

# Tennessee Valley Authority

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## First Quarter Fiscal Year 2026 Earnings Webcast

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### CORPORATE PARTICIPANTS

**Don Moul**--*President and Chief Executive Officer*

**Tom Rice**--*Executive Vice President and Chief Financial Officer*

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

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## **PRESENTATION**

### **Operator**

Good morning, everyone, and welcome to the Tennessee Valley Authority's First Quarter Fiscal Year 2026 Investor Webcast. The recording of this event and the presentation will be available on TVA's Investor Relations website following the webcast. Now, for opening remarks, I would like to turn the call over to Mr. Clifton Lowry, TVA's Vice President of Planning and Investor Relations. Mr. Lowry, please go ahead.

### **Clifton Lowry**

Thank you, Lori. Good morning, everyone, and thank you for joining us for the Tennessee Valley Authority's First Quarter Fiscal Year 2026 financial review. I'm pleased to have with me TVA's Chief Executive Officer, Don Moul, and TVA's Chief Financial Officer, Tom Rice. Don will provide a business update and then Tom will follow with a review of TVA's financial performance.

As a reminder before we begin, today's press release and TVA's Quarterly Report on Form 10-Q for the first quarter ended December 31, 2025, are available on TVA's Investor Relations website at: [www.tva.com/investors](http://www.tva.com/investors). As mentioned, the webcast and presentation will also be 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. Please refer to TVA's Quarterly Report on Form 10-Q for the quarter ended December 31, 2025, and TVA's Annual Report on Form 10-K for the year ended September 30, 2025, for a discussion of these factors.

With that, I will turn it over to TVA's President and CEO, Don Moul. Don, please go ahead.

### **Don Moul**

Hello. As we move into calendar year 2026, I want to take a few minutes to talk about the trajectory of TVA. As investors, I think understanding the trajectory of an organization is important because it gives you a view into the priorities set by its leadership team, the organization's commitment to operational excellence on a day-to-day basis, the industry conditions and market demand in front of the organization, and the investments the organization is making to further its priorities and meet market demand. At TVA, our trajectory continues to be very strong.

We have a clear and expanding mission, meeting rising energy demand for 10 million people, powering economic investment across a growing region and furthering American energy dominance with new generation resources and energy innovation. We have an experienced leadership team aligned around this mission, including four new board members who have been sworn in, now restoring TVA board quorum. As we welcome our new board members, we look forward to their input on how we best serve the Tennessee Valley region and our nation. TVA has been working hard so that as they assume their roles, we have a slate of priorities and investments for them to review and provide input on.

A few of these elements which I will touch upon further on this call include our active new generation construction and system enhancements as TVA executes one of its largest ever capital investment plans. Our ongoing commitment to the performance of our existing fleet and the investments needed to ensure the reliable operation of today's megawatts for many years to come. The ongoing evaluation of continued operations of our existing coal assets to meet rising demand as we build new generation assets. Completing our Integrated Resource Plan to ensure we have a strong planning foundation to meet future energy demands in the decades ahead. Electric rate fairness to ensure as demand grows rapidly in sectors such as data centers and AI, those new users do not create additional upward rate pressure for the families and other industries

we serve. And our ongoing national leadership in both new nuclear development and supplying energy to multibillion dollar nuclear fuel and supply chain infrastructure projects in our region that are critical to the future U.S. energy dominance.

Another reason TVA has a strong trajectory is that, while our new board members were going through their nomination and confirmation process, the TVA team and our partners continued the work of serving the Valley region to successfully meet rising demand. TVA has continued to see rising demand this fiscal year of around 1 to 2%, which is similar to last year's growth. This winter peak season, our performance and reliability have been solid. We've once again met multiple peaks above 30,000 megawatts when temperatures dipped with this most recent storm, pushing demand up to 32,909 megawatts.

Winter Storm Fern did bring icy conditions across a large part of our service territory, and these are among the most challenging scenarios for utilities. This storm resulted in power line damage on both TVA and local power company systems, especially in Mississippi and the Middle Tennessee areas near Nashville. Beginning on Sunday, January 25th, TVA crews worked to restore customer connection points, supplying electricity to local power companies. By Wednesday, January 28th, 2026, all the connection points were restored, further clearing the way for those local power providers to complete restoration of their systems. We continue to coordinate closely with the local power distributors and are supporting their efforts to restore their systems and help their communities, including providing drones to evaluate damage and delivering other supplies. Thank you to all those line workers, site and field personnel, and system operators who responded immediately and continue to respond to bring power back to storm affected areas as quickly as possible.

Our Chief Financial Officer, Tom Rice, will provide a little more detail about current electric demand in his upcoming presentation of our financial results. Looking at the longer term, TVA expects more robust demand growth. TVA is anticipating energy demand growth of around 2% per year throughout the next five years. This growth is driven by an in-migration across our region, widespread economic development activities which, in fiscal year 2025, reached more than 6.6 billion dollars in announced projected capital investments across our service territory, and data center growth. Data center demand climbed to 18% of our industrial load in 2025 and we are projecting data center growth to double in our region by 2030. This is why we will be working with our board to ensure that serving new data centers does not create rate pressure on other electric customers and consumers across the Tennessee Valley region, a challenge also being faced in other parts of the country.

Growing energy demand on our system requires TVA to invest in new generation. We have about 6200 megawatts of new generation planned with more than 3700 megawatts of that actively under construction. That's enough power for more than 2.1 million homes with American Energy. Construction of the approximately 1500 megawatts new natural gas combined cycle units at our Cumberland site is progressing toward being online later in 2026. Beyond that, our Kingston Energy Center in Tennessee is also progressing toward adding 1500 megawatts of natural gas generation and is expected to be online in 2027.

TVA has started construction of 500 megawatts of new gas units at our New Caledonia, Mississippi site at the close of 2025. We also completed the environmental reviews and moved into the construction phase on 200 megawatts of new aeroderivative natural gas combustion turbines at our Allen site in Memphis, TN. We are also evaluating other new gas generation projects and a new pumped hydro storage facility in North Alabama pending environmental

reviews and board approval for each project. These would potentially add more generation to the diverse TVA fleet in the early to mid-2030s.

In addition to adding new generation, TVA is also investing in our existing fleet for both reliability and longevity. In December 2025, TVA received Nuclear Regulatory Commission approval to extend our Browns Ferry nuclear plant license through the mid-2050s. Browns Ferry is one of the largest nuclear plants in the country, so this is a significant accomplishment. We're making similar investments to extend the licenses of our other nuclear units.

As you can see, TVA is aligned with the Trump administration in expanding the US energy supply. We're also working with the administration to innovate our nation's energy supply. We continue at the forefront of new nuclear development both with our Clinch River small modular reactor site and working with companies developing other next-gen reactor technologies that may potentially be deployed in our region. At Clinch River, TVA continues to work with partners on SMR design and development as well as moving forward with initial site preparation. This work is being funded by the 350 million dollars our board previously approved for the Clinch River project. Additionally, in December 2025, the US Department of Energy awarded TVA and our partners a 400 million dollar grant to help accelerate Clinch River deployment.

As I said in my opening comments, TVA has a strong trajectory ahead. We have a board quorum in place to formally act on a slate of planned activities and investments beyond what TVA has already been delivering. The region we serve has ongoing strong electric demand and economic investment activity based in part on TVA's competitive electric rates. TVA employees and our partners continue to deliver on our mission of service, maintaining our outstanding reliability as we build and integrate more assets into one of the nation's most diverse energy systems, and we are an essential part of reaching this administration's goals of American energy dominance through abundant and affordable electricity.

Thank you. And let me now introduce TVA's Chief Financial Officer, Tom Rice, for a more detailed look at TVA's financial strength.

### **Tom Rice**

Thank you, Don, and good morning, everyone. I want to begin with a quick summary of our financial results. For the first three months of fiscal year 2026, we delivered higher sales volume year over year, driven primarily by weather conditions that were closer to normal compared to the same period last year, as well as growth across the system. As you would expect, this increase in sales translated into higher operating revenue and higher net income compared to the prior year. I'll walk through the key drivers behind these results in more detail on the next few slides.

Starting with our sales and revenue, you can see our power sales were up about 4% compared to the same period last year, mostly driven by closer to normal weather impacts I mentioned and higher sales within the data processing, hosting and related services sector.

On the chart to the right, you will see that total degree days were 6% below normal, but still 14% higher than the prior year. Another factor supporting the stronger sales is the sales increase, which has contributed to higher base revenue driving higher operating revenues this year. And as you can see, those operating revenues were approximately 3 billion for the quarter, an increase of 129 million from last year or about 4%.

And breaking that down just a bit, 152 million dollars of that growth came from higher base revenue, primarily driven by two factors. The first is higher sales and the second is an increase in

the average effective base rate as a result of higher demands. Offsetting this was a 28 million decrease in fuel cost recovery revenue, which at first glance seems counter to the fact that our sales increased, but is the result of significantly higher year over year nuclear generation, which reduced our fuel rate. And as a result, our total effective rate remains steady at 7.6 cents per kWh, allowing us to provide affordable, reliable power while supporting system growth and managing closer to normal weather impacts.

As Don mentioned, TVA has a diverse mix of nuclear, natural gas, hydro, coal and storage technologies that provide reliable electricity to our 10 million customers across the Tennessee Valley. Looking at the chart on the left, you will see that nuclear generation is higher this year, reflecting increased availability of our nuclear units this quarter. That increased availability led to lower fuel cost recovery rates, which contributed to the decrease in fuel revenue I discussed earlier. And as you would expect, with increased nuclear generation, other fuel types are generally flat or slightly lower compared to the same period last year. The chart to the right shows total power supply by resource type, including purchase power allocated by resource type. This view highlights the strength of TVA's balanced generation mix and our strong portfolio continues to deliver benefits, helping us maintain affordability and reliability for customers throughout the winter season.

Now I want to turn to the income statement and starting at the top, you can see base revenue, which I've discussed was 7% higher than the prior year. On the expense side, fuel and purchase power expense, which is 924 million rose year over year primarily due to higher purchase power market prices. O&M expenses decreased 56 million primarily due to tax credits that offset O&M cost, which we expect to receive in cash later this year. And taxes, depreciation and other expenses decreased 10 million year over year. And while there are a number of factors driving this, a significant driver was the approval in December of subsequent license renewals of the Browns Ferry nuclear units that Don covered. And rounding out the income statement, you can see interest expense was 29 million dollars higher, primarily driven by higher average balances and rates on our long-term debt. And at the bottom, you can see that we delivered 266 million in net income for the quarter, 141 million higher than the same period of the prior year, primarily due to higher operating revenues. This strong financial performance enables us to reinvest in the power system, maintain reliability, and keep rates competitive, all while executing the largest capital program in our history.

Now on to the cash flow statement. Operating cash flow for the first quarter is 330 million, which is 120 million lower than the same period last year, primarily because of the timing of vendor payments and higher fuel and purchase power payments. This decrease was partially offset by an increase in revenue collections driven by the higher sales volume. Cash used in investing activities decreased 170 million compared to the prior year and the decrease was mainly due to less spend on capacity expansion projects primarily related to the Cumberland Natural Gas project, which is nearing completion, and higher spend on the Kingston Natural Gas project in the prior year. And during the quarter, we used the cash that we had on hand at the beginning of the quarter to fund our investing activities and reduce our debt, which resulted in a decrease of nearly 1.2 billion in cash provided by financing activities compared to the last quarter. And at the bottom of the chart, you will see that debt and total financing obligations were 23.6 billion as of December 31, which is 180 million lower than the beginning of the fiscal year, but higher than the same period last year as we continue executing our capital plan to invest in our system. And looking ahead, we continue to anticipate a need to increase debt in the coming years to support continued investment in power system assets.

So, to recap, we delivered a solid start to fiscal year 2026, supported by growing power demand and financial discipline. Higher sales driven by closer to normal weather and system growth resulted in stronger operating revenue and net income. And our balanced and strong power system continues to perform exceptionally well, ensuring affordability and reliability for the 10 million people we serve. And looking ahead, we are planning to increase capital market activity to support and execute one of the largest capital investment plans in TVA's history. Investments that will strengthen the power system and position TVA for the future.

**Don Moul**

Well, thank you for joining our quarterly investor webcast today. You heard about TVA's strong trajectory which is being driven by our employees who deliver reliability, even during tough winter conditions like we experienced last week, quality leadership, focused on our strategic priorities and our long-standing mission of service, including our four new board members, ongoing regional and economic growth that continues to create rising energy demand across our service territory, smart planning and investments based on TVA's financial strength that are expanding TVA's diverse generation fleet and enhancing our existing assets, and strong alignment with our national priorities of American energy dominance, American energy innovation, and powering technologies that are critical to our national security. I'm extremely proud of the value TVA is delivering now and how we are positioning ourselves and this region that we serve for long-term success.

**Operator**

Thank you. Ladies and gentlemen, this concludes today's webcast. Members of the financial community may reach out with questions to TVA's Investor Relations team by emailing [investor@tva.gov](mailto:investor@tva.gov). Members of the media may direct inquiries to TVA's Media Relations team by calling 865-632-6000.