Tennessee Valley Authority

Fiscal Year 2026 Earnings Webcast

Date Aired: Friday, November 13, 2026, 09:30 AM ET

CORPORATE PARTICIPANTS

Mike Skaggs — *Chief Executive Officer*

Tom Rice — *President and Chief Financial Officer*

Clifton Lowry — *Vice President of Planning and Investor Relations*

PRESENTATION

Clifton Lowry
Good morning, and thank you for joining us for the Tennessee Valley Authority's fiscal year 2026 financial review. My name is Clifton Lowery, and it's my privilege to serve as TVA's Vice President of Planning and Investor Relations. Before we get started, I'd like to recognize some exciting news that was announced following TVA's board meeting on Tuesday, November the 10th. As you know, Mike Skaggs graciously came out of retirement earlier this year to step in as TVA's interim President and CEO with the express purpose to put TVA on a strong path for the future. His leadership and transparency have brought stability to TVA, and as a result, the TVA Board of Directors appointed Mike as TVA CEO, removing the interim from his title.

To further support collaboration, alignment, and transparency, Mike has named current Executive Vice President and Chief Financial officer, Tom Rice, to the position of President and Chief Financial Officer, which will be effective November the 16th. So I'm very pleased to be joined by TVA CEO Mike Skaggs and TVA's CFO Tom Rice. Mike will provide a business update today, and Tom will follow with a review of our financial performance through the end of fiscal year 2026.

As a reminder, before we begin, today's press release and TVA's annual report on Form 10-K for the year ended September 30, 2026 are available on TVA's Investor Relations at TVA.com/investors. A replay of this webcast and the presentation will also remain available on TVA's Investor Relations website for a period of one year. Today's remarks may include forward-looking statements that are subject to various risks and uncertainties, so please refer to TVA's annual report on Form 10-K for the year ended September 30, 2026 for a discussion of these factors. With that, I will now turn the call over to TVA's CEO Mike Skaggs. Mike, please go ahead.

Mike Skaggs
Thank you, Clifton, and thank you for everyone for joining us.

On slide 6, you can see that our record power demand continues across our region. In the last three recent months, TVA set an all-time monthly peak. In June, we set a 31,875 megawatts; in July, 32,732 megawatts; and September, 33,270 megawatts. Also in September of 2026, we had 17 days above 30,000 megawatts, with 12 all-time spring and fall demand peaks.
On slide 7, you'll note that TVA's performance has been strong. Reliably meeting rising demand, our employees are focusing on safety. In fact, we had top-decile performance in our industry, thanks in part to our award-winning, employee-led, Energy-Based Safety Program. This program got its award from the Edison Electric Institute and focuses primarily on risk identification and mitigation.

We had solid nuclear performance. We generated the most gigawatt hours in TVA nuclear history this last year, more than 67,000 gigawatt hours. Operational excellence across the fleet--our generational fleet finished fiscal year '26 in the top quartile, with four sites reaching top-decile performance. That's on top of 20% more starts of our gas fleet due to the rising demand for energy. Tom Rice will discuss how TVA's financial strength is allowing us to continue investing in our existing assets, new generation, and transmission grid to support regional economic growth.

On slide 8, TVA continues to be aligned around the right priorities, which is the three Es-- Energy, Economic Development, and Environmental Stewardship. We're delivering affordable and reliable energy. In that case, adoption of the new Data Center Rate change helped us align with the administration's Ratepayer Protection Pledge and supporting ongoing economic development investments across the region, including growing U.S. nuclear hub in the Oak Ridge area.

On slide 9, you'll show that we're actively constructing new generation with gas buildout, evaluating additional projects to meet near-term demand growth, aligning around long-term investments and projects, which includes adopting the new IRP, which is our TVA strategic blueprint for meeting long-term demand and continuing TVA's national leadership in nuclear energy, including extending the lives of our existing units and receiving the first Small Modular Reactor construction permit from the NRC for Clinch River site and helping expand the nuclear fuel and supply hub in the East Tennessee area.

We're also developing and implementing strategic transmission plans to expand and upgrade TVA's transmission grid.

Now I'd like to turn it over to our Chief Financial Officer, Tom Rice, for the financial update.

Tom Rice
Thank you, Mike, and good morning, everyone. I'm Tom Rice, TVA's President and Chief Financial Officer. Before I get into the financial results and statements, I'd like to take a moment to reflect on our performance and highlight several accomplishments from fiscal year 2026 that demonstrate how TVA is positioning itself to meet the region's growing energy demands.

First, TVA completed its 2026 Integrated Resource Plan, which provides the framework for meeting the region's growing energy needs while maintaining reliability and affordability. The IRP identifies the need for additional capacity, with a near-term focus on expanding firm, dispatchable resources such as natural gas and battery storage, while collaborating with partners to advance nuclear technologies for long-term reliability and risk mitigation. Complementary deployment of solar and demand-side programs is also identified. Guided by our new IRP, we are executing one of the largest capital investment programs in TVA's history, including the gas buildout and other projects that Mike mentioned. Supporting that investment program was the successful completion of the Cumberland Combined Cycle Project financing, the largest alternative financing transaction in our history. The strong market reception of that transaction reflects confidence in TVA's discipline, financial management, thoughtful planning, and long-term strategic direction.

Second, the Tennessee Valley continues to experience strong economic growth with increasing electricity demand, primarily driven by continued industrial expansion and interest from data centers and other large-load customers. To help manage that growth, TVA implemented a new rate structure for data centers. This approach is designed to support continued economic growth and rising electricity demand while ensuring costs are allocated fairly and existing customers are protected.

Third, TVA remains focused on financial strength and improving efficiency. Through enterprise-wide optimization efforts, we continue to improve the way we operate and position TVA to support future system investments. We have successfully completed a three-year Enterprise

Transformation Program designed to deliver sustainable reductions to planned cost increases in 2026 and beyond to support future fleet investment needed to meet the growing demand.

And with that, let me turn to our financial results for fiscal year 2026. And I will begin with a quick summary. We delivered higher sales volume year over year, driven by system growth and weather impacts, and I will cover those sales drivers in more detail in a moment. But as you would expect, this growth translated into higher operating revenue, which helped to drive strong net income.

As a public power utility, every dollar of net income is reinvested back into the power system to support investments needed to reliably serve the growing region. TVA also saw a stronger operating cash flow, driven by the receipt of tax credits and higher customer collections related to the increased sales volume I mentioned. So let me now walk through the key drivers behind these results in more detail, which I'll do on the next few slides.

Looking into sales and revenue, our power sales were up approximately 2% compared to the same period last year due to increases in the data processing, web hosting, and related services sector and the residential and small commercial sector. We also saw weather contribute to the increase in sales, with a year-over-year increase in cooling degree days. As shown in the chart on the right, total degree days were approximately 1% below normal, while 2% higher than the prior year. Cooling degree days increased approximately 10% year over year, primarily driven by the record September weather that Mike mentioned. These increased sales volumes drove higher base revenues, which, combined with the higher fuel cost recovery rates, contributed to increased operating revenues year over year.

Our operating revenues were approximately $14.2 billion for fiscal year 2026, an increase of $546 million, or about 4% compared to last year. And breaking that down, $288 million of the increase came from higher base revenues driven by higher sales volumes. And fuel cost recovery revenue also increased $237 million, primarily due to higher fuel cost recovery rates as a result of higher gas prices and purchase power prices as compared to the prior year. And as you can see at the bottom of the table, our total average rate came out at 8.2 cents per kilowatt hour.

Looking at the power supply summary, we continue to benefit from a balanced mix of nuclear, natural gas, hydro, coal, and renewables in providing reliable electricity to the people and industries across the Tennessee Valley. Looking at the chart on the left, you will see that nuclear generation is significantly higher this year, reflecting the record performance that Mike mentioned. The increased availability across our nuclear fleet compared to last year helped offset lower hydro generation due to the drought conditions and reduced our reliance on purchase power.

TVA generated resources met 83% of demand, up from 80% last year, demonstrating strong performance across our owned fleet and a corresponding reduction in purchase power needs, which delivered meaningful cost savings compared with alternative energy sources. The chart on the right shows total power supply, including purchase power allocated by resource type. And this highlights the strength of our balanced generation mix. Our diverse generation portfolio continues to deliver benefits, helping us maintain affordability and reliability and reduce exposure to fuel price volatility across the various commodities.

Now, looking at our income statement, I'll start at the top with base and fuel revenues, which I previously discussed, which were $288 million and $237 million higher than the prior year, respectively. On the expense side, fuel and purchase power expense increased $329 million year over year, primarily due to higher purchase power market and natural gas prices, combined with the higher sales volume as compared to the prior year. The increase was partially offset by the higher levels of TVA generation that I previously covered.
O&M expense decreased $264 million, driven primarily by the tax credits recorded in fiscal year 2026. And this also reflects the benefits of our Enterprise Transformation Program that I covered a moment ago. Payments in lieu of taxes, depreciation, and other expenses decreased $345 million, primarily due to lower depreciation and amortization expense resulting from asset life assumption changes and the Browns Ferry Nuclear Plant license renewal. This decrease was partially offset by increased tax equivalents.

Interest expense was $65 million higher, reflecting higher average balances and rates on long-term debt. And at the bottom, you can see TVA delivered $2.1 billion in net income, an increase of $761 million compared to the prior year, reflecting higher operating revenues, recognized tax credits, and lower depreciation expense. This exceptional financial performance, reflected by strong net income that enables continued reinvestment in the power system, is central to modernizing our existing assets, building new generation and transmission infrastructure, and reliably serving the Tennessee Valley's growing energy needs while maintaining low rates for our customers.

Now on to the cash flow statement. Operating cash flow remains strong at $3.5 billion for the fiscal year, $219 million higher than prior year, mainly due to the receipt of tax credits and higher customer collections as a result of increased sales. We continue to execute the largest capital program in our history, with nearly $3.9 billion of investing cash outflows in fiscal year 2026. The year-over-year decrease is driven by capital project timing with TVA's Cumberland and Kingston gas plants approaching completion. We expect investing cash flow to remain elevated as we continue to build new generation to meet growing demand.

Financing cash flow came in at $463 million and includes proceeds associated with our $2 billion lease financing for the Cumberland Combined Cycle Project I covered a moment ago. The net financing cash flow reflects a bond offering at the end of the prior fiscal year, which effectively prefunded a power bond maturity at the beginning of fiscal year 2026. And as you can see, we continue to maintain a higher cash position to support our elevated capital needs moving forward.

And at the bottom, you can see our debt and total financing obligations as of September 30 were approximately $24.4 billion, increasing year over year to continue supporting TVA's capital buildout for new long-term generation assets. These investments will increase our generating capacity and ensure continued delivery of low cost and reliable power to the Tennessee Valley.

So in summary, our financial performance, demonstrated by strong operating cash flow, continues to support the reliable delivery of low-cost power to our customers. Fiscal year 2026 saw higher sales, driven primarily by system growth and weather impacts, and the higher sales contributed to higher operating revenue, which drove higher operating cash flow year over year. And our balanced portfolio of generating assets performed extremely well with record performance from our nuclear fleet. And we continue to execute our capital plan with the Cumberland Combined Cycle Project nearing commercial operation.

And as we look ahead, we expect to invest over $13 billion in the next three years, on top of the more than $23 billion in investments since 2020, to maintain reliability in our existing fleet and transmission system, expand capacity, and support our growing region for decades to come. Our strong financial position enables us to execute one of the largest capital investment programs in our history, in alignment with the recommended strategy outlined in our new IRP. And I will now pass it back over to Mike for closing remarks.

Mike Skaggs
So in closing, I'd like to thank you, Tom, and I'd like to thank TVA for its continued support of reliably serving and growing a region with a growing economy. We are investing in both our existing assets and expanding our energy system. Our people are focused on the right priorities, leading to strong operational performance and financial performance. We are aligning on the right strategic priorities to power this region for decades into the future, and we have the financial strength to deliver strong results, just as we did in fiscal year '26. Once again, thank you for joining us and for your ongoing support of TVA.

Clifton Lowry
Ladies and gentlemen, this concludes today's webcast. Once again, thank you for joining us today. Members of the financial community may reach out with questions to TVA's Investor Relations team by emailing investor@tva.gov. And then members of the media may direct inquiries to TVA's Media Relations team by calling 865-632-6000. Thank you for joining us today.