



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

February 18, 2026

Dear Local Power Company:

In recent years, local power companies (“LPCs”) and TVA have been called upon to support historic load growth across the seven-state region we serve (the “Valley”). This growth is unpredictable, and very large, rapidly scaling loads – such as those from data centers or energy-intensive industries – are emerging at a time when the system is already constrained. LPCs and TVA share a unified vision of positioning the Valley as a national leader in unleashing American energy – delivering reliable, affordable power to meet the demands of these emerging and rapidly growing sectors, while steadfastly protecting the people we serve from undue cost increases associated with this unprecedented growth.

TVA requests to meet and continue engaging with LPC representatives and endeavor to reach agreement with respect to certain changes to the schedule of rates and charges, which is part of our power contract, and on related matters described below.

The following proposals are intended to enable growth while retaining existing customers, and to increase LPC flexibility, all in a manner that protects the people in the Valley.

1. Contract Demand Alignment: TVA proposes modifying the availability of retail rate schedules, and where appropriate, Time-of-Use Service (“TOU Service”) classifications and related conditions for TOU Service rates to require a minimum usage criterion of 75% of the contract demand within the latest 12-consecutive-month period. TVA will work with LPCs to determine options for addressing a failure to meet the minimum usage criterion.
2. Rate Structure Stabilization: TVA proposes creating a new contract option that provides rate structure stability for manufacturing TOU Service customers with contract demands greater than 5,000 kW. This contract option will offer assurance of rate structure stability for subscribing customers.
3. Marginal Pricing Rate Option: TVA proposes developing a new optional rate for LPCs that aligns wholesale rates with the marginal cost of generation. This option will be designed to enable LPCs to explore new revenue opportunities in distributed energy resources while protecting non-participants. This optional rate will be available to all LPCs and may include applicability for customers served under the TOU Service wholesale rate classes.

4. Enabling Large Loads: TVA proposes working with LPC representatives to develop options to accelerate AI and data center growth by bringing these large loads onto the Valley system on requested timelines and in a way that optimizes large load characteristics and protects existing customers from undue cost increases directly attributed to the unique needs of these large loads. Options may include, but are not limited to: (1) creating a new class for customers above a specified contract demand size and/or qualifying under certain NAICS codes with prescribed unique load characteristics along with new pricing and capacity commitment requirements; (2) establishing a “capacity commitment charge,” requiring upfront customer investment to cover TVA’s costs of serving certain new facilities; and/or (3) establishing a framework to provide structured, customized pricing solutions to mitigate individual customer impacts. Policy implementations may include, but are not limited to, siting and transmission requirements, operational and equipment requirements, and new programs and pricing.
5. Redefining Manufacturing Service Applicability: TVA proposes removing data center eligibility from the manufacturing service rate schedules and General/Small Manufacturing Credits. In December 2008, the TVA Board of Directors (“Board”) expanded the manufacturing service rate availability to include data centers and similar businesses, at the option of each LPC, in order to attract and retain such customers at a time when load growth was flat. The Board considered factors, including TVA’s available excess capacity and the expectation that data centers and similar businesses would generate considerable local job growth. Because the factors underlying the Board’s 2008 decision have significantly changed, the removal of data centers from the manufacturing service rate customer class and General/Small Manufacturing Credits program is being proposed.
6. Offpeak Energy Charges: To eliminate negative rate components, TVA proposes changing the Manufacturing Service Rate--Schedules MSB and TDMSA to increase the offpeak, block 3 rates (summer, winter, and transition periods) for both wholesale and resale to \$0.0001 per kWh. To offset the increase, TVA proposes changing the Manufacturing Service Schedules--MSB and TDMSA to decrease the offpeak, block 1 rates (summer, winter, and transition periods) and the onpeak rates (transition period) for both wholesale and resale. TVA further proposes changing the Adjustment Addendum so that the current wholesale and resale revenue requirement adjustment amounts will be applied as if the modified rates were in place at the time applicable adjustments were implemented.
7. Onpeak Hours Shift: In response to system trends, TVA proposes transitioning applicable wholesale and resale onpeak hours for certain months of the year from 1-7 p.m. to 2-8 p.m.

In addition to the proposals enumerated above, TVA will work with LPCs to review and/or clarify the Board approval process for loads that will have a cumulative contract demand greater than 100 MW. TVA’s review and approval process is intended to improve planning to support growth while maintaining system reliability.

The items outlined in this letter are intended to enhance optionality and implement adjustments to better align rate structures with cost. Following this rate change – and likely in the next fiscal year – TVA intends to engage with LPCs on broader rate structure changes. This future effort may include, without limitation, new commercial and industrial rates, new prevailing wholesale rates including an evaluation of the grid access charge, and transmission unbundling.

In accordance with the provisions of the section entitled “Adjustment and Change of Wholesale Rate and Resale Rates” of the schedule of terms and conditions of the power contract between TVA and each LPC, and consistent with our previous successful collaboration with LPCs, TVA is requesting to meet and continue engaging with LPC representatives and endeavor to reach agreement with respect to these proposed changes in rates and related policy matters. These proposed changes do not reflect any rate adjustments that may take place outside the rate change process.

We understand that the Tennessee Valley Public Power Association’s Rates and Pricing Committee will be serving as the representative for most LPCs. If that is not the case for your system, please contact your TVA Customer Relations Manager. Concurrently, TVA will continue to develop the marginal pricing rate option with the Valley Vision Load, Service, Products & Pricing Group.

We look forward to discussing this proposal with you. If you have any questions or need any additional information, please contact your TVA Customer Relations Manager.

Sincerely,



Cass Larson  
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Pricing & Contracts



Daniel Pratt  
Senior Vice President  
Customer & Stakeholder Engagement



Jeremy Fisher  
Executive Vice President and Chief Business Officer  
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