.

Release. In consideration for receiving the Severance, and for other good and valuable consideration, the sufficiency of which you hereby acknowledge, you hereby expressly release and waive to the maximum extent permitted by applicable law any and all claims or causes of action, whether known or unknown, against TVA and/or its successors, past or present subsidiaries, affiliated companies, branches, or related entities (collectively, including TVA, the "Entities") and/or the Entities' respective past, present, or future directors, officers, agents, employees, insurers, attorneys, assigns, and employee benefit plans (collectively with the Entities, the "Released Parties"), with respect to any matter, including, without limitation, any matter related to your employment with TVA or the termination of that employment relationship (including any claims under Title VII of the Civil Rights Act, the Equal Pay Act, and the Family and Medical Leave Act, but not including any claims under the Federal Employees Compensation Act).

This waiver and release includes, without limitation, claims to wages, including overtime or minimum wages, bonuses, incentive compensation, vacation pay, or any other compensation or benefits; any claims for failure to provide accurate itemized wage statements, failure to timely pay final pay, or failure to provide meal or rest breaks; claims for any loss, cost, damage, or expense arising out of any dispute over the non-withholding or other tax treatment or employment classification; claims for attorneys' fees or costs; claims for penalties; claims of wrongful discharge, constructive discharge, emotional distress, defamation, invasion of privacy, fraud, breach of contract, and breach of the covenant of good faith and fair dealing; any claims of discrimination, harassment, or retaliation based on sex, age, race, national origin, disability, or any other protected basis; any claims under any applicable law prohibiting discrimination, harassment, and/or retaliation; and claims under all other laws, ordinances, and regulations. You covenant not to sue the Released Parties for any of the claims released above, agree not to participate in any class, collective, representative, or group action that may include any of the claims released above, and will affirmatively opt out of any such class, collective, representative, or group action.

Limited Indemnification. TVA agrees to continue to defend and indemnify you against claims that result from your performance of your TVA duties prior to the Termination Date under the terms set out in TVA-SPP-25.1 Legal Representation.

Agreement Confidential. You further agree to treat this matter as confidential and not to discuss the terms of your separation from TVA service except with your family and financial advisor, or as required by law.

Exceptions. This waiver and release covers only those claims that arose prior to your execution of this Agreement and does not apply to (a) the Accrued Benefits, (b) your rights under this Agreement, including to the Cash Separation Payment, the prorated plan benefits under the EAIP and LTIP, and the other benefits of Severance, or (c) any claim which, as a matter of law, cannot be released by private agreement. Nothing in this Agreement is intended to prevent, restrict, or otherwise discourage you from providing TVA or the Nuclear Regulatory Commission ("NRC") with any information about actual or potential nuclear safety concerns or violations, or from responding to requests for information from the NRC. Section 211 of the Energy Reorganization Act ("ERA") and NRC regulations (10 CFR 50.7) also protect employees from any adverse employment action as a result of their engaging in such protected activities. By your signature below, you confirm that you have already informed TVA management of any nuclear safety concerns you may have in connection with the construction, maintenance, operation, and security of any TVA facilities, including nuclear plants. You also confirm that no adverse employment action is being taken, in any part, as a result of your engaging in protected activities as defined in Section 211 of the ERA or NRC regulations.

Nothing in this Agreement is intended to prevent, restrict, or otherwise discourage you from providing the Office of the Inspector General ("OIG") with any information or from responding to requests for information from the OIG or otherwise precludes you from participating in any investigation or proceeding before any government agency or body or from reporting possible violations of federal or state law or regulation to any governmental agency or entity, legislative body, or self-regulatory organization, or making other disclosures that are protected under the whistleblower provisions of federal or state law or regulation, nor are you required to notify TVA regarding any such reporting, disclosure, or cooperation with the government. However, while you may file a charge and participate in any such proceeding, by signing this Agreement, you waive any right, to the extent permitted under applicable law, to bring a lawsuit against the Released Parties and to any individual monetary recovery in any such proceeding or lawsuit.

You acknowledge that the U.S. Defend Trade Secrets Act of 2016 ("DTSA") provides that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (a) (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law, or (b) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, the DTSA provides that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (i) files any document containing the trade secret under seal and (ii) does not disclose the trade secret, except pursuant to court order.

Section 409A. The Severance is intended to be exempt from, or comply with, Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"). To the extent necessary to prevent the imposition of taxes and penalties under Section 409A, if the Severance could, due to the timing of the Termination Date, be paid in either of two calendar years, such Severance shall be paid in the later such calendar year.

Governing Law. If any provision of the waiver and release contained in this Agreement is found to be unenforceable, it shall not affect the enforceability of the remaining provisions and a court shall enforce all remaining provisions to the fullest extent permitted by law. TVA is a corporate agency and instrumentality of the United States, and this Agreement shall be governed by and construed under federal law. In the event federal law does not provide a rule of decision for any matter or issue under this Agreement, the law of the State of Tennessee shall apply, without taking into account conflict of law principles. You agree that the jurisdiction for any action with respect to this Agreement shall lie in the United States District Court for the Eastern District of Tennessee.

ADEA Waiver. You acknowledge that you are knowingly and voluntarily waiving and releasing any rights you may have under the Federal Age Discrimination in Employment Act ("ADEA Waiver") and that the consideration given for the ADEA Waiver is in addition to anything of value to which you are already entitled. You further acknowledge that: (a) your ADEA Waiver does not apply to any claims that may arise after you sign this Agreement; (b) you are advised to consult an attorney before signing this Agreement; (c) you have 21 calendar days from the date of receipt of this letter (such final date, the "Deadline") to consider this Agreement before you sign it, but you may sign it at any time during the 21 days); (d) if you sign this Agreement, you may cancel it within seven days thereafter; and (e) this Agreement will not be effective until the eighth day after you sign it, provided that you have not cancelled it (the "Effective Date"). Any such cancellation must be in writing and signed by you and must be delivered to me by close of business on the seventh calendar day after you sign this Agreement. If you do not cancel this Agreement, this Agreement will become effective on the eighth calendar day after the date of your signature below. If you cancel this Agreement, it will become null, and void and TVA will not implement any of its terms. You agree that any modifications, material or otherwise, made to this Agreement do not restart or affect in any manner the original 21-day consideration period provided in this section. The offer described in this Agreement will be automatically withdrawn if you do not sign this Agreement within the 21-day consideration period.

Representation of Authority. The TVA Board of Directors has reviewed this Agreement and formally approved its terms in writing and authorized the Chair of the TVA Board of Directors to execute the Agreement on behalf of the Board.

/s/ Donald Moul 4/6/2026 /s/ Mitch Graves 4/6/2026

Donald Moul Date Mitch Graves Date
President & Chief Executive Officer Chair, TVA Board of Directors

Acknowledged by Members of the TVA Board of Directors:

/s/ Jeff Hagood w/ permission 4/7/2026
Jeff Hagood Date

/s/ Art Graham 4/10/2026
Art Graham Date

/s/ Randy Jones 4/7/2026
Randy Jones Date

/s/ Bobby Klein 4/7/2026
Bobby Klein Date

/s/ Wade White 4/7/2026
Wade White Date

Attachments:
1. Policy for the Recovery of Erroneously Awarded Compensation
2. Summary of Post-Employment Restrictions
3. Tennessee Valley Authority Severance Plan, Effective April 3, 2025
4. Executive Compensation Illustration for Donald Moul

ATTACHMENT 4

Executive Compensation Illustration for Donald Moul

Level II Position
*Birth Date * * */1965 (Current Age ~ 61 years, * * * months)*
Hire Date 6/15/2021 (Current Service ~ 4 years, 9 months)

	As of Feb
EAIP	**138.2%**
LTIP	**155.0%**

					Target Performance (7/1/2026) [1]	Current Performance (7/1/2026)
Base Salary		$1,200,000				
Target EAIP Incentive Opportunity %		110%				
Target EAIP Incentive Opportunity $		$1,320,000				
Salary + EAIP		$2,520,000				
Severance Multiple		1.0				
Additional Salary						
			2 /	12	$200,000	$200,000
Severance Payment (Only Received if Involuntary Separation or Resignation for "Good Reason")						
Cash Separation Payment = (Salary + Target EAIP) * Severance Multiple					$2,520,000	$2,520,000
In-Progress EAIP (Prorated Actual in Accordance with Agreement)						
FY 2026 EAIP - Paid 11/2026		$1,320,000	9 /	12 Prorated	$990,000	$1,368,180
Unvested LTI Performance Grants (Prorated Actual or Target in accordance with Agreement)						
10/01/2023 Grant - Vests 9/30/2026	Paid 11/2026	$2,450,000	33 /	36 Prorated	$2,245,833	$3,481,042
10/01/2024 Grant - Vests 9/30/2027	Paid 11/2027	$2,450,000	21 /	36 Prorated	$1,429,167	$1,429,167
10/01/2025 Grant - Vests 9/30/2028	Paid 11/2028	$2,450,000	9 /	36 Prorated	$612,500	$612,500
Unvested LTI Retention Grants (Prorated Portion of 2026 Installment)						
* 10/01/2023 Grant - Vests 1/3 each year^		$984,000				
3rd Portion Vesting 9/30/2026	Paid 10/2026	*$350,000*	9 /	12 Prorated	$262,500	$262,500
* 10/01/2024 Grant - Vests 1/3 each year		$1,050,000				
2nd Portion Vesting 9/30/2026	Paid 10/2026	*$350,000*	9 /	12 Prorated	$262,500	$262,500
3rd Portion Vesting 9/30/2027	Paid 10/2027	*$350,000*	0 /	12 Forfeited	$0	$0
* 10/01/2025 Grant - Vests 1/3 each year		$1,050,000				
1st Portion Vesting 9/30/2026	Paid 10/2026	*$350,000*	9 /	12 Prorated	$262,500	$262,500
2nd Portion Vesting 9/30/2027	Paid 10/2027	*$350,000*	0 /	12 Forfeited	$0	$0
3rd Portion Vesting 9/30/2028	Paid 10/2028	*$350,000*	0 /	12 Forfeited	$0	$0
Total of all Estimated Payments If Leaving Under Executive Severance Plan					**$8,785,000**	**$10,398,389** [4]
Continued Healthcare Benefits					**12 months**	**12 months**

Retirement	
401(k)	Eligible
SERP[2]	Eligible
Restoration Plan[3]	Eligible

ATTACHMENT 4

Executive Severance Plan Notes

* Cash Separation Payment is lump sum cash payment (base salary plus target EAIP x Severance Multiple), less applicable withholdings, and paid as soon as practicable after, and not later than 60 days following, participant's separation.

* In-Progress EAIP is lump sum prorated payment based on time in position and on actual scorecard results, subject to the terms of the Agreement, paid when such awards are paid to other employees. Lump sum payment is in lieu of payment under the EAIP.

* In-Process LTIP is lump sum prorated payment based on time in position, retirement eligibility provision, and terms of the Agreement - paid when such awards are paid to other employees.

[1] Departure date will impact amount of prorated incentive. Each additional full month worked will result in approx. $400K ($480K) additional incentive proration at target (current performance).

[2] First SERP payment is made 30-60 days after separation, with final 4 payments made in January each year thereafter

[3] Contingent upon plan elections

[4] Total and Estimated payments based on target and forecasted plan performance. Final payment will be determined in accordance with the Agreement.

^ The FY24-26 LTI Retention grant was updated with promotion to CEO in April 2025 so that two $350,000 payments remained, one for FY25 and one for FY26

Exhibit 10.6
Execution Version

This instrument prepared by:

Kyle W. Drefke, Esq.
Orrick, Herrington & Sutcliffe LLP
2100 Pennsylvania Avenue NW
Washington, D.C. 20037
(212) 339-8434

HEAD LEASE AGREEMENT

Dated as of May 26, 2026

among

THE UNITED STATES OF AMERICA,

TENNESSEE VALLEY AUTHORITY,
as Head Lessor

and

CUMBERLAND COMBINED CYCLE GENERATION LLC,
as Head Lessee

CUMBERLAND COMBINED CYCLE FACILITY
located in Stewart County, Tennessee

TABLE OF CONTENTS

Page

Page

HEAD LEASE AGREEMENT

This **HEAD LEASE AGREEMENT**, dated as of May 26, 2026 (this "Head Lease"), among **THE UNITED STATES OF AMERICA** (the "Government"), **TENNESSEE VALLEY AUTHORITY**, a wholly owned corporate agency and instrumentality of the United States ("TVA") (the Government, solely for purposes of Section 2, and TVA, collectively, together with their successors and permitted assigns, the "Head Lessor"), and **CUMBERLAND COMBINED CYCLE GENERATION LLC**, a Delaware limited liability company (together with its successors and permitted assigns, the "Head Lessee").

WHEREAS, TVA is constructing the Cumberland combined cycle combustion turbine facility located in Stewart County, Tennessee, a combined cycle generating facility designed to have a summer net generation capacity of approximately 1,450 megawatts (as constructed from time to time and as more particularly described on Attachment A hereto, the "Facility");

WHEREAS, the Head Lessor holds title to the Facility, and desires to lease the Facility to the Head Lessee, and the Head Lessee desires to lease the Facility from the Head Lessor, in each case on the terms and conditions provided herein; and

WHEREAS, pursuant to the Ground Lease, the Head Lessee will lease and accept the conveyance of the Ground Interest from the Head Lessor for a term equal to the term of this Head Lease;

NOW, THEREFORE, in consideration of the premises, the mutual agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS.

Unless the context otherwise requires, capitalized terms used in this Head Lease, including those used in the recitals, and not otherwise defined herein shall have the respective meanings set forth in Appendix A hereto. The general provisions of Appendix A shall apply to terms used in this Head Lease and specifically defined herein.

SECTION 2. LEASE OF THE FACILITY.

The Head Lessor hereby leases the Facility to the Head Lessee, upon the terms and conditions set forth herein, for the term described below, and the Head Lessee hereby leases the Facility, upon the terms and conditions set forth herein, from the Head Lessor. The Head Lessor and the Head Lessee understand and agree that (a) legal title to the Facility remains vested in the Head Lessor throughout the Head Lease Term, (b) this Head Lease is subject to the Permitted Closing Date Liens set forth in Attachment B hereto and (c) this Head Lease is intended to be a lease of personal property under Tennessee law. The Head Lessor and the Head Lessee acknowledge and agree that (as of the date hereof) the Facility has not achieved Provisional Acceptance. The Head Lessor and Head Lessee further acknowledge and agree that title to portions of the Facility which will be added to, or otherwise become a part of, the Facility after the Closing Date in accordance with the Cumberland Construction Contract (at no additional cost to the Head Lessee and with no adjustment to Basic Lease Rent or Termination Value) shall remain in the Head Lessor and shall automatically and, without further act, become subject to this Head Lease and, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, the Lien of the Lease Indenture, and shall be deemed part of the Facility for all purposes, including for purposes of this Head Lease. The Facility also includes an interest in (i) all Modifications which are incorporated in the Facility and which pursuant to Section 8.3 of the Facility Lease and Section 9 hereof become subject to this Head Lease and (ii) all Replacement Components which become part of the Facility pursuant to Section 7.2 of the Facility Lease and Section 10 hereof.

SECTION 3. TERM AND RENT.

Section 3.1. Head Lease Term. The term of this Head Lease shall commence on the Closing Date and shall terminate at 11:59 p.m. (New York City time) on May 26, 2076 (the "Head Lease Term"), subject to earlier termination pursuant to the express terms hereof. Notwithstanding anything to the contrary set forth in this Section 3.1, in no event shall the Head Lease Term terminate so long as the Head Lessee's interest under this Head Lease shall be subject to the Lien of the Lease Indenture.

Section 3.2. Rent for the Facility.

(a) The Head Lessee hereby agrees to pay the Head Lessor rent of $1,700,000,000 (the "Head Lease Rent") on the Closing Date for the entire Head Lease Term. The Head Lessor acknowledges receipt of such amount in full satisfaction of the Head Lessee's obligation to pay rent during the Head Lease Term.

(b) Head Lease Rent paid pursuant to Section 3.2(a) shall be retained by the Head Lessor in any and all events which are contemplated, prospective or possible under the provisions and conditions of this Head Lease and the other Transaction Documents and shall be absolute and irrevocable under any circumstances whatsoever, including any rescission or termination of this Head Lease, in whole or in part.

SECTION 4. RIGHT OF QUIET ENJOYMENT.

The Head Lessor agrees that, during the Head Lease Term, neither the Head Lessor, any Affiliate nor any other Person claiming title superior to, or by, through or under it shall interfere with or interrupt the quiet enjoyment of the use, operation and possession by the Head Lessee of the Facility subject to the terms hereof; provided that the Head Lessor's covenant does not relate to actions of the Lease Indenture Trustee. The Head Lessor and Head Lessee acknowledge and agree that the Head Lessor shall retain the right to fully access, modify, and improve the Facility in a manner necessary to perform the Work and complete the Facility pursuant to the terms of the Construction Management Agreement.

SECTION 5. TRANSFERS OF THE FACILITY.

The Head Lessee agrees that, prior to the expiration or earlier termination of the Facility Lease Term, it shall not assign, transfer or convey the Head Lessee's leasehold interest in the

Facility, in whole or in part, except as part of the Head Lessee's transfer of all or part of the Owner Lessor's Interest pursuant to, and as permitted by, the Transaction Documents. The Head Lessor acknowledges that (a) the Facility will be leased to the Facility Lessee pursuant to the Facility Lease, (b) the Head Lessee shall have the right to transfer and convey all or part of the Head Lessee's leasehold interest in the Facility under and in accordance with Sections 5.1, 15.2, 16 and 18.2 of the Facility Lease in connection with the transfer thereunder of all or part of the Owner Lessor's Interest (or, in connection with a partial termination pursuant to Section 15.2 of the Facility Lease, the Relevant Portion of the Facility), and (c) the Facility Lessee shall have the right to sublease the Facility in accordance with Section 20.2 of the Facility Lease.

SECTION 6. TERMINATION; SURRENDER; AND RETURN.

Section 6.1. Surrender and Termination of this Head Lease.

(a) The Head Lessee shall surrender all of its interest in this Head Lease upon (i) the termination in whole of the Facility Lease pursuant to Section 15.2 thereof, (ii) the expiration of the Facility Lease Term in accordance with Section 16 of the Facility Lease or (iii) the expiration or termination of the Head Lease Term in accordance herewith.

(b) If the Facility Lease is terminated pursuant to Section 15.2 thereof in part with respect to a Relevant Portion of the Facility, this Head Lease shall terminate in part with respect to such Relevant Portion of the Facility on the same date and time as the termination of the Facility Lease with respect to such Relevant Portion.

Section 6.2. Termination of Head Lease at Option of Head Lessee. At any time on or following (a) termination of the Facility Lease pursuant to Section 18.2 thereof, or (b) the expiration of the Facility Lease Term in circumstances under which the Facility Lessee is required to deliver possession of the Facility to the Owner Lessor in accordance with Section 5 of the Facility Lease, the Head Lessee may elect to terminate this Head Lease upon written notice to the Head Lessor, in each case without any obligation or liability to the Head Lessor. In connection with any termination of this Head Lease pursuant to this Section 6.2, the Head Lessee shall return the Facility to the Head Lessor in accordance with Section 6.3.

Section 6.3. Return. Upon (a) surrender of the Head Lessee's interest in this Head Lease pursuant to Section 6.1(a), (b) termination of this Head Lease in whole pursuant to Section 6.2 or (c) termination of this Head Lease in part with respect to a Relevant Portion of the Facility pursuant to Section 6.1(b), the Head Lessee shall (i) return the Facility or the Relevant Portion of the Facility, as the case may be, to the Head Lessor, by delivering possession of the same to the Head Lessor at its location on the Facility Site and (ii) execute, acknowledge and deliver a release, surrender or conveyance of all its right, title, interest and estate in the Facility or Relevant Portion of the Facility, as the case may be, to the Head Lessor, to be prepared by and at the expense of the Head Lessor in a form reasonably satisfactory to the Head Lessee, in each case on an "as is," "where is," and "with all faults" basis.

SECTION 7. LIENS.

Section 7.1. Head Lessee Covenant. The Head Lessee agrees that it shall (a) not, directly or indirectly, create, incur, assume or suffer to exist, any Owner Lessor's Liens, (b) promptly notify the Head Lessor and, so long as the Lien of the Lease Indenture has not been discharged, the Lease Indenture Trustee, of the imposition of any such Owner Lessor's Lien of which the Head Lessee is aware, and (c) promptly, at its own expense, take such action as may be necessary to fully discharge or release any such Owner Lessor's Lien; *provided*, *however*, that the Head Lessee shall not be in breach of this covenant so long as it shall be diligently contesting such Lien and such contest shall not present any material risk of the sale, foreclosure or loss of the Owner Lessor's Interest or any part thereof or the rights of the Head Lessor or, so long as the Lien of the Lease Indenture has not been terminated or discharged, the Lease Indenture Trustee under the Transaction Documents.

Section 7.2. *Head Lessor Covenant*. The Head Lessor agrees that it shall (a) not, directly or indirectly, create, incur, assume or suffer to exist any Lien on or with respect to the Facility or any interest therein or in, to or on its interest in this Head Lease, other than Permitted Liens, (b) promptly notify the Head Lessee and, so long as the Lien of the Lease Indenture has not been discharged, the Lease Indenture Trustee of the imposition of any such Lien (other than Permitted Liens) of which the Head Lessor is aware, and (c) promptly, at its own expense, take such action as may be necessary to fully discharge or release any such Lien (other than Permitted Liens); *provided*, *however*, that the Head Lessor shall not be in breach of this covenant so long as it shall be diligently contesting such Lien and such contest shall not present any material risk of the sale, foreclosure or loss of the Owner Lessor's Interest or any part thereof or the rights of the Head Lessee or, so long as the Lien of the Lease Indenture has not been terminated or discharged, the Lease Indenture Trustee under the Transaction Documents.

SECTION 8. NONTERMINABILITY.

Neither the rights nor obligations of the Head Lessee or the Head Lessor under this Head Lease shall be terminated, extinguished, diminished, lost or otherwise impaired prior to the expiration or early termination of the Head Lease Term in accordance herewith by any circumstances of any character, including, without limitation: (a) any loss or destruction of, or damage to, or failure to complete construction of, all or any part of the Facility, the Facility Site or any Component for any reason whatsoever and of whatever duration, (b) the condemnation, requisitioning (by eminent domain or otherwise), expropriation, seizure or other taking of title to or use of the Facility, the Facility Site or any Component thereof or any other portion of the Facility or the Facility Site by any Governmental Entity or otherwise, (c) any prohibition, limitation or restriction on the use by any Person of all or any part of its property or the interference with such use by any Person, or any eviction by paramount title or otherwise, (d) any inadequacy, incorrectness or failure of the description of the Facility, the Facility Site or any part thereof or any rights or property in which an interest is intended to be granted or conveyed by this Head Lease, (e) insolvency, bankruptcy, reorganization or similar proceedings by or against the Head Lessor, the Head Lessee or any other Person, (f) the failure by the Head Lessee or the Head Lessor to comply with Section 7 hereof or with any other Transaction Documents or (g) any other reason whatsoever, whether similar or dissimilar to any of the foregoing.

SECTION 9. MODIFICATIONS; REPLACEMENT COMPONENTS.

All Required Modifications, all Nonseverable Modifications and all Modifications financed by the Owner Lessor by an Additional Equity Investment or a Supplemental Financing pursuant to

Section 11.2 of the Participation Agreement shall automatically upon being affixed to or incorporated into the Facility become subject to this Head Lease without any action by any Person whatsoever and shall be deemed to be a part of the Facility for all purposes of this Head Lease. Any Removable Modification shall not become subject to this Head Lease unless the Owner Lessor shall have leased such Removable Modification in accordance with Section 5.2 of the Facility Lease. All Replacement Components incorporated in the Facility in accordance with the Facility Lease shall automatically become subject to this Head Lease without any action by any Person whatsoever and shall be deemed to be a part of the Facility for all purposes of this Head Lease.

SECTION 10. RELEASE OF COMPONENTS.

Whenever a Component is replaced or any surplus or obsolete Component is removed because it is no longer necessary for the use, operation or maintenance of the Facility, in each case pursuant to, and in accordance with, Section 7.2 of the Facility Lease, and thereafter ceases to be subject to the Facility Lease, the Head Lessee's interest in such replaced, surplus or obsolete Component shall automatically and without further act of any Person be released from this Head Lease, and the Head Lessee shall, upon the written request of, and at the cost and expense of, the Head Lessor, execute and deliver to, and as directed in writing by, the Head Lessor an appropriate instrument (in due form for recording) releasing such replaced, surplus or obsolete Component from this Head Lease.

SECTION 11. NONMERGER.

The reversionary interests of the Head Lessor in the Facility shall not merge into any interests in the Facility leased by, through or under this Head Lease even if such reversionary interests and such leased interests are at any time vested in or held directly or indirectly by the same Person, but this Head Lease shall nonetheless remain in full force and effect in accordance with its terms notwithstanding such vesting or holding. Notwithstanding this Section 11, nothing shall preclude termination of this Head Lease pursuant to Section 6.1.

SECTION 12. APPLICATION OF PAYMENTS FROM GOVERNMENTAL ENTITY.

Any payments received during or with respect to the Facility Lease Term by the Head Lessor or by the Head Lessee from any Governmental Entity with respect to the seizure, expropriation, condemnation or requisition of the use of, or title to, the Facility shall be applied in accordance with Section 10.2 of the Facility Lease. Any payments received with respect to the period after the expiration of the Facility Lease Term by the Head Lessor or by the Head Lessee from any Governmental Entity with respect to the seizure, expropriation, condemnation or requisition of the use of, or title to, the Facility shall be paid over to, or retained by, the Head Lessee.

SECTION 13. SECURITY FOR THE HEAD LESSEE'S OBLIGATIONS.

In order to secure the Lessor Notes, the Head Lessee will by the Lease Indenture assign and grant a Lien to the Lease Indenture Trustee in and to all of the Head Lessee's right, title and interest in, to and under this Head Lease and the Owner Lessor's Interest including its leasehold interest in the Facility, other than Excepted Payments and subject to Excepted Rights. The Head Lessor hereby consents to such assignment and to the creation of such Lien and acknowledges receipt of a copy of the Lease Indenture, it being understood that such consent shall not affect any requirement or the absence of any requirement for any consent under any other circumstances. TO THE EXTENT, IF ANY, THAT THIS HEAD LEASE CONSTITUTES CHATTEL PAPER (AS SUCH TERM IS DEFINED IN THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN ANY APPLICABLE JURISDICTION), NO SECURITY INTEREST IN THIS HEAD LEASE MAY BE CREATED THROUGH THE TRANSFER OR POSSESSION OF ANY COUNTERPART HEREOF OTHER THAN THE ORIGINAL COUNTERPART, WHICH SHALL BE IDENTIFIED AS THE COUNTERPART CONTAINING THE RECEIPT THEREFOR EXECUTED BY THE LEASE INDENTURE TRUSTEE ON THE SIGNATURE PAGE THEREOF.

SECTION 14. MISCELLANEOUS.

Section 14.1. Amendments and Waivers. No term, covenant, agreement or condition of this Head Lease may be terminated, amended or compliance therewith waived (either generally or in a particular instance, retroactively or prospectively) except by an instrument or instruments in writing executed by each party hereto.

Section 14.2. Notices. Any notices, requests or communications hereunder shall be given or made in accordance with the provisions of Section 15.5 of the Participation Agreement.

Section 14.3. Survival. Except as expressly set forth herein, the warranties and covenants made by each party hereto shall not survive the expiration or termination of this Head Lease in accordance with the terms hereof.

Section 14.4. Successors and Assigns.

(a) This Head Lease shall be binding upon and shall inure to the benefit of, and shall be enforceable by, the parties hereto and their respective successors and permitted assigns as permitted by and in accordance with the terms hereof.

(b) The Head Lessor hereby consents to the entry by the Head Lessee into, and the performance by the Head Lessee of, the Transaction Documents. Except as expressly provided herein or in any other Transaction Document, neither party may assign its interests or transfer its obligations herein without the consent of the other party hereto.

Section 14.5. Business Day. Notwithstanding anything herein to the contrary, if the date on which any payment or performance is to be made pursuant to this Head Lease is not a Business Day, the payment otherwise payable on such date shall be payable on the next succeeding Business Day with the same force and effect as if made on such scheduled date and (provided such payment is made on such succeeding Business Day) no interest shall accrue on the amount of such payment from and after such scheduled date to the time of such payment on the next succeeding Business Day.

Section 14.6. Governing Law. This Head Lease shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York (without regard to conflicts of laws principles other than as provided in Section 5-1401 of the NY General Obligations Law), except to the extent that Tennessee law or U.S. federal law shall apply.

Section 14.7. Severability. If any provision hereof shall be invalid, illegal or unenforceable under the Applicable Law of any jurisdiction, the validity, legality and enforceability of such provision in any other jurisdiction, and of the remaining provisions hereof in any jurisdiction, shall not be affected or impaired thereby.

Section 14.8. Counterparts. This Head Lease may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. This Head Lease may be executed by signatures delivered by email, and a copy hereof that is executed and delivered by a party by email (including in *.pdf* format) will be binding upon that party to the same extent as a copy hereof containing that party's original signature. The words "execution," "execute," "signed," "signature," and words of like import in or related to any document to be signed in connection with this Head Lease shall be deemed to include electronic signatures (e.g., signatures effected through *DocuSign*), which shall be of the same legal effect, validity or enforceability as a manually executed signature to the extent and as provided for in any Applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

Section 14.9. Headings and Table of Contents. The headings of the sections of this Head Lease and the Table of Contents are inserted for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof.

Section 14.10. Further Assurances. Each party hereto shall promptly and duly execute and deliver such further documents to make such further assurances for and take such further action reasonably requested by the other party hereto, all as may be reasonably necessary to carry out more effectively the intent and purpose of this Head Lease.

Section 14.11. Effectiveness. This Head Lease shall be effective as of the date first above written.

Section 14.12. Measuring Life. If and to the extent that any of the rights and privileges granted under this Head Lease, would, in the absence of the limitation imposed by this sentence, be invalid or unenforceable as being in violation of the rule against perpetuities or any other rule or law relating to the vesting of interests in property or the suspension of the power of alienation of property, then it is agreed that notwithstanding any other provision of this Head Lease, such options, rights and privileges, subject to the respective conditions hereof governing the exercise of such options, rights and privileges, shall be exercisable only during (a) the longer of (i) a period which shall end twenty-one (21) years after the death of the last survivor of the descendants living on the date of the execution of this Head Lease of the following Presidents of the United States: Franklin D. Roosevelt, Harry S. Truman, Dwight D. Eisenhower, John F. Kennedy, Lyndon B. Johnson, Richard M. Nixon, Gerald R. Ford, James E. Carter, Ronald W. Reagan, George H.W. Bush, William J. Clinton, George W. Bush, Barack H. Obama, Joseph R.

Biden, Jr. and Donald J. Trump or (ii) the period provided under the Uniform Statutory Rule Against Perpetuities or (b) the specific applicable period of time expressed in this Head Lease, whichever of (a) and (b) is shorter.

Section 14.13. Limitation of Liability. It is expressly understood and agreed by the parties hereto that (a) this Head Lease is executed and delivered by the Lessor Manager, not individually or personally but solely as the manager of the Head Lessee under the Owner Lessor LLC Agreement, in the exercise of the powers and authority conferred and vested in it pursuant thereto, (b) each of the representations, undertakings and agreements herein made on the part of the Head Lessee is made and intended not as personal representations, undertakings and agreements by the Lessor Manager, but is made and intended for the purpose for binding only the Head Lessee, (c) nothing herein contained shall be construed as creating any liability on the Lessor Manager, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto or by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall the Lessor Manager be personally liable for the payment of any indebtedness or expenses of the Head Lessee or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Head Lessee under this Head Lease.

Section 14.14. Effect of the Facility Lease. Except for its obligations under Sections 4, 6, or 7.1 hereof, by entering into the Facility Lease, the Head Lessee shall be deemed to have complied with any covenant or agreement made by it hereunder with respect to the operation, maintenance and use of the Facility during the Facility Lease Term, without necessity of any action by the Head Lessee and regardless of whether the Facility Lessee complies with its corresponding obligations under the Facility Lease.

(Signatures Follow On Next Page)

IN WITNESS WHEREOF, the Head Lessor and the Head Lessee have caused this Head Lease to be duly executed and delivered by their respective officers thereunto duly authorized on the dates below their respective signatures, but effective as of the date first set forth above.

THE UNITED STATES OF AMERICA

By: Tennessee Valley Authority, as legal agent

By: /s/ Joshua J. Carlon
Name: Joshua J. Carlon
Title: Director, Corporate Finance and Assistant Treasurer
Date: May 14, 2026

STATE OF TENNESSEE)
) ss.:
COUNTY OF KNOX)

Personally appeared before me, the undersigned authority in and for the said county and state, on this 14th day of May, 2026, within my jurisdiction, the within named Joshua J. Carlon, who acknowledged to me that he is the Director, Corporate Finance and Assistant Treasurer of the Tennessee Valley Authority, a wholly owned corporate agency and instrumentality of the United States of America and agent for the United States of America, and that for and on behalf of Tennessee Valley Authority as agent for the United States of America, and as the act and deed of the United States of America, he executed the above and foregoing instrument, after first having been duly authorized by Tennessee Valley Authority and the United States of America so to do.

/s/ Greta N. Chapman
Notary Public

My Commission expires: October 30, 2027

TENNESSEE VALLEY AUTHORITY,
as Head Lessor

By: /s/ Joshua J. Carlon
Name: Joshua J. Carlon
Title: Director, Corporate Finance and Assistant Treasurer
Date: May 14, 2026

STATE OF TENNESSEE)
) ss.:
COUNTY OF KNOX)

Personally appeared before me, the undersigned authority in and for the said county and state, on this 14th day of May, 2026, within my jurisdiction, the within named Joshua J. Carlon, who acknowledged to me that he is the Director, Corporate Finance and Assistant Treasurer of the Tennessee Valley Authority, a wholly owned corporate agency and instrumentality of the United States of America, and that for and on behalf of the Tennessee Valley Authority, and as its act and deed, he executed the above and foregoing instrument, after first having been duly authorized so to do.

/s/ Greta N. Chapman
Notary Public

My Commission expires: October 30, 2027

CUMBERLAND COMBINED CYCLE GENERATION LLC,
as Head Lessee

By: Cumberland Generation Holdco LLC, not in its individual capacity, but solely as Lessor Manager under the Owner Lessor LLC Agreement

By: /s/ Bernard J. Angelo
Name: Bernard J. Angelo
Title: Vice President
Date: May 12, 2026

STATE OF NEW YORK)
) ss.:
COUNTY OF SUFFOLK)

Personally appeared before me, the undersigned authority in and for the said county and state, on this 12th day of May, 2026, within my jurisdiction, the within named Bernard J. Angelo, who acknowledged to me that he is Vice President of Cumberland Generation Holdco LLC as Lessor Manager of Cumberland Combined Cycle Generation LLC, a Delaware limited liability company (the "Owner Lessor"), and that for and on behalf of Cumberland Generation Holdco LLC, solely as Lessor Manager of the Owner Lessor, and as the act and deed of Cumberland Generation Holdco LLC, solely as Lessor Manager of the Owner Lessor, and as the act and deed of the Owner Lessor, he executed the above and foregoing instrument, after first having been duly authorized by Cumberland Generation Holdco LLC and Owner Lessor so to do.

/s/ Kevin P. Burns
Notary Public

My Commission expires: May 22, 2027

The name and address of the Head Lessor are:

HEAD LESSOR: United States of America
Tennessee Valley Authority
c/o Realty Services
1101 Market Street
Chattanooga, Tennessee 37402-2801
Telephone No.: (423) 751-7691
Attention: Senior Manager

The name and address of the Head Lessee are:

HEAD LESSEE: Cumberland Combined Cycle Generation LLC
c/o Cumberland Generation Holdco LLC
68 South Service Road, Suite 120
Melville, NY 11747
Telephone No.: 631-930-7202
E-mail: jrangelo@gssnyc.com
Attention: Bernard J. Angelo

Tax Parcel No. 124 05800 000, 124 05900 000, and 123 00100 000

*Receipt of the original counterpart of the foregoing Head Lease is hereby acknowledged on this 26th day of May, 2026.

WILMINGTON TRUST, NATIONAL ASSOCIATION,
not in its individual capacity, but solely
as Lease Indenture Trustee

By: /s/ Jeff Marvel
Name: Jeff Marvel
Title: Assistant Vice President

STATE OF DE)
) ss.:
COUNTY OF NEW CASTLE)

Personally appeared before me, the undersigned authority in and for the said county and state, on this 12th day of May, 2026, within my jurisdiction, the within named Jeff Marvel, who acknowledged to me that he is AVP of Wilmington Trust, National Association, and as the act and deed of Wilmington Trust, National Association solely as Lease Indenture Trustee, he executed the above and foregoing instrument, after first having been duly authorized by Wilmington Trust, National Association so to do.

/s/ Tashema Nita Johnson
Notary Public

My Commission expires: September 29, 2027

Appendix A
to
Head Lease

DEFINITIONS

APPENDIX A

DEFINITIONS

CUMBERLAND COMBINED CYCLE FACILITY

APPENDIX A – DEFINITIONS

GENERAL PROVISIONS

In this Appendix A and each Transaction Document (as hereinafter defined), unless otherwise provided herein or therein:

(a) the terms set forth in this Appendix A or in any such Transaction Document shall have the meanings herein provided for and any term used in a Transaction Document and not defined therein or in this Appendix A but in another Transaction Document shall have the meaning herein or therein provided for in such other Transaction Document;

(b) any term defined in this Appendix A by reference to another document, instrument or agreement shall continue to have the meaning ascribed thereto whether or not such other document, instrument or agreement remains in effect;

(c) words importing the singular include the plural and vice versa;

(d) words importing a gender include either gender;

(e) a reference to a part, clause, section, paragraph, article, party, annex, appendix, exhibit, schedule or other attachment to or in respect of a Transaction Document is a reference to a part, clause, section, paragraph, or article of, or a part, annex, appendix, exhibit, schedule or other attachment to, such Transaction Document unless, in any such case, otherwise expressly provided in any such Transaction Document;

(f) a reference to any statute, regulation, proclamation, ordinance or law includes all statutes, regulations, proclamations, ordinances or laws varying, consolidating or replacing the same from time to time, and a reference to a statute includes all regulations, policies, protocols, codes, proclamations and ordinances issued or otherwise applicable under that statute unless, in any such case, otherwise expressly provided in any such statute or in such Transaction Document;

(g) a definition of or reference to any document, instrument or agreement includes an amendment or supplement to, or restatement, replacement, modification or renovation of, any such document, instrument or agreement unless otherwise specified in such definition or in the context in which such reference is used;

(h) a reference to a particular section, paragraph or other part of a particular statute shall be deemed to be a reference to any other section, paragraph or other part substituted therefor from time to time;

(i) if a capitalized term describes, or shall be defined by reference to, a document, instrument or agreement that has not as of any particular date been executed and delivered and such document, instrument or agreement is attached as an exhibit to the

Participation Agreement (as hereinafter defined), such reference shall be deemed to be to such form and, following such execution and delivery and subject to paragraph (h) above, to the document, instrument or agreement as so executed and delivered;

(j) a reference to any Person (as hereinafter defined) includes such Person's successors and permitted assigns;

(k) any reference to "days" shall mean calendar days unless "Business Days" (as hereinafter defined) are expressly specified;

(l) if the date as of which any right, option or election is exercisable, or the date upon which any amount is due and payable, is stated to be on a date or day that is not a Business Day, such right, option or election may be exercised, and such amount shall be deemed due and payable, on the next succeeding Business Day with the same effect as if the same was exercised or made on such date or day (without, in the case of any such payment, the payment or accrual of any interest or other late payment or charge, provided such payment is made on such next succeeding Business Day);

(m) words such as "hereunder", "hereto", "hereof" and "herein" and other words of similar import shall, unless the context requires otherwise, refer to the whole of the applicable document and not to any particular article, section, subsection, paragraph or clause thereof;

(n) a reference to "including" shall mean including without limiting the generality of any description preceding such term, and for purposes hereof and of each Transaction Document the rule of *ejusdem generis* shall not be applicable to limit a general statement, followed by or referable to an enumeration of specific matters, to matters similar to those specifically mentioned;

(o) all accounting terms not specifically defined herein or in any Transaction Document shall be construed in accordance with GAAP; and

(p) unless the context or the specific provision otherwise requires, whenever in the Transaction Documents a provision requires that the rating of a Person or the Lessor Notes be confirmed, such provisions shall be deemed to mean that each Rating Agency shall have confirmed the rating of the senior long-term unsecured debt of such Person or the Lessor Notes, if then rated by such Rating Agency, a copy of which confirmation shall be delivered by TVA to the Holdco, the Owner Lessor and, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, to the Lease Indenture Trustee and shall be without indication that such Person or the Lessor Notes, as the case may be, has been placed on credit watch, credit review, or any similar status with negative implications or which does not indicate the direction of the potential ratings change.

DEFINED TERMS

"**2026 Lessor Notes**" shall mean the 5.821% Series 2026 Bonds due May 15, 2056 issued on the Closing Date by the Owner Lessor and any Lessor Notes issued in replacement therefor pursuant to Section 2.9 of the Lease Indenture.

"**Actual Knowledge**" shall mean, with respect to any Transaction Party, actual knowledge of, or receipt of written notice by, an officer (or other employee whose responsibilities include the administration of the Transaction) of such Transaction Party; *provided* that neither the Lease Indenture Trustee nor the Lessor Manager shall be deemed to have Actual Knowledge of any fact solely by virtue of an officer of the Lease Indenture Trustee or the Lessor Manager, as the case may be, having actual knowledge of such fact unless such officer is an officer in the Corporate Trust Administration Department of the Lease Indenture Trustee or the Lessor Manager, as the case may be, responsible for the administration of this transaction.

"**Additional Equity Investment**" shall mean the amount, if any, provided by the Holdco to finance all or a portion of the cost of any Modification financed pursuant to Section 11.2(a) of the Participation Agreement.

"**Additional Facility**" shall have the meaning specified in Section 4.4 of the Ground Lease.

"**Additional Lessor Notes**" shall have the meaning specified in Section 2.12 of the Lease Indenture.

"**Additional Owner**" shall have the meaning specified in Section 4.4 of the Ground Lease.

"**Affiliate**" of a particular Person shall mean any Person directly or indirectly controlling, controlled by or under common control with such particular Person. For purposes of this definition, "control" when used with respect to any particular Person shall mean the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing; *provided*, *however*, that under no circumstances shall the Lessor Manager or the Holdco Manager be considered an Affiliate of any of the Owner Lessor or the Holdco or any Holdco Note Purchaser, nor the Owner Lessor, any Holdco or any Holdco Note Purchaser be considered an Affiliate of the Holdco Manager or the Lessor Manager; *provided, further*, that no federal Governmental Entity shall be considered to be an Affiliate of TVA.

"**After-Tax Basis**" shall mean, with respect to any payment to be received by any Person, the amount of such payment (the base payment) supplemented by a further payment (the additional payment) to that Person so that the sum of the base payment plus the additional payment shall, after deduction of the amount of all federal, state and local income Taxes required to be paid by such Person in respect of the receipt or accrual of the base payment and the additional payment (taking into account any reduction in such income Taxes resulting from Tax benefits realized or to be realized by the recipient as a result of the payment or the event giving rise to the payment), be equal to the amount required to be received. Such calculations shall be made on the basis of the highest generally applicable federal, state and local income tax rates applicable to the Person for whom the calculation is being made for all relevant periods, and shall take into account the deductibility of state and local income taxes for federal income tax purposes.

“**Applicable Law**” shall mean, without limitation, all applicable laws, including all Environmental Laws, and treaties, judgments, decrees, injunctions, writs and orders of any court, arbitration board or Governmental Entity and rules, regulations, orders, ordinances, licenses and permits of any Governmental Entity.

“**Applicable Permits**” shall mean any valid waiver, exemption, variance, franchise, permit, authorization, license or similar order of or from, or filing or registration with, or notice to, any Governmental Entity having jurisdiction over the matter in question, including any decision of a Governmental Entity accompanying any of the foregoing, required by Applicable Law (including Environmental Laws) to be obtained or maintained in connection with the construction, operation and maintenance of the Facility and the Facility Site, transmission of electricity, performance of the Work, testing, commissioning, health and safety or any Environmental Condition.

“**Applicable Rate**” shall mean 6.08% per annum.

“**Appraisal Procedure**” shall mean (except with respect to the Closing Appraisal and any appraisal to determine Fair Market Sales Value after a Lease Event of Default shall have occurred and be continuing) an appraisal conducted by an appraiser or appraisers in accordance with the procedures set forth in this definition of “Appraisal Procedure.” The Holdco and TVA will consult with the intent of selecting a mutually acceptable Independent Appraiser. If a mutually acceptable Independent Appraiser is selected, the Fair Market Sales Value shall be determined by such Independent Appraiser. If the Holdco and TVA are unable to agree upon a single Independent Appraiser within a 15-day period, one shall be appointed by the Holdco, and one shall be appointed by TVA (or its designee), which Independent Appraisers shall attempt to agree upon the value, period, amount or other determination that is the subject of the appraisal. If either the Holdco or TVA does not appoint its appraiser, the determination of the other appraiser shall be conclusive and binding on the Holdco and TVA. If the appraisers appointed by the Holdco and TVA are unable to agree upon the value, period, amount or other determination in question, such appraisers shall jointly appoint a third Independent Appraiser or, if such appraisers do not appoint a third Independent Appraiser, the Holdco and TVA shall jointly appoint the third Independent Appraiser. In such case, the average of the determinations of the three appraisers shall be conclusive and binding on the Holdco and TVA, unless the determination of one appraiser differs from the middle determination by more than twice the amount by which the third determination differs from the middle determination, in which case the determination of the most disparate appraiser shall be excluded, and the average of the remaining two determinations shall be conclusive and binding on the Holdco and TVA.

“**Appraiser**” shall mean Federal Appraisal LLC.

“**Arbitration Proceeding**” shall mean a procedure whereby the party seeking to arbitrate a dispute concerning an amount payable under the Support Agreement shall provide written notice of its intention to arbitrate at the time and to the other party of the Support Agreement. Such notice (i) shall specify the section or sections of the Support Agreement which authorizes or authorize an Arbitration Proceeding, (ii) provide reasonable detail of the item or items in dispute, and (iii) set forth the name and address of the person designated to act as the arbitrator on behalf of the party providing such notice. Within 20 Business Days after such notice is given, the party to which such notice was given shall give notice to the first party, specifying the name and address of the person designated to act as arbitrator on its behalf. If the second party fails to notify the first party of the appointment of its arbitrator within such 20 Business Day period, then the appointment of the second arbitrator shall be made in the same manner as hereinafter provided for the appointment of a third arbitrator. The arbitrators so chosen shall meet within 10 Business Days after the second arbitrator is appointed and within 20 Business Days thereafter shall decide the dispute. If within such period they cannot agree upon their decision, they shall within 10 Business Days thereafter appoint a third arbitrator and, if they cannot agree upon such appointment, the third arbitrator shall be appointed upon their application or upon the application of either party, by the American Arbitration Association, or any organization which is a successor thereto from a panel of arbitrators having expertise in the business of operating combined cycle combustion turbines. The three arbitrators shall meet and decide the dispute within 20 Business Days of the appointment of the third arbitrator. Any decision or determination in which two of the three arbitrators shall concur or, if no two of the three arbitrators shall concur, the decision or determination of the arbitrator last selected shall be final and binding upon the parties. In designating arbitrators and in deciding the dispute, the arbitrators shall act in accordance with the rules of the American Arbitration Association then in force, *subject*, *however*, to express provisions to the contrary, if any, contained in the Support Agreement. In the event that the American Arbitration Association or a nationally recognized successor shall not then be in existence, the arbitration shall proceed under comparable laws or statutes then in effect. The parties to the arbitration shall be entitled to present evidence and argument to the arbitrators. Each party shall pay (i) the fees and expenses of the arbitrator appointed by or on its behalf, and (ii) equal shares of (a) the other expenses of the arbitration properly incurred and (b) the fees and expenses of the third arbitrator, if any. For purposes of this definition, the Facility User shall be deemed to be one party and TVA shall be deemed to be the other party.

"**Assigned Documents**" shall have the meaning specified in clause (2) of the Granting Clause of the Lease Indenture.

"**Assignment and Assumption Agreement**" shall mean an assignment and assumption agreement in form and substance substantially in the form of Exhibit F to the Participation Agreement.

"**Bankruptcy Code**" shall mean the United States Bankruptcy Code of 1978, as amended from time to time, 11 U.S.C. §101 *et seq*.

"**Base Rate**" shall mean the rate of interest publicly announced from time to time by Citibank, N.A. at its New York office as its base rate for domestic commercial loans, such rate to change as and when such base rate changes. For purpose of this definition, "base rate" shall mean that rate announced by Citibank, N.A. from time to time as its base rate as that rate may change from time to time with changes to occur on the date Citibank, N.A.'s base rate changes.

"**Basic Lease Rent**" shall have the meaning specified in Section 3.2 of the Facility Lease.

"**Basic Lease Rent (Debt Portion)**" for any Rent Payment Date shall mean the amount set forth under the heading "Basic Lease Rent (Debt Portion)" on Schedule 1 of the Facility Lease for such Rent Payment Date.

“**Basic Lease Rent (Equity Portion)**” for any Rent Payment Date shall mean the amount set forth under the heading “Basic Lease Rent (Equity Portion)” on Schedule 1 of the Facility Lease for such Rent Payment Date.

“**Benefit Plan**” shall mean an employee benefit plan as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, a plan as defined in Section 4975(e) of the Code that is subject to Section 4975 of the Code or any entity that is deemed to hold the assets of any such employee benefit plan or plan by virtue of such employee benefit plan’s or plan’s investment in such entity.

“**Bond Resolution**” shall mean the Basic Tennessee Valley Authority Power Bond Resolution adopted October 6, 1960, as amended.

“**Business Day**” shall mean any day other than a Saturday, a Sunday, any federal holiday, or a day on which banking institutions are authorized or required by law, regulation or executive order to be closed in Wilmington, Delaware, Knoxville, Tennessee, or the city and the state in which the Corporate Trust Office of the Lease Indenture Trustee, the Lessor Manager or the Holdco Manager is located.

“**Called Amount**” shall mean the amount of the Equity Investment that is being repaid, determined by reference to the Termination Value (Equity Portion) with respect to the applicable Termination Date.

“**Capability**” shall mean the amount of Energy, expressed in megawatt hours, that can be generated by the Facility.

“**Capacity**” shall mean megawatts of electric energy generating capacity.

“**Capital Expenditure Budget**” shall have the meaning set forth in Section 4.4(a) of the Support Agreement.

“**Claim**” shall mean any liability (including in respect of negligence (whether passive or active or other torts), strict or absolute liability in tort or otherwise, warranty, latent or other defects (regardless of whether or not discoverable), statutory liability, property damage, bodily injury or death), obligation, loss, settlement, damage, penalty, claim, action, suit, proceeding (whether civil or criminal), judgment, penalty, fine and other legal or administrative sanction, judicial or administrative proceeding, cost, expense or disbursement, including reasonable legal, investigation and expert fees, expenses and reasonable related charges, of whatsoever kind and nature (including any losses incurred in connection with enforcement of indemnity obligations), but excluding Taxes.

“**Closing**” shall have the meaning specified in Section 2.2(a) of the Participation Agreement.

“**Closing Appraisal**” shall mean the appraisal, dated the Closing Date, prepared by the Appraiser for the use of TVA.

“**Closing Date**” shall have the meaning specified in Section 2.2(a) of the Participation Agreement.

“**CMA Payment**” shall have the meaning specified in Section 6.1 of the Construction Management Agreement.

“**Code**” shall mean the Internal Revenue Code of 1986, as amended from time to time, and any successor statute.

“**Co-Holdco Manager**” shall mean a co-Manager appointed pursuant to Section 21 of the Holdco LLC Agreement.

“**Co-Lessor Manager**” shall mean a co-Independent Manager appointed pursuant to Section 16.6 of the Owner Lessor LLC Agreement.

“**Collateral**” shall have the meaning specified in the Granting Clause of the Owner Lessor Mortgage.

“**Common Facilities**” shall mean all property and facilities intended for common use in the operation of the Units as more particularly described on Exhibit A to the Facility Lease, and shall include any Modifications to such facilities which become subject to the Head Lease during the Facility Lease Term and any Modifications to the Common Facilities made in accordance with the Support Agreement, but shall not include any property or facilities that are used in whole or in part solely for operation or maintenance of other TVA generating units.

“**Competitor**” shall have the meaning specified in Section 7.1(b) of the Participation Agreement.

“**Component**” shall mean any appliance, part, instrument, appurtenance, accessory, furnishing, equipment or other property of whatever nature that may from time to time be incorporated in any Unit or the Facility, except to the extent constituting Modifications.

“**Confidential Information**” shall have the meaning specified in Section 13.2 of the Participation Agreement.

“**Construction Cost**” shall mean, with respect to any Modification, the actual cost or purchase price (after deducting amounts realized as the salvage value of any component or item of equipment which is being replaced by the Modification, determined in accordance with Prudent Industry Practice), including, without limitation, (i) all costs of architectural and engineering services, labor, materials, equipment, supplies, personnel training, testing, permits and licenses, and legal services, (ii) payroll, including related fringe benefits and payroll taxes, of direct full time employees of TVA allocable on an actual time basis to such acquisition or construction and not included in costs described in clause (vi) below, (iii) reasonable and allocable traveling expenses including use of TVA’s transportation equipment, (iv) all costs relating to injury or damage claims and claims by contractors or suppliers arising under construction contracts and arising out of such acquisition or construction, (v) all Taxes legally required to be paid with respect to such acquisition or construction if paid by TVA and (vi) administrative and other overhead costs of TVA as apportioned by TVA to such Modification in accordance with the Uniform System of Accounts, applicable to such acquisition or construction of such Modification, all in accordance with the Capital Expenditure Budget in effect from time to time.

“**Construction Management Agreement**” shall mean the Construction Management Agreement dated as of the Closing Date between TVA and the Owner Lessor.

“**Construction Period Financing Account**” shall have the meaning specified in Section 2.17(a) of the Lease Indenture.

“**Construction Period Financing Costs**” shall mean a dollar amount equal to the sum of (a) $62,416,545 with respect to the Lessor Notes and (b) $5,708,444 with respect to the Equity Investment.

“**Contractor**” shall mean TVA as contractor under the Construction Management Agreement.

“**Contract Year**” shall mean the 12-month period commencing at 12:01 a.m. on January 1 of each year and ending at 12:01 a.m. on the following January 1, except that the first Contract Year shall begin on the Service Commencement Date and the last Contract Year shall end on the Final Shutdown Date.

“**Cumberland Fossil Plant**” shall mean the Cumberland Fossil Plant consisting of two coal-fired units with a combined summer net generation capacity of 2,470 MW located at a site adjacent to the Facility Site.

“**Cumberland Construction Contract**” shall have the meaning specified in the first recital of the Construction Management Agreement.

“**Debt Portion**” shall mean the separate portions of the Net TV Amount (Debt Portion), which portions correspond to the 2026 Lessor Notes and each series of Additional Lessor Notes that may have been issued from time to time and are determined by multiplying (a) the Net TV Amount (Debt Portion), by (b) the fraction (i) the numerator of which is the outstanding principal amount of the applicable 2026 Lessor Notes or such series of Additional Lessor Notes and (ii) the denominator of which is the aggregate outstanding principal amount of the 2026 Lessor Notes and the Additional Lessor Notes.

“**Deed of Trust Trustee**” shall mean John Seehorn, Esq.

“**Design Documents**” shall have the meaning specified in Section 2.2.1 of the Construction Management Agreement.

“**Discounted Value**” shall mean, with respect to the Called Amount of any Equity Investment, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Amount from their respective scheduled due dates to the Settlement Date with respect to such Called Amount, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which return on the Equity Investment is payable) equal to the Reinvestment Yield with respect to such Called Amount.

“**Dollars**” or the sign “**$**” shall mean United States dollars or other lawful currency of the United States.

“**DTC**” shall mean The Depository Trust Company, a New York corporation.

“**Early Buy Out**” shall have the meaning specified in Section 15.1 of the Facility Lease.

“**Early Buy Out Date**” shall have the meaning specified in Section 15.1 of the Facility Lease.

“**Early Buy Out Notice**” shall have the meaning specified in Section 15.1 of the Facility Lease.

“**Effective Date**” shall mean May 13, 2026.

“**Election Notice**” shall have the meaning specified in Section 13.1 of the Facility Lease.

“**Energy**” shall mean megawatt hours of electric energy.

“**Enforcement Notice**” shall have the meaning specified in Section 5.1 of the Lease Indenture.

“**Engineering Consultant**” shall mean Sargent & Lundy, L.L.C.

“**Engineering Report**” shall mean the report of the Engineering Consultant, dated March 26, 2026.

“**Environmental Condition**” shall mean any action, omission, event, condition or circumstance, including the presence of any Hazardous Substance, that does or reasonably could (i) require assessment, investigation, abatement, correction, removal or remediation under any Environmental Law, (ii) give rise to any obligation or liability of any nature (whether civil or criminal, arising under a theory of negligence or strict liability, or otherwise) under any Environmental Law, or (iii) constitute a violation of or non-compliance with any Environmental Law.

“**Environmental Laws**” shall mean any federal, state or local laws, common law, ordinances, rules, orders, statutes, decrees, judgments, injunctions, directives, permits, licenses, approvals, codes and regulations relating to the environment, human health, natural resources or Hazardous Substances, now or hereafter in effect and as each may from time to time be amended, supplemented or supplanted.

“**Equity Breakage**” shall mean, with respect to a Called Amount, an amount equal to the excess, if any, of the Discounted Value with respect to the Called Amount of such Equity Investment over the amount of such Called Amount, *provided* that the Equity Breakage may in no event be less than zero.

“**Equity Guarantor**” shall have the meaning specified in Section 7.1 of the Participation Agreement.

“**Equity Guaranty**” shall mean any guaranty agreement guaranteeing the obligations of the Holdco or entered into pursuant to Section 7.1 of the Participation Agreement in form and substance substantially in the form of Exhibit G to the Participation Agreement.

“**Equity Investment**” shall mean the amount specified under the heading “Equity Investment” in Schedule 4 to the Participation Agreement.

“**Equity Portion**” shall mean the separate portions of the Net TV Amount (Equity Portion), which portions correspond to the Equity Investment and each series of Additional Equity Investment that may have been issued from time to time and are determined by multiplying (a) the Net TV Amount (Equity Portion), by (b) the fraction (i) the numerator of which is the outstanding principal amount of the applicable Equity Investment or such series of Additional Equity Investment and (ii) the denominator of which is the aggregate outstanding principal amount of the Equity Investment and the Additional Equity Investments.

“**ERISA**” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

“**Event of Loss**” shall mean, with respect to any Unit or Units, any of the following events:

(a) loss of such Unit or Units or use thereof due to destruction or damage to such Unit or Units or the Common Facilities that is beyond economic repair or that renders such Unit or Units permanently unfit for normal use;

(b) damage to such Unit or Units or the Common Facilities that results in an insurance settlement with respect to such Unit or Units on the basis of a total loss or an agreed constructive or a compromised total loss of such Unit or Units; and

(c) seizure, condemnation, confiscation or taking of, or requisition of title to or use of, all or substantially all of a Unit or Units or the Common Facilities by any Governmental Entity, which in the case of a requisition of use prevents the Facility Lessee from operating and maintaining all or substantially all of the Facility, such Unit or Units or the Facility Site for a period of 365 days or more, in each case following any contest thereof and exhaustion of all permitted appeals or an election by TVA not to pursue such appeals.

“**Evidences of Indebtedness**” shall have the meaning specified in the Bond Resolution.

“**Excepted Payments**” shall mean and include (a)(i) any indemnity or other payment (whether or not constituting Supplemental Lease Rent and whether or not a Lease Event of Default exists) payable to the Holdco, the Holdco Manager, any Holdco Note Purchaser, the Lessor Manager or to their respective successors and permitted assigns (other than the Lease Indenture Trustee) pursuant to Section 2.4, 9.1 or 9.2 of the Participation Agreement and Section 11.1 of the Owner Lessor LLC Agreement or (ii) any amount payable by TVA to the Owner Lessor, the Holdco, the Lessor Manager, the Holdco Manager or any Holdco Note Purchaser to reimburse any such Person for its costs and expenses in exercising its rights under the Transaction Documents, (b) insurance proceeds, if any, payable to the Owner Lessor or the Holdco under insurance separately maintained by the Owner Lessor or the Holdco with respect to the Facility as permitted by Section 11.1 of the Facility Lease, (c) any amount payable to the Holdco as the purchase price of the Holdco’s Membership Interests in connection with any permitted sale or transfer thereof pursuant to Section 7.1 of the Participation Agreement or Section 13 of the Facility Lease, (d) any amounts payable to the Holdco upon exercise by TVA of the Special Lessee Transfer pursuant to Section 12 of the Participation Agreement; (e) all other fees expressly payable to the Owner Lessor, the Holdco, the Lessor Manager, the Holdco Manager or any Holdco Note Purchaser under the Transaction Documents; (f) any amounts payable by TVA to the Owner Lessor pursuant to Section 13.2 of the Facility Lease; and (vii) any payments in respect of interest to the extent attributable to payments referred to above that constitute Excepted Payments.

"**Excepted Rights**" shall mean the rights specified in Section 5.6 of the Lease Indenture.

"**Excess Amounts**" shall have the meaning specified in Section 9.12 of the Lease Indenture.

"**Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended.

"**Exchange Date**" shall mean, when used with respect to any Lessor Notes being replaced and exchanged for Replacement Power Bonds, the date fixed for such replacement and exchange by or pursuant to the Lease Indenture or the respective Lessor Notes, which date shall be a Termination Date.

"**Excluded Property**" shall mean Excepted Payments and rights reserved to the Owner Lessor and included within Excepted Rights, collectively.

"**Excluded Taxes**" shall have the meaning specified in Section 9.2(b) of the Participation Agreement.

"**Expected Completion Date**" shall have the meaning specified in Section 4.1.2 of the Construction Management Agreement

"**Expiration Date**" shall mean May 25, 2056, the scheduled expiration date of the Facility Lease Term.

"**Facility**" shall have the meaning specified in the first recital of the Participation Agreement.

"**Facility Lease**" shall mean the Facility Lease-Purchase Agreement, dated as of the Closing Date, between the Owner Lessor and TVA, substantially in the form of Exhibit B to the Participation Agreement.

"**Facility Lease Term**" shall have the meaning specified in Section 3.1 of the Facility Lease.

"**Facility Lessee**" shall mean TVA as lessee under the Facility Lease.

"**Facility Lessee's Interest**" shall mean the Facility Lessee's interest in and to the Facility under the Facility Lease and the Ground Interest under the Ground Sublease.

"**Facility Lessor**" shall mean the Owner Lessor as lessor under the Facility Lease.

"**Facility Operating Fee**" shall have the meaning specified in Section 3.5 of the Support Agreement.

"**Facility Operation and Maintenance Expense**" shall mean all payments made, costs incurred, and obligations and liabilities incurred, by TVA for or in connection with engineering, contract preparation, purchasing, repairing, insuring, supervising, recruiting, training, expediting, inspecting, accounting, providing legal services, testing, protecting, operating, insuring, using, decommissioning, retiring, and maintaining the Facility, *including, but not limited to*, Station Service Requirements and all such payments made, and obligations incurred, during an operating emergency, and with respect to the purchase of materials, supplies and spare parts, *but excluding* the Construction Cost of Modifications and any other cost included in a Capital Expenditure Budget. Facility Operation and Maintenance Expenses shall include the properly allocable direct overheads of TVA in the operation and maintenance of the Facility. Facility Operation and Maintenance Expenses shall be determined under and in accordance with the Uniform System of Accounts and shall be in accordance with the Operation and Maintenance Expense Budget in effect from time to time. There shall be credited against Facility Operation and Maintenance Expenses for such Month the proceeds of the sale by TVA of any surplus materials or supplies constituting part of, or used in connection with, the Facility. Facility Operation and Maintenance Expense shall not include any payments made by the Ground Lessee for Taxes pursuant to Section 3.2 of the Ground Lease and payments made, or costs incurred, for commodities, equipment or services supplied by TVA to the Facility User under separate contract, including transmission services supplied under contracts negotiated pursuant to Section 5 of the Support Agreement.

"**Facility Site**" shall mean the land on which the Facility is situated, as more particularly described in Exhibit 1 to the Ground Lease.

"**Facility User**" shall mean (i) the Owner Lessor, (ii) any Person to which the Owner Lessor has transferred its interest in the Facility or is leasing the Facility, or (iii) any other Person during the time and to the extent such Person has possession and control of the Facility, in each case under circumstances giving the Owner Lessor or such Person, as the case may be, the right to market and sell Energy from the Facility for its own account, including any Person designated by the Owner Lessor to be so entitled.

"**Fair Market Rental Value**" or "**Fair Market Sales Value**" shall mean with respect to any property or service as of any date, the cash rent or cash price obtainable in an arm's length lease, sale or supply, respectively, between an informed and willing lessee or purchaser under no compulsion to lease or purchase and an informed and willing lessor or seller or supplier under no compulsion to lease or sell or supply the property or service in question, and shall, in the case of an Owner Lessor's Interest, be determined (except as otherwise provided below or in the Transaction Documents) on the basis that (a) the Facility is located on the Facility Site and the conditions contained in Sections 7 and 8 of the Facility Lease shall have been complied with in all respects, (b) the lessee or buyer shall have rights in, or an assignment of, the Transaction Documents to which the Owner Lessor is a party and the obligations relating thereto and (c) the Owner Lessor's Interest is free and clear of all Liens (other than Owner Lessor's Liens, Holdco's Liens and Indenture Trustee's Liens) and taking into account (i) the remaining term of the Ground Lease and the Ground Sublease and (ii) in the case of the Fair Market Rental Value, the terms of the Facility Lease and the Transaction Documents. If the Fair Market Sales Value of the Owner Lessor's Interest is to be determined during the continuance of a Lease Event of Default or in connection with the exercise of remedies by the Owner Lessor pursuant to Section 18 of the Facility Lease, such value shall be determined by an appraiser appointed by the Owner Lessor on an "as-is," "where-is" and "with all faults" basis and shall take into account all Liens (other than Owner Lessor’s Liens, Holdco’s Liens and Indenture Trustee’s Liens); *provided*, *however*, in any such case where the Owner Lessor shall be unable to obtain constructive possession sufficient to realize the economic benefit of the Owner Lessor’s Interest, Fair Market Sales Value of the Owner Lessor’s Interest shall be deemed equal to $0. If in any case other than in the preceding sentence the parties are unable to agree upon a Fair Market Sales Value of the Owner Lessor’s Interest within 30 days after a request therefor has been made, the Fair Market Sales Value of the Owner Lessor’s Interest shall be determined by appraisal pursuant to the Appraisal Procedures. Any fair market value determination of a Severable Modification shall take into consideration any liens or encumbrances to which the Severable Modification being appraised is subject and which are being assumed by the transferee.

“**Federal Power Act**” shall mean the Federal Power Act, as amended.

“**FERC**” shall mean the Federal Energy Regulatory Commission.

“**Final Acceptance**” shall have the meaning specified in Section 5.3 of the Construction Management Agreement.

“**Final Acceptance Certificate**” shall have the meaning specified in Section 5.4 of the Construction Management Agreement.

“**Final Determination**” shall mean (i) a decision, judgment, decree or other order by any court of competent jurisdiction, which decision, judgment, decree or other order has become final after all allowable appeals or rehearings by either party to the action have been exhausted or the time for filing such appeal has expired, or in any case where judicial review shall at the time be unavailable because the proposed adjustment involves a decrease in net operating loss carryforward or a business credit carryforward, a decision, judgment, decree or other order of an administrative official or agency of competent jurisdiction, which decision, judgment, decree or other order has become final (*i.e.*, where all administrative appeals have been exhausted by all parties thereto), (ii) a closing agreement entered into under section 7121 of the Code, or any other settlement agreement entered into in connection with an administrative or judicial proceeding or (iii) the expiration of the time for instituting a claim for refund, or if such a claim was filed, the expiration of the time for instituting suit with respect thereto.

“**Final Shutdown**” shall mean the permanent removal from operation and commercial service of the Facility.

“**Final Shutdown Date**” shall mean the date on which Final Shutdown occurs.

“**Fitch**” shall mean Fitch Ratings, Inc. and any successor thereto.

“**FMV Net Termination Value**” shall have the meaning set forth in Section 18.2(d) of the Facility Lease.

“**GAAP**” shall mean generally accepted accounting principles used in the United States consistently applied.

“**Government**” shall mean the United States of America.

“**Governmental Entity**” shall mean and include the Government, any national government, any political subdivision of a national government or of any state, county or local jurisdiction therein or any board, commission, department, division, organ, instrumentality, court or agency of any thereof, but shall not include TVA.

"**Ground Interest**" shall mean a leasehold in the Facility Site granted pursuant to, and for the purposes and subject to the limitations set forth in, Section 5 of the Ground Lease.

"**Ground Lease**" shall mean the Ground Lease and Easement Agreement, dated as of the Closing Date, among the Ground Lessor and the Ground Lessee, substantially in the form of Exhibit C to the Participation Agreement.

"**Ground Lease Term**" shall have the meaning specified in Section 2.2 of the Ground Lease.

"**Ground Lessee**" shall mean the Owner Lessor as lessee of the Ground Interest under the Ground Lease.

"**Ground Lessor**" shall mean TVA and the Government (solely for purposes of Section 2.1 of the Ground Lease), as lessor of the Ground Interest under the Ground Lease.

"**Ground Lessor's Release Rights**" shall have the meaning specified in Section 4.2 of the Ground Lease.

"**Ground Sublease**" shall mean the Ground Sublease and Easement Agreement, dated as of the Closing Date, among the Ground Sublessor and the Ground Sublessee, substantially in the form of Exhibit D to the Participation Agreement.

"**Ground Sublease Term**" shall have the meaning specified in Section 2.2 of the Ground Sublease.

"**Ground Sublessee**" shall mean TVA and the Government (solely for purposes of Section 2.1 of the Ground Sublease) as sublessee of the Ground Interest under the Ground Sublease.

"**Ground Sublessor**" shall mean the Owner Lessor as sublessor of the Ground Interest under the Ground Sublease.

"**Guaranteed Provisional Acceptance Date**" shall mean December 31, 2026.

"**Hazardous Substance**" shall mean any pollutant, contaminant, hazardous substance, hazardous waste, toxic substance, chemical substance, extremely hazardous substance, petroleum or petroleum derived substance, waste, or additive, asbestos, PCBs, radioactive material, corrosive, explosive, flammable or infectious material, lead, radon or other compound, element, material or substance in any form whatsoever (including products) defined, regulated, restricted or controlled by or under any Environmental Law.

"**Head Lease**" shall mean the Head Lease Agreement, dated as of the Closing Date, among the Head Lessor and the Head Lessee, substantially in the form of Exhibit A to the Participation Agreement.

"**Head Lease Rent**" shall have the meaning specified in Section 3.2(a) of the Head Lease.

“**Head Lease Term**” shall have the meaning specified in Section 3.1 of the Head Lease.

“**Head Lessee**” shall mean the Owner Lessor as lessee of the Facility under the Head Lease.

“**Head Lessor**” shall mean TVA and the Government (solely for purposes of Section 2 of the Head Lease) as lessor of the Facility under the Head Lease.

“**Holdco**” shall have the meaning set forth in the introductory paragraph to the Participation Agreement; *provided* that if the Membership Interests are transferred pursuant to the Participation Agreement such that more than one person is a holder thereof, the term “Holdco” shall be deemed to include each holder of the Membership Interests.

“**Holdco Collateral Agent**” shall mean Wilmington Trust, National Association, or any successor thereto, as collateral agent appointed pursuant to the Holdco Note Purchase Documents.

“**Holdco’s Lien**” shall mean, with respect to the Holdco, any Holdco Note Purchaser or the Holdco Manager, any Lien on the Facility, the Facility Site, the Lessor Estate or any part thereof arising as a result of (i) Claims against or any act or omission of the Holdco, a Holdco Note Purchaser or the Holdco Manager or any Affiliate of any thereof that are not related to, or that are in violation of, any Transaction Document or the transactions contemplated thereby or that are in breach of any covenant or agreement of the Holdco or the Holdco Manager set forth therein, (ii) Taxes against the Holdco, any Holdco Note Purchaser, the Holdco Manager or any respective Affiliate thereof that are not indemnified against by TVA pursuant to any Transaction Document or (iii) Claims against or affecting the Holdco, any Holdco Note Purchaser, the Holdco Manager or any respective Affiliate thereof arising out of the voluntary or involuntary transfer by the Holdco Manager or the Holdco (except as contemplated or permitted by the Transaction Documents) of any portion of the Holdco’s Membership Interests.

“**Holdco LLC Agreement**” shall mean the limited liability company agreement, dated on or about the Effective Date, between the Owner Participant and the Holdco Manager.

“**Holdco Manager**” shall have the meaning set forth in the introductory paragraph of the Participation Agreement.

“**Holdco Note**” shall mean, with respect to any Holdco Note Purchaser, the Holdco Note issued by the Holdco as of the Closing Date to such Holdco Note Purchaser substantially in the form attached as Exhibit 1 to the Holdco Note Purchase Agreement.

“**Holdco Note Purchase Agreement**” shall mean the Note Purchase Agreement, dated as of the Closing Date, between the Holdco and the Holdco Note Purchasers.

“**Holdco Note Purchase Documents**” shall mean the Holdco Note Purchase Agreement, the Holdco Notes, the Holdco Pledge Agreement and the Holdco LLC Agreement.

“**Holdco Note Purchaser**” or “**Holdco Note Purchasers**” shall mean the Persons set forth under the caption “Holdco Note Purchasers” on Schedule 4 to the Participation Agreement.

“**Holdco Note Purchaser’s Percentage Interest of the Notes**” shall mean, as of any date of determination, the percentage of the outstanding principal amount of Holdco Notes held by the applicable Holdco Note Purchaser.

“**Holdco Placement Agent**” shall mean Morgan Stanley & Co. LLC.

“**Holdco Pledge Agreement**” shall mean the Pledge Agreement, dated as of the Closing Date, between the Holdco and the Holdco Collateral Agent.

“**Indemnitee**” shall have the meaning specified in Section 9.1(a) of the Participation Agreement.

“**Indemnity Period**” shall have the meaning specified in Section 11 of the Ground Lease.

“**Independent Appraiser**” shall mean a disinterested, licensed industrial property appraiser who is a member of the Appraisal Institute having experience in the business of evaluating facilities similar to the Facility.

“**Investment Banker**” shall have the meaning specified in Section 2.10(b) of the Lease Indenture.

“**Kiewit**” shall have the meaning specified in the first recital of the Construction Management Agreement.

“**Lease Commencement Date**” shall mean the earlier of (i) the date the Facility achieves Provisional Acceptance in accordance with the Construction Management Agreement and (ii) the Outside Lease Commencement Date.

“**Lease Debt Rate**” shall mean the interest rate under the 2026 Lessor Notes.

“**Lease Default**” shall mean any event or circumstance that, with the passage of time or the giving of notice, or both, would become a Lease Event of Default.

“**Lease Event of Default**” shall have the meaning specified in Section 17 of the Facility Lease.

“**Leasehold Deed of Trust Trustee**” shall mean R. Culver Schmid.

“**Lease Indenture**” shall mean the Indenture of Trust, Deed of Trust and Security Agreement and Fixture Filing, dated as of the Closing Date, among the Owner Lessor, the Lease Indenture Trustee and the Deed of Trust Trustee, substantially in the form of Exhibit E to the Participation Agreement.

“**Lease Indenture Bankruptcy Default**” shall mean any event or occurrence, which, with the passage of time or the giving of notice or both, would become a Lease Indenture Event of Default under Section 4.2(e) or (f) of the Lease Indenture.

“**Lease Indenture Estate**” shall have the meaning specified in the Granting Clause of the Lease Indenture.

“**Lease Indenture Event of Default**” shall have the meaning specified in Section 4.2 of the Lease Indenture.

“**Lease Indenture Payment Default**” shall mean any event or occurrence, which, with the passage of time or the giving of notice or both, would become an Lease Indenture Event of Default under Section 4.2(b) of the Lease Indenture.

“**Lease Indenture Trustee**” shall mean Wilmington Trust, National Association, not in its individual capacity, but solely as Lease Indenture Trustee under the Lease Indenture, and each other Person who may from time to time be acting as Lease Indenture Trustee in accordance with the provisions of the Lease Indenture.

“**Lease Indenture Trustee Office**” shall mean the office to be used for notices to the Lease Indenture Trustee from time to time pursuant to Section 9.5 of the Lease Indenture.

“**Lease Indenture Trustee’s Account**” shall mean the account identified as the Lease Indenture Trustee’s Account on Schedule 4 of the Participation Agreement.

“**Lease Indenture Trustee’s Liens**” shall mean any Lien on the Facility, the Facility Site, the Lessor Estate or any part thereof arising as a result of (i) Taxes against or affecting the Lease Indenture Trustee, or any Affiliate thereof, that is not related to, or that is in violation of, any Transaction Document or the transactions contemplated thereby, (ii) Claims against or any act or omission of the Lease Indenture Trustee, or Affiliate thereof, that is not related to, or that is in violation of, any Transaction Document or the transactions contemplated thereby or that is in breach of any covenant or agreement of the Lease Indenture Trustee specified therein, (iii) Taxes imposed upon the Lease Indenture Trustee, or any Affiliate thereof, that are not indemnified against by TVA pursuant to any Transaction Document, or (iv) Claims against or affecting the Lease Indenture Trustee, or any Affiliate thereof, arising out of the voluntary or involuntary transfer by the Lease Indenture Trustee of any portion of the interest of the Holdco Manager or the Lease Indenture Trustee in the Lessor Estate, other than pursuant to the Transaction Documents.

“**Lessee Person**” shall mean the Facility Lessee, any sublessee of the Facility Lessee or any other Person using or having possession of the Facility during the Facility Lease Term or any portion thereof and any Affiliate, successor, assignee, transferee, agent or employee of any of the foregoing or any Person claiming through any of the foregoing, except that none of the Owner Lessor, the Holdco, the Holdco Manager, any Holdco Note Purchaser nor the Lease Indenture Trustee, nor any Affiliate, successor, assignee, transferee, agent or employee of any of the foregoing, nor any Person claiming through any of the foregoing, shall be a Lessee Person.

“**Lessor Estate**” shall mean all the estate, right, title and interest of the Owner Lessor in, to and under the Facility, the Ground Interest and the Transaction Documents, including all funds advanced to the Owner Lessor by the Holdco, all installments and other payments of Basic Lease Rent, Supplemental Lease Rent, Termination Value, condemnation awards, purchase price, sale proceeds and all other proceeds, rights and interests of any kind for or with respect to the estate, right, title and interest of the Owner Lessor in, to and under the Facility, the Ground Interest, the Transaction Documents, and any of the foregoing.

“**Lessor Manager**” shall have the meaning set forth in the introductory paragraph of the Participation Agreement.

“**Lessor Notes**” shall mean the 2026 Lessor Notes and any Additional Lessor Notes.

"**Lien**" shall mean any mortgage, security deed, security title, pledge, lien, charge, encumbrance, lease, or security interest or title retention arrangement.

"**List of Competitors**" shall mean the initial list attached to the Participation Agreement as Schedule 2, as amended from time to time pursuant to Section 7.1(b) of the Participation Agreement.

"**Majority in Interest of Noteholders**" as of any date of determination, shall mean Noteholders holding in aggregate more than 50% of the total outstanding principal amount of Lessor Notes; *provided*, *however*, that any Lessor Notes held by TVA and/or any Affiliate of TVA shall not be considered outstanding for purposes of this definition unless TVA and/or such Affiliate shall hold title to all the Lessor Notes outstanding.

"**Make Whole Premium**" shall mean, with respect to the Lessor Notes subject to redemption pursuant to the Lease Indenture, an amount equal to the Discounted Present Value of the Lessor Notes *less* the unpaid principal amount of such Lessor Notes; *provided* that the Make Whole Premium shall not be less than zero. For purposes of this definition, the "Discounted Present Value" of any Lessor Notes subject to redemption pursuant to the Lease Indenture shall be equal to the discounted present value of all principal and interest payments scheduled to become due after the date of such redemption in respect of the Lessor Notes, calculated using a discount rate equal to the sum of (i) the yield to maturity on the U.S. Treasury security having a life equal to the remaining average life of the Lessor Notes and (ii) 15 basis points; *provided*, *however*, that if there is no U.S. Treasury security having a life equal to the remaining average life of the Lessor Notes, such discount rate shall be calculated using a yield to maturity interpolated or extrapolated on a straight-line basis (rounding to the nearest calendar month, if necessary) from the yields to maturity for two U.S. Treasury securities having lives most closely corresponding to the remaining average life of the Lessor Notes.

"**Material Adverse Effect**" shall mean with respect to any Person a materially adverse effect on (i) the business, assets, revenues, results of operations, or financial condition of such Person, (ii) the ability of such Person to perform its obligations under the Transaction Documents, or (iii) the validity or enforceability of the Transaction Documents, the Liens granted thereunder, or the rights and remedies thereto.

"**Maximum Net Generating Capacity**" shall mean the maximum net Capability of the Facility to produce Energy under conditions existing from time to time.

"**Membership Interests**" shall mean the membership interests of the Holdco in the Owner Lessor.

"**Modification**" shall mean a modification, alteration, improvement, addition, betterment or enlargement of the Facility, including any Required Modifications and Optional Modifications, but not Components.

"**Month**" shall mean a calendar month.

"**Moody's**" shall mean Moody's Investors Service, Inc. and any successor thereto.

“**Net TV Amount**” shall mean the FMV Net Termination Value or the Sale Net Termination Value, as applicable.

“**Net TV Amount (Debt Portion)**” shall be the amount equal to the product of (a) the applicable Net TV Amount as of the applicable Termination Date, *multiplied by* (b) a fraction (i) the numerator of which is the Termination Value (Debt Portion) as of such Termination Date and (ii) the denominator of which is the Termination Value as of such Termination Date.

“**Net TV Amount (Debt Portion) Rate**” shall mean, with respect to the applicable Debt Portion, a rate per annum equal to (a) 7.821% per annum with respect to the Debt Portion that corresponds to the 2026 Lessor Notes; or (b) the interest rate on the applicable Additional Lessor Notes *plus* two percent (2%) per annum with respect to the Debt Portion that corresponds to such Additional Lessor Notes.

“**Net TV Amount (Equity Portion)**” shall be the amount equal to the product of (a) the applicable Net TV Amount as of the applicable Termination Date, *multiplied by* (b) a fraction (i) the numerator of which is the Termination Value (Equity Portion) as of such Termination Date and (ii) the denominator of which is the Termination Value as of such Termination Date.

“**Net TV Amount (Equity Portion) Rate**” shall mean, with respect to the applicable Equity Portion, a rate per annum equal to (a) 8.08% per annum with respect to the Equity Portion that corresponds to the Equity Investment; and (b) the interest rate on the applicable Additional Equity Investment *plus* two percent (2%) per annum with respect to the Equity Portion that corresponds to such Additional Equity Investment.

“**Nonseverable Modifications**” shall mean any Modification that is not a Severable Modification.

“**Note Register**” shall have the meaning specified in Section 2.8 of the Lease Indenture.

“**Noteholder**” shall mean any holder from time to time of outstanding Lessor Notes, and each such holder’s successors and permitted assigns.

“**Offering Circular**” shall mean the Offering Circular, dated May 13, 2026, with respect to the 2026 Lessor Notes.

“**Officer’s Certificate**” shall mean with respect to any Person a certificate signed by the Responsible Officer of such Person.

“**Operating Fee**” shall mean, if the Owner Lessor shall elect to appoint TVA operator of the Facility pursuant to Section 3.1 of the Support Agreement and TVA shall not be precluded by law from so serving, the Facility Operating Fee.

“**Operation and Maintenance Expense**” shall mean the Facility Operation and Maintenance Expense.

“**Operation and Maintenance Expense Budget**” shall have the meaning set forth in Section 4.4(c) of the Support Agreement.

"**Operative Documents**" shall mean the Participation Agreement, the Head Lease, the Facility Lease, the Ground Lease, the Ground Sublease, any Equity Guaranty, the Owner Lessor Mortgage, the Lease Indenture, the Lessor Notes, the Owner Lessor LLC Agreement and the Support Agreement.

"**Optional Modification**" shall have the meaning specified in Section 8.2 of the Facility Lease.

"**Other Exchange Date Payment Amounts**" shall mean the following amounts (without duplication) to be paid by the Facility Lessee on the Exchange Date: (a) if the Exchange Date is also a Rent Payment Date, Basic Lease Rent payable on such Exchange Date; *plus* (b) all reasonable documented out-of-pocket costs and expenses incurred by the Owner Lessor, the Holdco, the Holdco Note Purchasers and the Lease Indenture Trustee in connection with the exercise of the Early Buy Out (without duplication of any such costs and expenses payable pursuant to the Facility Lease); *plus* (c) any other Supplemental Lease Rent payments due and unpaid on the Exchange Date under any other Transaction Document.

"**Other Redemption Date Payment Amounts**" shall mean the following amounts (without duplication) to be paid by the Facility Lessee on the Redemption Date: (a) if the Redemption Date is also a Rent Payment Date, Basic Lease Rent payable on such Redemption Date; plus (b) all reasonable documented out-of-pocket costs and expenses incurred by the Owner Lessor, the Holdco, the Holdco Note Purchasers and the Lease Indenture Trustee in connection with the exercise of the Early Buy Out (without duplication of any such costs and expenses payable pursuant to the Facility Lease); *plus* (c) any other Supplemental Lease Rent payments due and unpaid on the Redemption Date under any other Transaction Document.

"**Outside Lease Commencement Date**" shall mean May 1, 2027.

"**Overdue Rate**" (a) when used with reference to the Lessor Notes, Basic Lease Rent (Debt Portion) or Termination Value (Debt Portion) shall mean two percent (2%) per annum over the greater of (i) the Base Rate and (ii) the stated interest rate on the Lessor Notes, (b) when used with reference to the Basic Lease Rent (Equity Portion) or Termination Value (Equity Portion), shall mean two percent (2%) over the greater of (A) the Base Rate and (B) 6.08% per annum or (c) when used with reference to any amount which is due and owing and not referenced in clause (a) or (b) of this definition, the Base Rate *plus* two percent (2%) per annum.

"**Owner Lessor**" shall have the meaning set forth in the introductory paragraph to the Participation Agreement.

"**Owner Lessor Indemnified Parties**" shall have the meaning specified in Section 7.2 of the Construction Management Agreement.

"**Owner Lessor LLC Agreement**" shall mean the limited liability company agreement of the Owner Lessor, dated on or about the Effective Date, between the Holdco, and the Lessor Manager.

"**Owner Lessor Mortgage**" shall mean the Leasehold Deed of Trust, Security Agreement and Fixture Filing, dated as of the Closing Date, made by the Owner Lessor to the Leasehold Deed of Trust Trustee and TVA, substantially in the form of Exhibit I to the Participation Agreement.

“**Owner Lessor’s Account**” shall mean the account identified as the Owner Lessor’s Account on Schedule 4 to the Participation Agreement.

“**Owner Lessor’s Interest**” shall mean the Owner Lessor’s right, title and interest in and to (i) the Facility under the Head Lease, (ii) the Ground Interest under the Ground Lease and (iii) the Support Agreement.

“**Owner Lessor’s Lien**” shall mean any Lien on the Facility, the Facility Site, the Lessor Estate or any part thereof arising as a result of (i) Taxes against or affecting the Lessor Manager or the Owner Lessor, or any respective Affiliate thereof that is not related to, or that is in violation of, any Transaction Document or the transactions contemplated thereby, (ii) Claims against, or any act or omission of, the Lessor Manager or the Owner Lessor, or any respective Affiliate thereof, that is not related to, or that is in violation of, any Transaction Document or the transactions contemplated thereby or that is in breach of any covenant or agreement of the Lessor Manager or the Owner Lessor specified therein, (iii) Taxes imposed upon the Lessor Manager or the Owner Lessor, or any respective Affiliate thereof that are not indemnified against by TVA pursuant to any Transaction Document, or (iv) Claims against or affecting the Lessor Manager or the Owner Lessor, or any respective Affiliate thereof arising out of the voluntary or involuntary transfer by the Lessor Manager or the Owner Lessor of any portion of the interest of the Lessor Manager or the Owner Lessor in the Owner Lessor’s Interest, other than pursuant to the Transaction Documents.

“**Owner Participant**” shall mean the owner of the membership interests of the Holdco which shall mean GSS Holdings (Cumberland), Inc. until such time, if any, that it has transferred such membership interest in accordance with the Holdco LLC Agreement, and, thereafter shall mean such transferee or its permitted successor or assign.

“**Partial Early Buy Out**” shall mean TVA’s exercise of the Early Buy Out with respect to less than all Units.

“**Partial Event of Loss**” shall mean an Event of Loss with respect to less than all Units.

“**Participation Agreement**” shall mean the Participation Agreement, dated as of the Effective Date, among TVA, the Owner Lessor, the Lessor Manager, the Holdco Manager, the Holdco and the Lease Indenture Trustee.

“**Paying Agent**” shall have the meaning specified in Section 2.6 of the Lease Indenture.

“**Permitted Closing Date Liens**” shall mean those matters listed on Exhibit 5 to the Ground Lease.

“**Permitted Instruments**” shall mean (a) Permitted Securities, (b) overnight loans to or other customary overnight investments in commercial banks of the type referred to in paragraph (d) below, (c) open market commercial paper of any corporation (other than TVA or any Affiliate thereof) incorporated under the laws of the United States or any state thereof which is rated not less than “prime 1” or its equivalent by Moody’s and “A 1” or its equivalent by S&P maturing within one year after such investment, or such other comparable rating by a nationally recognized rating agency, (d) certificates of deposit issued by commercial banks organized under the laws of the United States or any state thereof or a domestic branch of a foreign bank (i) having a combined capital and surplus in excess of $500,000,000 and (ii) which are rated "AA" or better by S&P and "Aa2" or better by Moody's, or such other comparable rating by a nationally recognized rating agency; *provided* that no more than $20,000,000 may be invested in such deposits at any one such bank and (e) a money market fund registered under the Investment Company Act of 1940, as amended, the portfolio of which is limited to Permitted Securities.

"**Permitted Liens**" shall mean (i) the interests of TVA, the Holdco, the Owner Lessor and the Lease Indenture Trustee under any of the Transaction Documents; (ii) all Owner Lessor's Liens, Holdco's Liens and Indenture Trustee's Liens; (iii) the interests of TVA in the Facility and the Facility Site; (iv) Permitted Closing Date Liens; (v) Liens for taxes either not delinquent or being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of TVA if required by generally accepted accounting principles, so long as such proceedings shall not involve any danger of the sale, forfeiture or loss of any part of the Facility or the Facility Site; (vi) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business for amounts either not delinquent or being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of TVA if required by generally accepted accounting principles, so long as such proceedings shall not involve any danger of the sale, forfeiture or loss of any part of the Facility or the Facility Site; (vii) liens arising out of judgments or awards against TVA with respect to which at the time an appeal or proceeding for review is being prosecuted in good faith by TVA, so long as such judgment, award or appeal shall not involve any danger of the sale, forfeiture or loss of any part of the Facility or the Facility Site; (viii) utility rights of way and easements; and (ix) Liens permitted pursuant to Section 4.2 or 4.3 of the Ground Lease.

"**Permitted Post Facility Lease Term Liens**" shall mean the Permitted Liens referred to in clauses (ii), (iii) and (ix) of the definition thereof.

"**Permitted Securities**" shall mean securities (and security entitlements with respect thereto) that (a) are (i) direct obligations of the United States of America or obligations guaranteed as to principal and interest by the full faith and credit of the United States of America, and (ii) securities issued by agencies of the U.S. federal government whether or not backed by the full faith and credit of the United States rated "AA" and "Aa2" by S&P and Moody's, respectively, which, in either case under clauses (i) or (ii) are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government obligation or a specific payment of interest on or principal of any such U.S. Government obligation held by such custodian for the account of the holder of a depository receipt, *provided* that (except as required by law) such custodian is not authorized to make any deduction in the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government obligation or the specific payment of interest on or principal of the U.S. Government obligation evidenced by such depository receipt and (b) have a stated maturity no later than the date of the expected use of the funds.

"**Person**" shall mean any individual, corporation, cooperative, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“**Personalty**” shall have the meaning specified in the Granting Clause of the Owner Lessor Mortgage.

“**Plan**” shall mean any “employee benefit plan” (as defined in Section 3(3) of ERISA) that is subject to ERISA, any “plan” (as defined in Section 4975(e)(1) of the Code) that is subject to Section 4975 of the Code, any trust created under any such plan or any “governmental plan” (as defined in Section 3(32) of ERISA or Section 414(d) of the Code) that is organized in a jurisdiction having prohibitions on transactions with government plans similar to those contained in Section 406 of ERISA or Section 4975 of the Code.

“**Point or Points of Interconnection**” shall mean the points of interconnection of the transmission facilities owned by TVA with regional transmission lines of entities to which TVA wheels power on behalf of the Owner Lessor pursuant to Section 5 of the Support Agreement, as such points may be agreed upon by the Parties from time to time.

“**Power**” shall mean megawatts of Capacity and associated Energy.

“**Proceeds**” shall mean the proceeds from the sale of the 2026 Lessor Notes by the Owner Lessor to the Noteholders on the Closing Date.

“**Provisional Acceptance**” shall have the meaning specified in Section 5.1 of the Construction Management Agreement.

“**Provisional Acceptance Certificate**” shall have the meaning specified in Section 5.2 of the Construction Management Agreement.

“**Prudent Industry Practice**” shall mean, at a particular time, either (a) any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry with respect to facilities similar in nature to the Facility, or (b) any of the practices, methods and acts which, in the exercise of reasonable judgment at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, safety and expedition. “Prudent Industry Practice” is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts.

“**Punch List**” shall have the meaning specified in Section 2.3.2 of the Construction Management Agreement.

“**Quarter**” means a calendar three-month period, ending on March 31, June 30, September 30 or December 31.

“**Rates**” shall have the meaning specified in Section 5.5 of the Participation Agreement.

“**Rating Agencies**” shall mean S&P, Moody’s and Fitch and any other comparable nationally recognized rating agency.

“**Real Property**” shall have the meaning specified in the Granting Clause of the Owner Lessor Mortgage.

“**Reasonable Basis**” for a position shall exist if tax counsel may properly advise reporting such position on a tax return in accordance with Formal Opinion 85 352 issued by the Standing Committee on Ethics and Professional Responsibility of the American Bar Association (or any successor to such opinion).

“**Rebuilding Closing Date**” shall have the meaning specified in Section 10.3(b) of the Facility Lease.

“**Redemption Date**” shall mean, when used with respect to any Lessor Notes to be redeemed, the date fixed for such redemption by or pursuant to the Lease Indenture or the respective Lessor Notes, which date shall be a Termination Date.

“**Registrar**” shall have the meaning specified in Section 2.8 of the Lease Indenture.

“**Regulatory Event of Loss**” shall mean a condition or circumstance where, if elected by the Owner Lessor, the Holdco or one or more affected Holdco Note Purchasers (by notice to the Facility Lessee) within 12 months of obtaining knowledge of the event or circumstance causing a “Regulatory Event of Loss,” the Owner Lessor, the Holdco or such affected Holdco Note Purchaser or Purchasers become subject to rate of return regulation or other applicable public utility law or regulation of a Governmental Entity that, in the reasonable opinion of the Owner Lessor, the Holdco or such affected Holdco Note Purchaser or Purchasers, is materially burdensome to the Owner Lessor, the Holdco or such affected Holdco Note Purchaser or Purchasers and cannot be remedied by cooperation among the parties and the taking of reasonable measures to alleviate the source or consequence of any such regulation or law, *provided* that: (i) such regulation or law is applicable solely as a result of the participation of the Owner Lessor, the Holdco or such affected Holdco Note Purchaser or Purchasers in the transactions contemplated by the Transaction Documents and not as a result of (A) any other investments, loans, or other business activities of the Owner Lessor, the Holdco or such affected Holdco Note Purchaser or Purchasers or their Affiliates or the nature of properties or assets owned, held or otherwise available to the Owner Lessor, the Holdco or such affected Holdco Note Purchaser or Purchasers or their Affiliates or (B) a failure of the Owner Lessor, the Holdco or such affected Holdco Note Purchaser or Purchasers or their Affiliates to perform routine, administrative or ministerial actions which would not have a material adverse consequence on the Owner Lessor, the Holdco or such affected Holdco Note Purchaser or Purchasers or their Affiliates; and (ii) the Owner Lessor, the Holdco or such affected Holdco Note Purchaser or Purchasers would no longer be subject to such law or regulation if the Owner Lessor terminated the Head Lease and the Facility Lease and transferred possession of the Facility to the Head Lessor, the Holdco disposed of its Membership Interests, or such affected Holdco Note Purchaser or Purchasers disposed of its or their Holdco Notes as the case may be.

“**Regulatory Event of Loss Termination Payment**” shall mean, with respect to any Termination Date, an amount equal to the product of (a) the Termination Value (Equity Portion) with respect to such Termination Date, *multiplied* by (b) the applicable Holdco Note Purchaser’s Percentage Interest of the Notes.

“**Related Party**” shall mean, with respect to any Person or its successors and assigns, an Affiliate of such Person or its successors and assigns and any director, officer, servant, employee or agent of that Person or any such Affiliate or their respective successors and assigns; *provided* that the Lessor Manager and the Owner Lessor shall not be treated as Related Parties to each other and neither the Owner Lessor nor the Lessor Manager shall be treated as a Related Party to the Holdco except that, for purposes of Section 9 of the Participation Agreement, the Owner Lessor will be treated as a Related Party to the Holdco to the extent that the Owner Lessor acts on the express direction or with the express consent of the Holdco.

"**Released Property**" shall have the meaning specified in Section 4.2 of the Ground Lease.

"**Relevant Portion**" shall mean (a) with respect to Section 10 of the Facility Lease, the Unit or Units suffering an Event of Loss or (b) with respect to Section 15 of the Facility Lease, the Unit or Units subject to TVA's exercise of the Early Buy Out, in either case with respect to a termination of the Facility Lease with respect to less than the entire Facility.

"**Reinvestment Yield**" shall mean, with respect to the Called Amount of any Equity Investment, 0.50% over the yield to maturity implied by the yield(s) reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Amount, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on-the-run U.S. Treasury securities **("Reported")** having a maturity equal to the Remaining Average Life of such Remaining Scheduled Payments as of such Settlement Date. If there are no such U.S. Treasury securities Reported having a maturity equal to such Remaining Average Life, then such implied yield to maturity will be determined by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between the yields Reported for the applicable most recently issued actively traded on-the-run U.S. Treasury securities with the maturities (1) closest to and greater than such Remaining Average Life and (2) closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Equity Investment. If such yields are not Reported or the yields Reported as of such time are not ascertainable (including by way of interpolation), then "**Reinvestment Yield**" shall mean, with respect to the Called Amount of any Equity Investment, 0.50% over the yield to maturity implied by the U.S. Treasury constant maturity yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Amount, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for the U.S. Treasury constant maturity having a term equal to the Remaining Average Life of such Called Amount as of such Settlement Date. If there is no such U.S. Treasury constant maturity having a term equal to such Remaining Average Life, such implied yield to maturity will be determined by interpolating linearly between (1) the U.S. Treasury constant maturity so reported with the term closest to and greater than such Remaining Average Life and (2) the U.S. Treasury constant maturity so reported with the term closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Equity Investment.

"**Remaining Average Life**" shall mean, with respect to any Called Amount, the number of years obtained by dividing (i) such Called Amount into (ii) the sum of the products obtained by multiplying (a) the return of equity component of each Remaining Scheduled Payment with respect to such Called Amount by (b) the number of years, computed on the basis of a 360-day year composed of twelve 30-day months, that will elapse between the Settlement Date with respect to such Called Amount and the scheduled due date of such Remaining Scheduled Payment.

"**Remaining Scheduled Payments**" shall mean, with respect to the Called Amount of any Equity Investment, all payments of Basic Lease Rent (Equity Portion) that would be due after the Settlement Date if no payment of such Called Amount were made prior to its scheduled due date.

"**Remediate**" or "**Remediation**" means an action or actions required by a Governmental Entity pursuant to Applicable Law to address an Environmental Condition or a release of Hazardous Substances, including monitoring, investigation, assessment, treatment, cleanup, containment, removal, mitigation, response or remediation work in connection with such Environmental Conditions or a release of Hazardous Substances.

"**Removable Modification**" shall have the meaning specified in Section 8.3 of the Facility Lease.

"**Rent**" shall mean Basic Lease Rent and Supplemental Lease Rent.

"**Rent Payment Date**" shall mean each May 15 and November 15, commencing November 15, 2026, to and including May 15, 2056.

"**Replacement Component**" shall have the meaning specified in Section 7.2 of the Facility Lease.

"**Replacement Power Bond**" shall have the meaning specified in Section 2.10(c) of the Lease Indenture.

"**Reported**" shall have the meaning specified in the definition of Reinvestment Yield in this Appendix A.

"**Required Modification**" shall have the meaning specified in Section 8.1 of the Facility Lease.

"**Responsible Officer**" shall mean (a) with respect to a corporation or limited liability company, its Chairman of the Board, its President, any Senior Vice President, the Chief Financial Officer, any Vice President, the Treasurer, its Independent Manager or any other management employee (i) that has the power to take the action in question and has been authorized, directly or indirectly, by the Board of Directors (or equivalent body) of such Person, (ii) working under the direct supervision of such Chairman of the Board, President, Senior Vice President, Chief Financial Officer, Vice President or Treasurer, and (iii) whose responsibilities include the administration of the transactions and agreements contemplated by the Transaction Documents, (b) with respect to the Lease Indenture Trustee, an officer in its corporate trust administration department, (c) with respect to TVA, its Chairman of the Board, its President, any Senior Vice President, the Chief Financial Officer, any Vice President, the Treasurer or any other management employee, (d) with respect to the Owner Lessor, the Lessor Manager and (e) with respect to the Holdco, the Holdco Manager.

"**Revenues**" shall have the meaning specified in the Granting Clause of the Lease Indenture.

"**S&P**" shall mean S&P Global Ratings or any successor thereto.

“**Sale Net Termination Value**” shall have the meaning set forth in Section 18.2(e) of the Facility Lease.

“**Scheduled Closing Date**” shall mean May 26, 2026 and any date set for the Closing in a notice of postponement pursuant to Section 2.3(a) of the Participation Agreement.

“**Scheduled Payment Date**” shall mean a Rent Payment Date.

“**SEC**” shall mean the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934.

“**Secured Indebtedness**” shall have the meaning specified in Section 1 of the Lease Indenture.

“**Secured Obligations**” shall have the meaning set forth in the Granting Clause of the Owner Lessor Mortgage.

“**Securities Act**” shall mean the Securities Act of 1933, as amended.

“**Security**” shall have the same meaning as in Section 2(a)(1) of the Securities Act.

“**Service Commencement Date**” shall mean the date upon which the Facility Lease expires or terminates and possession and control of the Owner Lessor’s Interest is delivered to the Owner Lessor or its designee pursuant to Section 5 or Section 18.2 of the Facility Lease.

“**Settlement Date**” shall mean, with respect to the Called Amount of any Equity Investment, the date, which shall be a Termination Date, on which such Called Amount is to be repaid pursuant to Section 15 of the Facility Lease.

“**Severable Modification**” shall mean any Modification that is removable without causing material damage to the Facility that cannot readily be repaired.

“**Significant Lease Default**” shall mean any of: (i) TVA shall fail to make any payment of Basic Lease Rent or Termination Value on the relevant payment date or after the same shall have become due and payable, (ii) TVA shall fail to make any payment of Supplemental Lease Rent in excess of $350,000 (other than Excepted Payments, or Termination Value or any amount determined by reference thereto) on the relevant payment date after the same shall have become due and payable, except to the extent such amounts are the subject of a good faith dispute and have not been established to be due and payable, or (iii) an event which is or, with the passage of time would be, a Lease Event of Default under Section 17(e) or (f) of the Facility Lease.

“**Significant Lease Indenture Default**” shall mean a failure by the Owner Lessor to make any payment of principal or interest on the Lessor Notes after the same shall have become due and payable.

“**Similar Law**” shall mean any federal, state or local law that is substantially similar to Title I of ERISA or Section 4975 of the Code.

“**Special Lessee Transfer**” shall have the meaning specified in Section 12 of the Participation Agreement.

“**Special Lessee Transfer Amount**” shall mean for any Termination Date, the amount determined as follows: (i) the Termination Value (Equity Portion) under the Facility Lease on such Termination Date; *plus* (ii) any unpaid Basic Lease Rent (Equity Portion) due on or before such Termination Date; *plus* (iii) the Equity Breakage.

“**Station Service Requirements**” shall mean the Capacity and Energy required during any period (including initial start-up and testing) and supplied from any source other than the Facility for operation of all on-site process and auxiliary equipment and systems used or useful in connection with the operation and maintenance of the Facility.

“**Subcontractors**” shall have the meaning specified in the third recital of the Construction Management Agreement.

“**Subordinated Resolution**” shall mean the Tennessee Valley Authority Subordinated Debt resolution adopted March 29, 1995, as amended and supplemented.

“**Supplemental Financing**” shall have the meaning specified in Section 11.2(b) of the Participation Agreement.

“**Supplemental Lease Rent**” shall mean any and all amounts, liabilities and obligations (other than Basic Lease Rent or any amount determined by reference thereto) that TVA assumes, agrees to or is required to pay under the Transaction Documents (whether or not identified as “Supplemental Lease Rent”) to the Owner Lessor or any other Person, including Termination Value and Make Whole Premium.

“**Support Agreement**” shall mean the Operating and Support Agreement, dated as of the Closing Date, between the Owner Lessor and TVA, substantially in the form of Exhibit H to the Participation Agreement.

“**Tax**” or “**Taxes**” shall mean all fees, taxes (including sales taxes, use taxes, stamp taxes, value added taxes, ad valorem taxes and property taxes (personal and real, tangible and intangible)), levies, assessments, withholdings and other charges and impositions of any nature, plus all related interest, penalties, fines and additions to tax, now or hereafter imposed by any federal, state, local or foreign government or other taxing authority (including penalties or other amounts payable pursuant to subtitle B of Title I of ERISA).

“**Tax Advance**” shall have the meaning specified in Section 9.2(g)(iii)(4) of the Participation Agreement.

“**Tax Benefit**” shall have the meaning specified in Section 9.2(e) of the Participation Agreement.

“**Tax Claim**” shall have the meaning specified in Section 9.2(g)(i) of the Participation Agreement.

“**Tax Event**” shall mean any event or transaction that results in a Noteholder being subject to U.S. federal income tax on a different amount, in a different manner or at a different time than would have been the case if such event had not occurred.

“**Tax Indemnitee**” shall have the meaning specified in Section 9.2(a) of the Participation Agreement.

“**Term-Out Notice Date**” shall mean the date on which TVA delivers written notice to the Owner Lessor of TVA’s election to pay the Net TV Amount in accordance with Section 18.4 of the Facility Lease.

“**Term-Out Payment Dates**” shall have the meaning specified in Section 18.4 of the Facility Lease.

“**Termination Date**” shall mean each of the monthly dates during the Facility Lease Term identified as a “Termination Date” on Schedule 2 of the Facility Lease.

“**Termination Value**” for any Termination Date shall mean an amount equal to the sum of (a) Termination Value (Debt Portion) and (b) Termination Value (Equity Portion) for such Termination Date.

“**Termination Value (Debt Portion)**” for any Termination Date shall mean the amount set forth under the heading “Termination Value (Debt Portion)” on Schedule 2 of the Facility Lease for such Termination Date.

“**Termination Value (Equity Portion)**” for any Termination Date shall mean the amount set forth under the heading “Termination Value (Equity Portion)” on Schedule 2 of the Facility Lease for such Termination Date.

“**Transaction**” shall mean, collectively, the transactions contemplated under the Participation Agreement and the other Transaction Documents.

“**Transaction Costs**” shall mean the following costs to the extent substantiated or otherwise supported in reasonable detail:

(i) the cost of reproducing and printing the Transaction Documents and the Offering Circular and all costs and fees, including filing and recording fees and recording, transfer, mortgage, intangible and similar taxes in connection with the execution, delivery, filing and recording of the Head Lease, the Facility Lease, the Ground Lease, the Ground Sublease and any other Transaction Document, and any other document required to be filed or recorded pursuant to the provisions hereof or of any other Transaction Document and any Uniform Commercial Code filing fees in respect of the perfection of any security interests created by any of the Transaction Documents or as otherwise reasonably required by the Owner Lessor or the Lease Indenture Trustee;

(ii) the reasonable fees and expenses of Clifford Chance US LLP, counsel to the Owner Lessor, the Holdco and the Holdco Note Purchasers, for services rendered in connection with the negotiation, execution and delivery of the Participation Agreement and the other Transaction Documents, subject to the terms set forth in the fee arrangement between TVA and Clifford Chance US LLP;

(iii) the reasonable fees and expenses of Bass, Berry & Sims PLC, Tennessee counsel to the Holdco and the Underwriters, for services rendered in connection with the negotiation, execution and delivery of the Participation Agreement and the other Transaction Documents, subject to the terms set forth in the fee arrangement between TVA and Bass, Berry & Sims PLC;

(iv) the reasonable fees and expenses of Orrick, Herrington & Sutcliffe LLP, special counsel to TVA, and Baker, Donelson, Bearman, Caldwell, & Berkowitz, PC, Tennessee counsel to TVA, for services rendered in connection with the negotiation, execution and delivery of the Participation Agreement, the other Transaction Documents and the Underwriting Agreement and the preparation of the Offering Circular, subject to the terms of the fee arrangement between TVA and Orrick, Herrington & Sutcliffe LLP, and the fee arrangement between TVA and Baker, Donelson, Bearman, Caldwell, & Berkowitz, PC;

(v) the reasonable fees and expenses of Morris James LLP, counsel for the Owner Lessor, the Lessor Manager, and the Holdco Manager, for services rendered in connection with the negotiation, execution and delivery of the Participation Agreement and the other Transaction Documents;

(vi) the reasonable fees and expenses of White & Case, LLP, counsel to the Underwriters, for services rendered in connection with the negotiation, execution and delivery of the Participation Agreement, the other Transaction Documents and the Underwriting Agreement and the preparation of the Offering Circular, subject to the terms set forth in the fee arrangement between TVA and White & Case, LLP;

(vii) the reasonable fees and expenses of Richards, Layton & Finger, PA, counsel for the Lease Indenture Trustee and Holdco Collateral Agent for services rendered in connection with the negotiation, execution and delivery of the Participation Agreement and the other Transaction Documents;

(viii) the underwriting discounts and commissions payable to, and reasonable out of pocket expenses of, the Underwriters;

(ix) the reasonable fees and expenses of Ernst & Young LLP for services rendered in connection with the Transaction;

(x) the reasonable, documented out-of-pocket expenses of the Holdco, each Holdco Note Purchaser, the Owner Participant and the Owner Lessor;

(xi) the initial fees and expenses of the Lease Indenture Trustee in connection with the execution and delivery of the Participation Agreement and the other Transaction Documents to which it is or will be a party;

(xii) the fees and expenses of the Appraiser, for services rendered in connection with delivering the Closing Appraisal required by Section 4 of the Participation Agreement;

(xiii) the fees and expenses of the Engineering Consultant, for services rendered in connection with delivering the Engineering Report required by Section 4 of the Participation Agreement; and

(xiv) the fees and expenses of the Rating Agencies in connection with the rating of the Lessor Notes.

Notwithstanding the foregoing, Transaction Costs shall not include internal costs and expenses such as salaries and overhead of whatsoever kind or nature nor costs incurred by the parties to the Participation Agreement pursuant to arrangements with third parties for services (other than those expressly referred to above), such as the fees and expenses of financial analysis and consulting, advisory services, and costs of a similar nature.

"**Transaction Documents**" shall mean the Operative Documents, the Construction Management Agreement and the Holdco Note Purchase Documents.

"**Transaction Party(ies)**" shall mean, individually or collectively as the context may require, all or any of the parties to the Transaction Documents (including Wilmington Trust).

"**Transferee**" shall have the meaning specified in Section 7.1(a) of the Participation Agreement.

"**Transmission Services Guidelines**" shall mean the "Transmission Services Guidelines" of TVA or any successor tariff thereto of general applicability governing the provision of such transmission services and associated ancillary services over the TVA transmission facilities.

"**Treasury Regulations**" shall mean regulations, including temporary regulations, promulgated under the Code.

"**Trust Indenture Act**" shall mean the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed except as provided in Section 905 of such act; *provided*, *however*, that in the event the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"**TVA**" shall have the meaning set forth in the introductory paragraph to the Participation Agreement.

"**TVA Act**" shall mean the Tennessee Valley Authority Act of 1933, as amended.

"**Uncontrollable Forces**" shall have the meaning set forth in Section 8.2 of the Support Agreement.

"**Underwriters**" shall mean Morgan Stanley & Co. LLC, Barclays Capital Inc., BofA Securities, Inc., J.P. Morgan Securities LLC, RBC Capital Markets, LLC, CIBC World Markets Corp., Citigroup Global Markets Inc., TD Securities (USA) LLC, U.S. Bancorp Investments, Inc., and Wells Fargo Securities, LLC.

“**Underwriting Agreement**” shall mean the Underwriting Agreement, dated the Effective Date, between TVA and the Underwriters.

“**Uniform Commercial Code**” or “**UCC**” shall mean the Uniform Commercial Code as in effect in the applicable jurisdiction.

“**Uniform System of Accounts**” shall mean the Uniform System of Accounts prescribed by FERC, as in effect on the Closing Date and as from time to time and thereafter amended, or the chart of accounts and accounting classifications which may be substituted for such Uniform System of Accounts from time to time by FERC or its successor for such purpose.

“**Unit** ” and collectively the “**Units** ” shall mean each of the two (2) General Electric 7HA.03 combustion turbine generators, together with the related General Electric heat recovery steam generator and the related General Electric D600 steam turbine and General Electric H53 steam turbine generator, and any Components exclusively related thereto, as more particularly described on Exhibit A to the Facility Lease.

“**U.S. Government Obligations**” shall mean securities that are (i) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case under clauses (i) or (ii) are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt, *provided* that (except as required by law) such custodian is not authorized to make any deduction in the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“**Verifier**” shall have the meaning specified in Section 3.4(c) of the Facility Lease.

“**Wilmington Trust**” shall have the meaning set forth in the introductory paragraph to the Participation Agreement.

“**Work**” shall have the meaning specified in Section 2.1(a) of the Construction Management Agreement.

Copies of the Ground Lease, the Ground Sublease, the Head Lease, the Facility Lease, the Owner Lessor Mortgage, and the Lease Indenture are of record with the office of the Register of Deeds of Stewart County, Tennessee.

Index

Attachment A
to
<u>Head Lease</u>

DESCRIPTION OF THE FACILITY

The Facility consists of generating Units, Common Facilities, and other equipment, material or property, other than real property, associated with the Units and Common Facilities, all of which are located on, under, or over the Facility Site, which Facility Site is the real property located in Stewart County, Tennessee and is described in greater detail in Exhibit 1 to the Ground Lease.

The Facility will have two (2) 1-on-1 multi-shaft combined cycle Power Island Equipment (PIE) trains, each with a nominal output of 725 MW. Each Unit consists of a General Electric ("GE") 7HA.03 combustion turbine, GE H84 combustion turbine generator ("CTG"), GE Heat Recovery Steam Generator (HRSG), with GE D600 Steam Turbines and GE H53 generators steam turbine generator ("STG").

The Facility will also include ancillary equipment, except for any Component exclusively constituting Common Facilities. Natural gas will be the only fuel.

Each PIE Train includes:

- Combustion Gas Turbine (GT) - GE GT-7HA.03 Unit
- Turning Gear & Syncho-self shifting (SSS) clutch
- Dry Low NOx (DLN) Combustion System
- Hot Day Augmentation System (HDAS) on the GT
- Exhaust System Bypass Stack
- Air Filtration Pulse filter (self-cleaning)
- Inlet Evaporative Cooling System
- Compressor/Turbine Cleaning On-line and off–line Compressor Water Wash
- Heat Recovery Steam Generator (HRSG) - Natural Circulation, Horizontal Gas Flow, Reheat Units, Rapid Response Lite, Supplemental Firing Fired on NG only
- Emissions Control- Selective Catalytic Reactor (SCR) and Carbon Monoxide (CO) Catalyst (19% Aqueous Ammonia to be utilized)
- Stack Closure Damper
- HRSG Exhaust Stack - Height 160 ft, Diameter 22.9 ft
- Boiler Feedwater System
- Boiler Blowdown Tank and System
- Steam Turbine (ST) - GE STF-D600 Units - Combined HP-IP
- Gas Turbine Generator - GE H84 Unit (Assembled rotor), hydrogen cooled
- Generator Hydrogen Detection Systems
- Generator Excitation System
- Packaged Electric and Electronic Control Compartment (PEECC)
- Combined LCI/Exciter Compartment (LEC)

- Current & Voltage Transformers
- Generator Seal Oil Systems
- Lube Oil Systems
- Steam Turbine Generator - GE H53 Unit (Assembled rotor), Hydrogen cooled
- GT/ST Closed Loop Cooling System (50% propylene glycol/water)
- Steam Turbine Condenser - Air Cooled Condenser (ACC)
- Fuel Gas Conditioning System (Flow measurement, filtration, heating)
- Control Systems - Bottoming Cycle Control System (BCCS) GE Mark VIe
- HRSG Burner Management System
- Rotor, Bearing and Performance Monitoring Systems
- Generator Protection Panel (GPP)
- Power Distribution Building
- Auxiliary Boiler with redundant steam crossover
- Continuous Emissions Monitoring System (CEMS) (Provided by TVA)
- Transformers including Generator Step-up (GSUT), Essential Services (EST), Medium Voltage (MV)
- Electrical Systems (Grounding, Lightening, etc.)
- Generator Circuit Breakers (GCB)
- Switchgear (MV & 480 V)

The Common Facilities are equipment and facilities that are used for the operation of the (2) PIE trains (units) at the Facility. These shared facilities support the Units.

The Common Facilities are as follows:

- Compressed Air Systems
- Fuel (Natural) Gas Supply (Conditioning and Compression) System
- Aqueous Ammonia Storage and Supply System for SCR
- Oil-Water Separation and Discharge System
- Process Water Treatment and Discharge system
- Fire Protection & Detection Systems
- Potable Water Storage (Tanks) and Supply System
- Safety Eye Wash Stations
- Storm Water Drain System
- Sanitary (Septic) System
- Demineralized Water Storage (Tanks) and Supply System
- Administration Building including Control Room and Maintenance Facilities
- Outage Control Center with Shop Facilities
- Warehouse

Attachment B
to
<u>Head Lease</u>

PERMITTED CLOSING DATE LIENS

None.

Exhibit 10.7
Execution Version

This instrument prepared by:
Kyle W. Drefke, Esq.
Orrick, Herrington & Sutcliffe LLP
2100 Pennsylvania Avenue NW
Washington, D.C. 20037
(212) 339-8434

FACILITY LEASE-PURCHASE AGREEMENT

Dated as of May 26, 2026

between

CUMBERLAND COMBINED CYCLE GENERATION LLC,
as Owner Lessor

and

TENNESSEE VALLEY AUTHORITY,
as Facility Lessee

CUMBERLAND COMBINED CYCLE FACILITY
located in Stewart County, Tennessee

CERTAIN OF THE RIGHT, TITLE AND INTEREST OF THE OWNER LESSOR IN AND TO THIS FACILITY LEASE AND THE RENT DUE AND TO BECOME DUE HEREUNDER HAVE BEEN ASSIGNED AS COLLATERAL SECURITY TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF, WILMINGTON TRUST, NATIONAL ASSOCIATION, NOT IN ITS INDIVIDUAL CAPACITY BUT SOLELY AS LEASE INDENTURE TRUSTEE UNDER AN INDENTURE OF TRUST, DEED OF TRUST AND SECURITY AGREEMENT, DATED AS OF MAY 26, 2026, BETWEEN SAID LEASE INDENTURE TRUSTEE, AS SECURED PARTY, AND THE OWNER LESSOR, AS DEBTOR. SEE SECTION 22 HEREOF FOR INFORMATION CONCERNING THE RIGHTS OF THE ORIGINAL HOLDER AND THE HOLDERS OF THE VARIOUS COUNTERPARTS HEREOF.

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

FACILITY LEASE-PURCHASE AGREEMENT

This **FACILITY LEASE-PURCHASE AGREEMENT,** dated as of May 26 2026 (this "Facility Lease"), between **CUMBERLAND COMBINED CYCLE GENERATION LLC**, a Delaware limited liability company (the "Owner Lessor"), and **TENNESSEE VALLEY AUTHORITY**, a wholly owned corporate agency and instrumentality of the United States (the "Facility Lessee" or "TVA").

WITNESSETH:

WHEREAS, TVA is constructing the Cumberland combined cycle combustion turbine facility located in Stewart County, Tennessee, a combined cycle generating facility designed to have a nominal generation capacity of approximately 1,450 megawatts (as constructed from time to time and as more particularly described on Exhibit A to this Facility Lease, the "Facility");

WHEREAS, the Facility Lessee holds title to the Facility, and, pursuant to the Head Lease as of the Closing Date, the Owner Lessor has leased the Facility from the Facility Lessee as of the Closing Date for the Head Lease Term;

WHEREAS, on the Closing Date, the Facility Lessee is entering into the Construction Management Agreement pursuant to which TVA is agreeing to complete construction of the Facility;

WHEREAS, the Facility Lessee and the Owner Lessor desire to enter into this Facility Lease, which provides, among other terms, that the Facility Lease Term will commence upon the Lease Commencement Date;

WHEREAS, pursuant to and subject to the terms and conditions of this Facility Lease, the Owner Lessor will sublease the Facility to the Facility Lessee for the Facility Lease Term;

WHEREAS, the Facility is located on the Facility Site;

WHEREAS, pursuant to the Ground Lease, the Owner Lessor is acquiring from the Ground Lessor the Ground Interest for the Ground Lease Term; and

WHEREAS, pursuant to the Ground Sublease, the Owner Lessor will sublease and grant the Ground Interest to the Facility Lessee, as Ground Sublessee, for the term provided therein.

NOW, THEREFORE, in consideration of the foregoing premises, the mutual agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

Unless the context hereof otherwise requires, capitalized terms used in this Facility Lease, including those in the recitals, and not otherwise defined herein shall have the respective meanings set forth in Appendix A hereto. The general provisions of such Appendix A shall apply to the terms used in this Facility Lease and specifically defined herein.

SECTION 2. LEASE OF THE FACILITY

Section 2.1 Binding Nature. This Facility Lease has been executed and delivered by, and is binding on, and enforceable against, the Facility Lessee and the Owner Lessor as of the Closing Date, *provided, however*, that the Facility Lease Term shall commence upon the occurrence of the Lease Commencement Date.

Section 2.2 Lease. On the Lease Commencement Date, without the necessity for any further action, the Owner Lessor shall sublease, and as of the Lease Commencement Date subleases, the Facility to the Facility Lessee and the Facility Lessee shall sublease, and as of the Lease Commencement Date subleases, the Facility from the Owner Lessor, subject in each case to the terms set forth herein.

Section 2.3 Title; Construction Completion; Modifications; Replacements. The Facility Lessee and the Owner Lessor understand and agree that (a) this Facility Lease is a sublease and is subject to the Head Lease and the interest of the Head Lessor under the Head Lease, (b) legal title to the Facility remains vested in the Head Lessor, (c) this Facility Lease is subject to Permitted Closing Date Liens, (d) the Facility (as of the date hereof) has not achieved Provisional Acceptance, and (e) this Facility Lease is intended to be a lease of personal property under Tennessee law. Any portion of the Facility which is added to, or otherwise becomes a part of, the Facility after the Closing Date in accordance with the Construction Management Agreement shall (at no cost to the Owner Lessor and with no adjustment to Basic Lease Rent or Termination Value) automatically (i) become subject to this Facility Lease (subject to the occurrence of the Lease Commencement Date) and, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, the Lien of the Lease Indenture, and (ii) be deemed part of the Facility for all purposes, including for purposes of this Facility Lease. The Facility Lessee and the Owner Lessor further understand and agree that the Owner Lessor's Interest shall also include an interest in (A) all Modifications which are incorporated in the Facility and which pursuant to Section 8.3 hereof become subject to this Facility Lease and (B) all Replacement Components which become part of the Facility pursuant to Section 7.2 hereof, and that any such Modifications and Replacement Components shall, immediately upon such incorporation or replacement, become subject to this Facility Lease and, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, the Lien of the Lease Indenture.

SECTION 3. FACILITY LEASE TERM AND RENT

Section 3.1 Facility Lease Term. The term of this Facility Lease (the "Facility Lease Term") shall commence on the Lease Commencement Date and shall terminate at 11:59 p.m., New

York City time, on the Expiration Date, subject to earlier termination (a) in whole pursuant to Sections 15 or 18 hereof or (b) in part with respect to a Relevant Portion of the Facility pursuant to Section 15 hereof; *provided, however*, that if a Significant Lease Default shall have occurred prior to the then scheduled expiration of the Facility Lease Term and is continuing on such date, the Facility Lease Term shall be extended until such time as either (i) such Significant Lease Default has been cured and all relevant amounts due and payable by TVA hereunder and under the other Transaction Documents have been paid or (ii) the Facility Lessee has delivered possession of the Facility and the Facility Site to the Owner Lessor in accordance with the terms hereof, including as a result of the exercise of the dispossessory remedies set forth in Section 18.2 hereof.

Section 3.2 Rent. The Facility Lessee hereby agrees to pay to the Owner Lessor basic lease rent ("Basic Lease Rent") for the lease of the Facility during the Facility Lease Term in installments payable on each Rent Payment Date in the amount set forth opposite such Rent Payment Date under the columns entitled "Basic Lease Rent (Debt Portion)" and "Basic Lease Rent (Equity Portion)" on Schedule 1 hereto, subject to adjustment in accordance with Section 3.4 hereof. In the event this Facility Lease shall have been terminated in part pursuant to Section 15 with respect to a Relevant Portion of the Facility, Basic Lease Rent payable on any Rent Payment Date thereafter shall be determined by multiplying the amount calculated pursuant to the immediately preceding sentence by a fraction, the numerator of which is the number of Units that continue to be subject to this Facility Lease and the Head Lease after giving effect to such termination and the denominator of which is the number of Units subject to this Facility Lease immediately prior to such partial termination, and Basic Lease Rent and Termination Value shall be adjusted downward by such amount in accordance with Section 3.4. All Basic Lease Rent to be paid pursuant to this Section 3.2 shall be payable in the manner set forth in Section 3.5.

Section 3.3 Supplemental Lease Rent. The Facility Lessee also agrees to pay to the Owner Lessor, or to any other Person entitled thereto as expressly provided herein or in any other Transaction Document, as appropriate, any and all Supplemental Lease Rent, promptly as the same shall become due and owing, or where no due date is specified, promptly after demand by the Person entitled thereto, and on an After-Tax Basis to the extent such Supplemental Lease Rent is paid in order to pay, or reimburse the Owner Lessor or the Indenture Trustee for, costs or expenses of the Owner Lessor or the Indenture Trustee under any Transaction Document and in the event of any failure on the part of the Facility Lessee to pay any Supplemental Lease Rent, the Owner Lessor shall have all rights, powers and remedies provided for herein. The Facility Lessee will also pay as Supplemental Lease Rent, to the extent permitted by Applicable Law, an amount equal to interest at the Overdue Rate on any part of any payment of Basic Lease Rent not paid when due for any period for which the same shall be overdue and on any Supplemental Lease Rent not paid when due (whether on demand or otherwise) for the period from such due date until the same shall be paid. All Supplemental Lease Rent to be paid pursuant to this Section 3.3 shall be payable in the manner set forth in Section 3.5.

Section 3.4 Adjustment of Lease Schedules.

(a) The Facility Lessee and the Owner Lessor agree that Basic Lease Rent shall be adjusted after the Closing Date, either upwards or downwards, to reflect (i) a reduction in Basic Lease Rent in connection with a partial termination of the Facility Lease pursuant to Section 15 calculated in accordance with the second sentence of Section 3.2, (ii) a reduction in Basic Lease Rent in connection with the prepayment of one or more Holdco Notes in connection with a Regulatory Event of Loss calculated in accordance with Section 13.2(c), and (iii) either a reduction or an increase in Basic Lease Rent to reflect the principal amount, amortization and interest rate on any Additional Lessor Notes issued pursuant to Section 2.12 of the Lease Indenture in connection with (A) a refinancing of the Lessor Notes pursuant to Section 11.1 of the Participation Agreement or (B) a Supplemental Financing pursuant to Section 11.2 of the Participation Agreement. Any adjustments pursuant to this Section 3.4 shall be calculated in a manner to ensure that Basic Lease Rent payable hereunder is in an amount sufficient to enable the Owner Lessor to pay the principal of and interest on the Lessor Notes (after taking into account such Additional Lessor Notes issued pursuant to Section 11.2 of the Participation Agreement and refinancing of Lessor Notes in accordance with Section 11.1 of the Participation Agreement, as applicable) due and payable on each scheduled payment date in respect of such Lessor Note and to preserve the return on and of the Equity Investment and, in the case of a Supplemental Financing, any Additional Equity Investment made pursuant to Section 11.2 of the Participation Agreement, as contemplated at the time the Equity Investment or Additional Equity Investment, if any, was made through the end of the Facility Lease Term calculated in a manner consistent with the initial calculation of the return on and of the Equity Investment of the Owner Lessor and the Holdco, including as to the U.S. federal, state and local income tax consequences of the return on and of such investment and of the receipt of Basic Lease Rent and Supplemental Lease Rent by the Owner Lessor for the payment of amounts due and payable by the Owner Lessor under or with respect to the Lessor Notes or the Lease Indenture. The adjustments contemplated by this Section 3.4 will result in corresponding adjustments to the Termination Values. Any adjustment pursuant to this Section 3.4(a) shall be made subject to and in compliance with Section 3.4(b) hereof.

(b) Anything herein or in any other Transaction Document to the contrary notwithstanding, Basic Lease Rent payable on any Rent Payment Date, whether or not adjusted in accordance with this Section 3.4, shall, in the aggregate, be in an amount at least sufficient to pay in full the scheduled principal of and interest payments on the Lessor Notes on such Rent Payment Date, other than any such scheduled principal of and interest payments on the Lessor Notes to the extent paid from the Construction Period Financing Account pursuant to Section 2.17 of the Lease Indenture. Anything herein or in any other Transaction Document to the contrary notwithstanding, Termination Values on any date under this Facility Lease, whether or not adjusted in accordance with this Section 3.4, shall, together with Basic Lease Rent due and owing on such date, be in an amount at least sufficient to pay in full the principal of, and accrued interest on, the Lessor Notes payable on such date.

(c) Any adjustment pursuant to this Section 3.4 shall initially be computed by the Facility Lessee, subject to the verification procedure described in this Section 3.4(c). Once computed, the results of such computation shall promptly be delivered by the Facility Lessee to the Owner Lessor. Within 20 days after the receipt of the results of any such adjustment, the Owner Lessor may request that a nationally recognized firm of independent public accountants (which firm shall not be the primary accountants for the Facility Lessee, the Owner Lessor, the Holdco or the Lease Indenture Trustee) jointly selected by the Owner Lessor and the Facility Lessee (the "Verifier") verify, after consultation with the Owner Lessor and the Facility Lessee, the accuracy of such adjustment in accordance with this Section 3.4. The Owner Lessor and the Facility Lessee hereby agree, subject to the execution by the Verifier of an appropriate confidentiality agreement, to provide the Verifier with all information and materials (other than income tax returns) as shall be necessary in connection therewith. If the Verifier confirms that such adjustment is in accordance with this Section 3.4, it shall so certify to the Facility Lessee and the Owner Lessor and such certification shall be final, binding and conclusive on the Facility Lessee, the Owner Lessor and the Holdco. If the Verifier concludes that such adjustment is not in accordance with this Section 3.4, and the adjustments to Basic Lease Rent or Termination Value calculated by the Verifier are different from those calculated by the Facility Lessee, then it shall so certify to the Facility Lessee and the Owner Lessor and the Verifier's calculation shall be final, binding and conclusive on the Facility Lessee, the Owner Lessor and the Holdco. If the Owner Lessor does not request verification of any adjustment within the period specified above, the computation provided by the Facility Lessee shall be final, binding and conclusive on the Facility Lessee, the Owner Lessor and the Holdco. The final determination of any adjustment hereunder shall be set forth in an amendment to this Facility Lease, executed and delivered by the Owner Lessor and the Facility Lessee; *provided, however*, that any omission to execute and deliver such amendment shall not affect the validity and effectiveness of any such adjustment. The reasonable fees, costs and expenses of the Verifier in verifying an adjustment pursuant to this Section 3.4 shall be paid by the Facility Lessee. Notwithstanding anything herein to the contrary, the sole responsibility of the Verifier shall be to verify the calculations hereunder and matters of interpretation of this Facility Lease or any other Transaction Document shall not be within the scope of the Verifier's responsibilities.

Section 3.5 Manner of Payments. All Rent (whether Basic Lease Rent or Supplemental Lease Rent) shall be paid by the Facility Lessee in lawful currency of the United States of America in immediately available funds to the recipient not later than 1:00 p.m. (New York City time) on the date due. All Rent payable to the Owner Lessor (other than Excepted Payments) shall be paid by the Facility Lessee to the Owner Lessor by payment to the Owner Lessor's Account, or to such other place as the Owner Lessor shall notify the Facility Lessee in writing; *provided, however*, that so long as the Lien of the Lease Indenture has not been discharged, the Owner Lessor hereby irrevocably directs (it being agreed and understood that such direction shall be deemed to have been revoked after the Lien of the Lease Indenture shall have been fully discharged in accordance with its terms), and the Facility Lessee agrees, that all payments of Rent (other than Excepted Payments) payable to the Owner Lessor shall be paid by wire transfer directly to the Lease Indenture Trustee's Account or to such other place as the Lease Indenture Trustee shall notify the Facility Lessee in writing pursuant to the Lease Indenture. Payments constituting Excepted Payments shall be made to the Person entitled thereto at the address for such Person set forth in the Participation Agreement, or to such other place as such Person shall notify the Facility Lessee in writing.

SECTION 4. DISCLAIMER OF WARRANTIES; RIGHT OF QUIET ENJOYMENT

Section 4.1 Disclaimer of Warranties.

(a) Without waiving any claim the Facility Lessee may have against any manufacturer, vendor or contractor, THE FACILITY LESSEE ACKNOWLEDGES AND AGREES SOLELY FOR THE BENEFIT OF THE OWNER LESSOR, THE LESSOR MANAGER, THE HOLDCO AND THE LEASE INDENTURE TRUSTEE THAT (i) THE FACILITY AND EACH COMPONENT THEREOF IS OF A SIZE, DESIGN, CAPACITY AND MANUFACTURE ACCEPTABLE TO THE FACILITY LESSEE, (ii) THE FACILITY LESSEE IS SATISFIED THAT THE FACILITY AND EACH COMPONENT THEREOF IS SUITABLE FOR THEIR RESPECTIVE PURPOSES, (iii) NONE OF THE OWNER LESSOR, THE LESSOR MANAGER, THE HOLDCO OR THE LEASE INDENTURE TRUSTEE IS A MANUFACTURER OR A DEALER IN PROPERTY OF SUCH KIND, AND (iv) THE FACILITY IS LEASED HEREUNDER TO THE EXTENT PROVIDED HEREBY FOR THE FACILITY LEASE TERM SPECIFIED HEREIN SUBJECT TO ALL APPLICABLE LAWS NOW IN EFFECT OR HEREAFTER ADOPTED, INCLUDING (A) ZONING REGULATIONS, (B) ENVIRONMENTAL LAWS AND (C) BUILDING RESTRICTIONS, AND IN THE STATE AND CONDITION OF EVERY PART THEREOF WHEN THE SAME FIRST BECAME SUBJECT TO THIS FACILITY LEASE, WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND BY THE OWNER LESSOR, THE LESSOR MANAGER, THE HOLDCO OR THE LEASE INDENTURE TRUSTEE AND (vi) THE OWNER LESSOR LEASES FOR THE FACILITY LEASE TERM SPECIFIED HEREIN AND THE FACILITY LESSEE TAKES THE FACILITY UNDER THIS FACILITY LEASE “AS-IS”, “WHERE-IS” AND “WITH ALL FAULTS”, AND THE FACILITY LESSEE ACKNOWLEDGES THAT NONE OF THE OWNER LESSOR, THE LESSOR MANAGER, THE HOLDCO OR THE LEASE INDENTURE TRUSTEE MAKES NOR SHALL BE DEEMED TO HAVE MADE, AND EACH EXPRESSLY DISCLAIMS, ANY AND ALL RIGHTS, CLAIMS, WARRANTIES OR REPRESENTATIONS, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, CONDITION, FITNESS FOR ANY PARTICULAR PURPOSE, DESIGN, OPERATION, MERCHANTABILITY OF THE FACILITY OR AS TO THE TITLE TO THE FACILITY, THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE FACILITY OR CONFORMITY THEREOF TO SPECIFICATIONS, FREEDOM FROM PATENT, COPYRIGHT OR TRADEMARK INFRINGEMENT, THE ABSENCE OF ANY LATENT OR OTHER DEFECT, WHETHER OR NOT DISCOVERABLE, OR AS TO THE ABSENCE OF ANY OBLIGATIONS BASED ON STRICT LIABILITY IN TORT OR ANY OTHER EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY WHATSOEVER WITH RESPECT THERETO, except that the Owner Lessor represents and warrants that on the Closing Date and the Lease Commencement Date, the Facility will be free of Owner Lessor’s Liens. It is agreed that all such risks, as between the Owner Lessor, the Lessor Manager, the Holdco and the Lease Indenture Trustee on the one hand and the Facility Lessee on the other hand are to be borne by the Facility Lessee with respect to acts, occurrences or omissions prior to or during the Facility Lease Term. None of the Owner Lessor, the Lessor Manager, the Holdco or the Lease Indenture Trustee shall have any responsibility or liability to the Facility Lessee or any other Person with respect to any of the following: (1) any liability, loss or damage caused or alleged to be caused directly or indirectly by the Facility or any Component or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (2) the use, operation or performance of the Facility, any Unit or any Component thereof or any risks relating thereto; or (3) the construction, delivery, operation, servicing, maintenance, repair, improvement, replacement or decommissioning of the Facility, any Unit or any Component thereof. The provisions of this paragraph (a) of this Section 4.1 have been negotiated, and, except to the extent otherwise expressly stated, the foregoing provisions are intended to be a complete exclusion and negation of any representations or warranties of the Owner Lessor, the Lessor Manager, the Holdco and the Lease Indenture Trustee, express or implied, with respect to the Facility, any Unit or any Components thereof that may arise pursuant to any Applicable Law now or hereafter in effect, or otherwise.

(b) From and after the Closing Date, the Owner Lessor hereby appoints irrevocably and constitutes the Facility Lessee its agent and attorney-in-fact, coupled with an interest, to assert and enforce, from time to time so long as the Owner Lessor does not have the right to exercise remedies pursuant to Section 18.2, in the name and for the account of the Owner Lessor and the Facility Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Facility Lessee, whatever claims and rights the Owner Lessor may have in respect of the Facility, any Unit or any Component thereof, against any manufacturer, vendor or contractor, or under any express or implied warranties relating to the Facility, any Unit or any Component thereof; *provided, however*, that, the Owner Lessor may revoke such appointment, by written notice to the Facility Lessee, if (i) a Lease Event of Default shall have occurred and be continuing, (ii) any manufacturer, vendor or contractor is in default or otherwise not in compliance with its obligations or warranties relating to the Facility, the Unit or any Component thereof and (iii) the Facility Lessee has failed to diligently pursue the enforcement of rights under the respective warranties against such manufacturer, vendor or contractor, and such failure could reasonably be expected to result in a material adverse effect on the operation and maintenance of the Facility or the Facility Site.

Section 4.2 Quiet Enjoyment. The Owner Lessor expressly agrees that, notwithstanding any provision of any other Transaction Document, but without limiting the rights and remedies which may be available to the Owner Lessor (and the Lease Indenture Trustee as its assignee) under and in accordance with Section 18, neither it, the Lessor Manager, the Holdco, the Holdco Manager nor any other party acting by, through or under the Owner Lessor, the Lessor Manager, the Holdco or the Holdco Manager shall interfere with or interrupt the quiet enjoyment of the use, operation and possession by the Facility Lessee of the Facility prior to the expiration or early termination of this Facility Lease in accordance with the terms hereof.

SECTION 5. RETURN OF FACILITY

Section 5.1 Return. Upon the early termination of this Facility Lease pursuant to Section 18.2 or, if the Facility Lessee shall fail to satisfy the requirements set forth in Section 16, the exercise of dispossessory remedies under Section 18.2 on or after the Expiration Date, the Facility Lessee, at its own expense, shall deliver possession of the Facility (together with Modifications to the Facility that shall have become subject to the Head Lease and this Facility Lease pursuant to Section 9 of the Head Lease and Section 8.3 hereof) to the Owner Lessor or any permitted transferee or assignee of the Owner Lessor. The Facility Lessee shall effect delivery of the Facility at its own cost and expense by surrendering the Facility into the possession of the Owner Lessor or such transferee or assignee and by executing and delivering to the Owner Lessor or such transferee or assignee an instrument or instruments in form and substance reasonably acceptable to the Owner Lessor evidencing surrender by the Facility Lessee of the Facility Lessee's right to the Facility under this Facility Lease and to the possession thereof. In connection with such return, the Facility Lessee shall (a) assign, to the extent permitted by Applicable Law, and shall cooperate with all reasonable requests of the Owner Lessor for purposes of obtaining, or enabling the Holdco, the Owner Lessor or such transferees or assignees to obtain, any and all licenses, permits, approvals and consents of any Governmental Entities or other Persons that are or will be required to be obtained by the Holdco, the Owner Lessor or such transferee or assignee in connection with the use, operation or maintenance of the Facility on or after such return in compliance with Applicable Law; and (b) provide the Owner Lessor or a permitted transferee or assignee of the Owner Lessor, subject to any equipment manufacturer-imposed conditions of confidentiality, copies of all documents, instruments, plans, maps, specifications, manuals, drawings and other documentary materials relating to the installation, maintenance, operation, construction, design, modification or repair of the Facility or any portion thereof, as shall be in the Facility Lessee's possession and shall be reasonably appropriate or necessary for the ownership, possession, operation or maintenance of the Facility.

Section 5.2 Condition Upon Delivery of Possession to Owner Lessor. In connection with the delivery of possession of the Facility by the Facility Lessee to the Owner Lessor pursuant to Section 5.1, the Facility Lessee shall ensure, at the Facility Lessee's sole cost and expense, that the Facility complies with each of the following conditions:

(a) the Facility (including all Required Modifications and Nonseverable Modifications) will be in at least as good condition as if it had been maintained, repaired and operated during the Facility Lease Term in compliance with the provisions of this Facility Lease, ordinary wear and tear and degradation excepted;

(b) the Facility shall be free and clear of all Liens other than Permitted Post Facility Lease Term Liens;

(c) the Facility control capability will be operational such that the Facility can be operated independently of any other power generation facility owned or operated by the Facility Lessee;

(d) the Facility shall have at least the capability and functional ability to perform, substantially at the ratings for which it was designed in normal commercial operation, all functions for which it was designed (normal wear and tear and degradation excepted); and

(e) no Component shall be a temporary Component and any Replacement Component shall comply with Prudent Industry Practice.

The Facility Lessee, at the request of the Owner Lessor, shall lease (subject to all existing encumbrances) to the Owner Lessor (or its designee) at the then Fair Market Rental Value thereof under the Head Lease, determined by agreement between the Facility Lessee and the Owner Lessor or, absent agreement, by an appraisal conducted according to the Appraisal Procedures, any or all Optional Modifications that are Removable Modifications and which have been made to the Facility following the Lease Commencement Date. The Facility Lessee shall enter into any amendments or modifications to the Head Lease necessary to cause such Modifications to be subject thereto; *provided*, that title to such Modifications will remain vested in the Head Lessor. The appraiser's fees and expenses incurred pursuant to this clause shall be paid by the Owner Lessor.

Section 5.3 Deferred Maintenance on the Facility. In connection with a delivery of possession of the Facility by the Facility Lessee to the Owner Lessor pursuant to Section 5.1, the Facility Lessee will, at the cost and expense of the Facility Lessee, perform such maintenance on the Facility that is required to satisfy the conditions described in Section 5.2. If the Facility Lessee is unable to perform such requested maintenance, it will use reasonable efforts to arrange on behalf of the Owner Lessor and with no liability to the Owner Lessor to have such maintenance performed by a Person acceptable to the Owner Lessor. The Facility Lessee shall promptly pay such rates charged by any Person in connection with such requested maintenance.

SECTION 6. LIENS

The Facility Lessee will not directly or indirectly create, incur, assume or suffer to exist any Lien on or with respect to the Facility, the Facility Site or any interest therein or in, to or on its interest in this Facility Lease or its interest in any other Transaction Document, except Permitted Liens, and the Facility Lessee shall promptly notify the Owner Lessor of the imposition of any such Lien of which the Facility Lessee is aware and shall promptly, at its own expense, take such action as may be necessary to fully discharge or release any such Lien.

SECTION 7. MAINTENANCE; REPLACEMENTS OF COMPONENTS

Section 7.1 *Maintenance*. The Facility Lessee, at its own cost and expense, will (a) cause the Facility to be maintained in accordance with Prudent Industry Practice, and will not operate the Facility other than in compliance with all Applicable Laws of any Governmental Entity having jurisdiction (provided that the Facility Lessee may contest, in good faith and by appropriate proceedings, the validity or applicability of any such Applicable Law) and (b) make, or cause to be made, all necessary repairs, renewals and replacements thereof in accordance with Prudent Industry Practice. Nothing in this Facility Lease or in the other Transaction Documents will require TVA to operate the Facility; *provided* that if and when TVA does operate the Facility, the Facility shall be operated in accordance with Prudent Industry Practice.

Section 7.2 *Replacement of Components*. In the ordinary course of maintenance, service, repair or testing, the Facility Lessee, at its own cost and expense, may remove or cause or permit to be removed from the Facility any Component; *provided*, however, that the Facility Lessee shall cause such Component to be replaced by a replacement Component which shall be free and clear of all Liens (except Permitted Liens) and in as good operating condition as the Component replaced, assuming that the Component replaced was maintained in accordance with this Facility Lease (each such replacement Component being herein referred to as a "Replacement Component"). If any Component that is subject to this Facility Lease is at any time removed from the Facility, such Component shall remain subject to this Facility Lease, wherever located, until such time as such Component shall be replaced by a Replacement Component that has been incorporated in the Facility and that meets the requirements for Replacement Components specified above. Immediately upon any Replacement Component becoming incorporated in the Facility, without further act (and at no cost to the Owner Lessor and with no adjustment to Basic Lease Rent or Termination Value), (a) the removed Component shall no longer be subject to the Head Lease, this Facility Lease or the Lien of the Lease Indenture, and shall be free and clear of all rights of the Owner Lessor and the Lease Indenture Trustee and (b) the Replacement Component shall automatically (i) become subject to the Head Lease, this Facility Lease and, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, the Lien of the Lease Indenture and (ii) be deemed a part of the Facility for all purposes of the Head Lease and this Facility Lease. Notwithstanding anything in this Section 7.2 or elsewhere in this Facility Lease to the contrary, if the Facility Lessee has determined that a Component is surplus or obsolete and not necessary for the operation of the Facility in accordance with this Facility Lease, the Facility Lessee shall have the right to remove such Component without replacing such Component, and upon such removal, the removed Component shall no longer be subject to the Head Lease, this Facility Lease or the Lien of the Lease Indenture.

SECTION 8. MODIFICATIONS

Section 8.1 *Required Modifications*. The Facility Lessee, at its own cost and expense, shall make or cause or permit to be made all Modifications to the Facility as are required by Applicable Law or any Governmental Entity having jurisdiction (each, a "Required Modification"); *provided, however*, that the Facility Lessee may, in good faith and by appropriate proceedings, diligently contest the validity or application of any Applicable Law in any reasonable manner which does not involve any material risk of (a) foreclosure, sale, forfeiture or loss of, or imposition of a material Lien on the Facility or any impairment of the use, operation or maintenance of the Facility in any material respect, or (b) any criminal or material civil liability being imposed on the Lessor Manager, the Holdco, the Holdco Manager, any Holdco Note Purchaser, or the Owner Lessor, the Lease Indenture Trustee or any Noteholder.

Section 8.2 Optional Modifications. The Facility Lessee at any time may, at its own cost and expense and without the consent of any other Person, make or cause or permit to be made any Modification to the Facility as the Facility Lessee considers desirable in the proper conduct of its business (any such Modification which is not a Required Modification being referred to as an "Optional Modification").

Section 8.3 Title to Modifications. Title to all Modifications shall be with the Head Lessor. All Required Modifications, all Nonseverable Modifications and all Modifications financed by the Owner Lessor by an Additional Equity Investment or a Supplemental Financing pursuant to Section 11.2 of the Participation Agreement shall (at no cost to the Owner Lessor and with no adjustment to Head Lease Rent, or except in the case of a Supplemental Financing and Additional Equity Investment, Basic Lease Rent or Termination Value) automatically upon being affixed to or incorporated into the Facility (a) become subject to the Head Lease and this Facility Lease and, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, the Lien of the Lease Indenture and (b) be deemed part of the Facility for all purposes of the Head Lease and this Facility Lease. The Facility Lessee, at its own cost and expense, shall take such steps as either the Owner Lessor or, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, the Lease Indenture Trustee may reasonably require from time to time to confirm that the Modifications set forth in the preceding sentence are subject to the Head Lease and this Facility Lease and, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, the Lien of the Lease Indenture. No Optional Modification which is a Severable Modification (other than such Optional Modifications which are financed by the Owner Lessor by an Additional Equity Investment or a Supplemental Financing pursuant to Section 11.2 of the Participation Agreement, any such Optional Modification that is a Severable Modification that has not been so financed is referred to as a "Removable Modification") shall become subject to the Head Lease and this Facility Lease or the Lien of the Lease Indenture unless the Owner Lessor shall have elected to lease, in accordance with Section 5.2, such Removable Modification. Removable Modifications may be removed by the Facility Lessee at any time prior to the exercise by the Owner Lessor of its remedies under Section 18.2 at the Facility Lessee's cost and expense. The Facility Lessee will repair, at its own cost and expense, any damage caused by its removal of any Removable Modifications.

SECTION 9. NET LEASE

This Facility Lease is a "net lease" and the Facility Lessee's obligation to pay all Basic Lease Rent payable hereunder, as well as any Termination Value (or amount computed by reference thereto) in lieu of Basic Lease Rent following termination of this Lease, shall be absolute and unconditional under any and all circumstances and shall not be terminated, extinguished, diminished, lost or otherwise impaired by any circumstance of any character, including by (a) any setoff, counterclaim, recoupment, defense or other right which the Facility Lessee may have against the Owner Lessor, the Lessor Manager, the Holdco, the Holdco Manager, any Holdco Note Purchaser, or the Lease Indenture Trustee, the Noteholders or any other Person, including any claim as a result of any breach by any of said parties of any covenant or provision in this Facility Lease or any other Transaction Document, (b) any lack or invalidity of title or other interest or any defect in the title or other interest, condition, design, operation, merchantability or fitness for use of the Facility or any Component or any portion thereof, or any eviction by paramount title or otherwise, or any unavailability of the Facility, the Facility Site, any Component or any portion thereof, (c) the failure to complete the construction of the Facility, or to reach Provisional Acceptance or Final Acceptance under, and as defined in, the Construction Management Agreement, (d) any loss or destruction of, or damage to, the Facility, the Facility Site or any Component or any portion thereof or interruption or cessation in the use or possession thereof or any part thereof by the Facility Lessee for any reason whatsoever and of whatever duration, (e) the condemnation, requisitioning, expropriation, seizure or other taking of title to or use of the Facility, the Facility Site or any Component or any portion thereof by any Governmental Entity or otherwise, (f) the invalidity or unenforceability or lack of due authorization or other infirmity of this Facility Lease or any other Transaction Document, (g) the lack of right, power or authority of the Owner Lessor to enter into this Facility Lease or any other Transaction Document, (h) any ineligibility of the Facility, the Facility Site or any Component or any portion thereof for any particular use, whether or not due to any failure of the Facility Lessee to comply with any Applicable Law, (i) any event of "force majeure", (j) any legal requirement similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, (k) any insolvency, bankruptcy, reorganization or similar proceeding by or against the Facility Lessee or any other Person, (l) any Lien of any Person with respect to the Facility Site, the Facility or any Component or any portion thereof, or (m) any other cause, whether similar or dissimilar to the foregoing, any present or future law notwithstanding, except as expressly set forth herein or in any other Transaction Document, it being the intention of the parties hereto that all Basic Lease Rent (and all amounts, including Termination Value (or amounts computed by reference thereto), in lieu of Basic Lease Rent following termination of this Facility Lease in whole or in part) payable by the Facility Lessee hereunder shall continue to be payable in all events in the manner and at times provided for herein. All Rent, including Basic Lease Rent (and all amounts, including Termination Value (or amounts computed by reference thereto), in lieu of Basic Lease Rent following termination of this Facility Lease in whole or in part), shall not be subject to any abatement and the payments thereof shall not be subject to any setoff or reduction for any reason whatsoever, including any present or future claims of the Facility Lessee or any other Person against the Owner Lessor or any other Person under this Facility Lease or otherwise. To the extent permitted by Applicable Law, the Facility Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Facility Lease except in accordance with Sections 10, 13 or 15 hereof. If for any reason whatsoever this Facility Lease shall be terminated in whole or in part by operation of law or otherwise, except as specifically provided herein, the Facility Lessee nonetheless agrees, to the extent permitted by Applicable Law, to pay to the Owner Lessor an amount equal to each installment of Basic Lease Rent and all Supplemental Lease Rent due and owing, at the time such payment would have become due and payable in accordance with the terms hereof had this Facility Lease not been so terminated. Nothing contained herein shall be construed to waive any claim which the Facility Lessee might have under any of the Transaction Documents or otherwise or to limit the right of the Facility Lessee separately to make any claim it might have against the Owner Lessor or any other Person or to separately pursue such claim in such manner as the Facility Lessee shall deem appropriate.

SECTION 10. EVENTS OF LOSS

Section 10.1 Occurrence of Events of Loss. The Facility Lessee will promptly notify the Owner Lessor and, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, the Lease Indenture Trustee of any damage to, or other event with respect to, any portion of the Facility which the Facility Lessee reasonably anticipates will cause an Event of Loss. If an Event of Loss shall occur, then no later than eighteen months following such occurrence, the Facility Lessee shall notify the Owner Lessor and, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, the Lease Indenture Trustee, in writing of its election to either (a) subject to the satisfaction of the conditions set forth in Section 10.3(a), rebuild or replace the Facility or a Relevant Portion of the Facility or (b) terminate this Facility Lease, in whole or in part with respect to the Facility or a Relevant Portion of the Facility, as the case may be, by electing to effect an Early Buy Out pursuant to Section 15.1 hereof; *provided, however*, that the Facility Lessee may only elect to terminate the Facility Lease in part with respect to a Relevant Portion of the Facility to the extent that the remaining Units subject to the Facility Lease continue to be (or will be, after repairing in accordance with this Facility Lease any damage to such remaining Units which may have occurred as a result of the Event of Loss to a Relevant Portion of the Facility to which such partial termination relates) commercially viable in accordance with Prudent Industry Practice. Subject to the last sentence of Section 15.1, the Facility Lessee may elect the option provided in clause (b) of the preceding sentence regardless of whether a Relevant Portion of the Facility is to be rebuilt or replaced. If the Facility Lessee fails to make an election as provided above, an Event of Loss shall be deemed to occur with respect to the Facility or, if the Event of Loss relates to less than all of the Units, a Relevant Portion of the Facility, as of the end of the eighteen-month period referred to in the second sentence of this Section 10.1 and the Facility Lessee will be deemed to have made the election to terminate this Facility Lease, in whole or in part, as the case may be, by exercising its Early Buy Out pursuant to Section 15.2 and will be deemed to have delivered an Early Buy Out Notice pursuant to Section 15.2 as of the end of such eighteen-month period.

Section 10.2 Condemnation Payments. Any payments received at any time by the Owner Lessor, the Lease Indenture Trustee or the Facility Lessee from any Governmental Entity as a result of the occurrence of an Event of Loss described in clause (c) of the definition of Event of Loss shall be promptly paid to the Owner Lessor or, if the Lien of the Lease Indenture shall not have been discharged or terminated, to the Lease Indenture Trustee, to be held as security for the Facility

Lessee's obligations hereunder and under the other Transaction Documents, and shall be promptly applied, first, to satisfy the Facility Lessee's obligation to pay Termination Value and other amounts required to be paid by it under Section 15.2(a), if any, and, so long as no Significant Lease Default shall then have occurred and be continuing, the balance shall be paid to or retained by, as applicable, the Facility Lessee.

Section 10.3 Rebuild or Replace. The Facility Lessee's right to rebuild or replace the Facility or any Relevant Portion of the Facility pursuant to Section 10.1(a) shall be subject to the fulfillment, at the Facility Lessee's sole cost and expense, in addition to the conditions contained in said clause (a), of the following conditions:

(a) the Facility Lessee shall cause the rebuilding or replacement of the Facility or any Relevant Portion of the Facility to commence as soon as reasonably practicable after notifying the Owner Lessor and, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, the Lease Indenture Trustee pursuant to Section 10.1(a) of its election to rebuild or replace the Facility or any Relevant Portion of the Facility, and in all events within thirty-six (36) months of the occurrence of the event that caused such Event of Loss, and will cause work on such rebuilding or replacement to proceed diligently thereafter. As the rebuilding or replacement of the Facility or any Relevant Portion of the Facility progresses and title to the rebuilt or replacement Facility or Relevant Portion of the Facility vests in the Head Lessor, the rebuilt or replacement facilities shall become subject to the Head Lease, this Facility Lease and, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, the Lien of the Lease Indenture and be deemed a part of the Facility for all purposes of the Head Lease and this Facility Lease, automatically without any further act by any Person; and

(b) within thirty (30) days after the date of the completion of such rebuilding or replacement (the "Rebuilding Closing Date") the following documents shall be duly authorized, executed and delivered and, if appropriate, filed for recordation by the respective party or parties thereto and shall be in full force and effect, and an executed counterpart of each thereof shall be delivered to the Owner Lessor, the Lessor Manager and, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, the Lease Indenture Trustee: (i) supplements to the Head Lease and this Facility Lease subjecting the rebuilt or replacement facilities to the Head Lease and this Facility Lease (with no change in Head Lease Rent or in Basic Lease Rent as a result of such rebuilding or replacement), (ii) so long as the Lien of the Lease Indenture shall not have been terminated or discharged, supplements to the Lease Indenture subjecting the rebuilt or replacement facilities to the Lien of the Lease Indenture, (iii) such recordings and filings as may be reasonably requested by the Owner Lessor or the Lease Indenture Trustee to be made or filed, (iv) an opinion of counsel of the Facility Lessee, such counsel and such opinion to be reasonably satisfactory to the Owner Lessor and, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, the Lease Indenture Trustee to the effect that (A) the supplements to the Head Lease and this Facility Lease required by clause (i) above constitute effective instruments for subjecting the rebuilt or replacement facilities to the Head Lease and this Facility Lease, (B) the supplements to the

Lease Indenture required by clause (ii) above, if any, constitute effective instruments for subjecting the rebuilt or replacement facilities to the Lien of the Lease Indenture, and (C) all filings and other action necessary to perfect and protect the Owner Lessor's and, if applicable, the Lease Indenture Trustee's interest in the rebuilt or replacement facilities have been accomplished, (v) a report by an independent engineer certifying that the rebuilt or replacement facilities are in a state of repair and condition required by this Facility Lease, and (vi) an Officer's Certificate of the Facility Lessee as to compliance with this Section 10.3 and that no Lease Event of Default shall have occurred and be continuing as a result of the rebuilding or replacement.

Whether or not the transactions contemplated by this Section 10.3 are consummated, the Facility Lessee agrees to pay or reimburse, on an After-Tax Basis, any costs or expenses (including reasonable and documented legal fees and expenses) incurred by the Owner Lessor, the Lessor Manager and the Lease Indenture Trustee in connection with the transactions contemplated by this Section 10.3.

Section 10.4 Application of Payments Not Relating to an Event of Loss. In the event that during the Facility Lease Term the use of all or any portion of the Facility is requisitioned or taken by or pursuant to a request of any Governmental Entity under the power of eminent domain or otherwise for a period which does not constitute an Event of Loss, the Facility Lessee's obligation to pay all installments of Basic Lease Rent shall continue for the duration of such requisitioning or taking. The Facility Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such Governmental Entity as compensation for such requisition or taking of possession; *provided, however*, that if at the time of such payment a Significant Lease Default shall have occurred and be continuing, all such sums shall be paid to and held by the Lease Indenture Trustee, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, or thereafter, the Owner Lessor as security for the obligations of the Facility Lessee under this Facility Lease, and such amount shall be paid to the Facility Lessee only at such time as no Significant Lease Default shall be continuing.

SECTION 11. INSURANCE

Section 11.1 Insurance by Owner Lessor. At any time, the Owner Lessor (either directly or in the name of the Holdco), the Holdco or the Lease Indenture Trustee may at its own expense and for its own account carry insurance with respect to its interest in the Facility or the Ground Interest. Any insurance payments received from policies maintained by the Owner Lessor, the Holdco or the Lease Indenture Trustee pursuant to the previous sentence shall be retained by the Owner Lessor, the Holdco or the Lease Indenture Trustee, as the case may be.

Section 11.2 Insurance by the Facility Lessee.

(a) If and for so long as the Facility Lessee is rated less than BBB+ by S&P or Baa1 by Moody's, the Facility Lessee shall maintain (or cause to be maintained) property and commercial general liability insurance with respect to the Facility customarily carried by other operators of similar facilities of comparable size as the Facility and against such loss, damage or liability and with such deductibles as are customarily insured against. Any such property insurance required to be maintained pursuant to this Section 11.2(a) shall, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, name the Lease Indenture Trustee as loss payee with respect to any claim in excess of $10 million and such amounts shall be paid to the Facility Lessee as and when needed to pay or reimburse the Facility Lessee for any construction costs to repair the damage to which such claim relates, with the balance, if any paid to the Facility Lessee upon completion of such repairs, or applied at the direction of the Facility Lessee to pay Termination Value or any other amounts payable by the Facility Lessee under Section 15 in connection with an Event of Loss. During the period the Facility Lessee is required to maintain insurance pursuant to this Section 11.2(a), the Facility Lessee shall promptly upon request provide the Owner Lessor, the Holdco and, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, the Lease Indenture Trustee, a description of the insurance it is maintaining pursuant to this Section 11.2 and evidence which may at the Facility Lessee's option, be in the form of an Officer's Certificate, that all premiums in respect of such policies are current and that such insurance is in effect.

(b) Notwithstanding Section 11.2(a), the Facility Lessee agrees that if and to the extent the Facility Lessee is insuring other gas-fired combustion turbine generating facilities similar to the Facility which are owned or leased by the Facility Lessee or self-insures for third party liability for the Facility Lessee's operation of such other facilities owned or leased by the Facility Lessee, the Facility Lessee shall maintain (or cause to be maintained) insurance for property damage or third party liability, as the case may be, with respect to the Facility in comparable amounts, with comparable deductibles and on other terms substantially comparable to the insurance maintained with respect to such other facilities.

SECTION 12. INSPECTION

During the Facility Lease Term, the Owner Lessor, and, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, the Lease Indenture Trustee and their representatives may, during normal business hours, on reasonable notice to the Facility Lessee and at their own risk and expense (except, at the expense but not risk, of the Facility Lessee when a Significant Lease Default or a Lease Event of Default has occurred and is continuing), inspect the Facility and the records with respect to the operations and maintenance thereof, in the Facility Lessee's custody; *provided, however*, that so long as no Significant Lease Default or Lease Event of Default shall have occurred and be continuing, each such Person (together with their representatives) shall only be entitled to make one inspection in any twelve-month period; *provided, further*, that the limitations on the number of inspections included in the preceding proviso shall not apply with respect to any such inspection made in connection with the occurrence of (a) a catastrophic failure of any Component or system which causes a forced outage in excess of sixty (60) days, (b) failure or malfunction of any equipment resulting in serious injury or death, (c) a significant curtailment of operations due to a final, nonappealable order of a Governmental Entity having jurisdiction over Environmental Laws or safety, or (d) following commencement of commercial operations, cessation of operations of the Facility for more than one-hundred and eighty (180) days. Any such inspection will not unreasonably interfere with the operation or maintenance of the Facility or the conduct by the Facility Lessee of its business and will be in accordance with Applicable Law and the Facility Lessee's safety and security precautions and confidentiality undertakings, as applicable. In no event shall the Owner Lessor, the Lessor Manager, the Holdco or the Lease Indenture Trustee have any duty or obligation to make any such inspection and such Persons shall not incur any liability or obligation by reason of not making any such inspection.

SECTION 13. REGULATORY EVENT OF LOSS

Section 13.1 Occurrence of a Regulatory Event of Loss. The Owner Lessor and the Holdco shall promptly notify the Facility Lessee and, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, the Lease Indenture Trustee of an event or occurrence of which it has Actual Knowledge that it reasonably believes constitutes a Regulatory Event of Loss with respect to it. Such notice shall specify in reasonable detail the event or occurrence giving rise to such Regulatory Event of Loss and the materially burdensome rate of return regulation or other applicable public utility law or regulation of a Governmental Entity. The Owner Lessor, the Holdco and the Facility Lessee shall reasonably cooperate and take reasonable measures to alleviate such Regulatory Event of Loss at the cost and expense of the party requesting such cooperation. The Owner Lessor or the Holdco may elect to declare a Regulatory Event of Loss by giving notice to the Facility Lessee within twelve (12) months of obtaining Actual Knowledge of an event or circumstance which upon the giving of such notice would be a Regulatory Event of Loss (the "Election Notice").

Section 13.2 Procedure for Termination With Respect to a Regulatory Event of Loss. If a Regulatory Event of Loss occurs, then, within sixty (60) days of receiving the Election Notice from the Owner Lessor or the Holdco, the Facility Lessee shall elect one of the following:

(a) If the event or occurrence giving rise to such Regulatory Event of Loss would be alleviated by transferring one or more Holdco Notes to the Facility Lessee, the Facility Lessee may purchase such Holdco Notes from the applicable Holdco Note Purchaser on the next succeeding Termination Date, for an amount equal to the Regulatory Event of Loss Termination Payment plus Equity Breakage, in which case each such Holdco Note Purchaser shall transfer all of its right, title and interest in its Holdco Note by appropriate instruments of transfer without representations (other than that such Holdco Note is free and clear of any Liens) to the Facility Lessee or such other Person as the Facility Lessee shall designate;

(b) If the event or occurrence giving rise to such Regulatory Event of Loss would be alleviated by transferring one or more Holdco Notes to another Person, the Facility Lessee may pay each Holdco Note Purchaser that holds such Holdco Notes on the next succeeding Termination Date the amount, if any, by which (i) the Regulatory Event of Loss Termination Payment plus Equity Breakage, exceeds (ii) the net proceeds of the sale of such Holdco Note Purchaser's Holdco Note pursuant to this clause (b) received by such Holdco Note Purchaser; *provided*, that if the Facility Lessee elects to make the payment pursuant to this clause (b), then such Holdco Note Purchaser shall sell its Holdco Note in such manner, to such Person and at such price as directed by the Facility Lessee, at the cost and expense of the Facility Lessee; *provided*, however, that if such sale does not occur on or before the Termination Date referred to in clause (a) above, then the Facility Lessee shall be deemed to have elected to purchase such Holdco Note Purchaser's Holdco Note under clause (a) and shall make the payment required to be made thereunder to such Holdco Note Purchaser pursuant thereto on such Termination Date;

(c) If the event or occurrence giving rise to such Regulatory Event of Loss would be alleviated by causing the Holdco to prepay one or more Holdco Notes, the Facility Lessee may cause the Holdco to prepay such Holdco Notes by paying to the Owner Lessor for distribution to the Holdco for prepayment of such Holdco Notes pursuant to the Holdco Note Purchase Agreement on the next succeeding Termination Date an amount equal to the Regulatory Event of Loss Termination Payment plus Equity Breakage, whereupon Basic Lease Rent (Equity Portion) and Termination Value (Equity Portion) shall be reduced in accordance with Section 3.4 hereof in an amount equal to the product of (i) Basic Lease Rent (Equity Portion) or Termination Value (Equity Portion), as applicable, multiplied by (ii) the Holdco Note Purchaser's Percentage Interest; *provided*, that the Facility Lessee may only make an election under this clause (c) with respect to an Holdco Note if (A) the total number of Holdco Note Purchasers for which an election under this clause (c) is made is less than a majority of the aggregate number of Holdco Note Purchasers and (B) the Holdco Notes held by such Holdco Note Purchasers are less than a majority of the aggregate outstanding amount of Holdco Notes of the Holdco; or

(d) If the event or occurrence giving rise to such Regulatory Event of Loss would be alleviated by transferring the Holdco's Membership Interests in whole or in part to another Person, the Facility Lessee may pay the Holdco on the next succeeding Termination Date the amount, if any, by which (i) the Termination Value (Equity Portion) plus Equity Breakage, exceeds (ii) the net proceeds of the sale of Membership Interests pursuant to this clause (d) received by the Holdco; *provided*, that if the Facility Lessee elects to make the payment pursuant to this clause (d), then the Holdco shall sell such Membership Interests in such manner, to such Person (which, subject to Applicable Law, may be the Facility Lessee) and at such price as directed by the Facility Lessee, at the cost and expense of the Facility Lessee; *provided, however*, that if such sale does not occur on or before the Termination Date referred to in clause (a) above, then the Facility Lessee shall be deemed to have elected to purchase such Membership Interests and shall pay the Holdco an amount equal to the Termination Value (Equity Portion) plus Equity Breakage, in which case the Holdco shall transfer all of its right, title and interest in such Membership Interests by appropriate instruments of transfer without representations to the Facility Lessee or such other Person as the Facility Lessee shall designate.

(e) The Facility Lessee may terminate the Facility Lease (in whole but not in part) by electing an Early Buy Out in accordance with Section 15.1 hereof.

Simultaneously with the payment of any amounts contemplated under clauses (a), (b), (c) or (d) of this Section 13.2 and as a condition to the sale, transfer or prepayment of the applicable Holdco Notes or Holdco's Membership Interests, as applicable, the Facility Lessee shall pay all Basic Lease Rent (Equity Portion) and Supplement Lease Rent due and payable on the applicable Termination Date (including all costs and expenses of the Holdco, the Owner Lessor or any Holdco Note Purchaser incurred in connection therewith and all sales, use, value added and other Taxes required to be paid by the Facility Lessee to the Holdco or applicable Holdco Note Purchaser associated with the sale, transfer or retirement of the Holdco Note Purchaser's Holdco Notes or Holdco's Membership Interests, as applicable) whereupon the Facility Lessee shall cease to have any liability with respect to the Transaction Documents to such Holdco Note Purchaser in the case of the payment of amounts pursuant to clauses (a), (b) and (c) and to all Holdco Note Purchasers and the Holdco in the case of the payment of amounts pursuant to clause (d), except for obligations (including those under Sections 9.1 and 9.2 of the Participation Agreement) surviving pursuant to the express terms of any Transaction Document or which have otherwise accrued but not been paid as of the applicable Termination Date. If necessary, the parties shall reasonably cooperate to cause the provisions of the Owner Lessor LLC Agreement to be amended to reflect the existence of more than one Holdco with a Membership Interest in the Owner Lessor.

SECTION 14. [RESERVED]

SECTION 15. EARLY BUY OUT

Section 15.1 Election of Early Buy Out. The Facility Lessee shall have the right, at its option and at any time (including (a) during the occurrence and continuance of a Significant Lease Default or Lease Event of Default so long as the Facility Lease shall not have been terminated by the Owner Lessor pursuant to Section 18.2, (b) following an Event of Loss pursuant to Section 10.1 and (c) following a Regulatory Event of Loss for which the Facility Lessee has made the election described in Section 13.2(d)), by giving written notice (the "Early Buy Out Notice") to the Owner Lessor, the Lessor Manager, and, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, the Lease Indenture Trustee, to purchase the Owner Lessor's Interest and terminate this Facility Lease, either in whole with respect to the entire Facility or in part with respect to a Relevant Portion of the Facility (an "Early Buy Out"). In the case of an Early Buy Out other than in connection with an Event of Loss or a Regulatory Event of Loss, the Facility Lessee will specify a Termination Date in the Early Buy Out Notice upon which date such purchase and termination will occur (the "Early Buy Out Date"), which Early Buy Out Date shall occur on a date occurring at least thirty (30) days after the delivery of the Early Buy Out Notice. In the case of an

Early Buy Out in connection with an Event of Loss, the Early Buy Out Date shall occur on (i) the next Termination Date occurring at least one month after the Facility Lessee's delivery of the Early Buy Out Notice, or (ii) if the Event of Loss shall be deemed to have occurred pursuant to the last sentence of Section 10.1, on the Termination Date occurring next following thirty (30) days after the date as of which an Event of Loss shall have been so deemed to have occurred. In the case of an Early Buy Out in connection with a Regulatory Event of Loss, the Early Buy Out Date shall be the Termination Date next succeeding the date of delivery of the Early Buy Out Notice pursuant to Section 13.2(d) with respect to such Regulatory Event of Loss. The Facility Lessee may only purchase the Owner Lessor's Interest in part or terminate the Facility Lease in part with respect to a Relevant Portion of the Facility to the extent that the remaining Units subject to the Facility Lease continue to be commercially viable in accordance with Prudent Industry Practice. If the Facility Lessee exercises the Early Buy Out in connection with an Event of Loss or Regulatory Event of Loss and the Facility Lessee certifies either that (A) such Early Buy Out is in connection with an Event of Loss described in clause (c) of the definition thereof or a Regulatory Event of Loss or (B) such Early Buy Out is in connection with an Event of Loss described in clauses (a) or (b) of the definition thereof and the Facility Lessee has no current intention to rebuild or replace the Facility or a Relevant Portion of the Facility, then such Early Buy Out shall constitute an Early Buy Out in connection with an Event of Loss or a Regulatory Event of Loss, as applicable, and no Make Whole Premium shall be due in connection with such Early Buy Out.

Section 15.2 Procedure for Exercise of an Early Buy Out.

(a) If the Facility Lessee shall have exercised its option under Section 15.1, then, on the Early Buy Out Date the Facility Lessee shall pay to the Owner Lessor (i) the Termination Value with respect to the Termination Date that coincides with the Early Buy Out Date, (ii) all amounts of Supplemental Lease Rent (including all reasonable and documented out-of-pocket costs and expenses of the Owner Lessor, the Lessor Manager, the Holdco, any Holdco Note Purchaser and the Lease Indenture Trustee, and all sales, use, value added and other Taxes associated with the exercise of the Early Buy Out pursuant to this Section 15 and required to be indemnified by the Facility Lessee pursuant to Section 9.2 of the Participation Agreement) on an After-Tax Basis due and payable on or prior to such Early Buy Out Date, (iii) any unpaid Basic Lease Rent due on or before such Early Buy Out Date, and (iv) the Equity Breakage in respect of the Equity Investment and, other than in the case of an Early Buy Out exercised in connection with an Event of Loss or a Regulatory Event of Loss so long as the Facility Lessee has delivered the certificate referred to in the last sentence of Section 15.1, the Make Whole Premium, if any, due on the Lessor Notes being prepaid pursuant to this Section 15.

(b) Upon receipt by the Lease Indenture Trustee, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, or thereafter, the Owner Lessor, of the payments required to be made pursuant to Section 15.2(a), (i) Basic Lease Rent shall cease to accrue, in whole, in the case of an exercise of the Early Buy Out with respect to the entire Facility or in part, with respect to a Relevant Portion of the Facility, in the case of an exercise of the Early Buy Out with respect to a Relevant Portion of the Facility, calculated pursuant to Section 3.2, (ii) the Facility Lessee's obligations hereunder shall terminate, in whole, in the case of an exercise of the Early Buy Out with respect to the entire Facility or in part, with respect to a Relevant Portion of the Facility, in the case of an exercise of the Early Buy Out with respect to a Relevant Portion of the Facility, except for Supplemental Lease Rent and other obligations (including those under Sections 9.1 and 9.2 of the Participation Agreement) surviving pursuant to the express provisions of any Transaction Document, (iii) this Facility Lease and the Head Lease shall terminate, in whole, in the case of an exercise of the Early Buy Out with respect to the entire Facility or in part, with respect to a Relevant Portion of the Facility, in the case of an exercise of the Early Buy Out with respect to a Relevant Portion of the Facility, (iv) the Owner Lessor shall, at the Facility Lessee's cost and expense, execute and deliver to the Facility Lessee a release or termination of this Facility Lease, in whole, in the case of an exercise of the Early Buy Out with respect to the entire Facility, or in part, with respect to a Relevant Portion of the Facility, in the case of an exercise of the Early Buy Out with respect to a Relevant Portion of the Facility, (v) the Owner Lessor shall transfer (by an appropriate instrument of transfer in form and substance reasonably satisfactory to the Owner Lessor and prepared and recorded by and at the expense of the Facility Lessee) all of its right, title and interest in and to the Owner Lessor's Interest, in whole, in the case of an exercise of the Early Buy Out with respect to the entire Facility, or in part, with respect to a Relevant Portion of the Facility, in the case of an exercise of the Early Buy Out with respect to a Relevant Portion of the Facility, to the Facility Lessee pursuant to this Section 15.2 and Section 6.2 of the Head Lease on an "as is," "where is" and "with all faults" basis, without representations or warranties other than a warranty as to the absence of Owner Lessor's Liens and a warranty of the Holdco as to the absence of Holdco's Liens, and (vi) the Owner Lessor shall discharge the Lien of the Lease Indenture, in whole, in the case of an exercise of the Early Buy Out with respect to the entire Facility, or in part, with respect to a Relevant Portion of the Facility, in the case of an exercise of the Early Buy Out with respect to a Relevant Portion of the Facility, and execute and deliver appropriate releases and other documents or instruments necessary or desirable to effect the foregoing, all to be prepared, filed and recorded (as appropriate) by and at the cost and expense of the Facility Lessee.

Section 15.3 Replacement and Exchange of the Lessor Notes. In connection with any proper exercise of the Early Buy Out under this Section 15 with respect to the entire Facility, the Facility Lessee may, at its option, elect to replace and exchange in full all the Lessor Notes for Replacement Power Bonds and if (a) the Facility Lessee shall have replaced and exchanged the Lessor Notes for Replacement Power Bonds in accordance with Section 2.10(c) of the Lease Indenture, (b) all other conditions contained in such Section 2.10(c) thereof shall have been satisfied, and (c) no Significant Lease Default or Lease Event of Default shall have occurred and be continuing after giving effect to such replacement and exchange, then the obligation of the Facility Lessee to pay the Termination Value pursuant to Section 15.2 shall be reduced by the outstanding principal amount of and accrued interest on the Lessor Notes so replaced and exchanged by the Facility Lessee.

SECTION 16. TRANSFER UPON THE EXPIRATION DATE

On or after the Expiration Date, so long as no Significant Lease Default shall then have occurred and be continuing and the Owner Lessor has not exercised dispossessory remedies under Section 18.2 in connection therewith, then upon payment of all amounts of Basic Lease Rent and all amounts of Supplemental Lease Rent then due and payable (including all reasonable out of pocket costs and expenses of the Owner Lessor, the Holdco and the Lease Indenture Trustee, all sales, use, value added and other Taxes required to be indemnified by the Facility Lessee pursuant to Section 9.2 of the Participation Agreement associated with the transfer to be effected pursuant to this Section 16 and any Basic Lease Rent due on or before the Expiration Date), (i) the Facility Lessee shall cease to have any liability to the Owner Lessor hereunder or under the other Transaction Documents, except for Supplemental Lease Rent and other obligations (including those under Sections 9.1 and 9.2 of the Participation Agreement) surviving pursuant to the express terms of any Transaction Document, (ii) subject to clause (i) above, this Facility Lease shall terminate, (iii) the Owner Lessor shall transfer to the Facility Lessee, at the Facility Lessee's cost and expense, by an appropriate instrument of transfer (in form and substance reasonably satisfactory to the Owner Lessor and prepared by and at the expense of the Facility Lessee), all of its right, title and interest in and to the Owner Lessor's Interest pursuant to this Section 16 and Section 6.2 of the Head Lease on an "as is," "where is" and "with all faults" basis, without representations or warranties other than a warranty as to the absence of Owner Lessor's Liens and a warranty of the Holdco as to the absence of Holdco's Liens and (iv) the Owner Lessor shall discharge the Lien of the Lease Indenture, and the Owner Lessor and the Holdco shall execute and deliver appropriate releases and other documents or instruments necessary or desirable to effect the foregoing, all to be prepared, filed and recorded (as appropriate) by and at the cost and expense of the Facility Lessee. In connection with the transfer described in clause (iii) of the preceding sentence, the Owner Lessor (at the Facility Lessee's cost and expense) shall (a) assign, to the extent permitted by Applicable Law, and shall cooperate with all reasonable requests of the Facility Lessee for purposes of obtaining, or enabling the Facility Lessee to obtain, any and all licenses, permits, approvals and consents of any Governmental Entities or other Persons that are held in the name of the Owner Lessor or the Lessor Manager and are or will be required to be obtained by the Facility Lessee in connection with the Facility Lessee's ownership, use, operation and maintenance of the Facility on or after such transfer in compliance with Applicable Law. Except for amounts expressly set forth in this Section 16 (including Supplemental Lease Rent and other obligations (including those under Sections 9.1 and 9.2 of the Participation Agreement) surviving pursuant to the express terms of any Transaction Document), the Facility Lessee shall not be obligated to pay any additional amounts or compensation to the Owner Lessor, the Lessor Manager, the Holdco, and the Holdco Manager in connection with the transfer to the Facility Lessee of the Owner Lessor's right, title and interest in the Facility pursuant to this Section 16.

SECTION 17. EVENTS OF DEFAULT

The following events shall constitute a "Lease Event of Default" hereunder (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any Governmental Entity):

(a) the Facility Lessee shall fail to make any payment of Basic Lease Rent or Termination Value after the same shall have become due and such failure shall have continued for five (5) Business Days after the same shall become due; or

(b) the Facility Lessee shall fail to make any payment of Supplemental Lease Rent (other than Excepted Payments, unless the Holdco shall have declared a default with respect thereto, and Termination Value described in clause (a)), after the same shall have become due and such failure shall have continued for a period of thirty (30) days after receipt by the Facility Lessee of written notice of such default from the Lessor Manager, the Owner Lessor, or the Lease Indenture Trustee; or

(c) the Facility Lessee shall fail to perform or observe in any material respect any covenant, obligation or agreement to be performed or observed by it under this Facility Lease, the Participation Agreement, the Head Lease, the Ground Lease or the Ground Sublease (other than any covenant, obligation or agreement referred to in clauses (a) or (b) of this Section 17), which shall continue unremedied for sixty (60) days after receipt by the Facility Lessee of written notice thereof from the Lessor Manager (acting at the direction of the Holdco) or the Lease Indenture Trustee; provided, however, that if such condition cannot be remedied within such sixty (60)-day period, then the period within which to remedy such condition shall be extended up to an additional two-hundred and seventy (270) days, so long as the Facility Lessee diligently pursues such remedy and such condition is capable of being remedied within such additional two-hundred and seventy (270)-day period; provided, further, that, in the case of the Facility Lessee's obligation set forth in clause (a) of Section 7.1, if, to the extent and for so long as a test, challenge, appeal or proceeding shall be prosecuted in good faith by the Facility Lessee, the failure by the Facility Lessee to comply with such requirement shall not constitute a Lease Event of Default if such test, challenge, appeal or proceeding shall not involve any material risk of (i) foreclosure, sale, forfeiture or loss of, or imposition of a lien on, the Facility, (ii) the impairment of the use, operation or maintenance of the Facility in any material respect or (iii) any criminal liability being incurred by, or any material adverse effect on the interests of, the Lessor Manager, the Holdco, any Holdco Note Purchaser, the Holdco Manager, the Owner Lessor, any Noteholder or the Lease Indenture Trustee, including subjecting the Holdco, any Holdco Note Purchaser or the Owner Lessor to regulation as a public utility or similar entity under Applicable Law; and provided, further, that in the case of the Facility Lessee's obligation set forth in clause (a) of Section 7.1, if the noncompliance is not a type that can be immediately remedied, the failure to comply shall not be a Lease Event of Default if the Facility Lessee is taking all reasonable action to remedy such noncompliance and if, but only if, such noncompliance shall not involve any material risk described in clause (i), (ii) or (iii) of the preceding *proviso*; or

(d) any representation or warranty made by the Facility Lessee in the Operative Documents shall prove to have been incorrect in any material respect when made and continues to be material and unremedied for a period of sixty (60) days after receipt by the Facility Lessee of written notice thereof from the Holdco or the Lease Indenture Trustee; provided, however, that if such condition cannot be remedied within such sixty (60)-day period, then the period within which to remedy such condition shall be extended up to an additional two-hundred and seventy (270) days, so long as the Facility Lessee diligently pursues such remedy and such condition is reasonably capable of being remedied within such additional two-hundred and seventy (270)-day period; or

(e) the Facility Lessee shall (i) commence a voluntary case or other proceeding seeking relief under Title 11 of the Bankruptcy Code or liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, or apply for or consent to the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or (ii) consent to, or fail to controvert in a timely manner, any such relief or the appointment of or taking possession by any such official in any voluntary case or other insolvency proceeding commenced against it, or (iii) file an answer admitting the material allegations of a petition filed against it in any such proceeding, or (iv) make a general assignment for the benefit of creditors; or

(f) an involuntary case or other proceeding shall be commenced against the Facility Lessee seeking (i) liquidation, reorganization or other relief with respect to it or its debts under Title 11 of the Bankruptcy Code or any bankruptcy, insolvency or other similar law now or hereafter in effect, or (ii) the appointment of a trustee, receiver, liquidator, custodian or other similar official with respect to it or any substantial part of its property or (iii) the winding-up or liquidation of the Facility Lessee; and such involuntary case or other insolvency proceeding shall remain undismissed and unstayed for a period of ninety (90) days (unless, in lieu of dismissal or stay of such proceeding, the Facility Lessee shall deliver to the Owner Lessor and the Lease Indenture Trustee an opinion of counsel reasonably satisfactory to each of them to the effect that the Facility Lessee is not an entity which can become a “debtor” under Section 101 of Title 11 of the Bankruptcy Code); or

(g) the Facility Lessee shall repudiate or disaffirm the validity or enforceability of this Facility Lease, the Head Lease or the Ground Lease.

SECTION 18. REMEDIES

Section 18.1 Remedies for Lease Event of Default. Upon the occurrence of any Lease Event of Default and at any time thereafter so long as the same shall be continuing, the Owner Lessor may, at its option, declare this Facility Lease to be in default by written notice to the Facility Lessee; provided, that upon the occurrence of a Lease Event of Default described in paragraph (e) or (f) of Section 17, this Facility Lease shall automatically be deemed to be in default without the need for giving any notice; and at any time thereafter, so long as the Facility Lessee shall not have remedied all outstanding Lease Events of Default, the Owner Lessor may proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Facility Lessee, at the Facility Lessee's sole cost and expense, of the applicable covenants and terms of this Facility Lease or to recover damages for breach thereof, including recovery of any payment of Rent then due and unpaid, provided, further, that in connection with such action or actions, the Owner Lessor may not, except as permitted under Section 18.2, seek (i) termination of this Facility Lease or any other Transaction Document, (ii) dispossession of the Facility Lessee or (iii) acceleration or early payment of amounts not yet due and payable under this Facility Lease or any other Transaction Document.

Section 18.2 Additional Remedies for Specified Lease Events of Default. On a date no earlier than one-hundred and eighty (180) days after the occurrence of a Lease Event of Default specified in Sections 17(a) or (b), or immediately upon the occurrence of a Lease Event of Default specified in Sections 17(e), (f), or (g), but, in each case, only to the extent the applicable Lease Event of Default is then continuing, and at any time thereafter so long as the same shall be continuing, the Owner Lessor, in its sole discretion, may elect, and to the extent permitted by, and subject to compliance with any mandatory requirements of, Applicable Law then in effect:

(a) by notice in writing to the Facility Lessee, to terminate this Facility Lease whereupon all right of the Facility Lessee to the possession and use under this Facility Lease of the Facility shall absolutely cease and terminate but the Facility Lessee shall remain liable as hereinafter provided; and thereupon, the Owner Lessor may demand that the Facility Lessee, and the Facility Lessee shall, upon written demand of the Owner Lessor and at the Facility Lessee's expense, forthwith deliver possession of the Facility to the Owner Lessor in the manner and condition required by, and otherwise in accordance with all of the provisions of, Section 5, except those provisions relating to periods of notice; and the Owner Lessor may thenceforth hold, possess and enjoy the same, free from any right of the Facility Lessee, or its successor or assigns, to use the Facility for any purpose whatever;

(b) to sell the Owner Lessor's Interest at public or private sale, as the Owner Lessor may determine, free and clear of any rights of the Facility Lessee under this Facility Lease and without any duty to account to the Facility Lessee with respect to such sale or for the proceeds thereof (except to the extent required (i) by paragraph (e) below if the Owner Lessor elects to exercise its rights under such paragraph and (ii) by Applicable Law), in which event the Facility Lessee's obligation to pay Basic Lease Rent hereunder due for any periods subsequent to the date of such sale shall terminate (except to the extent that Basic Lease Rent is to be included in computations under paragraph (d) or (e) below if the Owner Lessor elects to exercise its rights under said paragraphs);

(c) to hold, keep idle or lease to others the Facility as the Owner Lessor in its sole discretion may determine, free and clear of any rights of the Facility Lessee under this Facility Lease and without any duty to account to the Facility Lessee with respect to such action or inaction or for any proceeds with respect thereto, except that the Facility Lessee's obligation to pay Basic Lease Rent due for any periods subsequent to the date upon which the Facility Lessee shall have been deprived of possession and use of the Facility pursuant to this Section 18.2 shall be reduced by the net proceeds, if any, received by the Owner Lessor from subleasing the Facility to any Person other than the Facility Lessee;

(d) whether or not the Owner Lessor shall have exercised, or shall thereafter at any time exercise, any of its rights under paragraph (a) above with respect to the Facility, to specify, by written notice to the Facility Lessee, a Termination Date that shall not be earlier than thirty (30) days after the date of such notice, and to demand that the Facility Lessee pay to the Owner Lessor, and the Facility Lessee shall pay to the Owner Lessor, on the Termination Date specified in such notice, any unpaid Basic Lease Rent due on or before such Termination Date, any Supplemental Lease Rent due and payable as of the Termination Date specified in such notice, plus, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Lease Rent due after the Termination Date specified in such notice), an amount equal to the excess, if any, of the Termination Value computed as of the Termination Date specified in such notice over the Fair Market Sales Value of the Owner Lessor's Interest as of the Termination Date specified in such notice (such amount, the "FMV Net Termination Value"), and upon payment of such excess amount, this Facility Lease and the Facility Lessee's obligation to pay Basic Lease Rent hereunder due for any periods subsequent to the date of such payments shall terminate; or

(e) if the Owner Lessor shall have sold the Owner Lessor's Interest pursuant to paragraph (b) above, to demand that the Facility Lessee pay to the Owner Lessor, and the Facility Lessee shall pay to the Owner Lessor, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Lease Rent due after the date of such sale), an amount equal to (i) any unpaid Basic Lease Rent and Supplemental Lease Rent due on or before the date of such sale, (ii) if that date is not a Termination Date, the daily equivalent of Basic Lease Rent for the period from the preceding Termination Date to the date of such sale, and (iii) the amount, if any, by which the Termination Value for the Facility computed as of the Termination Date next preceding the date of such sale or, if such sale occurs on a Rent Payment Date or a Termination Date then computed as of such date, exceeds the proceeds of such sale net of all costs and expenses incurred by or on behalf of the Owner Lessor or the Lease Indenture Trustee in connection with or otherwise attributable to such sale (such amount set forth in subclause (iii), the "Sale Net Termination Value"), and, upon payment of such amount, this Facility Lease and the Facility Lessee's obligation to pay Basic Lease Rent for any periods subsequent to the date of such payment shall terminate.

Section 18.3 Application of Funds Held as Security; Liability for Basic Lease Rent, Costs and Expenses. In connection with the exercise of remedies under Sections 18.1 or 18.2, the Owner Lessor may apply any amounts which are held by the Owner Lessor or the Lease Indenture Trustee under Section 10.2 or 11.2 as security for the Facility Lessee's obligations hereunder and under any other Transaction Documents against any amounts owed by the Facility Lessee hereunder or under any other Transaction Document. In addition, the Facility Lessee shall be liable, except as otherwise provided in Sections 18.2(d) and (e), for (i) any and all unpaid Basic Lease Rent due hereunder before or during the exercise of any of the foregoing remedies, and (ii) on an After-Tax Basis for all legal fees and other documented costs and expenses incurred by reason of the occurrence of any Lease Event of Default or the exercise of the Owner Lessor's remedies with respect thereto (whether those remedies are exercised by the Owner Lessor, the Lease Indenture Trustee or a designee of either), including the repayment in full of any documented costs and expenses necessary to be expended in connection with the return of the Facility in accordance with Section 5, and any costs and expenses incurred by the Owner Lessor, the Holdco and the Lease Indenture Trustee in connection with retaking constructive possession of, or in repairing, such Facility in accordance with Section 18.2, in order to cause it to be in compliance with all maintenance standards imposed by this Facility Lease.

Section 18.4 Payment of FMV Net Termination Value or Sale Net Termination Value. If the Owner Lessor elects to exercise its rights set forth in Section 18.2(d) or (e) and the Facility Lessee is obligated to pay FMV Net Termination Value or Sale Net Termination Value, as applicable, subject to payment of all other amounts due and owing by the Facility Lessee pursuant to Section 18.2(d) or (e), as applicable, the Facility Lessee may, subject to the conditions set forth in this Section 18.4 below, elect to pay the Owner Lessor such FMV Net Termination Value or such Sale Net Termination Value, as applicable, in three equal installments payable on the first, second and third anniversaries of the Term-Out Notice Date (the "Term-Out Payment Dates"), together with interest (a) on the Net TV Amount (Debt Portion) of such FMV Net Termination Value or such Sale Net Termination Value, as applicable, at the Net TV Amount (Debt Portion) Rate, and (b) on the Net TV Amount (Equity Portion) of such FMV Net Termination Value or such Sale Net Termination Value, as applicable, at the Net TV Amount (Equity Portion) Rate. The Facility Lessee shall only be permitted to make such election by written notice given to the Owner Lessor, the Lessor Manager, and the Lease Indenture Trustee given within thirty (30) days of delivery of the written notice from the Owner Lessor pursuant to Section 18.2 with respect to the Owner Lessor's election to exercise remedies set forth in Section 18.2(d) or (e), as applicable, certifying that the issuance of Evidences of Indebtedness under the Bond Resolution is legally impossible or commercially unreasonable at such time in an amount sufficient to pay FMV Net Termination Value or Sale Net Termination Value when due under Section 18.2(d) or (e), as applicable. Upon the Facility Lessee's delivery of the notice described in the previous sentence, the Facility Lessee shall become obligated to pay FMV Net Termination Value or Sale Net Termination Value, as applicable, as provided above, and this Facility Lease and the Facility Lessee's obligation to pay Basic Lease Rent for any periods subsequent to the date of the delivery of such notice shall terminate. If the Facility Lessee (i) fails to deliver the notice described in the second preceding sentence with respect to any unpaid Net TV Amount, (ii) fails to certify by written notice given the Owner Lessor, the Lessor Manager and the Lease Indenture Trustee concurrently with its payment of an installment then due and payable on any Term-Out Payment Date that the issuance of Evidences of Indebtedness under the Bond Resolution is still legally impossible or commercially unreasonable or (iii) fails to pay any installment of the Net TV Amount then due and payable within ten (10) Business Days of the applicable Term-Out Payment Date, then in each case any unpaid Net TV Amount shall immediately become due and payable and the Owner Lessor may exercise any remedies available to it in accordance with Applicable Law. The

Facility Lessee's obligation to make payment of FMV Net Termination Value or Sale Net Termination Value, as applicable, shall survive the termination of this Facility Lease.

Section 18.5 Cumulative Remedies. Except as otherwise provided in this Section 18, the remedies in this Facility Lease provided in favor of the Owner Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity; and the exercise or beginning of exercise by the Owner Lessor of any one or more of such remedies shall not, except as otherwise provided in this Section 18, preclude the simultaneous or later exercise by the Owner Lessor of any or all of such other remedies.

Section 18.6 No Delay or Omission to Be Construed as Waiver. No delay or omission to exercise any right, power or remedy accruing to the Owner Lessor upon any breach or default by the Facility Lessee under this Facility Lease shall impair any such right, power or remedy of the Owner Lessor, nor shall any such delay or omission be construed as a waiver of any breach or default, or of any similar breach or default hereafter occurring; nor shall any waiver of a single breach or default be deemed a waiver of any subsequent breach or default. To the extent permitted by Applicable Law, but subject to Section 18.2, the Facility Lessee hereby waives any rights now or hereafter conferred by statute or otherwise which may require the Owner Lessor to sell, lease or otherwise use the Facility or any Component thereof in mitigation of the Owner Lessor's damages as set forth in this Section 18 or which otherwise may limit or modify any of the Owner Lessor's rights and remedies under this Section 18.

SECTION 19. SECURITY INTEREST AND INVESTMENT OF SECURITY FUNDS.

Any moneys received by the Owner Lessor or the Lease Indenture Trustee pursuant to Sections 10.2 or 11.2, until paid to the Facility Lessee in accordance with such Section, shall be held by the Owner Lessor or the Lease Indenture Trustee, as the case may be, as security for the Facility Lessee's obligations under this Facility Lease and be invested in Permitted Instruments by the Owner Lessor or the Lease Indenture Trustee, as the case may be, at the sole risk of the Facility Lessee, from time to time as directed in writing by the Facility Lessee if such instruments are reasonably available for purchase. So long as no Significant Lease Default has occurred and is continuing, any gain (including interest received) realized as the result of any such Permitted Instrument (net of any fees, commissions, taxes and other expenses, if any, incurred in connection with such Permitted Instrument) shall be applied or remitted to the Facility Lessee in the same manner as the principal invested.

SECTION 20. FACILITY LESSEE'S RIGHT TO SUBLEASE; ASSIGNMENT

Section 20.1 Assignment and Sublease. Except as provided in Section 20.2, the Facility Lessee shall not have the right to assign or sublease the Facility Lessee's Interest and shall not be released from its obligations under this Facility Lease and the Transaction Documents without the consent of the Owner Lessor, and, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, the Lease Indenture Trustee.

Section 20.2 Right to Sublease. The Facility Lessee may sublease the Facility without the consent of the Owner Lessor, the Lessor Manager, the Holdco, the Holdco Manager, Holdco Note Purchasers and the Lease Indenture Trustee under the following conditions:

(a) the sublessee is a solvent corporation, partnership, business trust, limited liability company or other person or entity not then involved in a bankruptcy proceeding and that is, or has engaged a third party that is, experienced in the operation of similar facilities;

(b) the sublease is expressly subject and subordinated to the Head Lease, this Facility Lease, the Ground Lease and the Ground Sublease;

(c) all terms and conditions of this Facility Lease and the other Transaction Documents remain in effect and the Facility Lessee remains fully and primarily liable for its obligations under this Facility Lease and the other Transaction Documents;

(d) no Significant Lease Default or Lease Event of Default shall have occurred and be continuing at the time of the entering into of such sublease;

(e) the sublease prohibits further assignment or subletting; and

(f) the Lien of the Lease Indenture is not impaired by the sublease.

The Facility Lessee shall pay all reasonable, documented out-of-pocket expenses of the Owner Lessor, the Holdco, the Holdco Manager, the Lessor Manager and the Lease Indenture Trustee in connection with such sublease.

SECTION 21. OWNER LESSOR’S RIGHT TO PERFORM

If the Facility Lessee fails to make any payment required to be made by it hereunder or fails to perform or comply with any of its other agreements contained herein after notice to the Facility Lessee and failure of the Facility Lessee to so perform or comply within 10 days thereafter, the Owner Lessor or the Holdco may make such payment or perform or comply with such agreement in a reasonable manner, but shall not be obligated hereunder to do so, and the amount of such payment and of the reasonable documented expenses of the Owner Lessor or the Holdco incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, together with interest thereon at the Overdue Rate, to the extent permitted by Applicable Law, shall be deemed to be Supplemental Lease Rent, payable by the Facility Lessee to the Owner Lessor on demand.

SECTION 22. SECURITY FOR OWNER LESSOR’S OBLIGATION TO THE LEASE INDENTURE TRUSTEE

In order to secure the Lessor Notes, the Owner Lessor will assign and grant a Lien to the Lease Indenture Trustee in and to all of the Owner Lessor's right, title and interest in, to and under this Facility Lease, and grant a security interest in favor of the Lease Indenture Trustee in all of the Owner Lessor's right, title and interest in and to the Owner Lessor's Interest (other than Excepted Payments and Excepted Rights). The Facility Lessee hereby consents to such assignment and to the creation of such Lien and security interest and acknowledges receipt of copies of the Lease Indenture, it being understood that such consent shall not affect any requirement or the absence of any requirement for any consent of the Facility Lessee under any other circumstances. Unless and until the Facility Lessee shall have received written notice from the Lease Indenture Trustee that the Lien of the Lease Indenture has been fully terminated, the Lease Indenture Trustee shall have the right to exercise the rights of the Owner Lessor under this Facility Lease to the extent set forth in and subject in each case to the exceptions set forth in the Lease Indenture. TO THE EXTENT, IF ANY, THAT THIS FACILITY LEASE CONSTITUTES CHATTEL PAPER (AS SUCH TERM IS DEFINED IN THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN ANY APPLICABLE JURISDICTION), NO SECURITY INTEREST IN THIS FACILITY LEASE MAY BE CREATED THROUGH THE TRANSFER OR POSSESSION OF ANY COUNTERPART HEREOF OTHER THAN THE ORIGINAL COUNTERPART, WHICH SHALL BE IDENTIFIED AS THE COUNTERPART CONTAINING THE RECEIPT THEREFOR EXECUTED BY THE LEASE INDENTURE TRUSTEE ON THE SIGNATURE PAGE THEREOF.

SECTION 23. MISCELLANEOUS

Section 23.1 Amendments and Waivers. No term, covenant, agreement or condition of this Facility Lease may be terminated, amended or compliance therewith waived (either generally or in a particular instance, retroactively or prospectively) except by an instrument or instruments in writing executed by each party hereto.

Section 23.2 Notices. Unless otherwise expressly specified or permitted by the terms hereof, all communications and notices provided for herein to a party hereto shall be in writing or by a telecommunications or electronic device capable of creating a written record, and any such notice shall become effective (a) upon personal delivery thereof, including by overnight mail or courier service, (b) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (c) in the case of notice by such a telecommunications or electronic device, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (a) and (b) above, in each case addressed to such party and copy party at its address set forth below or at such other address as such party or copy party may from time to time designate by written notice to the other party:

If to the Owner Lessor:

Cumberland Combined Cycle Generation LLC
c/o Cumberland Generation Holdco LLC

68 South Service Road, Suite 120
Melville, NY 11747
Telephone No.: 631-930-7202
E-mail: jrangelo@gssnyc.com
Attention: Bernard J. Angelo

with a copy to the Holdco:

Cumberland Generation Holdco LLC
c/o GSS Holdings (Cumberland), Inc.
68 South Service Road, Suite 120
Melville, NY 11747
Telephone No.: 631-930-7202
E-mail: jrangelo@gssnyc.com
Attention: Bernard J. Angelo

and to the Lease Indenture Trustee:

Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890-0001
Telephone No.: 302-651-1409
E-mail: jjmarvel@wilmingtontrust.com
Attention: Corporate Trust Administration – TVA Cumberland Facility

If to the Facility Lessee:

Tennessee Valley Authority
400 West Summit Hill Drive
Knoxville, Tennessee 37902
Telephone No.:(865) 632-3366
Facsimile No.: (865) 632-6673
E-mail: leasenotices@tva.gov
Attention: Treasurer

Section 23.3 *Survival*. Except for the provisions of Sections 3.3, 3.5, 5, 9, 18 and 23, which shall survive, the warranties and covenants made by each party hereto shall not survive the expiration or termination of this Facility Lease in accordance with its terms.

Section 23.4 *Successors and Assigns*.

(a) This Facility Lease shall be binding upon and shall inure to the benefit of, and shall be enforceable by, the parties hereto and their respective successors and assigns as permitted by and in accordance with the terms hereof.

(b) Except as expressly provided herein or in the other Transaction Documents, neither party hereto may assign its interests or transfer its obligations herein without the consent of the other party hereto.

(c) This Facility Lease is a registered instrument. A manually signed copy of this Facility Lease shall be evidence only of Owner Lessor's rights and is not a bearer instrument. Owner Lessor and Facility Lessee hereby agree that the Facility Lessee shall keep books of registry in which it will register by book entry any transfer of Owner Lessor's interest in the Facility, in this Facility Lease and in the rights to receive any payment hereunder. No transfer by Owner Lessor of any interest in this Facility Lease or in the right to receive any payments hereunder shall be permitted unless a book entry of such transfer is made upon such registry and such transfer is effected in compliance with this Section 23.4(c). Prior to the registration of any transfer by Owner Lessor (or any successor of Owner Lessor) as provided in this paragraph, Facility Lessee may deem and treat the registered owner of this Facility Lease as the owner hereof for all purposes.

Section 23.5 Intended Tax Treatment. The Facility Lessee and the Owner Lessor hereby agree that for U.S. federal, state and local income tax purposes only, the Facility Lessee is intended to be the owner of the Facility and this Facility Lease is not a true lease and neither party will take any inconsistent position in any U.S. federal, state or local income tax filing, unless otherwise required by a change of law after the date hereof or a non-appealable judgment of a court of competent jurisdiction.

Section 23.6 Business Day. Notwithstanding anything herein to the contrary, if the date on which any payment or performance is to be made pursuant to this Facility Lease is not a Business Day, the payment otherwise payable on such date shall be payable on the next succeeding Business Day with the same force and effect as if made on such scheduled date and (provided that such payment is made on such succeeding Business Day) no interest shall accrue on the amount of such payment from and after such scheduled date to the time of such payment on such next succeeding Business Day.

Section 23.7 Governing Law. This Facility Lease shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York (without regard to conflicts of laws principles other than as provided in Section 5-1401 of the NY General Obligations Law), except to the extent that Tennessee law or U.S. federal law shall apply.

Section 23.8 Severability. Any provision of this Facility Lease that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 23.9 Counterparts. This Facility Lease may be executed by the parties hereto in separate counterparts, each of which, subject to Section 22, when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. This Facility Lease may be executed by signatures delivered by email, and a copy hereof that is executed and delivered by a party by email (including in .pdf format) will be binding upon that party to the same extent as a copy hereof containing that party's original signature. The words "execution," "execute," "signed," "signature," and words of like import in or related to any document to be signed in connection with this Facility Lease shall be deemed to include electronic signatures (e.g., signatures effected through DocuSign), which shall be of the same legal effect, validity or enforceability as a manually executed signature to the extent and as provided for in any Applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

Section 23.10 Headings and Table of Contents. The headings of the sections of this Facility Lease and the Table of Contents are inserted for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof.

Section 23.11 Further Assurances. Each party hereto will promptly and duly execute and deliver such further documents and assurances for and take such further action reasonably requested by the other party, all as may be reasonably necessary to carry out more effectively the intent and purpose of this Facility Lease.

Section 23.12 Effectiveness. This Facility Lease shall be effective as of the date first above written.

Section 23.13 Measuring Life. If and to the extent that any of the rights and privileges granted under this Facility Lease would, in the absence of the limitation imposed by this sentence, be invalid or unenforceable as being in violation of the rule against perpetuities or any other rule or law relating to the vesting of interests in property or the suspension of the power of alienation of property, then it is agreed that, notwithstanding any other provision of this Facility Lease, such options, rights and privileges, subject to the respective conditions hereof governing the exercise of such options, rights and privileges, will be exercisable only during (a) the longer of (i) a period which will end twenty-one (21) years after the death of the last survivor of the descendants living on the date of the execution of this Facility Lease of the following Presidents of the United States: Franklin D. Roosevelt, Harry S. Truman, Dwight D. Eisenhower, John F. Kennedy, Lyndon B. Johnson, Richard M. Nixon, Gerald R. Ford, James E. Carter, Ronald W. Reagan, George H.W. Bush, William J. Clinton, George W. Bush, Barack H. Obama, Joseph R. Biden, Jr. and Donald J.

Trump or (ii) the period provided under the Uniform Statutory Rule Against Perpetuities or (b) the specific applicable period of time expressed in this Facility Lease, whichever of (a) and (b) is shorter.

Section 23.14 Owner Lessor Covenant. So long as this Facility Lease shall remain in effect, the Owner Lessor (or any successor thereto) hereby agrees and covenants to comply with the applicable provisions of 41 C.F.R. section 60-1.4, 41 C.F.R. section 60-250.4 and 41 C.F.R. section 60-741.4.

Section 23.15 Limitation on Liability. It is expressly understood and agreed by the parties hereto that (a) this Facility Lease is executed and delivered by the Lessor Manager, not individually or personally but solely as in its capacity as manager of the Owner Lessor under the Owner Lessor LLC Agreement, in the exercise of the powers and authority conferred and vested in it pursuant thereto, (b) each of the representations, undertakings and agreements herein made on the part of the Owner Lessor is made and intended not as personal representations, undertakings and agreements by the Lessor Manager, but is made and intended for the purpose for binding only the Owner Lessor, (c) nothing herein contained shall be construed as creating any liability on the Lessor Manager, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto or by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall the Lessor Manager, be personally liable for the payment of any indebtedness or expenses of the Owner Lessor or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Owner Lessor under this Facility Lease.

[*Signature page follows.*]

IN WITNESS WHEREOF, the Owner Lessor and the Facility Lessee have caused this Facility Lease to be duly executed and delivered under seal by their respective officers thereunto duly authorized on the dates below their respective signatures, but effective as of the date first set forth above.

CUMBERLAND COMBINED CYCLE GENERATION LLC

By: Cumberland Generation Holdco LLC,
not in its individual capacity, but solely
as Lessor Manager under the Owner
Lessor LLC Agreement

By: /s/ Bernard J. Angelo
Name: Bernard J. Angelo
Title: Vice President
Date: May 12, 2026

STATE OF NEW YORK)
) ss.:
COUNTY OF SUFFOLK)

Personally appeared before me, the undersigned authority in and for the said county and state, on this 12th day of May, 2026, within my jurisdiction, the within named Bernard J. Angelo, who acknowledged to me that he is Vice President of Cumberland Generation Holdco LLC as Lessor Manager of Cumberland Combined Cycle Generation LLC, a Delaware limited liability company (the "Owner Lessor"), and that for and on behalf of Cumberland Generation Holdco LLC solely as Lessor Manager of the Owner Lessor, and as the act and deed of Cumberland Generation Holdco LLC solely as Lessor Manager of the Owner Lessor, and as the act and deed of the Owner Lessor, he executed the above and foregoing instrument, after first having been duly authorized by Cumberland Generation Holdco LLC and Owner Lessor so to do.

/s/ Kevin P. Burns
Notary Public

My Commission expires: May 22, 2027

TENNESSEE VALLEY AUTHORITY

By: /s/ Joshua J. Carlon
Name: Joshua J. Carlon
Title: Director, Corporate Finance and
Assistant Treasurer
Date: May 14, 2026

STATE OF TENNESSEE)
) ss.:
COUNTY OF KNOX)

Personally appeared before me, the undersigned authority in and for the said county and state, on this 14th day of May, 2026, within my jurisdiction, the within named Joshua J. Carlon, who acknowledged to me that he is the Director, Corporate Finance and Assistant Treasurer of the Tennessee Valley Authority, a wholly owned corporate agency and instrumentality of the United States of America, and that for and on behalf of the Tennessee Valley Authority, and as its act and deed, he executed the above and foregoing instrument, after first having been duly authorized so to do.

/s/ Greta N. Chapman
Notary Public

My Commission expires: October 30, 2027

The name and address of the Owner Lessor are:

OWNER LESSOR: c/o Cumberland Generation Holdco LLC
68 South Service Road, Suite 120
Melville, NY 11747
Telephone No.: 631-930-7202
E-mail: jrangelo@gssnyc.com
Attention: Bernard J. Angelo

The name and address of the Facility Lessee are:

FACILITY LESSEE: Tennessee Valley Authority
c/o Realty Services
1101 Market Street
Chattanooga, Tennessee 37402-2801
Telephone No. (423) 751-7691
Attention: Senior Manager

Tax Parcel No. 124 05800 000, 124 05900 000, and 123 00100 000

*Receipt of the original counterpart of the foregoing Facility Lease is hereby acknowledged on this 26th day of May, 2026.

WILMINGTON TRUST, NATIONAL ASSOCIATION,
not in its individual capacity, but solely as Lease Indenture Trustee under the Lease Indenture

By: /s/ Jeff Marvel
Name: Jeff Marvel
Title: Assistant Vice President

STATE OF DE)
) ss.:
COUNTY OF NEW CASTLE)

Personally appeared before me, the undersigned authority in and for the said county and state, on this 12th day of May, 2026, within my jurisdiction, the within named Jeff Marvel, who acknowledged to me that he is AVP of Wilmington Trust, National Association, and as the act and deed of Wilmington Trust, National Association solely as Lease Indenture Trustee, he executed the above and foregoing instrument, after first having been duly authorized by Wilmington Trust, National Association so to do.

/s/ Tashema Nita Johnson
Notary Public

My Commission expires: September 29, 2027

APPENDIX A

DEFINITIONS

APPENDIX A

DEFINITIONS

CUMBERLAND COMBINED CYCLE FACILITY

APPENDIX A – DEFINITIONS

GENERAL PROVISIONS

In this Appendix A and each Transaction Document (as hereinafter defined), unless otherwise provided herein or therein:

(a) the terms set forth in this Appendix A or in any such Transaction Document shall have the meanings herein provided for and any term used in a Transaction Document and not defined therein or in this Appendix A but in another Transaction Document shall have the meaning herein or therein provided for in such other Transaction Document;

(b) any term defined in this Appendix A by reference to another document, instrument or agreement shall continue to have the meaning ascribed thereto whether or not such other document, instrument or agreement remains in effect;

(c) words importing the singular include the plural and vice versa;

(d) words importing a gender include either gender;

(e) a reference to a part, clause, section, paragraph, article, party, annex, appendix, exhibit, schedule or other attachment to or in respect of a Transaction Document is a reference to a part, clause, section, paragraph, or article of, or a part, annex, appendix, exhibit, schedule or other attachment to, such Transaction Document unless, in any such case, otherwise expressly provided in any such Transaction Document;

(f) a reference to any statute, regulation, proclamation, ordinance or law includes all statutes, regulations, proclamations, ordinances or laws varying, consolidating or replacing the same from time to time, and a reference to a statute includes all regulations, policies, protocols, codes, proclamations and ordinances issued or otherwise applicable under that statute unless, in any such case, otherwise expressly provided in any such statute or in such Transaction Document;

(g) a definition of or reference to any document, instrument or agreement includes an amendment or supplement to, or restatement, replacement, modification or renovation of, any such document, instrument or agreement unless otherwise specified in such definition or in the context in which such reference is used;

(h) a reference to a particular section, paragraph or other part of a particular statute shall be deemed to be a reference to any other section, paragraph or other part substituted therefor from time to time;

(i) if a capitalized term describes, or shall be defined by reference to, a document, instrument or agreement that has not as of any particular date been executed and delivered and such document, instrument or agreement is attached as an exhibit to the

Participation Agreement (as hereinafter defined), such reference shall be deemed to be to such form and, following such execution and delivery and subject to paragraph (h) above, to the document, instrument or agreement as so executed and delivered;

(j) a reference to any Person (as hereinafter defined) includes such Person's successors and permitted assigns;

(k) any reference to "days" shall mean calendar days unless "Business Days" (as hereinafter defined) are expressly specified;

(l) if the date as of which any right, option or election is exercisable, or the date upon which any amount is due and payable, is stated to be on a date or day that is not a Business Day, such right, option or election may be exercised, and such amount shall be deemed due and payable, on the next succeeding Business Day with the same effect as if the same was exercised or made on such date or day (without, in the case of any such payment, the payment or accrual of any interest or other late payment or charge, provided such payment is made on such next succeeding Business Day);

(m) words such as "hereunder", "hereto", "hereof" and "herein" and other words of similar import shall, unless the context requires otherwise, refer to the whole of the applicable document and not to any particular article, section, subsection, paragraph or clause thereof;

(n) a reference to "including" shall mean including without limiting the generality of any description preceding such term, and for purposes hereof and of each Transaction Document the rule of *ejusdem generis* shall not be applicable to limit a general statement, followed by or referable to an enumeration of specific matters, to matters similar to those specifically mentioned;

(o) all accounting terms not specifically defined herein or in any Transaction Document shall be construed in accordance with GAAP; and

(p) unless the context or the specific provision otherwise requires, whenever in the Transaction Documents a provision requires that the rating of a Person or the Lessor Notes be confirmed, such provisions shall be deemed to mean that each Rating Agency shall have confirmed the rating of the senior long-term unsecured debt of such Person or the Lessor Notes, if then rated by such Rating Agency, a copy of which confirmation shall be delivered by TVA to the Holdco, the Owner Lessor and, so long as the Lien of the Lease Indenture shall not have been terminated or discharged, to the Lease Indenture Trustee and shall be without indication that such Person or the Lessor Notes, as the case may be, has been placed on credit watch, credit review, or any similar status with negative implications or which does not indicate the direction of the potential ratings change.

DEFINED TERMS

"**2026 Lessor Notes**" shall mean the 5.821% Series 2026 Bonds due May 15, 2056 issued on the Closing Date by the Owner Lessor and any Lessor Notes issued in replacement therefor pursuant to Section 2.9 of the Lease Indenture.

"**Actual Knowledge**" shall mean, with respect to any Transaction Party, actual knowledge of, or receipt of written notice by, an officer (or other employee whose responsibilities include the administration of the Transaction) of such Transaction Party; *provided* that neither the Lease Indenture Trustee nor the Lessor Manager shall be deemed to have Actual Knowledge of any fact solely by virtue of an officer of the Lease Indenture Trustee or the Lessor Manager, as the case may be, having actual knowledge of such fact unless such officer is an officer in the Corporate Trust Administration Department of the Lease Indenture Trustee or the Lessor Manager, as the case may be, responsible for the administration of this transaction.

"**Additional Equity Investment**" shall mean the amount, if any, provided by the Holdco to finance all or a portion of the cost of any Modification financed pursuant to Section 11.2(a) of the Participation Agreement.

"**Additional Facility**" shall have the meaning specified in Section 4.4 of the Ground Lease.

"**Additional Lessor Notes**" shall have the meaning specified in Section 2.12 of the Lease Indenture.

"**Additional Owner**" shall have the meaning specified in Section 4.4 of the Ground Lease.

"**Affiliate**" of a particular Person shall mean any Person directly or indirectly controlling, controlled by or under common control with such particular Person. For purposes of this definition, "control" when used with respect to any particular Person shall mean the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing; *provided*, *however*, that under no circumstances shall the Lessor Manager or the Holdco Manager be considered an Affiliate of any of the Owner Lessor or the Holdco or any Holdco Note Purchaser, nor the Owner Lessor, any Holdco or any Holdco Note Purchaser be considered an Affiliate of the Holdco Manager or the Lessor Manager; *provided, further*, that no federal Governmental Entity shall be considered to be an Affiliate of TVA.

"**After-Tax Basis**" shall mean, with respect to any payment to be received by any Person, the amount of such payment (the base payment) supplemented by a further payment (the additional payment) to that Person so that the sum of the base payment plus the additional payment shall, after deduction of the amount of all federal, state and local income Taxes required to be paid by such Person in respect of the receipt or accrual of the base payment and the additional payment (taking into account any reduction in such income Taxes resulting from Tax benefits realized or to be realized by the recipient as a result of the payment or the event giving rise to the payment), be equal to the amount required to be received. Such calculations shall be made on the basis of the highest generally applicable federal, state and local income tax rates applicable to the Person for whom the calculation is being made for all relevant periods, and shall take into account the deductibility of state and local income taxes for federal income tax purposes.

“**Applicable Law**” shall mean, without limitation, all applicable laws, including all Environmental Laws, and treaties, judgments, decrees, injunctions, writs and orders of any court, arbitration board or Governmental Entity and rules, regulations, orders, ordinances, licenses and permits of any Governmental Entity.

“**Applicable Permits**” shall mean any valid waiver, exemption, variance, franchise, permit, authorization, license or similar order of or from, or filing or registration with, or notice to, any Governmental Entity having jurisdiction over the matter in question, including any decision of a Governmental Entity accompanying any of the foregoing, required by Applicable Law (including Environmental Laws) to be obtained or maintained in connection with the construction, operation and maintenance of the Facility and the Facility Site, transmission of electricity, performance of the Work, testing, commissioning, health and safety or any Environmental Condition.

“**Applicable Rate**” shall mean 6.08% per annum.

“**Appraisal Procedure**” shall mean (except with respect to the Closing Appraisal and any appraisal to determine Fair Market Sales Value after a Lease Event of Default shall have occurred and be continuing) an appraisal conducted by an appraiser or appraisers in accordance with the procedures set forth in this definition of “Appraisal Procedure.” The Holdco and TVA will consult with the intent of selecting a mutually acceptable Independent Appraiser. If a mutually acceptable Independent Appraiser is selected, the Fair Market Sales Value shall be determined by such Independent Appraiser. If the Holdco and TVA are unable to agree upon a single Independent Appraiser within a 15-day period, one shall be appointed by the Holdco, and one shall be appointed by TVA (or its designee), which Independent Appraisers shall attempt to agree upon the value, period, amount or other determination that is the subject of the appraisal. If either the Holdco or TVA does not appoint its appraiser, the determination of the other appraiser shall be conclusive and binding on the Holdco and TVA. If the appraisers appointed by the Holdco and TVA are unable to agree upon the value, period, amount or other determination in question, such appraisers shall jointly appoint a third Independent Appraiser or, if such appraisers do not appoint a third Independent Appraiser, the Holdco and TVA shall jointly appoint the third Independent Appraiser. In such case, the average of the determinations of the three appraisers shall be conclusive and binding on the Holdco and TVA, unless the determination of one appraiser differs from the middle determination by more than twice the amount by which the third determination differs from the middle determination, in which case the determination of the most disparate appraiser shall be excluded, and the average of the remaining two determinations shall be conclusive and binding on the Holdco and TVA.

“**Appraiser**” shall mean Federal Appraisal LLC.

“**Arbitration Proceeding**” shall mean a procedure whereby the party seeking to arbitrate a dispute concerning an amount payable under the Support Agreement shall provide written notice of its intention to arbitrate at the time and to the other party of the Support Agreement. Such notice (i) shall specify the section or sections of the Support Agreement which authorizes or authorize an Arbitration Proceeding, (ii) provide reasonable detail of the item or items in dispute, and (iii) set forth the name and address of the person designated to act as the arbitrator on behalf of the party providing such notice. Within 20 Business Days after such notice is given, the party to which such notice was given shall give notice to the first party, specifying the name and address of the person designated to act as arbitrator on its behalf. If the second party fails to notify the first party of the appointment of its arbitrator within such 20 Business Day period, then the appointment of the second arbitrator shall be made in the same manner as hereinafter provided for the appointment of a third arbitrator. The arbitrators so chosen shall meet within 10 Business Days after the second arbitrator is appointed and within 20 Business Days thereafter shall decide the dispute. If within such period they cannot agree upon their decision, they shall within 10 Business Days thereafter appoint a third arbitrator and, if they cannot agree upon such appointment, the third arbitrator shall be appointed upon their application or upon the application of either party, by the American Arbitration Association, or any organization which is a successor thereto from a panel of arbitrators having expertise in the business of operating combined cycle combustion turbines. The three arbitrators shall meet and decide the dispute within 20 Business Days of the appointment of the third arbitrator. Any decision or determination in which two of the three arbitrators shall concur or, if no two of the three arbitrators shall concur, the decision or determination of the arbitrator last selected shall be final and binding upon the parties. In designating arbitrators and in deciding the dispute, the arbitrators shall act in accordance with the rules of the American Arbitration Association then in force, *subject*, *however*, to express provisions to the contrary, if any, contained in the Support Agreement. In the event that the American Arbitration Association or a nationally recognized successor shall not then be in existence, the arbitration shall proceed under comparable laws or statutes then in effect. The parties to the arbitration shall be entitled to present evidence and argument to the arbitrators. Each party shall pay (i) the fees and expenses of the arbitrator appointed by or on its behalf, and (ii) equal shares of (a) the other expenses of the arbitration properly incurred and (b) the fees and expenses of the third arbitrator, if any. For purposes of this definition, the Facility User shall be deemed to be one party and TVA shall be deemed to be the other party.

“**Assigned Documents**” shall have the meaning specified in clause (2) of the Granting Clause of the Lease Indenture.

“**Assignment and Assumption Agreement**” shall mean an assignment and assumption agreement in form and substance substantially in the form of Exhibit F to the Participation Agreement.

“**Bankruptcy Code**” shall mean the United States Bankruptcy Code of 1978, as amended from time to time, 11 U.S.C. §101 *et seq*.

“**Base Rate**” shall mean the rate of interest publicly announced from time to time by Citibank, N.A. at its New York office as its base rate for domestic commercial loans, such rate to change as and when such base rate changes. For purpose of this definition, “base rate” shall mean that rate announced by Citibank, N.A. from time to time as its base rate as that rate may change from time to time with changes to occur on the date Citibank, N.A.’s base rate changes.

“**Basic Lease Rent**” shall have the meaning specified in Section 3.2 of the Facility Lease.

“**Basic Lease Rent (Debt Portion)**” for any Rent Payment Date shall mean the amount set forth under the heading “Basic Lease Rent (Debt Portion)” on Schedule 1 of the Facility Lease for such Rent Payment Date.

“**Basic Lease Rent (Equity Portion)**” for any Rent Payment Date shall mean the amount set forth under the heading “Basic Lease Rent (Equity Portion)” on Schedule 1 of the Facility Lease for such Rent Payment Date.

“**Benefit Plan**” shall mean an employee benefit plan as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, a plan as defined in Section 4975(e) of the Code that is subject to Section 4975 of the Code or any entity that is deemed to hold the assets of any such employee benefit plan or plan by virtue of such employee benefit plan’s or plan’s investment in such entity.

“**Bond Resolution**” shall mean the Basic Tennessee Valley Authority Power Bond Resolution adopted October 6, 1960, as amended.

“**Business Day**” shall mean any day other than a Saturday, a Sunday, any federal holiday, or a day on which banking institutions are authorized or required by law, regulation or executive order to be closed in Wilmington, Delaware, Knoxville, Tennessee, or the city and the state in which the Corporate Trust Office of the Lease Indenture Trustee, the Lessor Manager or the Holdco Manager is located.

“**Called Amount**” shall mean the amount of the Equity Investment that is being repaid, determined by reference to the Termination Value (Equity Portion) with respect to the applicable Termination Date.

“**Capability**” shall mean the amount of Energy, expressed in megawatt hours, that can be generated by the Facility.

“**Capacity**” shall mean megawatts of electric energy generating capacity.

“**Capital Expenditure Budget**” shall have the meaning set forth in Section 4.4(a) of the Support Agreement.

“**Claim**” shall mean any liability (including in respect of negligence (whether passive or active or other torts), strict or absolute liability in tort or otherwise, warranty, latent or other defects (regardless of whether or not discoverable), statutory liability, property damage, bodily injury or death), obligation, loss, settlement, damage, penalty, claim, action, suit, proceeding (whether civil or criminal), judgment, penalty, fine and other legal or administrative sanction, judicial or administrative proceeding, cost, expense or disbursement, including reasonable legal, investigation and expert fees, expenses and reasonable related charges, of whatsoever kind and nature (including any losses incurred in connection with enforcement of indemnity obligations), but excluding Taxes.

“**Closing**” shall have the meaning specified in Section 2.2(a) of the Participation Agreement.

“**Closing Appraisal**” shall mean the appraisal, dated the Closing Date, prepared by the Appraiser for the use of TVA.

“**Closing Date**” shall have the meaning specified in Section 2.2(a) of the Participation Agreement.

“**CMA Payment**” shall have the meaning specified in Section 6.1 of the Construction Management Agreement.

“**Code**” shall mean the Internal Revenue Code of 1986, as amended from time to time, and any successor statute.

“**Co-Holdco Manager**” shall mean a co-Manager appointed pursuant to Section 21 of the Holdco LLC Agreement.

“**Co-Lessor Manager**” shall mean a co-Independent Manager appointed pursuant to Section 16.6 of the Owner Lessor LLC Agreement.

“**Collateral**” shall have the meaning specified in the Granting Clause of the Owner Lessor Mortgage.

“**Common Facilities**” shall mean all property and facilities intended for common use in the operation of the Units as more particularly described on Exhibit A to the Facility Lease, and shall include any Modifications to such facilities which become subject to the Head Lease during the Facility Lease Term and any Modifications to the Common Facilities made in accordance with the Support Agreement, but shall not include any property or facilities that are used in whole or in part solely for operation or maintenance of other TVA generating units.

“**Competitor**” shall have the meaning specified in Section 7.1(b) of the Participation Agreement.

“**Component**” shall mean any appliance, part, instrument, appurtenance, accessory, furnishing, equipment or other property of whatever nature that may from time to time be incorporated in any Unit or the Facility, except to the extent constituting Modifications.

“**Confidential Information**” shall have the meaning specified in Section 13.2 of the Participation Agreement.

“**Construction Cost**” shall mean, with respect to any Modification, the actual cost or purchase price (after deducting amounts realized as the salvage value of any component or item of equipment which is being replaced by the Modification, determined in accordance with Prudent Industry Practice), including, without limitation, (i) all costs of architectural and engineering services, labor, materials, equipment, supplies, personnel training, testing, permits and licenses, and legal services, (ii) payroll, including related fringe benefits and payroll taxes, of direct full time employees of TVA allocable on an actual time basis to such acquisition or construction and not included in costs described in clause (vi) below, (iii) reasonable and allocable traveling expenses including use of TVA’s transportation equipment, (iv) all costs relating to injury or damage claims and claims by contractors or suppliers arising under construction contracts and arising out of such acquisition or construction, (v) all Taxes legally required to be paid with respect to such acquisition or construction if paid by TVA and (vi) administrative and other overhead costs of TVA as apportioned by TVA to such Modification in accordance with the Uniform System of Accounts, applicable to such acquisition or construction of such Modification, all in accordance with the Capital Expenditure Budget in effect from time to time.

“**Construction Management Agreement**” shall mean the Construction Management Agreement dated as of the Closing Date between TVA and the Owner Lessor.

“**Construction Period Financing Account**” shall have the meaning specified in Section 2.17(a) of the Lease Indenture.

“**Construction Period Financing Costs**” shall mean a dollar amount equal to the sum of (a) $62,416,545 with respect to the Lessor Notes and (b) $5,708,444 with respect to the Equity Investment.

“**Contractor**” shall mean TVA as contractor under the Construction Management Agreement.

“**Contract Year**” shall mean the 12-month period commencing at 12:01 a.m. on January 1 of each year and ending at 12:01 a.m. on the following January 1, except that the first Contract Year shall begin on the Service Commencement Date and the last Contract Year shall end on the Final Shutdown Date.

“**Cumberland Fossil Plant**” shall mean the Cumberland Fossil Plant consisting of two coal-fired units with a combined summer net generation capacity of 2,470 MW located at a site adjacent to the Facility Site.

“**Cumberland Construction Contract**” shall have the meaning specified in the first recital of the Construction Management Agreement.

“**Debt Portion**” shall mean the separate portions of the Net TV Amount (Debt Portion), which portions correspond to the 2026 Lessor Notes and each series of Additional Lessor Notes that may have been issued from time to time and are determined by multiplying (a) the Net TV Amount (Debt Portion), by (b) the fraction (i) the numerator of which is the outstanding principal amount of the applicable 2026 Lessor Notes or such series of Additional Lessor Notes and (ii) the denominator of which is the aggregate outstanding principal amount of the 2026 Lessor Notes and the Additional Lessor Notes.

“**Deed of Trust Trustee**” shall mean John Seehorn, Esq.

“**Design Documents**” shall have the meaning specified in Section 2.2.1 of the Construction Management Agreement.

“**Discounted Value**” shall mean, with respect to the Called Amount of any Equity Investment, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Amount from their respective scheduled due dates to the Settlement Date with respect to such Called Amount, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which return on the Equity Investment is payable) equal to the Reinvestment Yield with respect to such Called Amount.

“**Dollars**” or the sign “**$**” shall mean United States dollars or other lawful currency of the United States.

“**DTC**” shall mean The Depository Trust Company, a New York corporation.

“**Early Buy Out**” shall have the meaning specified in Section 15.1 of the Facility Lease.

“**Early Buy Out Date**” shall have the meaning specified in Section 15.1 of the Facility Lease.

“**Early Buy Out Notice**” shall have the meaning specified in Section 15.1 of the Facility Lease.

“**Effective Date**” shall mean May 13, 2026.

“**Election Notice**” shall have the meaning specified in Section 13.1 of the Facility Lease.

“**Energy**” shall mean megawatt hours of electric energy.

“**Enforcement Notice**” shall have the meaning specified in Section 5.1 of the Lease Indenture.

“**Engineering Consultant**” shall mean Sargent & Lundy, L.L.C.

“**Engineering Report**” shall mean the report of the Engineering Consultant, dated March 26, 2026.

“**Environmental Condition**” shall mean any action, omission, event, condition or circumstance, including the presence of any Hazardous Substance, that does or reasonably could (i) require assessment, investigation, abatement, correction, removal or remediation under any Environmental Law, (ii) give rise to any obligation or liability of any nature (whether civil or criminal, arising under a theory of negligence or strict liability, or otherwise) under any Environmental Law, or (iii) constitute a violation of or non-compliance with any Environmental Law.

“**Environmental Laws**” shall mean any federal, state or local laws, common law, ordinances, rules, orders, statutes, decrees, judgments, injunctions, directives, permits, licenses, approvals, codes and regulations relating to the environment, human health, natural resources or Hazardous Substances, now or hereafter in effect and as each may from time to time be amended, supplemented or supplanted.

“**Equity Breakage**” shall mean, with respect to a Called Amount, an amount equal to the excess, if any, of the Discounted Value with respect to the Called Amount of such Equity Investment over the amount of such Called Amount, *provided* that the Equity Breakage may in no event be less than zero.

“**Equity Guarantor**” shall have the meaning specified in Section 7.1 of the Participation Agreement.

“**Equity Guaranty**” shall mean any guaranty agreement guaranteeing the obligations of the Holdco or entered into pursuant to Section 7.1 of the Participation Agreement in form and substance substantially in the form of Exhibit G to the Participation Agreement.

“**Equity Investment**” shall mean the amount specified under the heading “Equity Investment” in Schedule 4 to the Participation Agreement.

“**Equity Portion**” shall mean the separate portions of the Net TV Amount (Equity Portion), which portions correspond to the Equity Investment and each series of Additional Equity Investment that may have been issued from time to time and are determined by multiplying (a) the Net TV Amount (Equity Portion), by (b) the fraction (i) the numerator of which is the outstanding principal amount of the applicable Equity Investment or such series of Additional Equity Investment and (ii) the denominator of which is the aggregate outstanding principal amount of the Equity Investment and the Additional Equity Investments.

“**ERISA**” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

“**Event of Loss**” shall mean, with respect to any Unit or Units, any of the following events:

(a) loss of such Unit or Units or use thereof due to destruction or damage to such Unit or Units or the Common Facilities that is beyond economic repair or that renders such Unit or Units permanently unfit for normal use;

(b) damage to such Unit or Units or the Common Facilities that results in an insurance settlement with respect to such Unit or Units on the basis of a total loss or an agreed constructive or a compromised total loss of such Unit or Units; and

(c) seizure, condemnation, confiscation or taking of, or requisition of title to or use of, all or substantially all of a Unit or Units or the Common Facilities by any Governmental Entity, which in the case of a requisition of use prevents the Facility Lessee from operating and maintaining all or substantially all of the Facility, such Unit or Units or the Facility Site for a period of 365 days or more, in each case following any contest thereof and exhaustion of all permitted appeals or an election by TVA not to pursue such appeals.

“**Evidences of Indebtedness**” shall have the meaning specified in the Bond Resolution.

“**Excepted Payments**” shall mean and include (a)(i) any indemnity or other payment (whether or not constituting Supplemental Lease Rent and whether or not a Lease Event of Default exists) payable to the Holdco, the Holdco Manager, any Holdco Note Purchaser, the Lessor Manager or to their respective successors and permitted assigns (other than the Lease Indenture Trustee) pursuant to Section 2.4, 9.1 or 9.2 of the Participation Agreement and Section 11.1 of the Owner Lessor LLC Agreement or (ii) any amount payable by TVA to the Owner Lessor, the Holdco, the Lessor Manager, the Holdco Manager or any Holdco Note Purchaser to reimburse any such Person for its costs and expenses in exercising its rights under the Transaction Documents, (b) insurance proceeds, if any, payable to the Owner Lessor or the Holdco under insurance separately maintained by the Owner Lessor or the Holdco with respect to the Facility as permitted by Section 11.1 of the Facility Lease, (c) any amount payable to the Holdco as the purchase price of the Holdco’s Membership Interests in connection with any permitted sale or transfer thereof pursuant to Section 7.1 of the Participation Agreement or Section 13 of the Facility Lease, (d) any amounts payable to the Holdco upon exercise by TVA of the Special Lessee Transfer pursuant to Section 12 of the Participation Agreement; (e) all other fees expressly payable to the Owner Lessor, the Holdco, the Lessor Manager, the Holdco Manager or any Holdco Note Purchaser under the Transaction Documents; (f) any amounts payable by TVA to the Owner Lessor pursuant to Section 13.2 of the Facility Lease; and (vii) any payments in respect of interest to the extent attributable to payments referred to above that constitute Excepted Payments.

“**Excepted Rights**” shall mean the rights specified in Section 5.6 of the Lease Indenture.

“**Excess Amounts**” shall have the meaning specified in Section 9.12 of the Lease Indenture.

“**Exchange Act**” shall mean the Securities Exchange Act of 1934, as amended.

“**Exchange Date**” shall mean, when used with respect to any Lessor Notes being replaced and exchanged for Replacement Power Bonds, the date fixed for such replacement and exchange by or pursuant to the Lease Indenture or the respective Lessor Notes, which date shall be a Termination Date.

“**Excluded Property**” shall mean Excepted Payments and rights reserved to the Owner Lessor and included within Excepted Rights, collectively.

“**Excluded Taxes**” shall have the meaning specified in Section 9.2(b) of the Participation Agreement.

“**Expected Completion Date**” shall have the meaning specified in Section 4.1.2 of the Construction Management Agreement

“**Expiration Date**” shall mean May 25, 2056, the scheduled expiration date of the Facility Lease Term.

“**Facility**” shall have the meaning specified in the first recital of the Participation Agreement.

“**Facility Lease**” shall mean the Facility Lease-Purchase Agreement, dated as of the Closing Date, between the Owner Lessor and TVA, substantially in the form of Exhibit B to the Participation Agreement.

“**Facility Lease Term**” shall have the meaning specified in Section 3.1 of the Facility Lease.

“**Facility Lessee**” shall mean TVA as lessee under the Facility Lease.

“**Facility Lessee’s Interest**” shall mean the Facility Lessee’s interest in and to the Facility under the Facility Lease and the Ground Interest under the Ground Sublease.

“**Facility Lessor**” shall mean the Owner Lessor as lessor under the Facility Lease.

“**Facility Operating Fee**” shall have the meaning specified in Section 3.5 of the Support Agreement.

“**Facility Operation and Maintenance Expense**” shall mean all payments made, costs incurred, and obligations and liabilities incurred, by TVA for or in connection with engineering, contract preparation, purchasing, repairing, insuring, supervising, recruiting, training, expediting, inspecting, accounting, providing legal services, testing, protecting, operating, insuring, using, decommissioning, retiring, and maintaining the Facility, *including, but not limited to*, Station Service Requirements and all such payments made, and obligations incurred, during an operating emergency, and with respect to the purchase of materials, supplies and spare parts, *but excluding* the Construction Cost of Modifications and any other cost included in a Capital Expenditure Budget. Facility Operation and Maintenance Expenses shall include the properly allocable direct overheads of TVA in the operation and maintenance of the Facility. Facility Operation and Maintenance Expenses shall be determined under and in accordance with the Uniform System of Accounts and shall be in accordance with the Operation and Maintenance Expense Budget in effect from time to time. There shall be credited against Facility Operation and Maintenance Expenses for such Month the proceeds of the sale by TVA of any surplus materials or supplies constituting part of, or used in connection with, the Facility. Facility Operation and Maintenance Expense shall not include any payments made by the Ground Lessee for Taxes pursuant to Section 3.2 of the Ground Lease and payments made, or costs incurred, for commodities, equipment or services supplied by TVA to the Facility User under separate contract, including transmission services supplied under contracts negotiated pursuant to Section 5 of the Support Agreement.

"**Facility Site**" shall mean the land on which the Facility is situated, as more particularly described in Exhibit 1 to the Ground Lease.

"**Facility User**" shall mean (i) the Owner Lessor, (ii) any Person to which the Owner Lessor has transferred its interest in the Facility or is leasing the Facility, or (iii) any other Person during the time and to the extent such Person has possession and control of the Facility, in each case under circumstances giving the Owner Lessor or such Person, as the case may be, the right to market and sell Energy from the Facility for its own account, including any Person designated by the Owner Lessor to be so entitled.

"**Fair Market Rental Value**" or "**Fair Market Sales Value**" shall mean with respect to any property or service as of any date, the cash rent or cash price obtainable in an arm's length lease, sale or supply, respectively, between an informed and willing lessee or purchaser under no compulsion to lease or purchase and an informed and willing lessor or seller or supplier under no compulsion to lease or sell or supply the property or service in question, and shall, in the case of an Owner Lessor's Interest, be determined (except as otherwise provided below or in the Transaction Documents) on the basis that (a) the Facility is located on the Facility Site and the conditions contained in Sections 7 and 8 of the Facility Lease shall have been complied with in all respects, (b) the lessee or buyer shall have rights in, or an assignment of, the Transaction Documents to which the Owner Lessor is a party and the obligations relating thereto and (c) the Owner Lessor's Interest is free and clear of all Liens (other than Owner Lessor's Liens, Holdco's Liens and Indenture Trustee's Liens) and taking into account (i) the remaining term of the Ground Lease and the Ground Sublease and (ii) in the case of the Fair Market Rental Value, the terms of the Facility Lease and the Transaction Documents. If the Fair Market Sales Value of the Owner Lessor's Interest is to be determined during the continuance of a Lease Event of Default or in connection with the exercise of remedies by the Owner Lessor pursuant to Section 18 of the Facility Lease, such value shall be determined by an appraiser appointed by the Owner

Lessor on an "as-is," "where-is" and "with all faults" basis and shall take into account all Liens (other than Owner Lessor's Liens, Holdco's Liens and Indenture Trustee's Liens); *provided*, *however*, in any such case where the Owner Lessor shall be unable to obtain constructive possession sufficient to realize the economic benefit of the Owner Lessor's Interest, Fair Market Sales Value of the Owner Lessor's Interest shall be deemed equal to $0. If in any case other than in the preceding sentence the parties are unable to agree upon a Fair Market Sales Value of the Owner Lessor's Interest within 30 days after a request therefor has been made, the Fair Market Sales Value of the Owner Lessor's Interest shall be determined by appraisal pursuant to the Appraisal Procedures. Any fair market value determination of a Severable Modification shall take into consideration any liens or encumbrances to which the Severable Modification being appraised is subject and which are being assumed by the transferee.

"**Federal Power Act**" shall mean the Federal Power Act, as amended.

"**FERC**" shall mean the Federal Energy Regulatory Commission.

"**Final Acceptance**" shall have the meaning specified in Section 5.3 of the Construction Management Agreement.

"**Final Acceptance Certificate**" shall have the meaning specified in Section 5.4 of the Construction Management Agreement.

"**Final Determination**" shall mean (i) a decision, judgment, decree or other order by any court of competent jurisdiction, which decision, judgment, decree or other order has become final after all allowable appeals or rehearings by either party to the action have been exhausted or the time for filing such appeal has expired, or in any case where judicial review shall at the time be unavailable because the proposed adjustment involves a decrease in net operating loss carryforward or a business credit carryforward, a decision, judgment, decree or other order of an administrative official or agency of competent jurisdiction, which decision, judgment, decree or other order has become final (*i.e.*, where all administrative appeals have been exhausted by all parties thereto), (ii) a closing agreement entered into under section 7121 of the Code, or any other settlement agreement entered into in connection with an administrative or judicial proceeding or (iii) the expiration of the time for instituting a claim for refund, or if such a claim was filed, the expiration of the time for instituting suit with respect thereto.

"**Final Shutdown**" shall mean the permanent removal from operation and commercial service of the Facility.

"**Final Shutdown Date**" shall mean the date on which Final Shutdown occurs.

"**Fitch**" shall mean Fitch Ratings, Inc. and any successor thereto.

"**FMV Net Termination Value**" shall have the meaning set forth in Section 18.2(d) of the Facility Lease.

"**GAAP**" shall mean generally accepted accounting principles used in the United States consistently applied.

"**Government**" shall mean the United States of America.

"**Governmental Entity**" shall mean and include the Government, any national government, any political subdivision of a national government or of any state, county or local jurisdiction therein or any board, commission, department, division, organ, instrumentality, court or agency of any thereof, but shall not include TVA.

"**Ground Interest**" shall mean a leasehold in the Facility Site granted pursuant to, and for the purposes and subject to the limitations set forth in, Section 5 of the Ground Lease.

"**Ground Lease**" shall mean the Ground Lease and Easement Agreement, dated as of the Closing Date, among the Ground Lessor and the Ground Lessee, substantially in the form of Exhibit C to the Participation Agreement.

"**Ground Lease Term**" shall have the meaning specified in Section 2.2 of the Ground Lease.

"**Ground Lessee**" shall mean the Owner Lessor as lessee of the Ground Interest under the Ground Lease.

"**Ground Lessor**" shall mean TVA and the Government (solely for purposes of Section 2.1 of the Ground Lease), as lessor of the Ground Interest under the Ground Lease.

"**Ground Lessor's Release Rights**" shall have the meaning specified in Section 4.2 of the Ground Lease.

"**Ground Sublease**" shall mean the Ground Sublease and Easement Agreement, dated as of the Closing Date, among the Ground Sublessor and the Ground Sublessee, substantially in the form of Exhibit D to the Participation Agreement.

"**Ground Sublease Term**" shall have the meaning specified in Section 2.2 of the Ground Sublease.

"**Ground Sublessee**" shall mean TVA and the Government (solely for purposes of Section 2.1 of the Ground Sublease) as sublessee of the Ground Interest under the Ground Sublease.

"**Ground Sublessor**" shall mean the Owner Lessor as sublessor of the Ground Interest under the Ground Sublease.

"**Guaranteed Provisional Acceptance Date**" shall mean December 31, 2026.

"**Hazardous Substance**" shall mean any pollutant, contaminant, hazardous substance, hazardous waste, toxic substance, chemical substance, extremely hazardous substance, petroleum or petroleum derived substance, waste, or additive, asbestos, PCBs, radioactive material, corrosive, explosive, flammable or infectious material, lead, radon or other compound, element, material or substance in any form whatsoever (including products) defined, regulated, restricted or controlled by or under any Environmental Law.

"**Head Lease**" shall mean the Head Lease Agreement, dated as of the Closing Date, among the Head Lessor and the Head Lessee, substantially in the form of Exhibit A to the Participation Agreement.

"**Head Lease Rent**" shall have the meaning specified in Section 3.2(a) of the Head Lease.

"**Head Lease Term**" shall have the meaning specified in Section 3.1 of the Head Lease.

"**Head Lessee**" shall mean the Owner Lessor as lessee of the Facility under the Head Lease.

"**Head Lessor**" shall mean TVA and the Government (solely for purposes of Section 2 of the Head Lease) as lessor of the Facility under the Head Lease.

"**Holdco**" shall have the meaning set forth in the introductory paragraph to the Participation Agreement; *provided* that if the Membership Interests are transferred pursuant to the Participation Agreement such that more than one person is a holder thereof, the term "Holdco" shall be deemed to include each holder of the Membership Interests.

"**Holdco Collateral Agent**" shall mean Wilmington Trust, National Association, or any successor thereto, as collateral agent appointed pursuant to the Holdco Note Purchase Documents.

"**Holdco's Lien**" shall mean, with respect to the Holdco, any Holdco Note Purchaser or the Holdco Manager, any Lien on the Facility, the Facility Site, the Lessor Estate or any part thereof arising as a result of (i) Claims against or any act or omission of the Holdco, a Holdco Note Purchaser or the Holdco Manager or any Affiliate of any thereof that are not related to, or that are in violation of, any Transaction Document or the transactions contemplated thereby or that are in breach of any covenant or agreement of the Holdco or the Holdco Manager set forth therein, (ii) Taxes against the Holdco, any Holdco Note Purchaser, the Holdco Manager or any respective Affiliate thereof that are not indemnified against by TVA pursuant to any Transaction Document or (iii) Claims against or affecting the Holdco, any Holdco Note Purchaser, the Holdco Manager or any respective Affiliate thereof arising out of the voluntary or involuntary transfer by the Holdco Manager or the Holdco (except as contemplated or permitted by the Transaction Documents) of any portion of the Holdco's Membership Interests.

"**Holdco LLC Agreement**" shall mean the limited liability company agreement, dated on or about the Effective Date, between the Owner Participant and the Holdco Manager.

"**Holdco Manager**" shall have the meaning set forth in the introductory paragraph of the Participation Agreement.

"**Holdco Note**" shall mean, with respect to any Holdco Note Purchaser, the Holdco Note issued by the Holdco as of the Closing Date to such Holdco Note Purchaser substantially in the form attached as Exhibit 1 to the Holdco Note Purchase Agreement.

"**Holdco Note Purchase Agreement**" shall mean the Note Purchase Agreement, dated as of the Closing Date, between the Holdco and the Holdco Note Purchasers.

"**Holdco Note Purchase Documents**" shall mean the Holdco Note Purchase Agreement, the Holdco Notes, the Holdco Pledge Agreement and the Holdco LLC Agreement.

"**Holdco Note Purchaser**" or "**Holdco Note Purchasers**" shall mean the Persons set forth under the caption "Holdco Note Purchasers" on Schedule 4 to the Participation Agreement.

"**Holdco Note Purchaser's Percentage Interest of the Notes**" shall mean, as of any date of determination, the percentage of the outstanding principal amount of Holdco Notes held by the applicable Holdco Note Purchaser.

"**Holdco Placement Agent**" shall mean Morgan Stanley & Co. LLC.

"**Holdco Pledge Agreement**" shall mean the Pledge Agreement, dated as of the Closing Date, between the Holdco and the Holdco Collateral Agent.

"**Indemnitee**" shall have the meaning specified in Section 9.1(a) of the Participation Agreement.

"**Indemnity Period**" shall have the meaning specified in Section 11 of the Ground Lease.

"**Independent Appraiser**" shall mean a disinterested, licensed industrial property appraiser who is a member of the Appraisal Institute having experience in the business of evaluating facilities similar to the Facility.

"**Investment Banker**" shall have the meaning specified in Section 2.10(b) of the Lease Indenture.

"**Kiewit**" shall have the meaning specified in the first recital of the Construction Management Agreement.

"**Lease Commencement Date**" shall mean the earlier of (i) the date the Facility achieves Provisional Acceptance in accordance with the Construction Management Agreement and (ii) the Outside Lease Commencement Date.

"**Lease Debt Rate**" shall mean the interest rate under the 2026 Lessor Notes.

"**Lease Default**" shall mean any event or circumstance that, with the passage of time or the giving of notice, or both, would become a Lease Event of Default.

"**Lease Event of Default**" shall have the meaning specified in Section 17 of the Facility Lease.

"**Leasehold Deed of Trust Trustee**" shall mean R. Culver Schmid.

"**Lease Indenture**" shall mean the Indenture of Trust, Deed of Trust and Security Agreement and Fixture Filing, dated as of the Closing Date, among the Owner Lessor, the Lease Indenture Trustee and the Deed of Trust Trustee, substantially in the form of Exhibit E to the Participation Agreement.

"**Lease Indenture Bankruptcy Default**" shall mean any event or occurrence, which, with the passage of time or the giving of notice or both, would become a Lease Indenture Event of Default under Section 4.2(e) or (f) of the Lease Indenture.

"**Lease Indenture Estate**" shall have the meaning specified in the Granting Clause of the Lease Indenture.

"**Lease Indenture Event of Default**" shall have the meaning specified in Section 4.2 of the Lease Indenture.

“**Lease Indenture Payment Default**” shall mean any event or occurrence, which, with the passage of time or the giving of notice or both, would become an Lease Indenture Event of Default under Section 4.2(b) of the Lease Indenture.

“**Lease Indenture Trustee**” shall mean Wilmington Trust, National Association, not in its individual capacity, but solely as Lease Indenture Trustee under the Lease Indenture, and each other Person who may from time to time be acting as Lease Indenture Trustee in accordance with the provisions of the Lease Indenture.

“**Lease Indenture Trustee Office**” shall mean the office to be used for notices to the Lease Indenture Trustee from time to time pursuant to Section 9.5 of the Lease Indenture.

“**Lease Indenture Trustee’s Account**” shall mean the account identified as the Lease Indenture Trustee’s Account on Schedule 4 of the Participation Agreement.

“**Lease Indenture Trustee’s Liens**” shall mean any Lien on the Facility, the Facility Site, the Lessor Estate or any part thereof arising as a result of (i) Taxes against or affecting the Lease Indenture Trustee, or any Affiliate thereof, that is not related to, or that is in violation of, any Transaction Document or the transactions contemplated thereby, (ii) Claims against or any act or omission of the Lease Indenture Trustee, or Affiliate thereof, that is not related to, or that is in violation of, any Transaction Document or the transactions contemplated thereby or that is in breach of any covenant or agreement of the Lease Indenture Trustee specified therein, (iii) Taxes imposed upon the Lease Indenture Trustee, or any Affiliate thereof, that are not indemnified against by TVA pursuant to any Transaction Document, or (iv) Claims against or affecting the Lease Indenture Trustee, or any Affiliate thereof, arising out of the voluntary or involuntary transfer by the Lease Indenture Trustee of any portion of the interest of the Holdco Manager or the Lease Indenture Trustee in the Lessor Estate, other than pursuant to the Transaction Documents.

“**Lessee Person**” shall mean the Facility Lessee, any sublessee of the Facility Lessee or any other Person using or having possession of the Facility during the Facility Lease Term or any portion thereof and any Affiliate, successor, assignee, transferee, agent or employee of any of the foregoing or any Person claiming through any of the foregoing, except that none of the Owner Lessor, the Holdco, the Holdco Manager, any Holdco Note Purchaser nor the Lease Indenture Trustee, nor any Affiliate, successor, assignee, transferee, agent or employee of any of the foregoing, nor any Person claiming through any of the foregoing, shall be a Lessee Person.

“**Lessor Estate**” shall mean all the estate, right, title and interest of the Owner Lessor in, to and under the Facility, the Ground Interest and the Transaction Documents, including all funds advanced to the Owner Lessor by the Holdco, all installments and other payments of Basic Lease Rent, Supplemental Lease Rent, Termination Value, condemnation awards, purchase price, sale proceeds and all other proceeds, rights and interests of any kind for or with respect to the estate, right, title and interest of the Owner Lessor in, to and under the Facility, the Ground Interest, the Transaction Documents, and any of the foregoing.

“**Lessor Manager**” shall have the meaning set forth in the introductory paragraph of the Participation Agreement.

“**Lessor Notes**” shall mean the 2026 Lessor Notes and any Additional Lessor Notes.

“**Lien**” shall mean any mortgage, security deed, security title, pledge, lien, charge, encumbrance, lease, or security interest or title retention arrangement.

“**List of Competitors**” shall mean the initial list attached to the Participation Agreement as Schedule 2, as amended from time to time pursuant to Section 7.1(b) of the Participation Agreement.

“**Majority in Interest of Noteholders**” as of any date of determination, shall mean Noteholders holding in aggregate more than 50% of the total outstanding principal amount of Lessor Notes; *provided*, *however*, that any Lessor Notes held by TVA and/or any Affiliate of TVA shall not be considered outstanding for purposes of this definition unless TVA and/or such Affiliate shall hold title to all the Lessor Notes outstanding.

“**Make Whole Premium**” shall mean, with respect to the Lessor Notes subject to redemption pursuant to the Lease Indenture, an amount equal to the Discounted Present Value of the Lessor Notes *less* the unpaid principal amount of such Lessor Notes; *provided* that the Make Whole Premium shall not be less than zero. For purposes of this definition, the “Discounted Present Value” of any Lessor Notes subject to redemption pursuant to the Lease Indenture shall be equal to the discounted present value of all principal and interest payments scheduled to become due after the date of such redemption in respect of the Lessor Notes, calculated using a discount rate equal to the sum of (i) the yield to maturity on the U.S. Treasury security having a life equal to the remaining average life of the Lessor Notes and (ii) 15 basis points; *provided*, *however*, that if there is no U.S. Treasury security having a life equal to the remaining average life of the Lessor Notes, such discount rate shall be calculated using a yield to maturity interpolated or extrapolated on a straight-line basis (rounding to the nearest calendar month, if necessary) from the yields to maturity for two U.S. Treasury securities having lives most closely corresponding to the remaining average life of the Lessor Notes.

“**Material Adverse Effect**” shall mean with respect to any Person a materially adverse effect on (i) the business, assets, revenues, results of operations, or financial condition of such Person, (ii) the ability of such Person to perform its obligations under the Transaction Documents, or (iii) the validity or enforceability of the Transaction Documents, the Liens granted thereunder, or the rights and remedies thereto.

“**Maximum Net Generating Capacity**” shall mean the maximum net Capability of the Facility to produce Energy under conditions existing from time to time.

“**Membership Interests**” shall mean the membership interests of the Holdco in the Owner Lessor.

“**Modification**” shall mean a modification, alteration, improvement, addition, betterment or enlargement of the Facility, including any Required Modifications and Optional Modifications, but not Components.

“**Month**” shall mean a calendar month.

“**Moody’s**” shall mean Moody’s Investors Service, Inc. and any successor thereto.

“**Net TV Amount**” shall mean the FMV Net Termination Value or the Sale Net Termination Value, as applicable.

“**Net TV Amount (Debt Portion)**” shall be the amount equal to the product of (a) the applicable Net TV Amount as of the applicable Termination Date, *multiplied by* (b) a fraction (i) the numerator of which is the Termination Value (Debt Portion) as of such Termination Date and (ii) the denominator of which is the Termination Value as of such Termination Date.

“**Net TV Amount (Debt Portion) Rate**” shall mean, with respect to the applicable Debt Portion, a rate per annum equal to (a) 7.821% per annum with respect to the Debt Portion that corresponds to the 2026 Lessor Notes; or (b) the interest rate on the applicable Additional Lessor Notes *plus* two percent (2%) per annum with respect to the Debt Portion that corresponds to such Additional Lessor Notes.

“**Net TV Amount (Equity Portion)**” shall be the amount equal to the product of (a) the applicable Net TV Amount as of the applicable Termination Date, *multiplied by* (b) a fraction (i) the numerator of which is the Termination Value (Equity Portion) as of such Termination Date and (ii) the denominator of which is the Termination Value as of such Termination Date.

“**Net TV Amount (Equity Portion) Rate**” shall mean, with respect to the applicable Equity Portion, a rate per annum equal to (a) 8.08% per annum with respect to the Equity Portion that corresponds to the Equity Investment; and (b) the interest rate on the applicable Additional Equity Investment *plus* two percent (2%) per annum with respect to the Equity Portion that corresponds to such Additional Equity Investment.

“**Nonseverable Modifications**” shall mean any Modification that is not a Severable Modification.

“**Note Register**” shall have the meaning specified in Section 2.8 of the Lease Indenture.

“**Noteholder**” shall mean any holder from time to time of outstanding Lessor Notes, and each such holder’s successors and permitted assigns.

“**Offering Circular**” shall mean the Offering Circular, dated May 13, 2026, with respect to the 2026 Lessor Notes.

“**Officer’s Certificate**” shall mean with respect to any Person a certificate signed by the Responsible Officer of such Person.

“**Operating Fee**” shall mean, if the Owner Lessor shall elect to appoint TVA operator of the Facility pursuant to Section 3.1 of the Support Agreement and TVA shall not be precluded by law from so serving, the Facility Operating Fee.

“**Operation and Maintenance Expense**” shall mean the Facility Operation and Maintenance Expense.

“**Operation and Maintenance Expense Budget**” shall have the meaning set forth in Section 4.4(c) of the Support Agreement.

“**Operative Documents**” shall mean the Participation Agreement, the Head Lease, the Facility Lease, the Ground Lease, the Ground Sublease, any Equity Guaranty, the Owner Lessor Mortgage, the Lease Indenture, the Lessor Notes, the Owner Lessor LLC Agreement and the Support Agreement.

“**Optional Modification**” shall have the meaning specified in Section 8.2 of the Facility Lease.

“**Other Exchange Date Payment Amounts**” shall mean the following amounts (without duplication) to be paid by the Facility Lessee on the Exchange Date: (a) if the Exchange Date is also a Rent Payment Date, Basic Lease Rent payable on such Exchange Date; *plus* (b) all reasonable documented out-of-pocket costs and expenses incurred by the Owner Lessor, the Holdco, the Holdco Note Purchasers and the Lease Indenture Trustee in connection with the exercise of the Early Buy Out (without duplication of any such costs and expenses payable pursuant to the Facility Lease); *plus* (c) any other Supplemental Lease Rent payments due and unpaid on the Exchange Date under any other Transaction Document.

“**Other Redemption Date Payment Amounts**” shall mean the following amounts (without duplication) to be paid by the Facility Lessee on the Redemption Date: (a) if the Redemption Date is also a Rent Payment Date, Basic Lease Rent payable on such Redemption Date; plus (b) all reasonable documented out-of-pocket costs and expenses incurred by the Owner Lessor, the Holdco, the Holdco Note Purchasers and the Lease Indenture Trustee in connection with the exercise of the Early Buy Out (without duplication of any such costs and expenses payable pursuant to the Facility Lease); *plus* (c) any other Supplemental Lease Rent payments due and unpaid on the Redemption Date under any other Transaction Document.

“**Outside Lease Commencement Date**” shall mean May 1, 2027.

“**Overdue Rate**” (a) when used with reference to the Lessor Notes, Basic Lease Rent (Debt Portion) or Termination Value (Debt Portion) shall mean two percent (2%) per annum over the greater of (i) the Base Rate and (ii) the stated interest rate on the Lessor Notes, (b) when used with reference to the Basic Lease Rent (Equity Portion) or Termination Value (Equity Portion), shall mean two percent (2%) over the greater of (A) the Base Rate and (B) 6.08% per annum or (c) when used with reference to any amount which is due and owing and not referenced in clause (a) or (b) of this definition, the Base Rate *plus* two percent (2%) per annum.

“**Owner Lessor**” shall have the meaning set forth in the introductory paragraph to the Participation Agreement.

“**Owner Lessor Indemnified Parties**” shall have the meaning specified in Section 7.2 of the Construction Management Agreement.

“**Owner Lessor LLC Agreement**” shall mean the limited liability company agreement of the Owner Lessor, dated on or about the Effective Date, between the Holdco, and the Lessor Manager.

“**Owner Lessor Mortgage**” shall mean the Leasehold Deed of Trust, Security Agreement and Fixture Filing, dated as of the Closing Date, made by the Owner Lessor to the Leasehold Deed of Trust Trustee and TVA, substantially in the form of Exhibit I to the Participation Agreement.

“**Owner Lessor’s Account**” shall mean the account identified as the Owner Lessor’s Account on Schedule 4 to the Participation Agreement.

“**Owner Lessor’s Interest**” shall mean the Owner Lessor’s right, title and interest in and to (i) the Facility under the Head Lease, (ii) the Ground Interest under the Ground Lease and (iii) the Support Agreement.

“**Owner Lessor’s Lien**” shall mean any Lien on the Facility, the Facility Site, the Lessor Estate or any part thereof arising as a result of (i) Taxes against or affecting the Lessor Manager or the Owner Lessor, or any respective Affiliate thereof that is not related to, or that is in violation of, any Transaction Document or the transactions contemplated thereby, (ii) Claims against, or any act or omission of, the Lessor Manager or the Owner Lessor, or any respective Affiliate thereof, that is not related to, or that is in violation of, any Transaction Document or the transactions contemplated thereby or that is in breach of any covenant or agreement of the Lessor Manager or the Owner Lessor specified therein, (iii) Taxes imposed upon the Lessor Manager or the Owner Lessor, or any respective Affiliate thereof that are not indemnified against by TVA pursuant to any Transaction Document, or (iv) Claims against or affecting the Lessor Manager or the Owner Lessor, or any respective Affiliate thereof arising out of the voluntary or involuntary transfer by the Lessor Manager or the Owner Lessor of any portion of the interest of the Lessor Manager or the Owner Lessor in the Owner Lessor’s Interest, other than pursuant to the Transaction Documents.

“**Owner Participant**” shall mean the owner of the membership interests of the Holdco which shall mean GSS Holdings (Cumberland), Inc. until such time, if any, that it has transferred such membership interest in accordance with the Holdco LLC Agreement, and, thereafter shall mean such transferee or its permitted successor or assign.

“**Partial Early Buy Out**” shall mean TVA’s exercise of the Early Buy Out with respect to less than all Units.

“**Partial Event of Loss**” shall mean an Event of Loss with respect to less than all Units.

“**Participation Agreement**” shall mean the Participation Agreement, dated as of the Effective Date, among TVA, the Owner Lessor, the Lessor Manager, the Holdco Manager, the Holdco and the Lease Indenture Trustee.

“**Paying Agent**” shall have the meaning specified in Section 2.6 of the Lease Indenture.

“**Permitted Closing Date Liens**” shall mean those matters listed on Exhibit 5 to the Ground Lease.

“**Permitted Instruments**” shall mean (a) Permitted Securities, (b) overnight loans to or other customary overnight investments in commercial banks of the type referred to in paragraph (d) below, (c) open market commercial paper of any corporation (other than TVA or any Affiliate thereof) incorporated under the laws of the United States or any state thereof which is rated not less than “prime 1” or its equivalent by Moody’s and “A 1” or its equivalent by S&P maturing within one year after such investment, or such other comparable rating by a nationally recognized rating agency, (d) certificates of deposit issued by commercial banks organized under the laws of the United States or any state thereof or a domestic branch of a foreign bank (i) having a combined capital and surplus in excess of $500,000,000 and (ii) which are rated “AA” or better by S&P and “Aa2” or better by Moody’s, or such other comparable rating by a nationally recognized rating agency; *provided* that no more than $20,000,000 may be invested in such deposits at any one such bank and (e) a money market fund registered under the Investment Company Act of 1940, as amended, the portfolio of which is limited to Permitted Securities.

“**Permitted Liens**” shall mean (i) the interests of TVA, the Holdco, the Owner Lessor and the Lease Indenture Trustee under any of the Transaction Documents; (ii) all Owner Lessor’s Liens, Holdco’s Liens and Indenture Trustee’s Liens; (iii) the interests of TVA in the Facility and the Facility Site; (iv) Permitted Closing Date Liens; (v) Liens for taxes either not delinquent or being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of TVA if required by generally accepted accounting principles, so long as such proceedings shall not involve any danger of the sale, forfeiture or loss of any part of the Facility or the Facility Site; (vi) materialmen’s, mechanics’, workers’, repairmen’s, employees’ or other like liens arising in the ordinary course of business for amounts either not delinquent or being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of TVA if required by generally accepted accounting principles, so long as such proceedings shall not involve any danger of the sale, forfeiture or loss of any part of the Facility or the Facility Site; (vii) liens arising out of judgments or awards against TVA with respect to which at the time an appeal or proceeding for review is being prosecuted in good faith by TVA, so long as such judgment, award or appeal shall not involve any danger of the sale, forfeiture or loss of any part of the Facility or the Facility Site; (viii) utility rights of way and easements; and (ix) Liens permitted pursuant to Section 4.2 or 4.3 of the Ground Lease.

“**Permitted Post Facility Lease Term Liens**” shall mean the Permitted Liens referred to in clauses (ii), (iii) and (ix) of the definition thereof.

“**Permitted Securities**” shall mean securities (and security entitlements with respect thereto) that (a) are (i) direct obligations of the United States of America or obligations guaranteed as to principal and interest by the full faith and credit of the United States of America, and (ii) securities issued by agencies of the U.S. federal government whether or not backed by the full faith and credit of the United States rated “AA” and “Aa2” by S&P and Moody’s, respectively, which, in either case under clauses (i) or (ii) are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government obligation or a specific payment of interest on or principal of any such U.S. Government obligation held by such custodian for the account of the holder of a depository receipt, *provided* that (except as required by law) such custodian is not authorized to make any deduction in the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government obligation or the specific payment of interest on or principal of the U.S. Government obligation evidenced by such depository receipt and (b) have a stated maturity no later than the date of the expected use of the funds.

“**Person**” shall mean any individual, corporation, cooperative, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“**Personalty**” shall have the meaning specified in the Granting Clause of the Owner Lessor Mortgage.

“**Plan**” shall mean any “employee benefit plan” (as defined in Section 3(3) of ERISA) that is subject to ERISA, any “plan” (as defined in Section 4975(e)(1) of the Code) that is subject to Section 4975 of the Code, any trust created under any such plan or any “governmental plan” (as defined in Section 3(32) of ERISA or Section 414(d) of the Code) that is organized in a jurisdiction having prohibitions on transactions with government plans similar to those contained in Section 406 of ERISA or Section 4975 of the Code.

“**Point or Points of Interconnection**” shall mean the points of interconnection of the transmission facilities owned by TVA with regional transmission lines of entities to which TVA wheels power on behalf of the Owner Lessor pursuant to Section 5 of the Support Agreement, as such points may be agreed upon by the Parties from time to time.

“**Power**” shall mean megawatts of Capacity and associated Energy.

“**Proceeds**” shall mean the proceeds from the sale of the 2026 Lessor Notes by the Owner Lessor to the Noteholders on the Closing Date.

“**Provisional Acceptance**” shall have the meaning specified in Section 5.1 of the Construction Management Agreement.

“**Provisional Acceptance Certificate**” shall have the meaning specified in Section 5.2 of the Construction Management Agreement.

“**Prudent Industry Practice**” shall mean, at a particular time, either (a) any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry with respect to facilities similar in nature to the Facility, or (b) any of the practices, methods and acts which, in the exercise of reasonable judgment at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, safety and expedition. “Prudent Industry Practice” is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts.

“**Punch List**” shall have the meaning specified in Section 2.3.2 of the Construction Management Agreement.

“**Quarter**” means a calendar three-month period, ending on March 31, June 30, September 30 or December 31.

“**Rates**” shall have the meaning specified in Section 5.5 of the Participation Agreement.

“**Rating Agencies**” shall mean S&P, Moody’s and Fitch and any other comparable nationally recognized rating agency.

“**Real Property**” shall have the meaning specified in the Granting Clause of the Owner Lessor Mortgage.

"**Reasonable Basis**" for a position shall exist if tax counsel may properly advise reporting such position on a tax return in accordance with Formal Opinion 85 352 issued by the Standing Committee on Ethics and Professional Responsibility of the American Bar Association (or any successor to such opinion).

"**Rebuilding Closing Date**" shall have the meaning specified in Section 10.3(b) of the Facility Lease.

"**Redemption Date**" shall mean, when used with respect to any Lessor Notes to be redeemed, the date fixed for such redemption by or pursuant to the Lease Indenture or the respective Lessor Notes, which date shall be a Termination Date.

"**Registrar**" shall have the meaning specified in Section 2.8 of the Lease Indenture.

"**Regulatory Event of Loss**" shall mean a condition or circumstance where, if elected by the Owner Lessor, the Holdco or one or more affected Holdco Note Purchasers (by notice to the Facility Lessee) within 12 months of obtaining knowledge of the event or circumstance causing a "Regulatory Event of Loss," the Owner Lessor, the Holdco or such affected Holdco Note Purchaser or Purchasers become subject to rate of return regulation or other applicable public utility law or regulation of a Governmental Entity that, in the reasonable opinion of the Owner Lessor, the Holdco or such affected Holdco Note Purchaser or Purchasers, is materially burdensome to the Owner Lessor, the Holdco or such affected Holdco Note Purchaser or Purchasers and cannot be remedied by cooperation among the parties and the taking of reasonable measures to alleviate the source or consequence of any such regulation or law, *provided* that: (i) such regulation or law is applicable solely as a result of the participation of the Owner Lessor, the Holdco or such affected Holdco Note Purchaser or Purchasers in the transactions contemplated by the Transaction Documents and not as a result of (A) any other investments, loans, or other business activities of the Owner Lessor, the Holdco or such affected Holdco Note Purchaser or Purchasers or their Affiliates or the nature of properties or assets owned, held or otherwise available to the Owner Lessor, the Holdco or such affected Holdco Note Purchaser or Purchasers or their Affiliates or (B) a failure of the Owner Lessor, the Holdco or such affected Holdco Note Purchaser or Purchasers or their Affiliates to perform routine, administrative or ministerial actions which would not have a material adverse consequence on the Owner Lessor, the Holdco or such affected Holdco Note Purchaser or Purchasers or their Affiliates; and (ii) the Owner Lessor, the Holdco or such affected Holdco Note Purchaser or Purchasers would no longer be subject to such law or regulation if the Owner Lessor terminated the Head Lease and the Facility Lease and transferred possession of the Facility to the Head Lessor, the Holdco disposed of its Membership Interests, or such affected Holdco Note Purchaser or Purchasers disposed of its or their Holdco Notes as the case may be.

"**Regulatory Event of Loss Termination Payment**" shall mean, with respect to any Termination Date, an amount equal to the product of (a) the Termination Value (Equity Portion) with respect to such Termination Date, *multiplied* by (b) the applicable Holdco Note Purchaser's Percentage Interest of the Notes.

"**Related Party**" shall mean, with respect to any Person or its successors and assigns, an Affiliate of such Person or its successors and assigns and any director, officer, servant, employee or agent of that Person or any such Affiliate or their respective successors and assigns; *provided* that the Lessor Manager and the Owner Lessor shall not be treated as Related Parties to each other and neither the Owner Lessor nor the Lessor Manager shall be treated as a Related Party to the Holdco except that, for purposes of Section 9 of the Participation Agreement, the Owner Lessor will be treated as a Related Party to the Holdco to the extent that the Owner Lessor acts on the express direction or with the express consent of the Holdco.

"**Released Property**" shall have the meaning specified in Section 4.2 of the Ground Lease.

"**Relevant Portion**" shall mean (a) with respect to Section 10 of the Facility Lease, the Unit or Units suffering an Event of Loss or (b) with respect to Section 15 of the Facility Lease, the Unit or Units subject to TVA's exercise of the Early Buy Out, in either case with respect to a termination of the Facility Lease with respect to less than the entire Facility.

"**Reinvestment Yield**" shall mean, with respect to the Called Amount of any Equity Investment, 0.50% over the yield to maturity implied by the yield(s) reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Amount, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on-the-run U.S. Treasury securities **("Reported")** having a maturity equal to the Remaining Average Life of such Remaining Scheduled Payments as of such Settlement Date. If there are no such U.S. Treasury securities Reported having a maturity equal to such Remaining Average Life, then such implied yield to maturity will be determined by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between the yields Reported for the applicable most recently issued actively traded on-the-run U.S. Treasury securities with the maturities (1) closest to and greater than such Remaining Average Life and (2) closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Equity Investment. If such yields are not Reported or the yields Reported as of such time are not ascertainable (including by way of interpolation), then "**Reinvestment Yield**" shall mean, with respect to the Called Amount of any Equity Investment, 0.50% over the yield to maturity implied by the U.S. Treasury constant maturity yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Amount, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for the U.S. Treasury constant maturity having a term equal to the Remaining Average Life of such Called Amount as of such Settlement Date. If there is no such U.S. Treasury constant maturity having a term equal to such Remaining Average Life, such implied yield to maturity will be determined by interpolating linearly between (1) the U.S. Treasury constant maturity so reported with the term closest to and greater than such Remaining Average Life and (2) the U.S. Treasury constant maturity so reported with the term closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Equity Investment.

"**Remaining Average Life**" shall mean, with respect to any Called Amount, the number of years obtained by dividing (i) such Called Amount into (ii) the sum of the products obtained by multiplying (a) the return of equity component of each Remaining Scheduled Payment with respect to such Called Amount by (b) the number of years, computed on the basis of a 360-day year composed of twelve 30-day months, that will elapse between the Settlement Date with respect to such Called Amount and the scheduled due date of such Remaining Scheduled Payment.

"**Remaining Scheduled Payments**" shall mean, with respect to the Called Amount of any Equity Investment, all payments of Basic Lease Rent (Equity Portion) that would be due after the Settlement Date if no payment of such Called Amount were made prior to its scheduled due date.

"**Remediate**" or "**Remediation**" means an action or actions required by a Governmental Entity pursuant to Applicable Law to address an Environmental Condition or a release of Hazardous Substances, including monitoring, investigation, assessment, treatment, cleanup, containment, removal, mitigation, response or remediation work in connection with such Environmental Conditions or a release of Hazardous Substances.

"**Removable Modification**" shall have the meaning specified in Section 8.3 of the Facility Lease.

"**Rent**" shall mean Basic Lease Rent and Supplemental Lease Rent.

"**Rent Payment Date**" shall mean each May 15 and November 15, commencing November 15, 2026, to and including May 15, 2056.

"**Replacement Component**" shall have the meaning specified in Section 7.2 of the Facility Lease.

"**Replacement Power Bond**" shall have the meaning specified in Section 2.10(c) of the Lease Indenture.

"**Reported**" shall have the meaning specified in the definition of Reinvestment Yield in this Appendix A.

"**Required Modification**" shall have the meaning specified in Section 8.1 of the Facility Lease.

"**Responsible Officer**" shall mean (a) with respect to a corporation or limited liability company, its Chairman of the Board, its President, any Senior Vice President, the Chief Financial Officer, any Vice President, the Treasurer, its Independent Manager or any other management employee (i) that has the power to take the action in question and has been authorized, directly or indirectly, by the Board of Directors (or equivalent body) of such Person, (ii) working under the direct supervision of such Chairman of the Board, President, Senior Vice President, Chief Financial Officer, Vice President or Treasurer, and (iii) whose responsibilities include the administration of the transactions and agreements contemplated by the Transaction Documents, (b) with respect to the Lease Indenture Trustee, an officer in its corporate trust administration department, (c) with respect to TVA, its Chairman of the Board, its President, any Senior Vice President, the Chief Financial Officer, any Vice President, the Treasurer or any other management employee, (d) with respect to the Owner Lessor, the Lessor Manager and (e) with respect to the Holdco, the Holdco Manager.

"**Revenues**" shall have the meaning specified in the Granting Clause of the Lease Indenture.

"**S&P**" shall mean S&P Global Ratings or any successor thereto.

“**Sale Net Termination Value**” shall have the meaning set forth in Section 18.2(e) of the Facility Lease.

“**Scheduled Closing Date**” shall mean May 26, 2026 and any date set for the Closing in a notice of postponement pursuant to Section 2.3(a) of the Participation Agreement.

“**Scheduled Payment Date**” shall mean a Rent Payment Date.

“**SEC**” shall mean the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934.

“**Secured Indebtedness**” shall have the meaning specified in Section 1 of the Lease Indenture.

“**Secured Obligations**” shall have the meaning set forth in the Granting Clause of the Owner Lessor Mortgage.

“**Securities Act**” shall mean the Securities Act of 1933, as amended.

“**Security**” shall have the same meaning as in Section 2(a)(1) of the Securities Act.

“**Service Commencement Date**” shall mean the date upon which the Facility Lease expires or terminates and possession and control of the Owner Lessor’s Interest is delivered to the Owner Lessor or its designee pursuant to Section 5 or Section 18.2 of the Facility Lease.

“**Settlement Date**” shall mean, with respect to the Called Amount of any Equity Investment, the date, which shall be a Termination Date, on which such Called Amount is to be repaid pursuant to Section 15 of the Facility Lease.

“**Severable Modification**” shall mean any Modification that is removable without causing material damage to the Facility that cannot readily be repaired.

“**Significant Lease Default**” shall mean any of: (i) TVA shall fail to make any payment of Basic Lease Rent or Termination Value on the relevant payment date or after the same shall have become due and payable, (ii) TVA shall fail to make any payment of Supplemental Lease Rent in excess of $350,000 (other than Excepted Payments, or Termination Value or any amount determined by reference thereto) on the relevant payment date after the same shall have become due and payable, except to the extent such amounts are the subject of a good faith dispute and have not been established to be due and payable, or (iii) an event which is or, with the passage of time would be, a Lease Event of Default under Section 17(e) or (f) of the Facility Lease.

“**Significant Lease Indenture Default**” shall mean a failure by the Owner Lessor to make any payment of principal or interest on the Lessor Notes after the same shall have become due and payable.

“**Similar Law**” shall mean any federal, state or local law that is substantially similar to Title I of ERISA or Section 4975 of the Code.

“**Special Lessee Transfer**” shall have the meaning specified in Section 12 of the Participation Agreement.

“**Special Lessee Transfer Amount**” shall mean for any Termination Date, the amount determined as follows: (i) the Termination Value (Equity Portion) under the Facility Lease on such Termination Date; *plus* (ii) any unpaid Basic Lease Rent (Equity Portion) due on or before such Termination Date; *plus* (iii) the Equity Breakage.

“**Station Service Requirements**” shall mean the Capacity and Energy required during any period (including initial start-up and testing) and supplied from any source other than the Facility for operation of all on-site process and auxiliary equipment and systems used or useful in connection with the operation and maintenance of the Facility.

“**Subcontractors**” shall have the meaning specified in the third recital of the Construction Management Agreement.

“**Subordinated Resolution**” shall mean the Tennessee Valley Authority Subordinated Debt resolution adopted March 29, 1995, as amended and supplemented.

“**Supplemental Financing**” shall have the meaning specified in Section 11.2(b) of the Participation Agreement.

“**Supplemental Lease Rent**” shall mean any and all amounts, liabilities and obligations (other than Basic Lease Rent or any amount determined by reference thereto) that TVA assumes, agrees to or is required to pay under the Transaction Documents (whether or not identified as “Supplemental Lease Rent”) to the Owner Lessor or any other Person, including Termination Value and Make Whole Premium.

“**Support Agreement**” shall mean the Operating and Support Agreement, dated as of the Closing Date, between the Owner Lessor and TVA, substantially in the form of Exhibit H to the Participation Agreement.

“**Tax**” or “**Taxes**” shall mean all fees, taxes (including sales taxes, use taxes, stamp taxes, value added taxes, ad valorem taxes and property taxes (personal and real, tangible and intangible)), levies, assessments, withholdings and other charges and impositions of any nature, plus all related interest, penalties, fines and additions to tax, now or hereafter imposed by any federal, state, local or foreign government or other taxing authority (including penalties or other amounts payable pursuant to subtitle B of Title I of ERISA).

“**Tax Advance**” shall have the meaning specified in Section 9.2(g)(iii)(4) of the Participation Agreement.

“**Tax Benefit**” shall have the meaning specified in Section 9.2(e) of the Participation Agreement.

“**Tax Claim**” shall have the meaning specified in Section 9.2(g)(i) of the Participation Agreement.

“**Tax Event**” shall mean any event or transaction that results in a Noteholder being subject to U.S. federal income tax on a different amount, in a different manner or at a different time than would have been the case if such event had not occurred.

“**Tax Indemnitee**” shall have the meaning specified in Section 9.2(a) of the Participation Agreement.

“**Term-Out Notice Date**” shall mean the date on which TVA delivers written notice to the Owner Lessor of TVA’s election to pay the Net TV Amount in accordance with Section 18.4 of the Facility Lease.

“**Term-Out Payment Dates**” shall have the meaning specified in Section 18.4 of the Facility Lease.

“**Termination Date**” shall mean each of the monthly dates during the Facility Lease Term identified as a “Termination Date” on Schedule 2 of the Facility Lease.

“**Termination Value**” for any Termination Date shall mean an amount equal to the sum of (a) Termination Value (Debt Portion) and (b) Termination Value (Equity Portion) for such Termination Date.

“**Termination Value (Debt Portion)**” for any Termination Date shall mean the amount set forth under the heading “Termination Value (Debt Portion)” on Schedule 2 of the Facility Lease for such Termination Date.

“**Termination Value (Equity Portion)**” for any Termination Date shall mean the amount set forth under the heading “Termination Value (Equity Portion)” on Schedule 2 of the Facility Lease for such Termination Date.

“**Transaction**” shall mean, collectively, the transactions contemplated under the Participation Agreement and the other Transaction Documents.

“**Transaction Costs**” shall mean the following costs to the extent substantiated or otherwise supported in reasonable detail:

(i) the cost of reproducing and printing the Transaction Documents and the Offering Circular and all costs and fees, including filing and recording fees and recording, transfer, mortgage, intangible and similar taxes in connection with the execution, delivery, filing and recording of the Head Lease, the Facility Lease, the Ground Lease, the Ground Sublease and any other Transaction Document, and any other document required to be filed or recorded pursuant to the provisions hereof or of any other Transaction Document and any Uniform Commercial Code filing fees in respect of the perfection of any security interests created by any of the Transaction Documents or as otherwise reasonably required by the Owner Lessor or the Lease Indenture Trustee;

(ii) the reasonable fees and expenses of Clifford Chance US LLP, counsel to the Owner Lessor, the Holdco and the Holdco Note Purchasers, for services rendered in connection with the negotiation, execution and delivery of the Participation Agreement and the other Transaction Documents, subject to the terms set forth in the fee arrangement between TVA and Clifford Chance US LLP;

(iii) the reasonable fees and expenses of Bass, Berry & Sims PLC, Tennessee counsel to the Holdco and the Underwriters, for services rendered in connection with the negotiation, execution and delivery of the Participation Agreement and the other Transaction Documents, subject to the terms set forth in the fee arrangement between TVA and Bass, Berry & Sims PLC;

(iv) the reasonable fees and expenses of Orrick, Herrington & Sutcliffe LLP, special counsel to TVA, and Baker, Donelson, Bearman, Caldwell, & Berkowitz, PC, Tennessee counsel to TVA, for services rendered in connection with the negotiation, execution and delivery of the Participation Agreement, the other Transaction Documents and the Underwriting Agreement and the preparation of the Offering Circular, subject to the terms of the fee arrangement between TVA and Orrick, Herrington & Sutcliffe LLP, and the fee arrangement between TVA and Baker, Donelson, Bearman, Caldwell, & Berkowitz, PC;

(v) the reasonable fees and expenses of Morris James LLP, counsel for the Owner Lessor, the Lessor Manager, and the Holdco Manager, for services rendered in connection with the negotiation, execution and delivery of the Participation Agreement and the other Transaction Documents;

(vi) the reasonable fees and expenses of White & Case, LLP, counsel to the Underwriters, for services rendered in connection with the negotiation, execution and delivery of the Participation Agreement, the other Transaction Documents and the Underwriting Agreement and the preparation of the Offering Circular, subject to the terms set forth in the fee arrangement between TVA and White & Case, LLP;

(vii) the reasonable fees and expenses of Richards, Layton & Finger, PA, counsel for the Lease Indenture Trustee and Holdco Collateral Agent for services rendered in connection with the negotiation, execution and delivery of the Participation Agreement and the other Transaction Documents;

(viii) the underwriting discounts and commissions payable to, and reasonable out of pocket expenses of, the Underwriters;

(ix) the reasonable fees and expenses of Ernst & Young LLP for services rendered in connection with the Transaction;

(x) the reasonable, documented out-of-pocket expenses of the Holdco, each Holdco Note Purchaser, the Owner Participant and the Owner Lessor;

(xi) the initial fees and expenses of the Lease Indenture Trustee in connection with the execution and delivery of the Participation Agreement and the other Transaction Documents to which it is or will be a party;

(xii) the fees and expenses of the Appraiser, for services rendered in connection with delivering the Closing Appraisal required by Section 4 of the Participation Agreement;

(xiii) the fees and expenses of the Engineering Consultant, for services rendered in connection with delivering the Engineering Report required by Section 4 of the Participation Agreement; and

(xiv) the fees and expenses of the Rating Agencies in connection with the rating of the Lessor Notes.

Notwithstanding the foregoing, Transaction Costs shall not include internal costs and expenses such as salaries and overhead of whatsoever kind or nature nor costs incurred by the parties to the Participation Agreement pursuant to arrangements with third parties for services (other than those expressly referred to above), such as the fees and expenses of financial analysis and consulting, advisory services, and costs of a similar nature.

"**Transaction Documents**" shall mean the Operative Documents, the Construction Management Agreement and the Holdco Note Purchase Documents.

"**Transaction Party(ies)**" shall mean, individually or collectively as the context may require, all or any of the parties to the Transaction Documents (including Wilmington Trust).

"**Transferee**" shall have the meaning specified in Section 7.1(a) of the Participation Agreement.

"**Transmission Services Guidelines**" shall mean the "Transmission Services Guidelines" of TVA or any successor tariff thereto of general applicability governing the provision of such transmission services and associated ancillary services over the TVA transmission facilities.

"**Treasury Regulations**" shall mean regulations, including temporary regulations, promulgated under the Code.

"**Trust Indenture Act**" shall mean the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed except as provided in Section 905 of such act; *provided*, *however*, that in the event the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"**TVA**" shall have the meaning set forth in the introductory paragraph to the Participation Agreement.

"**TVA Act**" shall mean the Tennessee Valley Authority Act of 1933, as amended.

"**Uncontrollable Forces**" shall have the meaning set forth in Section 8.2 of the Support Agreement.

"**Underwriters**" shall mean Morgan Stanley & Co. LLC, Barclays Capital Inc., BofA Securities, Inc., J.P. Morgan Securities LLC, RBC Capital Markets, LLC, CIBC World Markets Corp., Citigroup Global Markets Inc., TD Securities (USA) LLC, U.S. Bancorp Investments, Inc., and Wells Fargo Securities, LLC.

“**Underwriting Agreement**” shall mean the Underwriting Agreement, dated the Effective Date, between TVA and the Underwriters.

“**Uniform Commercial Code**” or “**UCC**” shall mean the Uniform Commercial Code as in effect in the applicable jurisdiction.

“**Uniform System of Accounts**” shall mean the Uniform System of Accounts prescribed by FERC, as in effect on the Closing Date and as from time to time and thereafter amended, or the chart of accounts and accounting classifications which may be substituted for such Uniform System of Accounts from time to time by FERC or its successor for such purpose.

“**Unit** ” and collectively the “**Units** ” shall mean each of the two (2) General Electric 7HA.03 combustion turbine generators, together with the related General Electric heat recovery steam generator and the related General Electric D600 steam turbine and General Electric H53 steam turbine generator, and any Components exclusively related thereto, as more particularly described on Exhibit A to the Facility Lease.

“**U.S. Government Obligations**” shall mean securities that are (i) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case under clauses (i) or (ii) are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt, *provided* that (except as required by law) such custodian is not authorized to make any deduction in the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“**Verifier**” shall have the meaning specified in Section 3.4(c) of the Facility Lease.

“**Wilmington Trust**” shall have the meaning set forth in the introductory paragraph to the Participation Agreement.

“**Work**” shall have the meaning specified in Section 2.1(a) of the Construction Management Agreement.

Copies of the Ground Lease, the Ground Sublease, the Head Lease, the Facility Lease, the Owner Lessor Mortgage, and the Lease Indenture are of record with the office of the Register of Deeds of Stewart County, Tennessee.

Index

SCHEDULE 1
to
Facility Lease

BASIC LEASE RENT

Rent Payment Date	Basic Lease Rent (Debt Portion)	Basic Lease Rent (Equity Portion)	Basic Lease Rent Interest Portion*
November 15, 2026	$62,416,544	$5,708,444	$54,895,894
May 15, 2027	$62,416,544	$7,310,866	$58,083,967
November 15, 2027	$62,416,544	$7,310,866	$57,743,491
May 15, 2028	$62,416,544	$7,310,866	$57,393,056
November 15, 2028	$62,416,544	$7,310,866	$57,032,373
May 15, 2029	$62,416,544	$7,310,866	$56,661,140
November 15, 2029	$62,416,544	$7,310,866	$56,279,049
May 15, 2030	$62,416,544	$7,310,866	$55,885,783
November 15, 2030	$62,416,544	$7,310,866	$55,481,015
May 15, 2031	$62,416,544	$7,310,866	$55,064,408
November 15, 2031	$62,416,544	$7,310,866	$54,635,616
May 15, 2032	$62,416,544	$7,310,866	$54,194,282
November 15, 2032	$62,416,544	$7,310,866	$53,740,040
May 15, 2033	$62,416,544	$7,310,866	$53,272,511
November 15, 2033	$62,416,544	$7,310,866	$52,791,308
May 15, 2034	$62,416,544	$7,310,866	$52,296,030
November 15, 2034	$62,416,544	$7,310,866	$51,786,266

* For the avoidance of doubt, the amounts set forth under the column entitled "Basic Lease Rent Interest Portion" are provided for informational purposes only and reflect the amount included within the payment of Basic Lease Rent (Debt Portion) and Basic Lease Rent (Equity Portion) that constitutes, and shall be treated by the parties as, interest for U.S. federal income tax purposes and the listing of such amount does not create a payment obligation in addition to Basic Lease Rent.

Rent Payment Date	Basic Lease Rent (Debt Portion)	Basic Lease Rent (Equity Portion)	Basic Lease Rent Interest Portion*
May 15, 2035	$62,416,544	$7,310,866	$51,261,591
November 15, 2035	$62,416,544	$7,310,866	$50,721,570
May 15, 2036	$62,416,544	$7,310,866	$50,165,753
November 15, 2036	$62,416,544	$7,310,866	$49,593,678
May 15, 2037	$62,416,544	$7,310,866	$49,004,870
November 15, 2037	$62,416,544	$7,310,866	$48,398,839
May 15, 2038	$62,416,544	$7,310,866	$47,775,081
November 15, 2038	$62,416,544	$7,310,866	$47,133,078
May 15, 2039	$62,416,544	$7,310,866	$46,472,296
November 15, 2039	$62,416,544	$7,310,866	$45,792,186
May 15, 2040	$62,416,544	$7,310,866	$45,092,181
November 15, 2040	$62,416,544	$7,310,866	$44,371,700
May 15, 2041	$62,416,544	$7,310,866	$43,630,144
November 15, 2041	$62,416,544	$7,310,866	$42,866,896
May 15, 2042	$62,416,544	$7,310,866	$42,081,322
November 15, 2042	$62,416,544	$7,310,866	$41,272,769
May 15, 2043	$62,416,544	$7,310,866	$40,440,563
November 15, 2043	$62,416,544	$7,310,866	$39,584,013
May 15, 2044	$62,416,544	$7,310,866	$38,702,407
November 15, 2044	$62,416,544	$7,310,866	$37,795,012
May 15, 2045	$62,416,544	$7,310,866	$36,861,073
November 15, 2045	$62,416,544	$7,310,866	$35,899,814
May 15, 2046	$62,416,544	$7,310,866	$34,910,434
November 15, 2046	$69,944,911	$6,934,725	$33,892,112
May 15, 2047	$69,944,911	$6,934,725	$32,636,322
November 15, 2047	$69,944,911	$6,934,725	$31,343,842
May 15, 2048	$69,944,911	$6,934,725	$30,013,598
November 15, 2048	$69,944,911	$6,934,725	$28,644,488

* For the avoidance of doubt, the amounts set forth under the column entitled “Basic Lease Rent Interest Portion” are provided for informational purposes only and reflect the amount included within the payment of Basic Lease Rent (Debt Portion) and Basic Lease Rent (Equity Portion) that constitutes, and shall be treated by the parties as, interest for U.S. federal income tax purposes and the listing of such amount does not create a payment obligation in addition to Basic Lease Rent.

SCHD 1-2

Rent Payment Date	Basic Lease Rent (Debt Portion)	Basic Lease Rent (Equity Portion)	Basic Lease Rent Interest Portion*
May 15, 2049	$69,944,911	$6,934,725	$27,235,376
November 15, 2049	$69,944,911	$6,934,725	$25,785,092
May 15, 2050	$69,944,911	$6,934,725	$24,292,434
November 15, 2050	$69,944,911	$6,934,725	$22,756,164
May 15, 2051	$69,944,911	$6,934,725	$21,175,007
November 15, 2051	$69,944,911	$6,934,725	$19,547,651
May 15, 2052	$69,944,911	$6,934,725	$17,872,746
November 15, 2052	$69,944,911	$6,934,725	$16,148,903
May 15, 2053	$69,944,911	$6,934,725	$14,374,691
November 15, 2053	$69,944,911	$6,934,725	$12,548,639
May 15, 2054	$69,944,911	$6,934,725	$10,669,231
November 15, 2054	$69,944,911	$6,934,725	$8,734,909
May 15, 2055	$69,944,911	$6,934,725	$6,744,068
November 15, 2055	$69,944,911	$6,934,725	$4,695,056
May 15, 2056	$69,944,911	$20,608,000	$2,586,172

* For the avoidance of doubt, the amounts set forth under the column entitled “Basic Lease Rent Interest Portion” are provided for informational purposes only and reflect the amount included within the payment of Basic Lease Rent (Debt Portion) and Basic Lease Rent (Equity Portion) that constitutes, and shall be treated by the parties as, interest for U.S. federal income tax purposes and the listing of such amount does not create a payment obligation in addition to Basic Lease Rent.

SCHEDULE 2
to
Facility Lease

TERMINATION VALUES

Termination Date (Monthly)	Termination Value (Debt Portion)	Termination Value (Equity Portion)
May 26, 2026	$1,800,000,000	$200,000,000
November 15, 2026	$1,849,187,450	$205,708,444
December 15, 2026	$1,795,438,234	$201,013,333
January 15, 2027	$1,804,105,561	$202,026,667
February 15, 2027	$1,812,772,889	$203,040,000
March 15, 2027	$1,821,440,217	$204,053,333
April 15, 2027	$1,830,107,545	$205,066,667
May 15, 2027	$1,838,774,873	$206,080,000
June 15, 2027	$1,784,975,147	$199,776,231
July 15, 2027	$1,793,591,965	$200,783,328
August 15, 2027	$1,802,208,783	$201,790,425
September 15, 2027	$1,810,825,601	$202,797,522
October 15, 2027	$1,819,442,420	$203,804,618
November 15, 2027	$1,828,059,238	$204,811,715
December 15, 2027	$1,774,207,532	$198,501,520
January 15, 2028	$1,782,772,370	$199,502,191
February 15, 2028	$1,791,337,209	$200,502,862
March 15, 2028	$1,799,902,047	$201,503,533
April 15, 2028	$1,808,466,886	$202,504,204

May 15, 2028	$1,817,031,724	$203,504,875
June 15, 2028	$1,763,126,525	$197,188,058
July 15, 2028	$1,771,637,871	$198,182,108
August 15, 2028	$1,780,149,217	$199,176,158
September 15, 2028	$1,788,660,563	$200,170,207
October 15, 2028	$1,797,171,909	$201,164,257
November 15, 2028	$1,805,683,254	$202,158,307
December 15, 2028	$1,751,723,006	$195,834,667
January 15, 2029	$1,760,179,303	$196,821,894
February 15, 2029	$1,768,635,599	$197,809,121
March 15, 2029	$1,777,091,895	$198,796,349
April 15, 2029	$1,785,548,191	$199,783,576
May 15, 2029	$1,794,004,488	$200,770,803
June 15, 2029	$1,739,987,588	$194,440,133
July 15, 2029	$1,748,387,232	$195,420,330
August 15, 2029	$1,756,786,877	$196,400,527
September 15, 2029	$1,765,186,521	$197,380,724
October 15, 2029	$1,773,586,166	$198,360,921
November 15, 2029	$1,781,985,810	$199,341,118
December 15, 2029	$1,727,910,610	$193,003,205
January 15, 2030	$1,736,251,954	$193,976,159
February 15, 2030	$1,744,593,298	$194,949,112
March 15, 2030	$1,752,934,642	$195,922,065
April 15, 2030	$1,761,275,986	$196,895,019
May 15, 2030	$1,769,617,330	$197,867,972
June 15, 2030	$1,715,482,132	$191,522,595
July 15, 2030	$1,723,763,478	$192,488,084
August 15, 2030	$1,732,044,825	$193,453,574

September 15, 2030	$1,740,326,171	$194,419,063
October 15, 2030	$1,748,607,518	$195,384,552
November 15, 2030	$1,756,888,864	$196,350,042
December 15, 2030	$1,702,691,923	$189,996,974
January 15, 2031	$1,710,911,525	$190,954,772
February 15, 2031	$1,719,131,128	$191,912,571
March 15, 2031	$1,727,350,731	$192,870,369
April 15, 2031	$1,735,570,334	$193,828,168
May 15, 2031	$1,743,789,937	$194,785,966
June 15, 2031	$1,689,529,454	$188,424,974
July 15, 2031	$1,697,685,517	$189,374,848
August 15, 2031	$1,705,841,579	$190,324,722
September 15, 2031	$1,713,997,641	$191,274,595
October 15, 2031	$1,722,153,703	$192,224,469
November 15, 2031	$1,730,309,765	$193,174,343
December 15, 2031	$1,675,983,893	$186,805,185
January 15, 2032	$1,684,074,565	$187,746,893
February 15, 2032	$1,692,165,237	$188,688,602
March 15, 2032	$1,700,255,909	$189,630,310
April 15, 2032	$1,708,346,581	$190,572,018
May 15, 2032	$1,716,437,253	$191,513,727
June 15, 2032	$1,662,044,087	$185,136,155
July 15, 2032	$1,670,067,466	$186,069,449
August 15, 2032	$1,678,090,845	$187,002,744
September 15, 2032	$1,686,114,224	$187,936,038
October 15, 2032	$1,694,137,602	$188,869,333
November 15, 2032	$1,702,160,981	$189,802,627
December 15, 2032	$1,647,698,564	$183,416,386

January 15, 2033	$1,655,652,691	$184,341,011
February 15, 2033	$1,663,606,818	$185,265,636
March 15, 2033	$1,671,560,945	$186,190,261
April 15, 2033	$1,679,515,072	$187,114,886
May 15, 2033	$1,687,469,199	$188,039,511
June 15, 2033	$1,632,935,514	$181,644,336
July 15, 2033	$1,640,818,374	$182,560,028
August 15, 2033	$1,648,701,233	$183,475,720
September 15, 2033	$1,656,584,093	$184,391,412
October 15, 2033	$1,664,466,952	$185,307,103
November 15, 2033	$1,672,349,812	$186,222,795
December 15, 2033	$1,617,742,786	$179,818,416
January 15, 2034	$1,625,552,304	$180,724,903
February 15, 2034	$1,633,361,821	$181,631,390
March 15, 2034	$1,641,171,339	$182,537,877
April 15, 2034	$1,648,980,857	$183,444,364
May 15, 2034	$1,656,790,375	$184,350,851
June 15, 2034	$1,602,107,873	$177,936,988
July 15, 2034	$1,609,841,914	$178,833,990
August 15, 2034	$1,617,575,956	$179,730,993
September 15, 2034	$1,625,309,998	$180,627,996
October 15, 2034	$1,633,044,040	$181,524,998
November 15, 2034	$1,640,778,081	$182,422,001
December 15, 2034	$1,586,017,906	$175,998,364
January 15, 2035	$1,593,674,275	$176,885,594
February 15, 2035	$1,601,330,643	$177,772,824
March 15, 2035	$1,608,987,012	$178,660,054
April 15, 2035	$1,616,643,381	$179,547,283

May 15, 2035	$1,624,299,750	$180,434,513
June 15, 2035	$1,569,459,640	$174,000,807
July 15, 2035	$1,577,036,075	$174,877,966
August 15, 2035	$1,584,612,511	$175,755,126
September 15, 2035	$1,592,188,946	$176,632,286
October 15, 2035	$1,599,765,381	$177,509,446
November 15, 2035	$1,607,341,816	$178,386,606
December 15, 2035	$1,552,419,447	$171,942,523
January 15, 2036	$1,559,913,622	$172,809,307
February 15, 2036	$1,567,407,797	$173,676,091
March 15, 2036	$1,574,901,972	$174,542,874
April 15, 2036	$1,582,396,147	$175,409,658
May 15, 2036	$1,589,890,322	$176,276,442
June 15, 2036	$1,534,883,298	$169,821,668
July 15, 2036	$1,542,292,819	$170,677,760
August 15, 2036	$1,549,702,339	$171,533,852
September 15, 2036	$1,557,111,860	$172,389,945
October 15, 2036	$1,564,521,381	$173,246,037
November 15, 2036	$1,571,930,902	$174,102,129
December 15, 2036	$1,516,836,760	$167,636,339
January 15, 2037	$1,524,159,162	$168,481,414
February 15, 2037	$1,531,481,565	$169,326,490
March 15, 2037	$1,538,803,968	$170,171,566
April 15, 2037	$1,546,126,370	$171,016,642
May 15, 2037	$1,553,448,773	$171,861,717
June 15, 2037	$1,498,264,977	$165,384,575
July 15, 2037	$1,505,497,726	$166,218,300
August 15, 2037	$1,512,730,475	$167,052,024

September 15, 2037	$1,519,963,224	$167,885,748
October 15, 2037	$1,527,195,972	$168,719,473
November 15, 2037	$1,534,428,721	$169,553,197
December 15, 2037	$1,479,152,663	$163,064,359
January 15, 2038	$1,486,293,148	$163,886,386
February 15, 2038	$1,493,433,634	$164,708,414
March 15, 2038	$1,500,574,120	$165,530,442
April 15, 2038	$1,507,714,606	$166,352,470
May 15, 2038	$1,514,855,091	$167,174,498
June 15, 2038	$1,459,484,084	$160,673,607
July 15, 2038	$1,466,529,622	$161,483,583
August 15, 2038	$1,473,575,159	$162,293,559
September 15, 2038	$1,480,620,696	$163,103,534
October 15, 2038	$1,487,666,234	$163,913,510
November 15, 2038	$1,494,711,771	$164,723,486
December 15, 2038	$1,439,243,052	$158,210,177
January 15, 2039	$1,446,190,878	$159,007,734
February 15, 2039	$1,453,138,703	$159,805,291
March 15, 2039	$1,460,086,528	$160,602,849
April 15, 2039	$1,467,034,354	$161,400,406
May 15, 2039	$1,473,982,179	$162,197,963
June 15, 2039	$1,418,412,905	$155,671,858
July 15, 2039	$1,425,260,174	$156,456,619
August 15, 2039	$1,432,107,444	$157,241,381
September 15, 2039	$1,438,954,713	$158,026,142
October 15, 2039	$1,445,801,983	$158,810,903
November 15, 2039	$1,452,649,253	$159,595,665
December 15, 2039	$1,396,976,496	$153,056,375

January 15, 2040	$1,403,720,283	$153,827,951
February 15, 2040	$1,410,464,070	$154,599,527
March 15, 2040	$1,417,207,857	$155,371,104
April 15, 2040	$1,423,951,644	$156,142,680
May 15, 2040	$1,430,695,431	$156,914,256
June 15, 2040	$1,374,916,180	$150,361,381
July 15, 2040	$1,381,553,473	$151,119,371
August 15, 2040	$1,388,190,766	$151,877,362
September 15, 2040	$1,394,828,058	$152,635,352
October 15, 2040	$1,401,465,351	$153,393,343
November 15, 2040	$1,408,102,644	$154,151,333
December 15, 2040	$1,352,213,799	$147,584,459
January 15, 2041	$1,358,741,498	$148,328,450
February 15, 2041	$1,365,269,197	$149,072,442
March 15, 2041	$1,371,796,896	$149,816,434
April 15, 2041	$1,378,324,595	$150,560,425
May 15, 2041	$1,384,852,294	$151,304,417
June 15, 2041	$1,328,850,665	$144,723,118
July 15, 2041	$1,335,265,580	$145,452,685
August 15, 2041	$1,341,680,496	$146,182,253
September 15, 2041	$1,348,095,411	$146,911,820
October 15, 2041	$1,354,510,326	$147,641,387
November 15, 2041	$1,360,925,242	$148,370,955
December 15, 2041	$1,304,807,547	$141,774,793
January 15, 2042	$1,311,106,396	$142,489,497
February 15, 2042	$1,317,405,245	$143,204,202
March 15, 2042	$1,323,704,095	$143,918,906
April 15, 2042	$1,330,002,944	$144,633,611

May 15, 2042	$1,336,301,793	$145,348,315
June 15, 2042	$1,280,064,654	$138,736,839
July 15, 2042	$1,286,244,059	$139,436,228
August 15, 2042	$1,292,423,464	$140,135,618
September 15, 2042	$1,298,602,869	$140,835,008
October 15, 2042	$1,304,782,274	$141,534,398
November 15, 2042	$1,310,961,679	$142,233,787
December 15, 2042	$1,254,601,619	$135,606,531
January 15, 2043	$1,260,658,103	$136,290,140
February 15, 2043	$1,266,714,588	$136,973,750
March 15, 2043	$1,272,771,072	$137,657,359
April 15, 2043	$1,278,827,556	$138,340,968
May 15, 2043	$1,284,884,041	$139,024,578
June 15, 2043	$1,228,397,483	$132,381,061
July 15, 2043	$1,234,327,469	$133,048,411
August 15, 2043	$1,240,257,455	$133,715,760
September 15, 2043	$1,246,187,441	$134,383,110
October 15, 2043	$1,252,117,427	$135,050,459
November 15, 2043	$1,258,047,413	$135,717,809
December 15, 2043	$1,201,430,675	$129,057,537
January 15, 2044	$1,207,230,481	$129,708,133
February 15, 2044	$1,213,030,287	$130,358,728
March 15, 2044	$1,218,830,093	$131,009,323
April 15, 2044	$1,224,629,899	$131,659,918
May 15, 2044	$1,230,429,705	$132,310,513
June 15, 2044	$1,173,678,998	$125,632,979
July 15, 2044	$1,179,344,835	$126,266,310
August 15, 2044	$1,185,010,672	$126,899,642

September 15, 2044	$1,190,676,509	$127,532,973
October 15, 2044	$1,196,342,347	$128,166,305
November 15, 2044	$1,202,008,184	$128,799,636
December 15, 2044	$1,145,119,609	$122,104,313
January 15, 2045	$1,150,647,578	$122,719,856
February 15, 2045	$1,156,175,547	$123,335,399
March 15, 2045	$1,161,703,516	$123,950,943
April 15, 2045	$1,167,231,485	$124,566,486
May 15, 2045	$1,172,759,454	$125,182,029
June 15, 2045	$1,115,728,998	$118,468,376
July 15, 2045	$1,121,115,087	$119,065,590
August 15, 2045	$1,126,501,175	$119,662,804
September 15, 2045	$1,131,887,263	$120,260,018
October 15, 2045	$1,137,273,352	$120,857,232
November 15, 2045	$1,142,659,440	$121,454,446
December 15, 2045	$1,085,482,974	$114,721,907
January 15, 2046	$1,090,723,052	$115,300,235
February 15, 2046	$1,095,963,131	$115,878,562
March 15, 2046	$1,101,203,209	$116,456,890
April 15, 2046	$1,106,443,287	$117,035,217
May 15, 2046	$1,111,683,365	$117,613,544
June 15, 2046	$1,054,356,639	$110,861,545
July 15, 2046	$1,059,446,458	$111,420,412
August 15, 2046	$1,064,536,276	$111,979,279
September 15, 2046	$1,069,626,095	$112,538,146
October 15, 2046	$1,074,715,913	$113,097,013
November 15, 2046	$1,079,805,732	$113,655,880
December 15, 2046	$1,014,759,487	$107,261,875

January 15, 2047	$1,019,658,154	$107,802,596
February 15, 2047	$1,024,556,820	$108,343,316
March 15, 2047	$1,029,455,487	$108,884,037
April 15, 2047	$1,034,354,153	$109,424,757
May 15, 2047	$1,039,252,820	$109,965,478
June 15, 2047	$974,009,859	$103,552,776
July 15, 2047	$978,711,811	$104,074,798
August 15, 2047	$983,413,762	$104,596,820
September 15, 2047	$988,115,713	$105,118,843
October 15, 2047	$992,817,664	$105,640,865
November 15, 2047	$997,519,615	$106,162,888
December 15, 2047	$932,074,214	$99,730,919
January 15, 2048	$936,573,724	$100,233,675
February 15, 2048	$941,073,234	$100,736,431
March 15, 2048	$945,572,745	$101,239,187
April 15, 2048	$950,072,255	$101,741,943
May 15, 2048	$954,571,765	$102,244,699
June 15, 2048	$888,918,031	$95,792,878
July 15, 2048	$893,209,209	$96,275,782
August 15, 2048	$897,500,386	$96,758,686
September 15, 2048	$901,791,564	$97,241,590
October 15, 2048	$906,082,741	$97,724,494
November 15, 2048	$910,373,919	$98,207,398
December 15, 2048	$844,505,788	$91,735,121
January 15, 2049	$848,582,569	$92,197,569
February 15, 2049	$852,659,350	$92,660,017
March 15, 2049	$856,736,131	$93,122,466
April 15, 2049	$860,812,912	$93,584,914

May 15, 2049	$864,889,694	$94,047,362
June 15, 2049	$798,800,927	$87,554,008
July 15, 2049	$802,657,071	$87,995,379
August 15, 2049	$806,513,216	$88,436,749
September 15, 2049	$810,369,361	$88,878,120
October 15, 2049	$814,225,505	$89,319,491
November 15, 2049	$818,081,650	$89,760,861
December 15, 2049	$751,765,825	$83,245,789
January 15, 2050	$755,394,912	$83,665,441
February 15, 2050	$759,023,999	$84,085,094
March 15, 2050	$762,653,085	$84,504,746
April 15, 2050	$766,282,172	$84,924,399
May 15, 2050	$769,911,258	$85,344,051
June 15, 2050	$703,361,767	$78,806,600
July 15, 2050	$706,757,187	$79,203,874
August 15, 2050	$710,152,607	$79,601,148
September 15, 2050	$713,548,028	$79,998,422
October 15, 2050	$716,943,448	$80,395,696
November 15, 2050	$720,338,868	$80,792,970
December 15, 2050	$653,548,909	$74,232,460
January 15, 2051	$656,703,862	$74,606,675
February 15, 2051	$659,858,814	$74,980,890
March 15, 2051	$663,013,767	$75,355,105
April 15, 2051	$666,168,720	$75,729,320
May 15, 2051	$669,323,672	$76,103,535
June 15, 2051	$602,286,248	$69,519,266
July 15, 2051	$605,193,734	$69,869,721
August 15, 2051	$608,101,221	$70,220,177

September 15, 2051	$611,008,707	$70,570,632
October 15, 2051	$613,916,193	$70,921,087
November 15, 2051	$616,823,680	$71,271,542
December 15, 2051	$549,531,586	$64,662,791
January 15, 2052	$552,184,404	$64,988,764
February 15, 2052	$554,837,222	$65,314,737
March 15, 2052	$557,490,040	$65,640,710
April 15, 2052	$560,142,857	$65,966,684
May 15, 2052	$562,795,675	$66,292,657
June 15, 2052	$495,241,501	$59,658,679
July 15, 2052	$497,632,238	$59,959,426
August 15, 2052	$500,022,975	$60,260,173
September 15, 2052	$502,413,711	$60,560,919
October 15, 2052	$504,804,448	$60,861,666
November 15, 2052	$507,195,185	$61,162,413
December 15, 2052	$439,371,302	$54,502,442
January 15, 2053	$441,492,330	$54,777,196
February 15, 2053	$443,613,359	$55,051,949
March 15, 2053	$445,734,387	$55,326,703
April 15, 2053	$447,855,415	$55,601,456
May 15, 2053	$449,976,443	$55,876,210
June 15, 2053	$381,875,001	$49,189,455
July 15, 2053	$383,718,471	$49,437,426
August 15, 2053	$385,561,941	$49,685,396
September 15, 2053	$387,405,410	$49,933,366
October 15, 2053	$389,248,880	$50,181,336
November 15, 2053	$391,092,350	$50,429,306
December 15, 2053	$322,705,271	$43,714,954

January 15, 2054	$324,263,104	$43,935,327
February 15, 2054	$325,820,936	$44,155,699
March 15, 2054	$327,378,769	$44,376,072
April 15, 2054	$328,936,602	$44,596,444
May 15, 2054	$330,494,434	$44,816,817
June 15, 2054	$261,813,405	$38,074,028
July 15, 2054	$263,077,288	$38,265,964
August 15, 2054	$264,341,170	$38,457,900
September 15, 2054	$265,605,052	$38,649,836
October 15, 2054	$266,868,935	$38,841,772
November 15, 2054	$268,132,817	$39,033,707
December 15, 2054	$199,149,282	$32,261,617
January 15, 2055	$200,110,659	$32,424,252
February 15, 2055	$201,072,035	$32,586,887
March 15, 2055	$202,033,412	$32,749,522
April 15, 2055	$202,994,788	$32,912,157
May 15, 2055	$203,956,165	$33,074,792
June 15, 2055	$134,661,319	$26,272,510
July 15, 2055	$135,311,386	$26,404,953
August 15, 2055	$135,961,452	$26,537,396
September 15, 2055	$136,611,518	$26,669,839
October 15, 2055	$137,261,584	$26,802,282
November 15, 2055	$137,911,651	$26,934,725
December 15, 2055	$68,296,435	$20,101,333
January 15, 2056	$68,626,130	$20,202,667
February 15, 2056	$68,955,825	$20,304,000
March 15, 2056	$69,285,521	$20,405,333
April 15, 2056	$69,615,216	$20,506,667

May 15, 2056	$69,944,911	$20,608,000

EXHIBIT A
to
Facility Lease

DESCRIPTION OF THE FACILITY

The Facility consists of generating Units, Common Facilities, and other equipment, material or property, other than real property, associated with the Units and Common Facilities, all of which are located on, under, or over the Facility Site, which Facility Site is the real property located in Stewart County, Tennessee and is described in greater detail in Exhibit 1 to the Ground Lease.

The Facility will have two (2) 1-on-1 multi-shaft combined cycle Power Island Equipment (PIE) trains, each with a nominal output of 725 MW. Each Unit consists of a General Electric (“GE”) 7HA.03 combustion turbine, GE H84 combustion turbine generator (“CTG”), GE Heat Recovery Steam Generator (HRSG), with GE D600 Steam Turbines and GE H53 generators steam turbine generator (“STG”).

The Facility will also include ancillary equipment, except for any Component exclusively constituting Common Facilities. Natural gas will be the only fuel.

Each PIE Train includes:

- Combustion Gas Turbine (GT) - GE GT-7HA.03 Unit
- Turning Gear & Syncho-self shifting (SSS) clutch
- Dry Low NOx (DLN) Combustion System
- Hot Day Augmentation System (HDAS) on the GT
- Exhaust System Bypass Stack
- Air Filtration Pulse filter (self-cleaning)
- Inlet Evaporative Cooling System
- Compressor/Turbine Cleaning On-line and off–line Compressor Water Wash
- Heat Recovery Steam Generator (HRSG) - Natural Circulation, Horizontal Gas Flow, Reheat Units, Rapid Response Lite, Supplemental Firing Fired on NG only
- Emissions Control- Selective Catalytic Reactor (SCR) and Carbon Monoxide (CO) Catalyst (19% Aqueous Ammonia to be utilized)
- Stack Closure Damper
- HRSG Exhaust Stack - Height 160 ft, Diameter 22.9 ft
- Boiler Feedwater System
- Boiler Blowdown Tank and System
- Steam Turbine (ST) - GE STF-D600 Units - Combined HP-IP
- Gas Turbine Generator - GE H84 Unit (Assembled rotor), hydrogen cooled
- Generator Hydrogen Detection Systems
- Generator Excitation System
- Packaged Electric and Electronic Control Compartment (PEECC)
- Combined LCI/Exciter Compartment (LEC)

- Current & Voltage Transformers
- Generator Seal Oil Systems
- Lube Oil Systems
- Steam Turbine Generator - GE H53 Unit (Assembled rotor), Hydrogen cooled
- GT/ST Closed Loop Cooling System (50% propylene glycol/water)
- Steam Turbine Condenser - Air Cooled Condenser (ACC)
- Fuel Gas Conditioning System (Flow measurement, filtration, heating)
- Control Systems - Bottoming Cycle Control System (BCCS) GE Mark VIe
- HRSG Burner Management System
- Rotor, Bearing and Performance Monitoring Systems
- Generator Protection Panel (GPP)
- Power Distribution Building
- Auxiliary Boiler with redundant steam crossover
- Continuous Emissions Monitoring System (CEMS) (Provided by TVA)
- Transformers including Generator Step-up (GSUT), Essential Services (EST), Medium Voltage (MV)
- Electrical Systems (Grounding, Lightening, etc.)
- Generator Circuit Breakers (GCB)
- Switchgear (MV & 480 V)

The Common Facilities are equipment and facilities that are used for the operation of the (2) PIE trains (units) at the Facility. These shared facilities support the Units.

The Common Facilities are as follows:

- Compressed Air Systems
- Fuel (Natural) Gas Supply (Conditioning and Compression) System
- Aqueous Ammonia Storage and Supply System for SCR
- Oil-Water Separation and Discharge System
- Process Water Treatment and Discharge system
- Fire Protection & Detection Systems
- Potable Water Storage (Tanks) and Supply System
- Safety Eye Wash Stations
- Storm Water Drain System
- Sanitary (Septic) System
- Demineralized Water Storage (Tanks) and Supply System
- Administration Building including Control Room and Maintenance Facilities
- Outage Control Center with Shop Facilities
- Warehouse

Exhibit 10.8
Execution Version

CONSTRUCTION MANAGEMENT AGREEMENT

Dated as of May 26, 2026

between

CUMBERLAND COMBINED CYCLE GENERATION LLC,
as Owner Lessor

and

TENNESSEE VALLEY AUTHORITY,
as Contractor

CUMBERLAND COMBINED CYCLE FACILITY
located in Stewart County, Tennessee

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

Page

CONSTRUCTION MANAGEMENT AGREEMENT

This CONSTRUCTION MANAGEMENT AGREEMENT (this "Agreement"), dated as of May 26, 2026, is made by and between Cumberland Combined Cycle Generation LLC, a Delaware limited liability company, as owner lessor (the "Owner Lessor"), and Tennessee Valley Authority, a wholly owned corporate agency and instrumentality of the United States, as contractor (the "Contractor").

WITNESSETH:

WHEREAS, in connection with the construction of the Facility, the Contractor has entered into the TVA Contract – Engineering, Procurement and Construction (EPC) Contract for Cumberland Combined Cycle Project, dated as of October 13, 2023 (the "Cumberland Construction Contract"), with Kiewit Power Constructors Co. ("Kiewit"), pursuant to which the Contractor engaged Kiewit to perform construction services relating to the Facility;

WHEREAS, in connection with the financing of the construction of the Facility, the Contractor, the Owner Lessor, Cumberland Generation Holdco LLC, not in its individual capacity, but solely as manager under the Owner Lessor LLC Agreement (the "Lessor Manager"), GSS Holdings (Cumberland), Inc., not in its individual capacity, but solely as manager under the Holdco LLC Agreement (the "Holdco Manager"), Cumberland Generation Holdco LLC, a Delaware limited liability company (the "Holdco"), and Wilmington Trust, National Association, a national banking association, not in its individual capacity, but solely as trustee under the Lease Indenture (the "Lease Indenture Trustee"), have entered into the Participation Agreement, dated as of May 13, 2026 (the "Participation Agreement");

WHEREAS, the Contractor has engaged other contractors to perform various services at the Facility (together with Kiewit, the "Subcontractors");

WHEREAS, pursuant to the Participation Agreement, on the date hereof, the Contractor entered into the Head Lease with the Owner Lessor and leased the partially completed Facility to the Owner Lessor;

WHEREAS, the Owner Lessor desires to engage the Contractor to complete the construction of the Facility on the terms hereof; and

WHEREAS, it is a condition to the lease of the Facility under the Participation Agreement that the parties enter into this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto, intending to be legally bound, hereby agree as follows:

Article 1

DEFINITIONS

ARTICLE 1
DEFINITIONS

1.1 Definitions; Rules of Interpretation. The capitalized terms used in this Agreement, including the foregoing recitals, and not otherwise defined herein shall have the respective meanings specified in Appendix A to the Participation Agreement. The general provisions of Appendix A to the Participation Agreement shall apply to terms used in this Agreement and specifically defined herein.

ARTICLE 2
DESIGN AND CONSTRUCTION OF FACILITY

2.1 Design and Construction of the Facility.

(a) Subject to the terms and conditions hereof, the Contractor shall perform, or cause to be performed, all work (the "Work") necessary to design, engineer, procure, construct, license, start-up, test, commission and complete the Facility in accordance with the requirements of this Agreement.

(b) The Contractor shall at no time after the date of this Agreement modify, vary, or amend in any material respect any of the features or specifications of the Facility outlined in Exhibit A without first notifying the Owner Lessor in writing and obtaining the Owner Lessor's consent in writing, which consent shall not be unreasonably withheld, *provided* that it shall not be unreasonable for the Owner Lessor to withhold its consent to any modification, variation or amendment which would, or would be likely to, materially adversely affect the ability of the Contractor to comply with its obligations under this Agreement. Notwithstanding the foregoing, the Contractor shall have the right, at any time, upon notice to, but without a prior approval of, the Owner Lessor, to make changes to any portion of the Work to the extent required to be made to comply with Prudent Industry Practice, including, but not limited to, in connection with the occurrence of Uncontrollable Forces or a change in Applicable Laws.

(c) The Contractor agrees to provide, at its expense, all power system components on the Facility Site, including all transformation, switching and auxiliary equipment, such as synchronizing and protection and control equipment.

2.2 Work to Be Performed. Without limiting the generality of the foregoing, the Contractor shall perform or has performed, or shall cause or has caused to be performed, all Work necessary to complete the Facility described herein or reasonably inferable from the provisions contained herein and the other Transaction Documents and to cause the Facility to be completed, including without limitation each of the following elements of the Work:

2.2.1 design for civil works, structures, mechanical systems, and electrical systems and preparation of drawings and specifications, including design standards, design reports, models and calculations, all as described in the drawings and specifications for the Work (the "Design Documents");

2.2.2 procurement of all labor, plant, materials, equipment and an initial spare parts inventory;

2.2.3 handling of material, equipment and construction equipment, including, as necessary, inspection, expediting, shipping, unloading, receiving and transportation to and storage at the Facility Site;

2.2.4 Facility Site preparation and Facility Site security, to the extent required for the completion of the Work;

2.2.5 acquisition of all rights-of-way necessary to complete the Work;

2.2.6 all relocation of utility services, demolition of existing structures as appropriate, construction and installation work, to the extent necessary to complete the Work, including subcontracting;

2.2.7 procurement of Applicable Permits in connection with the design, development, acquisition, equipping or other management of the Facility and rights of way or performance of the Work, or necessary for the operation of the Facility by the Contractor or its duly qualified and licensed designee, including construction approvals and permits for lay-down and staging area, state and federal environmental permits and building and heritage permits, and maintenance thereof to the extent necessary to complete the Work in accordance herewith;

2.2.8 arrangement, installation and payment for all temporary utilities and temporary utilities relocations and supply of all fuel, chemicals and consumables required to perform the Work, including Facility construction, start up and testing;

2.2.9 handling of all safety and industrial relations matters; and

2.2.10 commissioning of the Facility in accordance with the performance, testing and commissioning procedures of the Contractor.

2.3 Work Progress; Provisional Acceptance.

2.3.1 The Contractor agrees to use its commercially reasonable efforts to ensure that the Facility achieves Provisional Acceptance by the Guaranteed Provisional Acceptance Date or as soon thereafter as commercially practicable. If the Contractor anticipates that Provisional Acceptance will not be achieved by the Guaranteed Provisional Acceptance Date, the Contractor shall promptly provide notice of such anticipated delay to the Owner Lessor, together with a corrective action plan the Contractor intends to adopt in order to achieve Provisional Acceptance as soon after the Guaranteed Provisional Acceptance Date as commercially practicable.

2.3.2 The Contractor shall develop a list of items which, in the Contractor's reasonable discretion, require completion following Provisional Acceptance in order to achieve Final Acceptance (the "Punch List"), and following Provisional Acceptance, shall use its commercially reasonable efforts to complete or procure completion of the items on the Punch List and to ensure that the Facility achieves Final Acceptance; provided that the Contractor shall have the right to expand, reduce or otherwise modify the Punch List at any time in its reasonable discretion.

2.3.3 Notwithstanding anything in this Agreement or any other Operative Document to the contrary, the parties acknowledge and agree that any failure of the Facility to achieve Provisional Acceptance by the Guaranteed Provisional Acceptance Date or achieve Final Acceptance by any particular date will not: (a) in and of itself constitute a default of the Contractor under this Agreement or any Operative Document; (b) permit the Owner Lessor or the Contractor to terminate this Agreement or any other Operative Document; (c) be deemed a repudiation by the Contractor of, or give rise to any remedies of the Owner Lessor based on anticipatory repudiation of, this Agreement or any other Operative Document; or (d) result in any liability of the Contractor for the payment of any liquidated damages (including any liquidated damages which may be payable to the Contractor by its subcontractors).

2.4 Suspension of the Work by Contractor. Upon the occurrence and during the continuance of any of the following events, the Contractor shall have the right to suspend performance of all or any portion of the Work: (a) Uncontrollable Forces; (b) change in Applicable Law that has a materially adverse impact on the performance of the Work; (c) the discovery of pre-existing Hazardous Substances on or under the Facility; (d) a request by a Governmental Entity having jurisdiction over the Facility or the Contractor to utilize one or all of the Units to meet electrical demand; or (e) circumstances under which any Subcontractor has the right to suspend the Work or any portion thereof in accordance with the Cumberland Construction Contract. The Contractor shall provide to the Owner Lessor prompt notice of any such suspension of the Work, and shall recommence performance of the Work as soon as reasonably practicable after the occurrence of any such event, to the extent consistent with Applicable Law and permitted under the Cumberland Construction Contract.

2.5 Clean-Up and Disposal. The Contractor shall dispose of waste materials, rubbish and other debris developed, obtained or excavated in the course of performance of the Work in compliance with Applicable Law and Prudent Industry Practice.

2.6 Hazardous Substances. The Contractor shall be fully responsible for any Hazardous Substances discovered in, on, under or emanating from, or brought onto, the Facility Site, and for the proper testing, handling, removal, transportation and disposal of such Hazardous Substances, in each case with the exception for any such Hazardous Substances introduced by the Owner Lessor or any of its Affiliates or agents (other than the Contractor or any Subcontractor). Such Hazardous Substances shall be stored and used in accordance with the requirements of Applicable Law and the Applicable Permits. The Contractor shall use reasonable commercial efforts to minimize the use of Hazardous Substances in the construction of the Facility and shall not utilize or cause, and shall use reasonable commercial effort to not permit any Subcontractor to utilize, such Hazardous Substances as are prohibited from being used in the United States or the State of Tennessee under Applicable Law. The Contractor shall be responsible for all clean-up and mitigation required in connection with any spills, emissions or releases of Hazardous Substances on, at or from the Facility Site, whether before or after the date hereof, with the exception of any such Hazardous Substances introduced by the Owner Lessor or any of its Affiliates or agents (other than the Contractor or any Subcontractor). The Contractor shall notify the Owner Lessor within forty-eight (48) hours of obtaining Actual Knowledge of any release of a Hazardous Substance on, at or from the Facility which is required under Applicable Laws to be reported to any Governmental Entity.

2.7 Protection of Property. During the performance of the Work, the Contractor shall use reasonable commercial efforts to protect the Facility, the Facility Site, and any and all related materials, construction equipment and tools from damage as a result of the performance of the Work by the Contractor or its Subcontractors. The Contractor shall be responsible for the damage or destruction of any property damaged or destroyed in the course of the performance of the Work, and the Contractor shall at its own expense rebuild, restore or replace such damaged or destroyed property to a condition at least equal to the condition of such property before such damage or destruction occurred. The Contractor shall use reasonable commercial efforts to provide, and to ensure that each Subcontractor provides, in accordance with Prudent Industry Practice, protection from damage or loss to the Facility, the Facility Site, and any and all related materials, construction equipment and tools during the course of performance of the Work hereunder. Where ingress and egress to and from the Facility Site require the traverse of public or private lands, the Contractor (a) shall be fully responsible for any and all damage to such other property resulting from any movement of its crews and equipment (and of all Subcontractors and each of their crews and equipment), (b) shall be fully responsible for, and exercise commercially reasonable efforts to avoid, marring such lands, and (c) shall in all material respects comply with all obligations of, and any restrictions imposed under, Applicable Law.

2.8 Availability of Documents to Owner Lessor. Upon Owner Lessor's request, the Contractor shall make available to the Owner Lessor following reasonable notice by the Owner Lessor to the Contractor and upon such other reasonable conditions as the Contractor may require and subject to any obligation of confidentiality owed to any third party (other than an Affiliate of the Contractor): (i) the Cumberland Construction Contract and all Applicable Permits (to the extent required at such time in connection with the Work); (ii) to the extent in the possession of the Contractor, any requested Design Documents, safety manuals, operation and instruction manuals, quality plans, or any other such manuals or plans that have been prepared in connection with the Work; and (iii) financial records and books of account of the Contractor pertaining to the Facility and the Work maintained in accordance with generally accepted accounting principles.

2.9 Labor Relations. The Contractor shall be responsible for all labor relations matters with respect to the Contractor's and any Subcontractor's personnel relating to the Work and shall at all times use commercially reasonable efforts to maintain harmony among personnel employed in connection with the Work. The Contractor shall at all times exercise commercially reasonable efforts to avoid work stoppages, slowdowns, disputes and strikes.

2.10 Safety Precautions. The Contractor shall comply, and shall exercise commercially reasonable efforts to ensure that each Subcontractor complies, with the safety procedures and requirements set forth in the Cumberland Construction Contract and the Contractor's standard safety procedures, including, but not limited to, the safety procedures set forth in the then-current applicable safety manual and procedures.

2.11 Further Assurances. The Contractor shall execute and deliver all further instruments and documents, and take all further action that, in each case, may be reasonably necessary to enable the Contractor to perform the Work and achieve Provisional Acceptance, or cause the Work to be performed and Provisional Acceptance achieved, or to otherwise effectuate the purposes or intent of this Agreement.

ARTICLE 3
STANDARD OF PERFORMANCE

3.1 Standard of Performance. With respect to the Contractor's performance of the Work, subject to the terms and conditions of this Agreement, the Contractor shall comply with, and shall cause the Work and the Facility and all Components thereof to comply with, Prudent Industry Practice, Applicable Law, all Applicable Permits, all applicable codes and standards, the requirements of all relevant insurance policies and the requirements of this Agreement, and shall use the degree of care, skill and diligence that would be expected to be exercised by a prudent, skilled and experienced contractor engaged in the same types of undertakings as the construction of the Facility under the same or similar circumstances and conditions as those applying to the design, development and construction of the Facility.

ARTICLE 4
OWNER'S INFORMATION; ACCESS TO THE FACILITY; INSPECTIONS

4.1 Owner Lessor's Information.

4.1.1 Commencing on the date of this Agreement and continuing until the date on which Provisional Acceptance is achieved, the Contractor shall provide to the Owner Lessor each monthly progress report received by the Contractor from Kiewit pursuant to the Cumberland Construction Contract with respect to the progress of the Work and the status of efforts made to achieve Provisional Acceptance. The Contractor shall not agree to any material change to the monthly progress reporting requirements under the Cumberland Construction Contract that would extend the time to furnish reports or reduce the amount of information to be provided without the consent and approval of the Owner Lessor. The Contractor shall provide such reports to the Owner Lessor promptly following receipt by the Contractor from Kiewit. To the extent that Kiewit fails to provide any such report when required under the Cumberland Construction Contract, the Contractor shall use reasonable commercial efforts to cause Kiewit to deliver such report as promptly as possible. At the Owner Lessor's request, the Contractor shall provide an opportunity during usual business hours for the Owner Lessor (and its authorized representatives), to meet with appropriate personnel of the Contractor to discuss and assess the contents of any such progress report. Following the date of Provisional Acceptance, the Contractor shall provide to the Owner Lessor any progress reports received by it from Kiewit promptly following receipt of any such reports.

4.1.2 In addition to the reports it is required to provide pursuant to Section 4.1.1, the Contractor shall also provide the Owner Lessor with prompt notice of any material incident, event or concern that may occur or arise during the course of the development, construction or commissioning of the Facility that could reasonably be expected to prevent the Contractor from achieving Provisional Acceptance by the Guaranteed Provisional Acceptance Date, or, if Provisional Acceptance has not occurred by the Guaranteed Provisional Acceptance Date, by the date most recently projected by the Contractor as the date on which Provisional Acceptance will occur (the "Expected Completion Date").

4.2 Facility Site Access. The Contractor, pursuant to the reservation in favor of the Contractor (as Ground Lessor) in Section 4.3 of the Ground Lease, and as owner of the land adjacent to the Facility Site, shall be responsible for ensuring that the Contractor and the Subcontractors, and each of their agents and employees, have unlimited rights of ingress and egress to and from the Facility Site in connection with the performance of the Work.

4.3 Inspection by Contractor. The Contractor shall perform all inspection, expediting, quality surveillance and traffic services that are required for performance of the Work on a timely basis. The Contractor shall perform a detailed inspection of all Work in progress at intervals appropriate to the stage of construction of the Facility Site, as is necessary to ensure that such Work is proceeding in accordance with this Agreement and the Cumberland Construction Contract and to protect the Owner Lessor against defects and deficiencies in such Work. Contractor's responsibilities under this Section 4.3 shall include inspection of all materials and equipment both on and off the Facility Site that comprise or will comprise the Facility or that are to be used in connection with the performance of the Work hereunder. The Contractor shall notify the Owner Lessor of any significant deficiencies revealed through such inspections which could reasonably be expected to delay the achievement of Provisional Acceptance beyond the Guaranteed Provisional Acceptance Date, or, if applicable, the Expected Completion Date, and of the measures proposed by the Contractor to remedy such deficiencies.

4.4 Inspection by Owner Lessor. The Owner Lessor (and its authorized representatives) shall have the right to inspect the Work and the Facility Site, and to monitor any material performance tests of the Facility, subject to any conditions on any inspection or monitoring the Contractor or any Subcontractor reasonably determines is necessary or appropriate for safety or security reasons. The Contractor shall use reasonable commercial efforts to provide the Owner Lessor (and its authorized representatives) with advance notice of the scheduled date, time, location and purpose of any material performance tests, if practicable, but failure to do so shall not constitute a default giving rise to any remedies as a result thereof and the Contractor shall have no obligation to provide such Person notice of any acceleration, delay or rescheduling of any such material performance test. All such inspections shall be conducted in a manner that does not unreasonably interfere with the progress of the Work. No inspection performed, witnessed, or failed to be performed or witnessed by the Owner Lessor (or any of its authorized representatives), or any recommendation or lack of recommendation from the Owner Lessor (or any of its authorized representatives) in connection therewith, shall constitute a waiver of any of Contractor's obligations hereunder. The Contractor shall have no obligation to reimburse the Owner Lessor or its Affiliates (or any authorized representative of the Owner Lessor or its Affiliates) in connection with the exercise of any of their rights under this Section 4.4 unless a Lease Event of Default has occurred and is continuing.

ARTICLE 5
PROVISIONAL ACCEPTANCE; FINAL ACCEPTANCE

5.1 Provisional Acceptance. “Provisional Acceptance” shall be achieved if and only if with respect to the Facility:

(a) the Facility and all Work required to be performed under this Agreement on or prior to Provisional Acceptance have been completed in all material respects excepting Punch List items that do not materially and adversely affect the ability of the Facility to operate in accordance with Prudent Industry Practice;

(b) the Facility has commenced commercial operations in simple cycle mode with an aggregate net output the Contractor determines to be commercially reasonable for an electric generation facility with the structure and components of the Facility, in light of, and taking into account, the Cumberland Construction Contract and the results of any performance tests conducted thereunder;

(c) interconnection and synchronization of the Facility with the electrical grid has been achieved;

(d) the Contractor has obtained all Applicable Permits for the operation of the Facility by the Contractor under the Facility Lease;

(e) the Facility is performing in accordance with all Applicable Permits (including air permit emissions limitations);

(f) the Contractor has developed the Punch List; and

(g) the Contractor has received from each Subcontractor all documentation deemed necessary by the Contractor for the safe and reliable operation of the Facility and such documentation is in all respects satisfactory to the Contractor (in its sole discretion).

5.2 Achievement of Provisional Acceptance. No later than five (5) Business Days after the date on which the Contractor determines, in its reasonable discretion, that Provisional Acceptance has been achieved, the Contractor shall deliver to the Owner Lessor an executed Provisional Acceptance Certificate, a form of which is attached hereto as Exhibit B (the “Provisional Acceptance Certificate”). For purposes of this Agreement, the date of achievement of Provisional Acceptance shall be the date on which the Contractor delivers to the Owner Lessor the Provisional Acceptance Certificate.

5.3 Final Acceptance. Following the achievement of Provisional Acceptance, Contractor shall use its commercially reasonable efforts to ensure that the Facility achieves Final Acceptance in a timely manner. “Final Acceptance” shall be achieved hereunder if and only if, with respect to the Facility:

(a) Provisional Acceptance has been achieved;

(b) All items on the Punch List have been completed to the Contractor’s satisfaction;

(c) The Contractor has (i) prepared final drawings, specifications and other documentation that represents the physical placement of all Facility components and systems as installed or constructed at completion or (ii) obtained any such documents that have been prepared on behalf of the Contractor;

(d) The Contractor has received all quality assurance documentation with respect to commissioning and testing of the Facility, to the extent deemed necessary by the Contractor for the safe and reliable operation of the Facility; and

(e) The Contractor has delivered to the Owner Lessor any customary releases of mechanic's liens received by the Contractor from each applicable Subcontractor.

5.4 Achievement of Final Acceptance. No later than five (5) Business Days after the date on which the Contractor determines, in its reasonable discretion, that it has achieved Final Acceptance, the Contractor shall deliver to the Owner Lessor an executed Final Acceptance Certificate, substantially in the form attached hereto as Exhibit C (the "Final Acceptance Certificate"). For purposes of this Agreement, the date of achievement of Final Acceptance shall be the date on which the Contractor delivers to the Owner Lessor the Final Acceptance Certificate.

5.5 Acceptance by Owner Lessor Not a Release of Contractor. No issuance of any Provisional Acceptance Certificate or Final Acceptance Certificate shall constitute a waiver or relinquishment by the Owner Lessor of any of its rights under this Agreement, nor exonerate or relieve the Contractor from any obligation, warranty or liability under this Agreement, except to the extent expressly provided herein.

ARTICLE 6
PRICE AND PAYMENT

6.1 CMA Payment. As full consideration to the Contractor for the timely, full and complete performance of the Work and all costs incurred in connection therewith, the Owner Lessor shall pay, and Contractor shall accept, the sum of $231,875,011 (the "CMA Payment"), to be paid in full in immediately available funds on the Closing Date. The parties acknowledge and agree that the CMA Payment shall not be subject to adjustment for any reason, including for (i) any Facility construction costs or schedule overruns or savings, which shall in any and all cases remain the responsibility of, or accrue to the benefit of, the Contractor, as applicable, or (ii) consequences of any Uncontrollable Forces or change in Applicable Law.

ARTICLE 7
SUBCONTRACTS

7.1 Subcontractors. The Contractor may subcontract the Work, in whole or in part, to any Person without further approval by the Owner Lessor, and the Owner Lessor acknowledges that the Contractor has, prior to the date of this Agreement, engaged Subcontractors to perform the Work. Notwithstanding any agreement with any Subcontractor, the Contractor shall be solely responsible for the Work and shall not be entitled to relief if any portion of the Work is incomplete or delayed due to any disagreement between or among Subcontractors or between any Subcontractor and the Contractor.

7.2 Payments to Subcontractors. The Contractor shall be solely responsible for paying each Subcontractor and any other Person to whom any amount is due from the Contractor in connection with the performance of the Work, and shall fully indemnify, save harmless and defend the Owner Lessor, the Holdco Manager, the Lessor Manager, the Lease Indenture Trustee and Wilmington Trust, and their respective Affiliates, successors, assigns, agents, directors, officers or employees (the "Owner Lessor Indemnified Parties"), from and against any and all Claims of any Subcontractor imposed on or asserted against any Owner Lessor Indemnified Party for any amount due from the Contractor in connection with the performance of the Work. The foregoing indemnity is in addition to the Contractor's indemnity obligations set forth in Section 12.1 and the Operative Documents, and is for the exclusive benefit of the Owner Lessor Indemnified Parties and in no event shall inure to the benefit of any other Person or diminish or otherwise relieve the Contractor from its indemnity obligations set forth in Section 12.1 or the Operative Documents.

7.3 No Privity; No Assignment. The Owner Lessor shall not be deemed by virtue of this Agreement to have any contractual obligation to or relationship with any Subcontractor. The parties acknowledge and agree that (i) none of the Cumberland Construction Contract have been or are being assigned to the Owner Lessor pursuant to this Agreement or any other Transaction Document, and (ii) as between the Contractor and the Owner Lessor, the Contractor shall have the right, in its sole discretion, to amend, modify or terminate, or waive any requirement under, the Cumberland Construction Contract; provided that no such amendment, modification, termination or waiver shall materially adversely affect the ability of the Contractor to comply with its obligations under this Agreement.

ARTICLE 8
REPRESENTATIONS AND WARRANTIES

8.1 Representations and Warranties of Contractor. The Contractor represents and warrants to the Owner Lessor that:

8.1.1 Legal Status. The Contractor is an instrumentality and agency of the Government duly created and validly existing under the provisions of the TVA Act and has full power and authority to enter into and perform its obligations under this Agreement.

8.1.2 Due Authorization; Enforceability; Etc. This Agreement has been duly authorized, executed and delivered by all necessary corporate action by the Contractor, and, assuming the due authorization, execution and delivery by the Owner Lessor, this Agreement constitutes the legal, valid and binding obligations of the Contractor, enforceable against it in accordance with its terms, except as the same may be limited by fraudulent transfer, moratorium or other laws of general applicability relating to or affecting the rights of creditors and by general principles of equity.

8.1.3 Non-Contravention. The execution, delivery and performance by the Contractor of this Agreement, the consummation by the Contractor of the transaction contemplated hereby, and compliance by the Contractor with the terms and provisions hereof, do not and will not (i) contravene the TVA Act or any other Applicable Law binding the Contractor or its property, or (ii) constitute a default by the Contractor under, or result in the creation of any Lien on the property of the Contractor (other than as contemplated by or permitted pursuant to any Transaction Document) under, or require any approval or consent of, or notice to, any holder of any indebtedness of the Contractor under the Bond Resolution, the Subordinated Resolution or any other similar bond resolution governing the issuance of indebtedness of TVA (whether senior or subordinated) or any other material contract, agreement or instrument to which the Contractor is a party or by which the Contractor or any of its property is bound.

8.1.4 Litigation. There is no pending or, to the Actual Knowledge of the Contractor, threatened, action, suit, investigation or proceeding against the Contractor before any Governmental Entity questioning the validity of this Agreement.

8.1.5 Patents, Licenses; Franchises. The Contractor owns or possesses all the patents, trademarks, service marks, trade names, copyrights, licenses, franchises, permits and rights with respect to the foregoing necessary to perform the Work without conflict with the rights of others, except where noncompliance will not have a Material Adverse Effect or involve a material risk of (i) foreclosure, sale, forfeiture or loss of, or imposition of a material Lien on, the Facility or the Facility Site, (ii) the impairment of its ability to perform the Work or other services hereunder or (iii) any criminal or material civil liability being incurred by the Lessor Owner, the Holdco, the Holdco Note Purchasers, the Lessor Manager, the Holdco Manager or the Lease Indenture Trustee.

8.1.6 Compliance with Laws. The Contractor is in compliance with Applicable Law relating to the construction of the Facility, except where noncompliance will not have a Material Adverse Effect or involve a material risk of (i) foreclosure, sale, forfeiture or loss of, or imposition of a material Lien on, the Facility or the Facility Site, (ii) the impairment of its ability to perform the Work or other services hereunder or (iii) any criminal or material civil liability being incurred by the Owner Lessor, the Holdco, the Holdco Note Purchasers, the Lessor Manager, the Holdco Manager, the Lease Indenture Trustee or the Noteholders.

8.2 Representations and Warranties of Owner Lessor. The Owner Lessor represents and warrants to Contractor that:

8.2.1 Due Organization. The Owner Lessor is duly organized, validly existing and in good standing under the laws of the State of Delaware and has the power and authority to execute and deliver, and to perform its obligations under, this Agreement.

8.2.2 Due Authorization; Enforceability; Etc. This Agreement has been duly authorized, executed and delivered by the Owner Lessor, and assuming the due authorization, execution and delivery of this Agreement by the Contractor, this Agreement constitutes the legal, valid and binding obligation of the Owner Lessor, enforceable against the Owner Lessor in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, arrangement, moratorium or other laws relating to or affecting the rights of creditors generally and by general principles of equity.

8.2.3 Non-Contravention. The execution and delivery by the Owner Lessor of this Agreement, the consummation by the Owner Lessor of the transactions contemplated hereby and the compliance by the Owner Lessor with the terms and provisions hereof, do not and will not contravene any Applicable Law of the United States of America or the State of Delaware, or the Owner Lessor LLC Agreement or the Owner Lessor's other organizational documents or contravene the provisions of, or constitute a default by the Owner Lessor under, any indenture, mortgage or other material contract, agreement or instrument to which the Owner Lessor is a party or by which the Owner Lessor or its property is bound, or result in the creation of any Owner Lessor's Lien upon the Lessor Estate.

8.2.4 Litigation. There is no pending or, to the Actual Knowledge of the Owner Lessor, threatened action, suit, investigation or proceeding against the Owner Lessor before any Governmental Entity.

8.2.5 Compliance With Laws. The Owner Lessor has complied with Applicable Law such that the Owner Lessor is not subject to any fines, penalties, injunctive relief or criminal liabilities which in the aggregate have materially affected or are reasonably likely to have a Material Adverse Effect or impair the Owner Lessor's ability to perform its obligations hereunder.

ARTICLE 9
LIABILITY AND DAMAGES

9.1 CONSEQUENTIAL DAMAGES. NEITHER THE OWNER LESSOR NOR THE CONTRACTOR NOR ANY CONTRACTORS OR AGENTS OF EITHER PROVIDING EQUIPMENT, MATERIALS OR SERVICES FOR THE PERFORMANCE OF THE WORK SHALL BE LIABLE TO THE OTHER OR ANY OF ITS CONTRACTORS OR AGENTS FOR CONSEQUENTIAL LOSSES OR DAMAGES, INCLUDING LOSS OF USE OR LOSS OF PROFIT, AND THE OWNER LESSOR AND THE CONTRACTOR EACH HEREBY RELEASES THE OTHER AND ITS CONTRACTORS AND AGENTS FROM ANY SUCH LIABILITY. THE FOREGOING EXCLUSION SHALL NOT BE CONSTRUED TO LIMIT RECOVERY UNDER ANY INDEMNITY IN ARTICLE 12 IN RESPECT OF THIRD PARTY CLAIMS FOR DAMAGE TO OR DESTRUCTION OF PROPERTY OF, OR DEATH OF OR BODILY INJURY TO, ANY PERSON.

9.2 Further Limitation of Liability. The limitations of liability and the exclusions of consequential damages set forth in this Agreement (including this Article 9) shall apply irrespective of whether a party hereto or any Affiliate thereof, or any partner, shareholder, officer, director or employee of a party hereto or an Affiliate thereof, asserts a theory of liability in contract, tort, negligence, misrepresentation (including negligent misrepresentation), strict liability or any other theory of liability.

ARTICLE 10
WARRANTIES

10.1 General Warranty. The Contractor warrants to the Owner Lessor that throughout the period commencing with Provisional Acceptance and, if later, the installation of any property or the performance of any service constituting part of the Work, and ending one (1) day prior to the first anniversary of Provisional Acceptance or such later date: all Work furnished pursuant to this Agreement (a) shall comply with the requirements of this Agreement; (b) will be free from latent and patent defects in construction; and (c) will be suitable and adequate for its intended purpose as reasonably inferable from the terms of this Agreement. During such period, the Contractor shall, at its expense, re-perform, remove, repair, replace, and/or reinstall as necessary all Work, or portions thereof, which fail to comply with any or all of the aforementioned warranties.

10.2 EXCLUSIVE WARRANTIES. THERE ARE NO WARRANTIES OF THE CONTRACTOR TO THE OWNER LESSOR HEREUNDER, EXPRESS OR IMPLIED, OTHER THAN AS SET FORTH IN THIS ARTICLE 10. ALL IMPLIED WARRANTIES (INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) ARE HEREBY DISCLAIMED.

ARTICLE 11
UNCONTROLLABLE FORCES

11.1 Excused Performance. Notwithstanding any other provisions of this Agreement, any obligation of either party under this Agreement shall be excused (expect with respect to the Contractor’s payment obligations hereunder) to the extent that such party’s inability to perform is caused by Uncontrollable Forces. Each party hereto shall use reasonable efforts to cure, minimize, mitigate or remedy the effects of Uncontrollable Forces. In order to cure, minimize, mitigate or remedy the effects of Uncontrollable Forces, the Contractor may, among other things, suspend performance of the Work in accordance with Section 2.4. The rights or the performance by the Contractor of its obligations under this Agreement shall resume upon the cessation of the Uncontrollable Forces.

ARTICLE 12
INDEMNIFICATION

12.1 Claims Indemnified. The Contractor shall fully indemnify, save harmless and defend the Owner Lessor Indemnified Parties from and against any and all Claims imposed on, incurred or suffered by or asserted against any Owner Lessor Indemnified Party in any way relating to or resulting from or arising out of or attributable to (a) the Work (including the design, procurement, construction, installation, start-up or testing of the Facility), including Claims for any damage to or destruction of property of, or death of or bodily injury to, any Person (whether such Person is an Owner Lessor Indemnified Party, the Contractor or any Subcontractor, or is a Person unaffiliated with the Facility or the performance of the Work), or (b) Contractor’s fault, breach of this Agreement, tortious act, negligence, or strict liability in the performance of the Contractor’s obligations hereunder. The Contractor’s indemnity under this Section 12.1 is for the exclusive benefit of the Owner Lessor Indemnified Parties and in no event shall inure to the benefit of any other Person, and is in addition to the obligations of the Contractor under any Operative Document (including Sections 9.1 and 9.2 of the Participation Agreement).

12.2 Survival of Agreement. This Article 12 shall survive the termination or expiration of this Agreement.

ARTICLE 13
INSURANCE

13.1 Insurance Obtained by Contractor. The Contractor shall, or shall cause its Subcontractors to, maintain in full force and effect, at the Contractor's or such Subcontractors' expense, as applicable, the insurance coverages required to be maintained under the Cumberland Construction Contract.

ARTICLE 14
TERMINATION AND DEFAULT

14.1 Termination. Unless terminated by the mutual written agreement of the parties hereto, this Agreement shall terminate on the earlier of (a) the date of termination of the Facility Lease pursuant to the terms thereof, and (b) the date that is two (2) years following the date on which Final Acceptance is achieved.

14.2 Owner Lessor Remedies. Upon the occurrence of any default by the Contractor of its obligations hereunder, and at any time thereafter so long as the same shall be continuing, the Owner Lessor may, at its option, declare the Contractor to be in default by written notice to the Contractor; and at any time thereafter, so long as the Contractor shall not have remedied all outstanding defaults hereunder, the Owner Lessor may proceed by appropriate court action or actions, either at law or in equity, as its sole and exclusive remedy for any default hereunder, to specifically enforce performance by the Contractor of its obligations hereunder of the applicable covenants and terms of this Agreement or to recover damages for breach thereof, at the Contractor's sole cost and expense. For the avoidance of doubt, any remedies for a default by the Contractor of its obligations hereunder shall not include: (i) termination of this Agreement or any other Transaction Document, or (ii) removal of the Contractor from the performance of its obligations hereunder.

14.3 Surviving Obligations. Termination of this Agreement (a) shall not relieve either party hereto of its obligations with respect to the confidentiality of the other party's information as set forth in Article 15, (b) shall not relieve either party hereto of any obligation hereunder which expressly survives termination hereof, and (c) shall not relieve Contractor of its indemnification obligations under Article 12 hereof or warranty obligations under Section 10.1 hereof. This Section 14.3 shall survive the termination or expiration of this Agreement.

ARTICLE 15
CONFIDENTIAL INFORMATION

15.1 Confidentiality. Except as set forth in this Section 15.1, and, with respect to any Confidential Information contained in, or delivered in connection with, the Cumberland Construction Contract, subject in all respects to the confidentiality provisions of the Cumberland Construction Contract, each of the parties hereto shall hold in confidence any Confidential Information for a period ending five (5) years after the earlier of (a) the achievement of Final Acceptance, or (b) termination of this Agreement; provided, however, that nothing in this Section 15.1 shall prevent any of the parties hereto from disclosing Confidential Information (i) to its, or to its Affiliate's, directors, officers, employees, agents and professional consultants or advisors, including legal counsel and independent auditors, (ii) in connection with any assignment of this Agreement, provided that any potential assignee is subject to confidentiality provisions substantially similar to those set forth herein, (iii) to any Person to whom such disclosure is reasonably required in connection with the exercise of any remedy hereunder or to protect the interests of the disclosing Person thereunder, (iv) to any federal or state regulatory authority having jurisdiction over any disclosing Person, or any Affiliate of such Person, (v) to any other Person to whom disclosure is necessary (A) to comply with any law, rule, regulation or order applicable to the disclosing Person, (B) to comply with any subpoena or other legal or administrative process or informal investigative order applicable to the disclosing Person or (C) in connection with any litigation to which the disclosing Person or any Affiliate of such Person is a party or (vi) to the Holdco or to any Holdco Note Purchaser; provided further that in the case of any disclosure made pursuant to clause (v) of this Section 15.1, (x) such disclosing Person shall have used its reasonable best efforts to give the other party hereto prior written notice of any disclosure to be made, unless such notice is prohibited by law or court order and (y) such disclosing Person shall not oppose the other party's seeking an appropriate protective order with respect to any Confidential Information to be so disclosed.

15.2 Public Statements. The Owner Lessor and its respective Affiliates, successors, assigns, agents, directors, officers or employees shall not make any press announcements or public statement about the Facility or any of the transactions contemplated herein, nor shall any such Person make any statement that could reasonably be expected to be used by any third party for such purposes without the prior written consent of the Contractor, such consent not to be unreasonably withheld, conditioned or delayed.

ARTICLE 16
DISPUTE RESOLUTION

16.1 Resolution of Disputes. In the event a dispute arises between the Owner Lessor and the Contractor regarding the application or interpretation of this Agreement, the Owner Lessor and the Contractor shall exercise commercially reasonable efforts to reach a reasonable and equitable resolution of the matter. If the Owner Lessor and the Contractor are unable to resolve the matter within thirty (30) days, either party hereto may refer the matter by written notice to the senior officers of the parties hereto. If the Owner Lessor and the Contractor cannot resolve the matter, the parties hereto shall exercise commercially reasonable efforts to agree upon an appropriate method of non-judicial dispute resolution, including mediation, mini-trial, or arbitration. In any event, neither party hereto shall seek judicial resolution of any dispute until thirty (30) days after the matter has been referred in writing to the senior officers of the parties hereto. In the event of a dispute each of the parties hereto shall, subject to any confidentiality obligations owed to any third party unrelated to any of the parties hereto, make available to the other such data and information as may reasonably be requested. The pendency of this dispute resolution mechanism shall not in and of itself relieve either party hereto of its duty to perform under this Agreement.

ARTICLE 17
TAX MATTERS

17.1 Tax Matters. The Owner Lessor shall reasonably cooperate with the Contractor at the Contractor's sole cost and expense to minimize the Contractor's obligation to pay Taxes (if any) in connection with the Work, including by cooperating with the preparation and overall coordination of the making of tax exemption applications and in preparation of tax agency inquiries and presentations to the extent exemptions in the Owner Lessor's name are available, provided that the Owner Lessor shall not be required to take any action or refrain from any action that would involve (a) a material risk of foreclosure, sale, forfeiture or loss of, or the imposition of any material Lien (other than a Permitted Lien) on the Owner Lessor's interest in the Facility Site, the Facility, the Ground Interest or any portion or Component thereof or any interest therein or (b) a risk of the imposition of criminal penalties as a result of such action.

ARTICLE 18
MISCELLANEOUS

18.1 Assignment. The Owner Lessor has assigned its right, title and interest in this Agreement to the Lease Indenture Trustee. The Contractor shall not have the right to assign all or part of its right, title, and interest in this Agreement, and shall not be released from its obligations under this Agreement, without the consent of the Owner Lessor, which consent shall not be unreasonably withheld, delayed or conditioned.

18.2 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of, and shall be enforceable by, the parties hereto and their respective successors and assigns as permitted by and in accordance with the terms hereof. Except as expressly provided herein, no party hereto may assign its interests herein without the consent of the other parties hereto.

18.3 Collateral Assignment. The parties acknowledge that the Owner Lessor's rights in and to the Facility, the Facility Site and this Agreement have been assigned to, and are subject to the Lien of, the Lease Indenture Trustee as security for the performance of the Owner Lessor's obligations under the Lease Indenture. The Contractor hereby consents to such assignment and to the creation of such Lien and acknowledges receipt of copies of the Lease Indenture, it being understood that such consent shall not affect any requirement or the absence of any requirement for any consent of the Contractor under any other circumstances. Unless and until the Contractor shall have received written notice from the Lease Indenture Trustee that the Lien of the Lease Indenture has been fully terminated, the Lease Indenture Trustee shall have the right to exercise the rights of the Owner Lessor under this Agreement to the extent set forth in and subject in each case to the exceptions set forth in the Lease Indenture. Notwithstanding anything to the contrary contained herein, the rights of the Lease Indenture Trustee, as the assignee of the Owner Lessor's interests, in and to the Facility, the Facility Site or this Agreement shall be subject in all respects to the appointment made under Section 4.1(b) of the Facility Lease, as described below.

18.4 Contractor as Owner Lessor's Agent. The parties acknowledge that, pursuant to Section 4.1(b) of the Facility Lease, the Owner Lessor has irrevocably appointed and constituted the Contractor its agent and attorney-in-fact, coupled with an interest, to assert and enforce, from time to time and so long as the Owner Lessor (or the Lease Indenture Trustee) has not exercised remedies pursuant to Section 18.2 of the Facility Lease, in the name and for the account of the Owner Lessor and the Contractor, as their interests may appear, but in all cases at the sole cost and expense of the Contractor, whatever claims and rights the Owner Lessor may have in respect of the Facility or any Component thereof, against any manufacturer, vendor or contractor, or under any express or implied warranties relating to the Facility or any Component thereof (including any such claim or right that the Owner Lessor may have against the Contractor under this Agreement); provided, however, that such appointment may be revoked in accordance with Section 4.1(b) of the Facility Lease.

18.5 Waivers. No failure to exercise, and no delay in exercising, any right, power or remedy under this Agreement shall impair any right, power or remedy which any party hereto may have, nor shall such failure or delay be construed to be a waiver of any such rights, powers or remedies, or an acquiescence in any breach or default under this Agreement, nor shall any waiver of any breach or default be deemed a waiver of any default or breach subsequently occurring under this Agreement.

18.6 CHOICE OF LAW. THIS AGREEMENT WILL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES OTHER THAN AS PROVIDED IN SECTION 5-1401 OF THE NY GENERAL OBLIGATIONS LAW), EXCEPT TO THE EXTENT THAT U.S. FEDERAL LAW SHALL APPLY.

18.7 Severability. If any provision in this Agreement shall be invalid, illegal or unenforceable under Applicable Law of any jurisdiction, the validity, legality and enforceability thereof in any other jurisdiction, and of the remaining provisions hereof in any jurisdiction, shall not be affected or impaired thereby.

18.8 Notice. Unless otherwise expressly specified or permitted by this Agreement, all communications and notices provided for herein shall be in writing or by a telecommunications or electronic device capable of creating a written record, and any such notice shall become effective (a) upon personal delivery thereof, including by overnight mail or courier service, (b) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (c) in the case of notice by such a telecommunications or electronic device, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (a) or (b) above, in each case addressed to the applicable party hereto at its address set forth below, or at such other address as such party may from time to time designate by written notice to the other party hereto:

If to the Owner Lessor:

Cumberland Combined Cycle Generation LLC
c/o Cumberland Generation Holdco LLC
68 South Service Road, Suite 120
Melville, NY 11747
Telephone No.: 631-930-7202
E-mail: jrangelo@gssnyc.com

Attention: Bernard J. Angelo

If to the Contractor:

Tennessee Valley Authority
400 West Summit Hill Drive
Knoxville, Tennessee 37902
Telephone No.: (865) 632-3366
Facsimile No.: (865) 632-6597
E-mail: leasenotices@tva.gov
Attention: Treasurer

18.9 Headings and Table of Contents. The headings of the Articles and Sections of this Agreement and the Table of Contents are inserted for purposes of convenience only and shall not be construed to affect the meaning or construction of any of the provisions hereof.

18.10 Entire Agreement. This Agreement contains the entire agreement between the Owner Lessor and the Contractor with respect to the Work and the subject matter hereof, and supersedes any and all prior and contemporaneous written and oral agreements, proposals, negotiations, specifications, understandings and representations pertaining to the Work.

18.11 Amendments. No amendments or modifications hereof shall be valid unless evidenced by a written agreement executed by both parties hereto.

18.12 No Third Party Rights. This Agreement and all rights hereunder are intended for the sole benefit of the Owner Lessor (and permitted successors and assigns thereof), the Contractor and the Owner Lessor Indemnified Parties (to the extent provided in Article 12), and shall not imply or create any rights on the part of, or obligations to, any other Person or any other rights on the part of, or other obligations to, any Owner Lessor Indemnified Party beyond the rights and obligations expressly set forth in such provision.

18.13 Limited Recourse. The Owner Lessor and the Contractor acknowledge that the Owner Lessor has entered into this Agreement entirely on its own behalf, and in no manner on behalf of any parent, subsidiary or affiliate company of the Owner Lessor or any equity holder in or joint venturers of the Owner Lessor or any affiliates of any of them, and that the Contractor shall have no recourse against any parent, subsidiary or affiliate company of the Owner Lessor or any equity holder in or joint venturers of the Owner Lessor or any parent, subsidiary or affiliate company thereof (other than the Owner Lessor), or any partners, shareholders or other equity owners, joint venturers, officers, directors, successors or assigns of any such Person for any reason.

18.14 Limitation of Liability. It is expressly understood and agreed by the parties hereto that (a) this Agreement is executed and delivered by the Lessor Manager, not individually or personally but solely as manager of the Owner Lessor under the Owner Lessor LLC Agreement, in the exercise of the powers and authority conferred and vested in it pursuant thereto, (b) each of the representations, undertakings and agreements herein made on the part of the Owner Lessor is made and intended not as personal representations, undertakings and agreements by the Lessor Manager, but is made and intended for the purpose for binding only the Owner Lessor, (c) nothing herein contained shall be construed as creating any liability on the Lessor Manager, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto or by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall the Lessor Manager be personally liable for the payment of any indebtedness or expenses of the Owner Lessor or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Owner Lessor under this Agreement.

18.15 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. This Agreement may be executed by signatures delivered by email, and a copy hereof that is executed and delivered by a party by email (including in .pdf format) will be binding upon that party to the same extent as a copy hereof containing that party's original signature. The words "execution," "execute," "signed," "signature," and words of like import in or related to any document to be signed in connection with this Agreement shall be deemed to include electronic signatures (e.g., signatures effected through DocuSign), which shall be of the same legal effect, validity or enforceability as a manually executed signature to the extent and as provided for in any Applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

[*Signature page follows*.]

IN WITNESS WHEREOF, the Owner Lessor and the Contractor, intending to be legally bound, have caused this Agreement to be executed and delivered by their respective officers thereunto duly authorized on the dates below their respective signatures, but effective as of the date first set forth above.

CUMBERLAND COMBINED CYCLE GENERATION LLC

By: Cumberland Generation Holdco LLC,
not in its individual capacity, but solely
as Lessor Manager under the Owner
Lessor LLC Agreement

By: /s/ Bernard J. Angelo
Name: Bernard J. Angelo
Title: Authorized Signatory
Date: May 26, 2026

TENNESSEE VALLEY AUTHORITY

By: /s/ Joshua J. Carlon
Name: Joshua J. Carlon
Title: Director, Corporate Finance
and
Assistant Treasurer
Date: May 20, 2026

EXHIBIT A
to
Construction
<u>Management Agreement</u>

Description of Facility

The Facility consists of generating Units, Common Facilities, and other equipment, material or property, other than real property, associated with the Units and Common Facilities, all of which are located on, under, or over the Facility Site, which Facility Site is the real property located in Stewart County, Tennessee and is described in greater detail in Exhibit 1 to the Ground Lease.

The Facility will have two (2) 1-on-1 multi-shaft combined cycle Power Island Equipment (PIE) trains, each with a nominal output of 725 MW. Each Unit consists of a General Electric (“GE”) 7HA.03 combustion turbine, GE H84 combustion turbine generator (“CTG”), GE Heat Recovery Steam Generator (HRSG), with GE D600 Steam Turbines and GE H53 generators steam turbine generator (“STG”).

The Facility will also include ancillary equipment, except for any Component exclusively constituting Common Facilities. Natural gas will be the only fuel.

Each PIE Train includes:

- Combustion Gas Turbine (GT) - GE GT-7HA.03 Unit
- Turning Gear & Syncho-self shifting (SSS) clutch
- Dry Low NOx (DLN) Combustion System
- Hot Day Augmentation System (HDAS) on the GT
- Exhaust System Bypass Stack
- Air Filtration Pulse filter (self-cleaning)
- Inlet Evaporative Cooling System
- Compressor/Turbine Cleaning On-line and off–line Compressor Water Wash
- Heat Recovery Steam Generator (HRSG) - Natural Circulation, Horizontal Gas Flow, Reheat Units, Rapid Response Lite, Supplemental Firing Fired on NG only
- Emissions Control- Selective Catalytic Reactor (SCR) and Carbon Monoxide (CO) Catalyst (19% Aqueous Ammonia to be utilized)
- Stack Closure Damper
- HRSG Exhaust Stack - Height 160 ft, Diameter 22.9 ft
- Boiler Feedwater System
- Boiler Blowdown Tank and System
- Steam Turbine (ST) - GE STF-D600 Units - Combined HP-IP
- Gas Turbine Generator - GE H84 Unit (Assembled rotor), hydrogen cooled
- Generator Hydrogen Detection Systems
- Generator Excitation System
- Packaged Electric and Electronic Control Compartment (PEECC)

- Combined LCI/Exciter Compartment (LEC)
- Current & Voltage Transformers
- Generator Seal Oil Systems
- Lube Oil Systems
- Steam Turbine Generator - GE H53 Unit (Assembled rotor), Hydrogen cooled
- GT/ST Closed Loop Cooling System (50% propylene glycol/water)
- Steam Turbine Condenser - Air Cooled Condenser (ACC)
- Fuel Gas Conditioning System (Flow measurement, filtration, heating)
- Control Systems - Bottoming Cycle Control System (BCCS) GE Mark VIe
- HRSG Burner Management System
- Rotor, Bearing and Performance Monitoring Systems
- Generator Protection Panel (GPP)
- Power Distribution Building
- Auxiliary Boiler with redundant steam crossover
- Continuous Emissions Monitoring System (CEMS) (Provided by TVA)
- Transformers including Generator Step-up (GSUT), Essential Services (EST), Medium Voltage (MV)
- Electrical Systems (Grounding, Lightening, etc.)
- Generator Circuit Breakers (GCB)
- Switchgear (MV & 480 V)

The Common Facilities are equipment and facilities that are used for the operation of the (2) PIE trains (units) at the Facility. These shared facilities support the Units.

The Common Facilities are as follows:

- Compressed Air Systems
- Fuel (Natural) Gas Supply (Conditioning and Compression) System
- Aqueous Ammonia Storage and Supply System for SCR
- Oil-Water Separation and Discharge System
- Process Water Treatment and Discharge system
- Fire Protection & Detection Systems
- Potable Water Storage (Tanks) and Supply System
- Safety Eye Wash Stations
- Storm Water Drain System
- Sanitary (Septic) System
- Demineralized Water Storage (Tanks) and Supply System
- Administration Building including Control Room and Maintenance Facilities
- Outage Control Center with Shop Facilities
- Warehouse

EXHIBIT B
to
Construction
<u>Management Agreement</u>

Form of
<u>Provisional Acceptance Certificate</u>

__________, 20__

PROVISIONAL ACCEPTANCE CERTIFICATE
CUMBERLAND COMBINED CYCLE FACILITY

Reference is made to the Construction Management Agreement, dated as of May 26, 2026 (the "<u>Agreement</u>"), by and between Cumberland Combined Cycle Generation LLC, a Delaware limited liability company ("<u>Owner Lessor</u>"), and Tennessee Valley Authority, a wholly owned corporate agency and instrumentality of the United States ("<u>Contractor</u>"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

Pursuant to Sections 5.1 and 5.2 of the Agreement, Contractor hereby certifies that Provisional Acceptance of the Facility occurred on __________, 20__.

IN WITNESS WHEREOF, the Contractor has caused this Provisional Acceptance Certificate to be executed and delivered by its duly authorized representative as of the date first set forth above.

TENNESSEE VALLEY AUTHORITY

By:
Name:
Title:

EXHIBIT C
to
Construction
Management Agreement

Form of
Final Acceptance Certificate

__________, 20__

FINAL ACCEPTANCE CERTIFICATE
CUMBERLAND COMBINED CYCLE FACILITY

Reference is made to the Construction Management Agreement, dated as of May 26, 2026 (the "Agreement"), by and between Cumberland Combined Cycle Generation LLC, a Delaware limited liability company ("Owner Lessor"), and Tennessee Valley Authority, a wholly owned corporate agency and instrumentality of the United States ("Contractor"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

Pursuant to Sections 5.3 and 5.4 of the Agreement, Contractor hereby certifies that Final Acceptance of the Facility occurred on __________, 20__.

IN WITNESS WHEREOF, the Contractor has caused this Final Acceptance Certificate to be executed and delivered by its duly authorized representative as of the date first set forth above.

TENNESSEE VALLEY AUTHORITY

By:

Name:

Title:

EXHIBIT 31.1

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

I, Michael D. Skaggs, 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: August 3, 2026

/s/ Michael D. Skaggs
Michael D. Skaggs
Interim President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

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: August 3, 2026

/s/ Thomas C. Rice

Thomas C. Rice

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

EXHIBIT 32.1

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 June 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael D. Skaggs, Interim 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/ Michael D. Skaggs

Michael D. Skaggs

Interim President and Chief Executive Officer
(Principal Executive Officer)

August 3, 2026

EXHIBIT 32.2

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 June 30, 2026, 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)

August 3, 2026