

MEMORANDUM

To: The President of the United States

From: Board of Directors, Tennessee Valley Authority (TVA)

Date: May 22, 2026

Subject: TVA's Path to Fiscal Responsibility in Compensation

Thank you for your March 11 memorandum, "*Promoting Fiscal Responsibility in Compensation Practices at the Tennessee Valley Authority*." We share your commitment to TVA's responsible financial stewardship and to building a stronger, more secure and competitive America and Tennessee Valley Authority.

TVA is fully aligned with your agenda for fiscal discipline and national energy dominance. Our aim is straightforward: ensure high reliability/low rates and advance new nuclear initiatives, while maintaining strong fiscal responsibility. We operate without annual appropriated taxpayer funding with reliability and rates that are better than 80% of the nation. Skilled talent and qualified leadership, especially within core operational areas such as Nuclear, Coal/Gas/Hydro Generation, Grid Modernization, and Cyber Security are essential to accomplishing these objectives.

Below, we have outlined concrete actions that have been or will be taken to accomplish your fiscal directive while safeguarding the highly skilled workforce and leadership needed to deliver America's energy and economic edge.

Compensation Reductions

In total, over \$153M in TVA compensation reductions will be in effect by FY2027. Key Actions include:

CEO Compensation. CEO compensation has been reduced to under \$1M, saving \$9.5M in total CEO compensation each year.

- Former CEO earned \$10.5 million in FY2024
- Outgoing CEO (exiting July 1, 2026) had a \$6 million target compensation
- Interim CEO has a target compensation of \$999K (\$500K salary + \$499K performance incentive)

Executive Compensation. TVA's executive compensation costs have been reduced by over \$65M.

- **Reduced Executive Count & Compensation.** 15 executive positions eliminated and ~40% reduction in total executive compensation to date, totaling over \$36M in annual cost reductions.
- **Eliminated the Chief Operating Officer Role.** Responsibilities absorbed by the CEO, totaling ~\$5 million in annual savings.
- **Consolidated Leadership Scopes.** TVA's Chief Business Officer role was eliminated. TVA's Chief Financial Officer absorbed additional responsibilities for Commercial, Fuels, Pricing and Contracts functions upon exit of TVA's Chief Business Officer. Chief Administrative Officer absorbed responsibility for Government Relations & Federal Affairs. Total annual savings ~\$3M.
- **Supplemental Executive Retirement Plan (SERP).** SERP plan is no longer utilized, generating ~\$25 million initial savings and ~\$2 million ongoing annual savings.
- **Executive Pay Freeze.** No in-role pay increases will be provided to TVA executives in FY2026.

Incentive Plans. TVA's incentive plans are directly linked to overall company performance, with clear, measurable goals related to safety, reliability, operational excellence, and fiscal responsibility.

In FY27, TVA will reduce maximum potential payouts of all incentive plans from 200% to 150% of the target award, reducing potential costs by as much as \$87M.

- **Long Term Incentive Plan.** \$5.1M reduction in executive compensation.
- **Executive Annual Incentive Plan.** \$6.6M reduction in executive compensation.
- **Winning Performance Incentive Plan.** \$75.5M reduction in TVA-wide compensation.

TVA Peer Group

In addition to compensation design changes, TVA is updating the peer group used to survey market practices of executive compensation (as required under The Act) that is used, in part, to set total compensation targets for each executive.

The TVA Act requires the Board to approve a compensation plan and to base the compensation plan on an annual survey of prevailing compensation for similar positions in private industry, including engineering and electric utility companies, publicly owned electric utilities, and Federal, State, and local governments. The Board must also consider job requirements, geography, and recruiting/retention needs.

Previously, TVA's peer group included 28 investor owned utilities (IOUs) that were within one-third to three times of TVA's \$13.7B Revenue. Going forward, the following changes have been made:

- IOU's more than two times TVA's Revenue have been removed to prevent artificially inflating compensation to drive the peer group data higher (Duke Energy, NRG Energy and Southern Co.)
- **Government and Non-Profit Energy Companies** with revenues greater than \$2B have been added to the peer group (Salt River Project, CPS Energy, New York Power Authority, Oak Ridge National Laboratory).
- Government and Non-Profit Energy Companies will be given greater weight and triple counted when calculating market median for each role within the peer group. With this change, **Government and Not-For-Profit Energy Companies will make up one-third of the data points** in the TVA Peer Group.
- For non-operational roles, compensation for general industry organizations of similar size, scope and complexity will also be considered.
- For the Chief Nuclear Officer, the size and complexity of TVA's seven-unit nuclear fleet, which is third largest in the country, will be considered when evaluating appropriate peer group benchmarks.

TVA Market Position

It is critical that compensation remain market competitive to ensure TVA can attract and retain talent that is necessary to deliver on our mission of service and advance America's Energy Dominance.

However, TVA executives need not have pay opportunities that are greater than market median for the role that they perform. Going forward, target **compensation will not exceed market median for any TVA executive**. A change to this policy would require approval by a two-thirds board vote.

A listing of the new peer group and 2025 market rates for key senior executive positions at TVA are included as attachments.

Certification of Compliance

This is the TVA Board's formal certification of compliance with the Presidential Memorandum. The TVA Board will implement its proposed compliance path through a new Compensation Plan to be approved before the start of FY 2027.

We appreciate your attention to this matter as we continue to find ways to lower costs, keep electricity rates low, and help **unleash American energy**.

Thank you again for the opportunity to evaluate our compensation and for the positive feedback that you have provided and thank you for your tremendous leadership in putting our country on the path to prosperity.

Respectfully,

Mitch Graves

Chair, TVA Board of Directors

Tennessee Valley Authority